

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 27 June 2002

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Ms P. Faulkner, Secretary;
Mr L. Wallace, Executive Director, Financial and Corporate Services;
Ms J. Westacott, Executive Director, Housing and Community Building;
Mr K. Downie, Director, Policy and Strategy, Housing and Community Building; and
Mr M. Darmody, Manager, Commercial Services, Department of Human Services.

The CHAIRMAN — I declare open the Public Accounts and Estimates Committee hearing on the budget estimates of the portfolios of housing and community services. I welcome the Honourable Bronwyn Pike, Minister for Housing; Ms Patricia Faulkner, secretary; Mr Lance Wallace, executive director, Financial and Corporate Services; Ms Jennifer Westacott, executive director, Housing and Community Building; Mr Ken Downie, director, Policy and Strategy, Housing and Community Building; and Mr Mark Darmody, manager, Commercial Services, from the Department of Human Services; and departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of housing, I ask all present to ensure their mobile telephones are turned off.

Minister, I invite you to give a brief overview of your responsibilities under the housing portfolio.

Overheads shown.

Ms PIKE — As the committee is aware, the housing assistance program is governed by commonwealth-state agreements. The housing program is governed by the Commonwealth-State Housing Agreement and the homelessness support program is governed by the supported accommodation assistance program (SAAP). The committee will also be aware that funding in the Commonwealth-State Housing Agreement has been declining for a decade, and on top of that the commonwealth supported accommodation assistance program funds are not provided on an equitable basis in terms of Victoria's share of population. These are two things that govern our broader context.

The committee will also be aware that appropriations in the state budget papers would be declining because of the nature of the joint funding arrangements, except for the provision of additional funding, that is, state only funding by the Bracks government. This is the final year of the Commonwealth-State Housing Agreement and, along with other states, Victoria is currently negotiating for new arrangements with the commonwealth for the future.

Before I go specifically to the budget papers I want to outline some of the challenges in the housing program. The first challenge is that demand for both the SAAP services and housing assistance is growing. There are more people in need and their needs are becoming more complex. Sixty-six per cent of all housing allocations are now to people with early housing needs. Just to find yourself on the application list for early housing obviously indicates that you have a range of complex issues.

The top graph on the slide shows that commonwealth funding under the Commonwealth-State Housing Agreement — that is the red line on the top graph — has declined by 30 per cent since 1990. The commonwealth had a strategy to shift the reliance for housing provision onto the rent assistance line, and the committee will see that indicated in blue on the top graph. Although that has risen over the past few years you will note that that has recently plateaued. So the gap between the capital assistance that has historically been provided in the Commonwealth-State Housing Agreement and the rent assistance on a recurrent basis is now beginning to widen because of that stalling of rent assistance.

On top of that we know that in the context of a rising housing market we now have a widening gap — that is identified in the bottom graph — between medium rents and commonwealth rent assistance payments. Clearly the CPI line shows that the index for rent assistance payments is not keeping pace particularly with medium metropolitan rents. So there is broadly in our community an increasing problem with affordable housing supply. We know that — you do not have to be a genius to work that out. It is happening particularly in inner metropolitan Melbourne, and that is putting severe pressure on our housing system broadly in the community, particularly private sector rents at the lower end of the market, and of course the affordable housing sector that the government deals with.

Other challenges are long standing within the housing portfolio. Firstly the existing pattern of stock is not well aligned to the needs of clients. We do not have enough smaller properties. We have a three-bedroom home system and a demand that is for one and two-bedroom facilities, and more individuals and smaller families requiring our assistance. We need more housing in locations where the need is highest, in the growing outer areas of Melbourne and major regional cities, which are growing. Some of the more dense estates — obviously the high rises come to

mind — are now not appropriate for a high number of people with complex needs: unemployment, psychiatric issues, disabilities, and a range of other difficulties that people face.

In terms of the actual condition of the stock, we do face years of underinvestment in the system, and there is a backlog of works required. For example, I am advised that over the period of the previous government \$7 million was spent on non-essential works over the whole number of high-rise estates — that is 43 estates, or 43 high-rise towers, I should say. So we have a lot to do in terms of refurbishment, backlog of works, major upgrades, et cetera.

I am also very committed to strengthening communities across Victoria through the renewal of our public and community housing estates and boosting services for homeless people. Those strategies are absolutely essential to deal with the concentration of disadvantage.

I would like to take you through the additional funds the government has put into the housing assistance program since we came to office over our first three budgets. In the case of housing — the graph on the left — the additional capital works we have provided have helped to ease the effects of the decline of the Commonwealth-State Housing Agreement funding and helped us to steadily grow supply, in spite of these lower funds.

In the case of homelessness support services — these are recurrent funds in the SAAP budget — we have lifted the base level of funding annually by 20 per cent since coming to office. Of course there has been an ongoing debate between us and the commonwealth about matching for the additional resources we have put in.

This graph shows that the government has increased expenditure in two vital areas of asset protection: first of all, upgrades — we have increased expenditure by 54 per cent and we have increased maintenance by 42 per cent. This is absolutely essential, because we have an \$8 billion asset base in housing in Victoria — so a very substantial asset base — and we have a responsibility, obviously, in a fiscal sense to ensure that that asset base is renewed and protected. Of course we know that we need to provide appropriate housing for our residents that meets community standards and expectations, and is rentable, basically, to people.

That investment will have a positive effect on the key national performance indicator for customer satisfaction, which of course the actual condition of the property is very much part of. We have started to reshape the assets and establish a neighbourhood renewal program as a whole-of-government approach to areas of disadvantage.

Let me now briefly turn to an overview of the budget papers. The state budget sets out the appropriation funds for the housing assistance program. I want to make it clear that if it had not been for the injection of the additional state-only funds, the total appropriations for housing assistance would have decreased over the last three years — and I have explained that — because of the nature of the Commonwealth-State Housing Agreement.

The budget initiatives I announced are funded from the total housing budget — not just the appropriations, but the overall housing budget — which includes internal receipts such as rents, asset sales and home finance receipts. That is the \$401 million that of course is on top of the appropriations.

Our budget strategy is simply set out in this slide. It shows the major policy settings that underpin our budget priorities, and you can read that — the growth of supply; improving the quality of our assets; the neighbourhood renewal strategy; trying to break down concentrations of disadvantage; building in whole-of-government approaches with employment strategies; connection to education and welfare services, et cetera; improving our service — that is, increasing maintenance and our additional expenditure on upgrades — and our continued focus on homelessness.

We are investing \$380 million for new asset investment in 2002–03, and \$8.8 million over four years to boost homelessness services. This is in line with our Growing Victoria Together strategy. Out of the \$380 million we are investing \$210 million to acquire properties for social housing and \$170 million in physical improvements to address the living conditions in the estates.

Let us go to that \$210 million, which is the new asset supply appropriation and expenditure. Out of that, more than 1500 acquisitions will be provided across Victoria to provide homes for people on the waiting list. In addition to completed properties, we will have 850 properties in the pipeline — which means, being constructed at the moment or not yet finalised. Because the housing portfolio is, in a sense, located within the property market, we have a rolling asset program which moves over from year to year. In other words, construction does not end on 30 June and begin again on 1 July; it is a rolling program.

Some \$98 million will be invested for public housing in response to the advice of the Victorian homelessness strategy, and that improves the long-term housing needs bottom line for people. You can see the breakdown there of the other parts of that expenditure — that is, redevelopments, community-managed housing, joint ventures and Aboriginal housing.

These graphs show that we are growing supply, both the total supply and the supply of properties specifically for homeless people — that is, crisis and transitional housing. As I said, this has only been made possible by the additional state funds which I referred to earlier.

The number of crisis and transitional housing properties was boosted significantly this year, really addressing some historical underinvestment. It will be boosted again next year to grow to more than 3500 units. This figure is far higher than the figure I am advised was in the original target. I am advised that when the program was first introduced the target was to grow supply to 2000 units. We have now adjusted this target and are growing it to more than 3500, but on top of that the Victorian homelessness strategy advised us that we needed to place greater emphasis on long-term housing.

Turning to the \$170 million out of that \$380 million, which is for stock improvement, you will note that \$70 million over this year will overcome years of neglect in the inner city high-rise estates. The projects will involve security measures such as concierges and surveillance cameras; upgrading lifts and public areas, unit upgrades, et cetera. Longer term projects will involve introducing a public-private mix of tenants, and people will have heard about that policy development, particularly in the Kensington redevelopment.

For the neighbourhood renewal projects our aim is to provide \$12 million initially as seed funding to dramatically improve living conditions and the local social and economic environment. I have talked about housing quality and jobs.

The \$8.8 million of new homelessness expenditure builds on our increases in the previous two budgets — it is the third time we have increased funding for SAAP and homelessness services. Now the base is 22 per cent higher than when we took office. As I explained before, we have continued to grow crisis and transitional housing.

The increased services for homeless people are shown on this next slide — namely, the SAAP support periods, the households assisted with crisis and transitional housing, and lastly, bottom right, those households that have been assisted with the Housing Establishment Fund (HEF), which is emergency relief funding that is provided to agencies for very short-term and crisis accommodation needs.

In summary, this budget will enable more than 1500 units to be acquired, with an emphasis on construction. We are consolidating our program to shift our emphasis away from leasing to a more construction focus, particularly in the outer areas of Melbourne where demand is highest. You will note that that figure is made up of a whole range of facets of our program and includes 235 crisis and transitional housing management (THM) homes.

We will be providing major upgrades to 2700 homes as well as undertaking major works on our high-rise estates, and I have already spoken about that. Our acquisition upgrade and maintenance budgets will provide 5500 jobs in the housing industry, implement our strategy for neighbourhood renewal and provide more assistance for homeless people through SAAP, crisis THMs and HEF.

In this last slide I want to indicate to you that all of this happens against a backdrop that will be familiar to people — that is, the broader housing context. We know that while we had a steady decline in the Commonwealth–State Housing Agreement funding by 30 per cent, house prices and construction costs are rising, yet we are still managing to modestly grow supply and continue to protect our \$8 billion asset base by investing in that. The challenge for us now as we go into the new negotiations with the commonwealth for the Commonwealth–State Housing Agreement is to place Victoria in a position where we can further meet the growing demands for affordable housing for people in the Victorian community.

The CHAIRMAN — Thank you, Minister. We will go to questions. Before doing so, I remind people in the public gallery that they should not be approaching committee members during the conduct of hearings.

Minister, I refer to page 92 of budget paper 3 — that is, the long-term housing assistance output area. Given the often vexed nature and significant comment on waiting lists in the public housing area, can you provide to the committee an explanation of the increase in the waiting list for public housing, noting that within this output group the key output measure for your department is early waiting times? Could you take the committee through the explanation of the increase in waiting times and what you are doing to address that and meet your targets?

Ms PIKE — We all know that the waiting list is one area that gets a lot of attention in the media and is certainly something that is high in the public consciousness.

Mr DAVIS — Rightly so.

Ms PIKE — But I think very few people really understand the nature of the waiting list. It is important to explain what is contained within the waiting list.

The waiting list includes new applicants as well as people who are wishing to transfer from an existing public tenancy to a new public tenancy. What is often not recognised in the waiting list figures highlighted by the media is that a significant number of people on the waiting list are people who are already housed. They are not people who are homeless, they are not people who are walking the streets. They are people who already live in public and community-managed housing. Of the total waiting list of over 47 000 people, 6000 are tenants wishing to transfer, and the number of transfer applications within the waiting list has actually grown as a proportion by 30 per cent since 1999.

The waiting list is made up of four segments that were introduced by the previous government, and they have been introduced progressively since 1999. The aim of these segments has been to more effectively respond and provide earlier housing to high needs groups, and I think you know what those segments are — namely, the recurring homelessness segment, the supported housing segment, the special housing needs segment and the wait-turn segment. The wait-turn segment represents the bulk of applications by people who cannot justify a particular priority need.

Applicants for public housing are approved into one of the segments and each one of those has its own assessment criteria. The waiting list therefore does allow for people in urgent need to receive priority in public housing allocations.

We are certainly most committed to ensuring that vulnerable people receive access to housing on the basis of need. I want to make a couple of points in relation to increases in the waiting list. First and foremost, in contrast to statements made by the opposition, we have not opened the floodgate by removing the rent test which required people to get five refusals from their local real estate agents before they could even put their names on the list. The action has certainly made public housing more accessible for those in urgent need, but it has mostly given them a change in priority status. We now have 66 per cent of all allocations to public housing coming from the priority segments. This is responding to urgent need, and that is a very good result.

Let me also make it very clear that we do not have more applicants for public housing as a result of removing that rent test. In fact, the applicants for public housing have remained at the same level for the past three years, and that is about 16 000 per year. The waiting list has increased because the number of people who have been taken off the list has gone down: we are not having more people apply; we are just having less people leave the list. Let me explain what I mean by that.

There are two ways people can come off the list. The first is the applicant takes up an offer of public housing. You know that there are rules whereby people are made a certain number of offers and they can refuse certain offers. The second is people find acceptable housing in the private sector or move into home ownership so they take their names off the list, or they do not take their names off the list but find housing and keep their names on the list. The key driver to the number of offers is vacancies in existing public housing. I want to point out to you that four out of five allocations to public housing come from vacancies. While additions to stock are important, they do not really tell the whole story. The story is less people are leaving public housing, there are less vacancies to offer people on the waiting list: more people are not applying, less people are leaving.

People are not leaving for two reasons. First of all we are doing major upgrading so people are seeing their houses being upgraded and improved — the quality of housing is improved and they are getting better stock. Second, we know there has been a massive increase in rent in the private rent market in the past five years. That has been happening steadily. Many tenants just cannot afford these rents and where in the past they may have moved from public housing off that list, their options for private rental are now greatly diminished and they do not voluntarily leave the list.

As I have said, we cannot add as much new stock as we would like in the context of a 30 per cent decline in the Commonwealth-State Housing Agreement funding. Had it not been for the huge additional resources that the Bracks government has provided in state-only money, we would now be in a decline context in terms of our additional stock.

In summary, while there is no real increase in the number of people applying, the number of people leaving the list is substantially less. In fact, the non-transfer list is equivalent to what it was at the time the previous government left office. Movements in the waiting list have their own story and the applications for transfers are up. That is what we are dealing with in terms of the list.

What am I doing to improve the situation? In the budget priorities I made a commitment that will deliver 1500 new units in the next year and will commit a further 850 construction projects. I have committed \$170 million to continue the upgrade of our public housing. We will continue to use leasing to supplement our stock numbers. As I said, I have expanded the crisis and transitional sector to well over 3000 units. We have done that additional work in the last budget; we have boosted those numbers very significantly and can now concentrate on the long-term stock as recognised in the Victorian homelessness strategy.

I might also add one further point in that the previous government was aware of the myriad factors that affect the waiting list. At one time under its watch the waiting list blew out to well over 60 000. The previous government had a number of strategies to cull the waiting list. They involved removal of people from the waiting list — a purging, you could say. It is important to make sure that the numbers are up to date and that the people whose names are on the waiting list are people in genuine need. I am very pleased that we have been able to identify that 66 per cent of people are in that immediate need in those first three categories. There is a strong priority to address their needs.

The CHAIRMAN — How does that 66 per cent compare to past practice?

Ms PIKE — I will ask Jennifer Westacott to assist in that.

Ms WESTACOTT — It was 15 per cent in the early 1990s and 40 per cent when the last government left office.

The CHAIRMAN — So far more people in need are now being accommodated.

Ms PIKE — Everyone on the list is in need, but we have a priority listing.

Mr CLARK — Can I ask about rent arrears? My understanding is information you have released under freedom of information shows that about \$10.89 million has been written off rent arrears as bad debt since June 2000 compared to about \$3.9 million over the last two years of the previous government. Can you explain the reason for this blow-out in bad debts and why rent arrears have more than doubled under your government to around \$16.177 million as at March 2002 compared to about \$7 million under the previous government in 1999? In addition, either now or by the end of the month would you be able to provide the committee with the figures for June 2002, the current month, for rent arrears?

Ms PIKE — I might just tackle the last part of your question first because the way we report rent arrears needs to be clarified. I will ask for assistance if I do not get this precisely correct but I think it is important to clarify it. We actually count rent arrears on a quarterly basis. However, rent arrears are then reported annually and are adjusted at that point against overpayments of rent — we do have people who overpay rent. Therefore, a comparison of a quarterly figure with an end-of-year figure is not an accurate comparison. For you to quote an April figure and benchmark it against an annual figure when it has not had the appropriate level of adjustment is not an appropriate comparison. That is the first point I will make. Rent arrears is another controversial issue and I am keen to give a fairly comprehensive answer to this question. The total rent arrears figure for June 2000-01 is \$10.58 million, and for June 2001-02 is projected to be \$9.96 million. So we are projecting a decrease in rent arrears following those normal and acceptable patterns of adjustment that I just described.

Firstly, let me describe what arrears are. The \$9.96 million was not just rent owed to us. It includes a total amount of rent arrears from tenants who are currently in public and community housing, so it is not just Office of Housing-owned arrears. It includes rent arrears from people who do not live in our stock any more. It includes damage maintenance owed by current tenants, and it includes what we call vacated maintenance, which is basically people who leave their houses and have damaged them, they have left rubbish — all of those sorts of things. The total figure also includes all of our operations — that is, public rental tenancies, granny flats, all the movable units, et cetera, the community-managed properties and the Aboriginal Housing Board properties.

Secondly, the rent arrears figures do go up and down. This is mainly due to the level of maintenance, not people not paying their bills. The biggest factors are maintenance and particularly that of vacated maintenance, which is people leaving their houses and not cleaning them up, and wrecking them.

The maintenance arrears have increased in recent years and that has affected our totals. The maintenance arrears have been fully documented at the Victorian Civil and Administrative Tribunal (VCAT) and are debts that we are pursuing. We have done this in order to make a great effort to collect the amount of money owing. For people who say, 'You're not collecting the rents' and that is the issue, that is a misunderstanding of what rent arrears are about.

The third point I would like to make is that our rent arrears figures also rise when we are diligent. So the more diligent we are the more arrears rise. When households do not advise us of increased income, we backdate that. So if we are chasing people to advise us that they are earning more money — when you earn more money you have to pay more rent — they advise us and we backdate it and that becomes an arrear. We are actually being more diligent: we are following up more clients and we backdate that. This is paid back, then, over time in affordable additional payments, but the unpaid amounts, as I said, add up to arrears. More than 50 per cent of rental arrears fall into this category — in other words, we are chasing them and the arrears are probably going to go up because we are chasing that.

Our analysis also shows that as a result of this some tenants have larger arrear amounts than in the past. There are in fact not more tenants in arrears — so there are not more people who are not paying their bills — it is actually the similar cohort but with larger debts. As I said before, we have the adjustment that occurs at the end of the year. So the figures fluctuate throughout the year and therefore write-offs occur when collection agencies cannot collect money owed after a three-month period, and the Auditor-General oversees these procedures every year.

In summary, arrears have gone up but you will note that the reasons are complex. We are addressing this by a number of strategies and that is bearing fruit because whilst they went up initially, they are starting to go down. We are concentrating on the larger arrears owed by some of the households that I described to you before. We are introducing home visits, which are new, to provide early assistance to direct any maintenance damage and also to pick up on people who have just fallen behind before issues get out of hand. We are certainly examining our procedures to minimise the need for backdated rent arrears. We have regional panels to analyse support needs of people in most serious cases of arrears. We have established a central arrears recovery team. We have cracked down on wilful non-payment of arrears. We have appointed 14 specialist officers to assist with early intervention. And a new thing — we have introduced compulsory direct debit for tenants with poor rental arrear payments.

I also want to indicate that in June 1997 there was an inordinately large write-off: \$6.2 million was written off in one period by the previous government, and so what we are actually dealing with here, when you are making your comparative figures, is that \$6.2 million abnormal write-off gave us a very low base.

Mr CLARK — How much have you written off this year by comparison?

Ms PIKE — We estimate \$4.8 million. The history of that is, as you will see, that the previous years have been: last year \$3.19 million; the previous year \$2.9 million; \$2.05 million in 1999, and \$1.88 million in 1998. So that gives the broader picture.

Mr CLARK — I just want to follow up on your reference to the rising levels of arrears due to departing costs of damage and disrepair by outgoing tenants. Can you tell the committee more about what is happening with that? What is the magnitude of the arrears that are due to that and how much are you now having to spend on repairs as a result of existing tenants and refurbishment of properties?

Ms PIKE — I certainly identified that vacated maintenance was a large amount of the total amount.

Ms WESTACOTT — The maintenance debt constitutes 29 per cent of total arrears.

Ms PIKE — Clearly that is a problem. It is around risk assessment of tenants as they are coming in. I will refer to policy here, because clearly when people have vacated and they have damaged their properties and they have left a lot of expense behind, we would want to think very carefully about readmitting them into public housing. The previous policy, as I am advised, was that there was no mechanism, once people were readmitted into public housing, for chasing that vacated maintenance from their previous tenancy, and there was certainly no mechanism for putting in place a strategy to ensure they paid their rent. Those strategies that I have outlined to you — the compulsory debit reduction scheme, the far greater effort of managing and maintaining and supporting people within tenancies through a number of strategies and a serious crackdown on wilful nonpayment of arrears and wilful damage — are all strategies that we are now implementing.

The CHAIRMAN — Just a couple of very quick clarifying questions: what is the period for a reportable rent arrear? Is it one missed payment or is it three months, before it actually becomes a reportable arrear?

Ms PIKE — Straightaway. I have seen letters from the Office of Housing to tenants with a \$100 bill. That really does beg the question about how we appropriately deal with people. For some people a \$100 default in payment can be a very strong signal that there is something wrong in that family — there are some crisis issues that are emerging. There could be any number of reasons. There may be a family member who has gambled away the money or there might be a domestic violence situation. There might be a short-term financial crisis. That is why we think it is very important to visit people in their homes as soon as there is an indication of arrears to identify whether this is a wilful nonpayment and therefore needs to be dealt with in a more punitive way or whether this is a family crisis, a family-support need, where we might need to bring in other agencies to assist with particular circumstances to try and help people get back on track. We believe the closer monitoring of arrears rather than just a kind of a bureaucratic and property management-driven approach will help to get those arrears under control.

The CHAIRMAN — The only other quick question I have is whether what you were saying was that the current reporting was really all debt owed rather than simply rental arrears.

Ms PIKE — Yes.

The CHAIRMAN — Would there be consideration given to — —

Ms PIKE — And there is money that is owed from previous years, as is the practice. It is not just in the last two or three years, and that is consistent practice.

The CHAIRMAN — I was wondering whether for reporting purposes you would give consideration to separating those elements?

Ms PIKE — Yes, absolutely. Robert, you asked a further question about providing information.

Mr CLARK — I was wondering if you could provide the committee on notice with the final figures for this year once they become more available but also with the more detailed breakdown of the various components of the rent arrears, as between maintenance and repairs related to others along the same lines that the Chairman was referring to.

Ms PIKE — Yes.

Mr RICH-PHILLIPS — In a similar vein, Minister, you said the figure reported, the expected \$9.96 million, is net of overpayments of rent. Could you also give us the figure for the amount of overpayments that have been netted off that?

Ms PIKE — I will take that on notice to get it specific. We can add it in, obviously, to reporting. That is fine.

Ms BARKER — Minister, you referred in your presentation as well as in some of your answers to date to housing strategies and developing those strategies. I am aware of course of the number of reviews, and I refer particularly to residential tenancies segmented waiting lists and eligibility policy reviews. I am also aware that within the context of consultation in one of those reviews in particular but also in all of the reviews a large number of issues were raised about the disadvantages our public housing tenants have not only in finding housing but also in regard to their tenancy, as you have referred to.

Could you give us some more detail in the context of developing strategy and improving services such as neighbourhood renewal for our public housing tenants? Can you also give us an update on where the segmented waiting list review is at? You referred to the abolition of the appalling rental market test — I know I am biased about that — and the eligibility review and, in terms of the Residential Tenancies Act, neighbourhood renewal and how we will assist our public housing tenants. I know it is a long question but if there is some of that you wish to provide to us I am happy for that to happen. It is a very important thing in developing sustainable communities in public housing.

Ms PIKE — I think there are three parts to that question. I will start off by quickly talking about the reviews. In my presentation I indicated that we are very clear that we face a fairly unique context at this point in history in the provision of affordable housing in Victoria. We know that we are in the context of rising prices in the private rental market and of declining contributions through the Commonwealth-State Housing Agreement. While Victoria will be vigorously negotiating for a favourable position with the commonwealth in that agreement we know that the chances of a massive injection and increase of capital are fairly remote, from the commonwealth's

perspective. I have also talked about the actual location, standard, quality, residential mix and all of those things that are challenges to our stock.

We are certainly looking to the future and working hard to develop a broader housing strategy which looks not only at public housing but at community-managed housing, affordable housing in the private sector and how we can through a whole range of mechanisms, not just financial, expand and develop the affordable housing market here in this state. That is what the housing strategy is all about.

In this context the reviews that you have identified are very important work and are certainly being drawn into the development of that broader housing strategy as well as being the basis for some policy shifts in the meantime.

As part of our commitment to improving access for low-income Victorians we have reviewed the eligibility for public housing and the operation of the segmented waiting lists. These reviews have involved a lot of community consultation. They have been overseen by community reference groups. I certainly was very pleased that people working in the housing sector, people living in public housing, people who have an academic and I guess social justice interest in housing will have added input to these reviews. They have been forwarded to us and are very valuable in forming policy developments and directions within the Office of Housing. They focused attention on issues like income limits, broadbanded waiting areas, tenure review, options for new waiting list systems and flexible allocation policies. The committee will understand that all of those areas are very important for us in the broader policy framework.

As I said before, I have already announced the abolition of the rent market tests, which was one of the recommendations made by the reviews. The rent market test was introduced in 1996 to assess the early housing applicants' attempts to obtain alternative housing in the private rental market. While I do not think anybody would disagree that it is important for people to have the opportunity to try out the private rental market, the mechanism that was used to assess this was particularly harsh and demeaning and also very costly. It was costly for real estate agents, some of whom began to charge homeless people for five refusal letters rather than having to go through the bother of doing it because they knew it would happen anyway. It was costly for agencies who had to take a disabled or homeless person with multiple issues around to be knocked back five times. So it was clearly inefficient and in the end the outcomes were not any different, as we knew.

As I said, these recommendations are being taken forward as part of the overall housing strategy, and I am very pleased to say that the officers in Victoria have been working quite cooperatively with officers at the commonwealth level with a number of these recommendations from our reviews and our emerging work in the housing strategy as the basis for dialogue regarding the Commonwealth-State Housing Agreement. I have asked the Office of Housing to identify areas where further work is required to evaluate the recommendations of these particular reviews. One of the things, for example, is a more flexible allocation policy. We are certainly doing some additional work on that.

Ms Barker, you made some comments about neighbourhood renewal, and I guess that although this has not been a specific policy review it is definitely a policy initiative. What we have identified is that particularly in some of our broadacre estates — and many of these are in rural areas like Shepparton, Seymour, Long Gully, Bendigo, Norlane and Corio in Geelong North, as well as in Maidstone, Braybrook, Collingwood, Fitzroy and the high-rise estates — the Office of Housing could go in and do a lot of work in upgrading facilities and making the bricks and mortar better. We should do that, and it is right and proper that we do that; but what we also have to do is focus on the postcodes of disadvantage that are there.

It is unacceptable that we have massive levels of unemployment in a lot of these areas. We have concentrations of disadvantage. We have people being judged by the location they live in on their future employment prospects. We have higher than appropriate levels of child protection notification. All these things cluster around disadvantage. We know that we need to look at how we renew the neighbourhood and change the profile and outcomes for people in that neighbourhood.

I was in Shepparton last week, where only 8.3 per cent of people in the Parkside estate are in employment, which is just a massive dislocation from the broader community. There is a huge incidence of police call-outs. Sixty-seven per cent of drug and alcohol clients are found in those estates. So poor people with poor outlooks need much more than renewed fabric. They need renewed neighbourhoods and they certainly need the opportunity to be given access to employment initiatives in a very concentrated and deliberate way.

We know from research and overseas experience and from where we have changed the profile and developed communities here that if people can participate more in the community they can have a greater sense of pride in

their physical environment; they can be linked to training — for example, through the community jobs program — and given an opportunity to help renovate houses, learn new skills and develop new jobs, that will promote health and wellbeing and that will change the outlook for that community. That is a very important part of our strategy in each of the redevelopments. I am to provide further detail about that.

Ms BARKER — I think the budget papers say that neighbourhood renewal is a key initiative. I do not know that the committee will have time to get to more detail this morning, but perhaps you could supply to the committee information on the areas that will be targeted by those initiatives. I think it is a very important initiative.

Mr DAVIS — And the amount you are putting into each of the areas would also be helpful.

Ms PIKE — I would be very happy to provide that.

The CHAIRMAN — Particularly in Geelong and Corio!

Ms BARKER — And particularly the ways in which it will benefit regional areas.

Ms PIKE — Yes.

Ms BARKER — I am happy for that to come back to the committee.

Ms PIKE — Certainly. As part of the Latrobe Valley task force's announcements we were able to secure a \$17 million state-funded injection of money into a massive redevelopment of the public housing estates down there. A huge part of that is the neighbourhood renewal strategy. We have implemented a community jobs program there that has been very successful. I can give the committee the numbers, but a very high proportion of the young people are now in permanent employment. But not only that, we have provided for them some public housing that was basically falling to pieces. They have renewed that public housing and sold it, so they have increased property values in the street, increased the public-private mix in those streets. It has just been a very, very successful program and it is having a positive effect on the local economy.

Ms BARKER — As I said, it would be good to have the information on the areas that are targeted.

Ms PIKE — Yes.

Mr DAVIS — I refer you to page 91 of budget paper 3. My question concerns the housing assistance output and the homelessness assistance section in particular. I am just wondering whether you can explain to the committee why, given the growing number of homeless Victorians, \$12.2 million appears to have been cut from the homeless assistance programs; and also why the target — and I draw your attention to crisis supported and transitional housing properties acquired during the year — appears to have been reduced from 330 to 235 properties acquired during the year. Why has that target for the number of families assisted been reduced?

In asking the question I also refer to the note there which says, 'the target is consistent with the Victorian homelessness strategy directions for change, which emphasise service improvement rather than stock growth in this sector'. I just find that surprising given that there is growth in the number of homeless people — homeless people actually need homes, and that in this sense means places to put them — and I wonder how that operates where you have a lesser number of properties being acquired.

Ms PIKE — Certainly. In my presentation I identified that last year we made a significant boost to the number of properties in the homeless sector, both crisis accommodation and transitional accommodation. This year we have reduced that target and you will note that it is still an increase in the raw numbers — I will explain that. We have engaged in a major piece of work, the Victorian homelessness strategy, where we have worked very closely with the sector and homeless people themselves. The homelessness strategy shows that people want to give a priority to more long-term housing — housing that is available in the public rental segment — and so we made that boost last year. It is all from the same money: we just allocate some to crisis and homeless housing and some to public housing, but they are all within those target figures. We have made the decision that we will not increase by as much as we did last year because we made that massive boost then, and we will make the increase in the long-term housing sector.

Mr DAVIS — But what worries me, Minister, is that whichever way you cut it, that appears to me to be a significant reduction. We are talking about the people most in need here. These are people who are in absolute crisis, and it seems to me that that cut is very hard to justify and very hard to explain to Victorians.

Ms PIKE — We are responding to what the agencies have said to us. What they are saying is that they have many people who come to them with very complex needs and that housing is one aspect of that complexity.

Mr DAVIS — A very important aspect.

Ms PIKE — Absolutely. However, they are saying that they want more resources in the kind of support that they can provide to people who are homeless. We have certainly provided a massive increase. I might add that we have provided a \$22.4 million increase to that support area — sorry, that is the long-term housing assistance, is it not? No, it is the — —

Mr DAVIS — But this is — —

Ms PIKE — Yes, I am getting to that.

Mr DAVIS — Whichever way you cut this, it is a significant cut, and I think — —

The CHAIRMAN — Actually, Minister, isn't it an increase?

Ms PIKE — Well, it is an increase — —

Mr DAVIS — It is a cut in the number of new properties provided.

Ms PIKE — No, it is a cut in the increase.

Mr DAVIS — In the number of new properties provided.

Ms PIKE — No, it is — —

Mr DAVIS — It is a reduction in the number of new properties provided.

Ms PIKE — It is a reduction in the number of new properties that were provided last year. If you look — —

Mr DAVIS — In the number of new properties provided over the year?

Ms PIKE — No, I will just clarify this. The Bracks government has been increasing — increasing — —

Mr DAVIS — The total stock, but it has reduced the growth in this year.

Ms PIKE — Yes, that is — —

Mr DAVIS — So you have cut growth in stock here — —

Ms PIKE — No, what — —

Ms BARKER — Will you allow the minister to answer?

Mr DAVIS — I will.

Ms PIKE — We need to be very clear. Your last statement was closer to the correct answer than your earlier statements. The Bracks government has been increasing the number of transitional housing and crisis accommodation properties since we came to government — that is the first thing, true. The second thing: in the 2001–02 period we made a massive additional injection into the base for crisis and homelessness accommodation. In this year we are not increasing the amount by as much as we did last year.

Mr DAVIS — It is a cut in the target?

Ms PIKE — We have cut the level of growth, because we have been told by the homelessness sector that we need to increase our effort in long-term assistance. In essence, long-term — —

Mr DAVIS — But Minister, going back — —

Ms PIKE — No, can I finish my statement? Long term, of course, frees up places for homeless people. A house is a house is a house, and we want to be able to move people through the crisis and transitional program into

long-term, affordable accommodation. Now what we are talking about here in terms of targets is the way that we classify public housing.

Mr DAVIS — Sure.

Ms PIKE — We are saying that we are going to classify a lesser amount. We are still growing it, but we are going to classify a lesser amount this year than we did last year, which was a boom, an abnormal year. So you are not comparing the trend; you are comparing this year with last year.

Mr DAVIS — To be clear about it, what you have in fact done is that with this very vulnerable group you have reduced the amount of resources comparative to last year — —

Ms PIKE — No, we have not.

Mr DAVIS — That you will grow the sector by.

Ms PIKE — No.

Mr DAVIS — I think that is problematic. I think the thing it needs to be measured against is the need in that area. Everything I have heard, certainly in parts of my electorate and other areas of Melbourne and in some country areas, suggests that the need in that area is in fact growing, not reducing, and you are reducing the growth funds into that area.

Ms PIKE — I think your statement is actually quite misleading, because homeless — —

Mr DAVIS — It is accurate.

Ms PIKE — No, it is not, actually; no, it is quite misleading, actually. I will clarify this, because it is quite misleading. Homeless people, of course, are in segment one in public housing. That is the first thing. We are not decreasing the amount of growth overall in housing; what we are doing is responding to the requests from the homelessness — —

Mr DAVIS — But the growth will be less this year than last year?

Ms PIKE — Not overall, no, not at all.

Mr DAVIS — The growth will be less than last year?

The CHAIRMAN — Just a moment. Can we stop for a moment and allow an answer. Badgering is not questioning. Can we go by question and answer? Thank you!

Ms PIKE — I think I have probably answered the question. I mean, we have an increase in SAAP funding for the supported accommodation assistance periods. There is no rule that says that a homeless person can only be housed in crisis or transitional housing. In fact, homeless people are the no. 1 priority for public housing as well. So how we manage the allocation of housing within the portfolio is in responding to the requests and identified needs through the Victorian homelessness strategy, which was a long and comprehensive program of dialogue and consultation with the sector. We are still increasing the amount that we are allocating to crisis and transitional housing.

Mr DAVIS — But slowing that increase?

Ms PIKE — Remember that your target was 2000; for us it is 3500. So I think it is important to clarify that we have massively increased the amount of crisis and transitional housing. Now this is a response to a request from the sector, including the Council to Homeless Persons, which actually welcomed this initiative — it said, ‘Look, thank you very much for the massive boost you gave us last year. We are now saying, “Continue to grow steadily as you have been in your previous budgets, but let’s see more effort in the long-term sector”’. That is what it said, the peak body for homeless people, and that is what we are responding to.

Mr DAVIS — What about that group that is moving through transitional housing and may not go into public housing? They may just have a temporary crisis or a need for a period and then move off somewhere else.

Ms PIKE — They are exactly that group of people who are supported through the supported accommodation assistance program, which we have injected additional state-only money into so that we can

increase the number of SAAP episodes. We are still waiting for the commonwealth to do its bit in that regard, because it is refusing to match our additional growth.

Mr RICH-PHILLIPS — I have a quick follow-up question. Minister, I understand from your answer that basically this is a definitional thing as to where the housing stock is allocated, and in this case the decision has been made to allocate less of the new acquisitions in this area. Are there any practical differences in terms of acquiring housing stock and in terms of where it will go? Does that determine the fact that you have decided to put less into new acquisitions and less into the crisis area? Are there any differences in acquisitions?

Ms PIKE — No. I mean our acquisitional strategy includes construction as well as leasing. In terms of crisis or transitional housing we may be more responsive to regional factors or demographic factors. For example, major research undertaken by Hanover in 1999 indicated that we needed to make more effort in the outer metropolitan and regional areas, because people were drifting into the inner city areas. They are the kinds of factors. Jennifer might like to add a comment about this.

Ms WESTACOTT — I think the only area would be that there is probably more spot purchasing in crisis than transitional, because the particular groups have quite specific property needs for key clients. We will go and spot purchase or lease something that is quite particular, whereas in public housing we tend to do much more construction. That would be the only difference.

The CHAIRMAN — Thank you. Minister, that concludes the time allocated for questions under the portfolio area of housing. We will take a short break and resume on community services.

Witnesses withdrew.