

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne – 23 May 2003

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr L. A. Donnellan

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Ms C. Broad, Minister for Housing;

Ms P. Faulkner, Secretary;

Mr K. Downie, Director of Housing;

Mr L. Wallace, Executive Director, Financial and Corporate Services; and

Mr M. Darmody, Director, Strategic Asset Management, Department of Human Services.

The CHAIR — Good morning to our new witnesses. I again welcome the Minister for Housing. I welcome Ms Patricia Faulkner, Secretary of the Department of Human Services, Mr Ken Downie, director of housing, Mr Lance Wallace, executive director, financial and corporate services, and Mr Mark Darmody, director of strategic asset management, Department of Human Services.

I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the 2003–04 budget for the housing portfolio, and after your brief presentation we will move to questions. Do we have overheads that can be distributed, please?

Ms BROAD — I welcome the opportunity in my new role as Minister for Housing to do a presentation. What I propose to present here are six slides which cover the budget context and priorities. There are then a series of additional slides which go to the matters of housing performance, which are mainly provided for information which we can go through or curtail as time allows.

Overheads shown.

Ms BROAD — To go to the first slide, the most significant factor in terms of the budget context for housing is the commonwealth-state housing agreement and, as this slide shows, commonwealth funding has declined for more than 10 years now. That decline would have been less in terms of the projected years to the right of the graph if the commonwealth had decided to continue to provide GST compensation, which are the red caps in the graph. However, to date they have indicated that it is their intention to not continue GST compensation in the new agreement.

I have also touched here on another significant factor in terms of renters, and that is commonwealth rent assistance. It is the other major contribution which the commonwealth makes for housing. However, as this graph shows very clearly, rent assistance paid to tenants in private rental, because it is linked to the consumer price index, has not kept pace with rent price increases. There is a very substantial and widening gap there between CPI and Melbourne rental prices and, because of that, despite statements from time to time by the commonwealth, rent assistance does not make up for the decline in the commonwealth-state housing agreement.

This area is also having an impact in terms of longer periods which people are staying in public housing because of difficulties accessing private rental accommodation.

Looking to the next five years, 2003–04 is the year that the new commonwealth-state housing agreement is due to commence. Although the commonwealth-state housing agreement could have been better with higher levels of commonwealth funding, what has been achieved is indexation, which has not previously been included, and the time period for the agreement has been lengthened to five years, which is the longest funding agreement proposed to date.

I have referred to the impact of GST compensation. It will mean that Victoria will lose \$75 million over the life of the agreement because that is not included. However, Victoria will meet our housing commitments as a result of the Victorian government again putting in additional funds for housing over and above our requirements under the commonwealth-state housing agreement, and I think we are the only state currently that is in a position to do that.

Moving on to how the state is supplementing the budget, we will of course be building on our achievements from our first term in the new budget, so the \$94.5 million committed in our first term of government will be fully committed by the end of this current financial year and will deliver more than 800 additional housing units. That has been possible as a result of being able to leverage state government funds with more than \$30 million of non-government funds, and we will be seeking to continue to attract non-government funds in the future.

There have been some 44 new partnerships in 77 new projects across Victoria, and that is in country as well as urban areas. The new funds in the 2003–04 budget of \$88.8 million over four years will enable us to build on that base.

Moving on to the priorities in the budget, the commonwealth-state housing agreement funds are to maintain the value of the state's asset base in terms of both upgrades and improvements, and maintenance. The three remaining dot points are in relation to new state funds. These priorities are being delivered through state funds over and above the commonwealth-state housing agreement, and that includes \$70 million for diversifying the supply of affordable housing through the SHIP program, some \$10 million over four years for the five additional neighbourhood renewal areas and \$8.8 million over four years in relation to further implementation of the Victorian homelessness strategy.

The CHAIR — If I could draw your attention to the fact that we are three-quarters of the way through the time.

Ms BROAD — The next slide is in relation to the deliverables through the 2003-04 budget — nearly 1000 dwelling units, more than 90 per cent new construction. That is something to which I particularly wish to draw attention. This is a much higher level of construction than was the case previously, and that much higher level of new construction has a range of benefits including the jobs that it generates and the additions to the supply of low-cost housing. Very importantly, on average it also delivers a lower per-unit cost compared to purchase.

The remaining slides are provided for the information of the committee in relation to the location of both the original neighbourhood renewal sites and the new sites which have been announced in the budget, and moving on to demonstrate the government's record on funding assistance in the area of homelessness and how that is to be delivered in the future. I should point out here that the new funds for homelessness services are again on top of our commonwealth matching requirements, which in the case of SAAP are fifty-fifty. So this is additional funding for the homelessness area.

On asset improvement, we are dealing here with an asset base which is valued at around \$10 billion, so protecting that asset base and ensuring that that housing stock is, where required, reconfigured to better match demand, and in particular better match demand for smaller units, is a very important part of the government's record here, and there is \$161 million in the 2003-04 housing budget in that area.

Improving maintenance, which is the next slide, is another important area to both ensure that assets are being maintained and that tenants' expectations are being met in relation to providing maintenance. It is an area of continuous improvement.

In relation to waiting lists, which are another indicator of performance, as you can see from this slide, which is a comparison of March 1999 to March 2003, which I think is the most recent data available, a decline is demonstrated.

Numbers of homeless people assisted is on the next slide, which demonstrates the number of households assisted, with the SAAP support periods.

The last slide is a summary of the government's actions across its priority areas.

I am happy to take questions.

The CHAIR — Thank you, Minister. I want to draw your attention to a comparison between the budget papers this year and the previous year. The revised budget of 2002-03 versus the 2003-04 budget appropriation is significantly lower. Could you give us some explanation of that, please?

Ms BROAD — Thank you, Chair, this is an important matter for the committee to be advised of, because the budget papers are somewhat complex when it comes to sorting out what has happened here and understanding the impact of it. At first glance it would appear that the appropriation for the budget 2003-04 has been reduced by approximately \$140 million from the 2002-03 figure. Let me state very clearly that this does not reflect a change in appropriations. It does reflect a change in accounting treatment of the government's contribution to the housing figure.

I think members would be aware that one of the changes implemented by this government was to require sign-off on budget papers by the Auditor-General, which now occurs, and the Auditor-General requires that the budget papers be prepared in accordance with Australian accounting standards. Based on advice from the Department of Treasury and Finance, in line with what is referred to as the 'Accounting and financial reporting bulletin no. 39, accounting for contributed capital, the housing programs appropriations have now been treated in line with that contributed capital method'. That means that capital spending is reflected within the balance sheet rather than in the output table. That means that the output tables now reflect housing's appropriations for outputs rather than total appropriations, as occurred in the past. In line with requests, that change has been incorporated for the 2002-03 figures as well as the 2003-04 figures.

I also indicate, to assist the committee, that to allow an accurate comparison of the total housing appropriations an additional \$88.4 million should be added to the 2003-04 budget figure, which is the capital contribution according to the new accounting treatment. That means that there is \$46 million less in appropriations than last year. That has come about as the result of a number of factors. I referred in my presentation to the impact of the

commonwealth-state housing agreement and the reduction which will occur there. That is certainly having an impact in relation to the appropriations for 2003-04.

Can I also indicate that in addition to that the withdrawal of GST compensation, which I have referred to previously, means that in the face of declining funds from the commonwealth there has been a movement to ensure that the maintenance of public housing is particularly focused on protecting the asset base, the \$10 billion in housing stock, particularly improving the condition of current stock and ensuring that configuration to better match housing stock to demand proceeds. That means that by ensuring that current stock is tenable, this will translate into more viable and sustainable tenancies and increase the value of the assets.

I should also briefly refer to the Victorian government funding — that is over and above the commonwealth-state housing agreement — which has been focused on the importance of diversifying affordable housing options through the additional \$10 million in 2003-04 through the affordable housing strategy.

The CHAIR — Mr Forwood, a supplementary question.

Mr FORWOOD — I have to try to understand that.

It has dropped \$140 million, so it is no longer in the output group, therefore it moved onto the balance sheet. Where do I find it on the balance sheet? We went looking for it, in fact we asked the Auditor-General where it was, and he was not any the wiser either. So the first part of my question is: could you show me where it is?

The second part of my question is: I understand that it looks like it is \$140 million, but in fact, because of the \$15 million from the GST — and is it \$12 million or \$13 million that the federal government is less this year? — that would be, say \$28 million. The \$52 million difference between the \$88 million you talked about and the \$140 million that is missing, is that the state government? Where is that?

Ms BROAD — What I might do in relation to the first point is ask the director of housing, Ken Downie, to clarify this because there is an area that we can point you to in relation to the contributed capital issue.

Mr DOWNIE — Thanks, Minister. The whole matter of contributed capital has not been an easy one to clarify in this sense. However, what we have to say is that contributed capital is that capital which is additional on the balance sheet, it is not all the capital sum — so it is not even a simple matter in that respect. It is net additions to capital on the balance sheet, which has to be identified according to the bulletin that the minister mentioned.

Mr FORWOOD — After taking off depreciation?

Mr DOWNIE — Depreciation is funded. That can be found in budget paper 2.

Mr FORWOOD — On page?

Mr DOWNIE — Page 38 of budget paper 2 identifies the sum for 2003–04, and page 272 identifies the \$142 million for 2002–03.

Mr FORWOOD — Page 272?

Mr DOWNIE — The second-last dot point on page 272.

Ms FAULKNER — It says ‘grants to the office of housing’.

Mr DOWNIE — Can I also say that in our balance sheet and in our financial report that same number will turn up as equity.

Mr FORWOOD — The \$142 million or the \$88 million?

Mr DOWNIE — Both of them, at the end of each of those years.

Mr FORWOOD — So the \$142 million was for last year?

Mr DOWNIE — For 2002–03.

Mr FORWOOD — And the \$88 million is for?

Mr DOWNIE — For 2003–04. And those numbers will turn up as equity on the balance sheet.

Mr FORWOOD — Okay.

Mr DOWNIE — Net additions to equity.

Mr FORWOOD — They have been shifted from operating accounts?

Mr DOWNIE — Correct.

Mr FORWOOD — Thank you. The second part of my question is: can you equate the difference of \$52 million for me?

Mr DOWNIE — I am not sure that \$52 million is the right number but — —

Mr FORWOOD — Well that is the difference between \$140 million and \$88 million.

Mr DOWNIE — That is correct, but the appropriations that are for service outputs are also slightly different to last year. The numbers are not the same.

Mr FORWOOD — I am happy for you to take it on notice and provide the committee with something that says, ‘This is what comes off and this is what goes on’, so we can understand it.

Mr DOWNIE — Sure, I am happy to take it on notice.

Mr FORWOOD — I am not asking people to do this on the fly. I could not do it on the fly.

The CHAIR — Okay, we will take that on notice.

Ms BROAD — I am happy to do that, because I think it is important that it is understood and transparent.

Mr FORWOOD — Thank you.

The CHAIR — That will make it quite clear, thank you. Mr Forwood?

Mr FORWOOD — Now I get a question. This is an interesting question I think. Page 152 of the Auditor-General’s February *Report on Public Sector Agencies* shows revenue arrears and bad debts written off during the financial year 2001–02 at \$6.1 million. That is a significant increase over the previous year’s, as the Auditor-General’s chart shows. But if you turn to the departmental response on page 52 — —

The CHAIR — To us.

Mr FORWOOD — Its response to the committee on the question that was asked about the estimated value of bad debts written off or intended to be written off in this forthcoming year, it talks about bad debts being written off from ambulance services but none from the Office of Housing. Firstly, what are we doing about the fact that bad debts written off, as reported by the Auditor-General, seem to be going seriously in the wrong direction, and secondly, why was that not reported to the committee in the answer to the committee’s questionnaire?

Ms BROAD — In relation to the levels of arrears write-off which I understand has been a subject before the committee over a period of time, I am advised that the amount which was overseen by the Auditor-General for 2001–02 was the \$6.1 million, and that compares with an earlier write-off of \$6.2 million in June 1997, an amount which would have been worth significantly more in today’s dollars against a much smaller rental base. I understand an amount of information has been provided by the Office of Housing to the opposition on these matters to explain what has been done here, overseen by the Auditor-General. I ask the director of housing to add to that.

Mr DOWNIE — Certainly. In his most recent report the Auditor-General referred, although I do not have the page numbers — —

The CHAIR — The main one?

Mr FORWOOD — The February one or the May one? There is nothing in the May one.

The CHAIR — The February one.

Mr DOWNIE — Last time when referring to the Office of Housing arrears the Auditor-General noted — not in that report — that the Office of Housing arrears were under some control and noted that, although there were arrears being written off on a year-to-year basis, the Office of Housing had undertaken a number of activities to bring those under scrutiny. They included measures such as ensuring that all new tenants, for example, are placed on direct debit at source. The issue has also been compounded over recent years by complexities in the client base changing. So that was one move.

We are also introducing home visits in our service delivery strategy as another means. For the committee's information, a lot of the issue around those write-offs, generally speaking, is to do with people who leave public housing and from whom it is difficult to retrieve debts. I have to say that even though those debts are written off officially by the Auditor-General, under the Auditor-General's scrutiny, they remain on the housing books, and we recover those funds at the time that people want to re-enter public housing. So they do not disappear forever.

The CHAIR — Where do they then appear when you re-engage with them and they are on direct debit? Is that just in the new income stream?

Mr DOWNIE — They do come back in our income stream, and people, if they are wait-turn clients, are required to sign up for three months of history — that is, pre-payment — before they get in. People who come through a crisis situation are closely monitored and do not have to undertake that because of the urgent nature of their housing need.

Mr FORWOOD — But the issue is that the committee's questionnaire specifically asked, 'What is the estimated value of any bad debts written off or intended to be written off in the last year, 2002–03?', which is the year following the \$6.1 million shown by the Auditor-General. One would have thought that there would be some idea about whether the \$6.1 million from the previous year is going backwards because of the new strategy that you have put in place, whether it is staying the same or whether in fact the situation is further deteriorating.

Mr WALLACE — I can probably answer that question. When the questionnaire was completed, we were really talking about consolidated fund revenues at that stage. We presumed that the bad debts were related to the consolidated revenues of the state. Because housing is a public trading enterprise, its revenues are not part of the revenues of the state and not part of the revenues that were described previously in that part of the committee's report. Probably for fullness we should have included housing, even though it was not related to the revenue questions. They are not consolidated fund revenues.

Mr FORWOOD — I understand that.

Mr WALLACE — But we should probably have included housing by way of notes. We will take on the message that in future we will deal with it, but the explanation of why it was not there is because of the way that housing revenues operate.

Mr FORWOOD — Thank you. Perhaps you could get the figure for us?

Mr WALLACE — Certainly.

Ms BROAD — In rounding this off, it is important to note that the Auditor-General has acknowledged a whole range of measures that the Office of Housing is taking in relation to addressing arrears matters.

Mr FORWOOD — We hope the \$6.1 million in 2001–02 will be less for last year, less again this year and less again the year after that.

Ms ROMANES — Minister, in regard to the output summary at table 2.2.1 of budget paper 3, page 60, the appropriation for housing assistance and also the estimated income from the commonwealth for 2003–04 as put forward by you in the table on page 1 of your presentation, could you provide the committee with advice on the progress of the renegotiations of the commonwealth–state housing agreement?

Ms BROAD — Yes, thank you. This is a very important matter looking forward over the next five years in terms of housing assistance in Victoria. As I have indicated to the committee previously, the current agreement expires at the end of June this year. All housing ministers have been seeking an improvement to the new commonwealth-state housing agreement, in particular because of the decline over the last 10 years.

Commonwealth funds in 2003, the current financial year, were worth \$90 million less than 10 years ago, so we are talking about a very substantial impact here. Ministers have been successful around Australia in negotiating a

five-year agreement, which is the longest funding agreement in the history of the commonwealth-state housing agreement as well as securing indexation, as I indicated before.

I can indicate to the committee today that Victoria is now in a position to sign the new commonwealth-state housing agreement following discussions with my interstate and territory colleagues. I do so though placing on record the disappointment that the commonwealth has not only so far refused to increase the level of housing assistance but continues to refuse to provide compensation for the very real GST costs on housing assistance. The significance of the GST factor here is that that actually turns around the result from what would have been a slight improvement in assistance to an actual loss of funds over the life of the agreement over the five-year period.

To complement the commonwealth-state housing agreement, state and territory housing ministers have agreed to promote a national, long-term vision for affordable housing in Australia across all levels of government including local government as a way to provide an increase in the supply of affordable housing.

Whilst in discussions to date the commonwealth is something of a reluctant participant, these actions are going to be undertaken very vigorously by state and territory ministers to generate practical measures that can be implemented, and Victoria is in a position to lead that work in the lead-up to the next commonwealth-state housing ministers meeting, which will be held in Melbourne later this year in conjunction with Victoria taking over the chairing of the commonwealth-state housing ministers meeting over the next 12 months.

Following the signing, which I am indicating to the committee today, of the multilateral agreement, the process for the bilateral agreement between Victoria and the commonwealth will commence, and that agreement will cover the strategic directions as well as setting specific performance targets going forward in a similar way to the 1999 agreement.

There have been some new performance areas added to the agreement in the area of private sector investment and production of work force disincentives, and they are areas which Victoria believes that we will acquit very satisfactorily.

I should say that when the commonwealth, state and territory ministers for housing met earlier this year in April to discuss the multilateral agreement it was a very forthright meeting, as you might imagine, in circumstances — —

Mr FORWOOD — Robust!

Ms BROAD — Robust is another good word. They occurred in circumstances, as you might imagine, where there are real reductions over the life of this agreement, particularly as a result of the impact of the GST factor. In 2003-04 that will leave Victoria with approximately \$17 million less before indexation commences in the following financial year.

Ms ROMANES — A supplementary question, Minister. Could you elaborate a little further on those two new performance indicators?

Ms BROAD — As I have indicated, Victoria has been able to leverage Victorian state government commitments over and above the commonwealth-state housing agreement in partnerships with the non-government sector, and that is something that we seek to continue to do. That includes private sector investment and investment from community and other non-government organisations, so that is an area which has been a priority in the first term of the government and is one that we are continuing in this term.

The fact is that that is a new performance area that has been identified through the commonwealth-state housing agreement and is one in which we expect to be able to demonstrate, as we have in the first term of the government, that we can perform very satisfactorily against.

In relation to the second area of work force disincentives, the commonwealth seems to have the idea that housing is being wilfully located in areas which are not well located in relation to access to employment opportunities, transport and other services, which is an idea which we certainly reject very forcefully. In relation to the interplay between commonwealth payments, support payments and rental payments, that is one that we are well aware of, and we have taken action in a number of areas to take account of that interaction to reduce the disincentives that the commonwealth is identifying. So again, in that area we do not believe that Victoria will have any concerns in performing in relation to those indicators.

Mr RICH-PHILLIPS — Just to clarify, Minister, you said a \$90 million reduction over 10 years in commonwealth funding under the agreement. Are you referring to real terms? Is that correct? Not nominal? And on

your chart in your presentation, the second slide, could you tell us what year that is based on, what the base year is, and how it was indexed? Is that to CPI or is it a housing price index?

Mr DOWNIE — It is to CPI.

Mr RICH-PHILLIPS — Although you have on the next slide that CPI is not the index that keeps up with housing costs?

Mr DOWNIE — I am quite happy to answer that. The commonwealth-state housing comparisons of funds is simply CPI taking account of the real losses. Obviously it is the fact that the commonwealth-state housing agreement has not been indexed, so it is the opposite of indexation, if you like, in that in nominal terms it is reducing by the amount of indexing within a year.

In relation to the next slide that the minister presented, that is simply showing the effect of house prices as against the index, and that is to say that the commonwealth does not provide any link to rent prices in setting its rent assistance payments. That is not a policy position for this government, but it means that Victorians face long and sustained rent increases, as we have over the last five or six years in Melbourne, so that rent assistance does not do its job any more. The commonwealth often says one of the reasons for allowing the commonwealth-state housing agreement to deteriorate is that we are putting all this money into rent assistance.

Ms BROAD — That is, they are.

Mr DOWNIE — They are saying that, yes. The last real increases in the level of rent assistance were made in the early 1990s. If you look at the chart — —

Ms BROAD — It diverges around June 1995.

Mr DOWNIE — The commonwealth has made no improvements to its rent assistance payments, apart from indexing across those years.

Mr RICH-PHILLIPS — The period you have chosen to use in that chart, 1992 to 2002, is an interesting period because immediately prior to that chart, in the three years from 1989 to 1992, was when the Melbourne property market was falling and rent assistance being indexed over that period would have been increasing faster than rents were increasing.

Ms BROAD — I think they stick together until about — —

Mr RICH-PHILLIPS — You have chosen the period after the fall in rents to present in the chart.

Ms BROAD — If what is being suggested is that there was some attempt here to selectively present numbers, can I indicate to the committee there has not been. It is a period of a decade and we can do two decades if the committees wants that information. The important point that I was trying to identify here was from about the end of 1995 there is that divergence because the consumer price index is not keeping up with increases in private rentals as a result of house prices, and the impact that that then has on public and social housing.

Mr DONNELLAN — On the key performance indicators for private contribution in terms of the commonwealth-state agreements and so forth, in the building of public housing is that a percentage figure? Is it still being worked on or is still up in the air to be negotiated?

Ms BROAD — It is not a percentage figure, but certainly the aim is to obtain the maximum leverage to attract as much funding as we possibly can around a number of redevelopments going forward.

Mr RICH-PHILLIPS — Minister, I would like to ask you about one of the commitments from last year in relation to housing stock. Last year's budget papers stated that the Office of Housing was to provide at least an extra 1500 homes for low-income Victorians through buying, building, replacing or leasing additional housing across Victoria with a focus on meeting growing demand in areas such as the south-eastern suburbs, Bendigo, Bairnsdale, Kyneton and Wangaratta. Firstly, has that target of 1500 units been achieved, because from page 101 of budget paper 3 I can only see two measures that relate to the increase in housing stock, one of which shows 960 units and the other 380 for a total of 1340, which is short of the 1500 target? Was that target of a net increase of 1500 achieved under that program, and what is the actual net figure, because I assume these figures are acquisitions and not net figures?

Ms BROAD — I am advised that the target was indeed achieved, that the number that was actually achieved was 1600. I might ask the director of housing to elaborate on that.

Mr DOWNIE — I cannot give you the exact figure, but in the order of 500 to 600 is net. The Office of Housing does make sales to tenants, and stock is taken off line regularly for redevelopment, some of it quite large over the past year. The third area is when stock becomes uneconomic to keep. All those moneys, of course, go back into the acquiring of new stock.

Mr RICH-PHILLIPS — So it is 500 to 600 net increase?

Mr DOWNIE — I might point out that Victoria is the only state consistently over the last three or four years that has been adding in any sense in a net way to the stock.

Mr RICH-PHILLIPS — In terms of presentation of the budget the minister said there was roughly 1600 acquisitions for the net figure you gave. How does that reconcile with the two figures in the budget paper which show, as I said before, 1300 acquisitions? That is at page 101 of budget paper 3.

Mr DOWNIE — In order to get close to the 1600 you would add that 1300 to the 235 figure for additional crisis supported housing, which is the homelessness assistance output table at page 100.

The CHAIR — Thank you, I am glad you are with us, Ken.

Mr MERLINO — On page 101 of budget paper 3 there is a quality measure that relates to the number of dwellings that will be upgraded in neighbourhood renewal areas. Given that neighbourhood renewal seeks to make real and lasting changes through areas such as employment initiatives, links to health services, better access to transport, what success has been achieved in this area?

Ms BROAD — Can you run through it again, please?

Mr MERLINO — My question is in relation to neighbourhood renewals and achievements in the neighbourhood renewals program. On page 101 of budget paper 3 there is the quality measure of a number of dwellings with major upgrades during the year. Can you outline to the committee what success has been achieved in that area?

Ms BROAD — I am very pleased to respond to a question about neighbourhood renewal, one of the very significant initiatives under this government. I should indicate to the committee that what is most significant about the neighbourhood renewal program is the whole-of-government approach in that it is designed to build pride and community engagement, as well as improving housing and urban design to create employment. It is also designed to increase safety as well as improving the health and wellbeing of residents.

There are some 10 project areas across the state and the additional \$10 million in the budget over the four years of the government will take place in five new project areas, which include Ashburton-Ashwood-Chadstone as one area, Broadmeadows, Colac, the Doveton-Eumemmerring area, and Werribee.

In relation to the progress which has been made in the current neighbourhood renewal projects, and there are 10 identified on that slide which gave the geography of them, some 300 public properties have already had improvements and more than 600 other types of works have been completed. Works planned for in this current financial year include the building of more than 160 new properties as well as improvements for approximately 1300 properties in total. Other aspects of the program include the leasing of some 20 houses in the Latrobe Valley for renovation by community jobs program participants. I am pleased to say that through that particular aspect of the program some seven houses have been completed and sold, and in the process the value of those properties has improved by around 50 per cent with the profits out of that process going back into the community.

That is a very successful aspect of this program. There is also importantly in relation to employment achievements a localised employment learning and enterprise strategy with involvement from local businesses and residents as well as service providers in order to provide direct support to get people into the job market, so state labour market programs such as the community jobs program, the youth employment scheme and the community business employment program are all providing excellent opportunities to neighbourhood renewal communities. Some 734 positions have been funded, and I am pleased to say that 51 per cent of participants who have completed the CJP have gone on to either further employment or study, which is a terrific result.

I also indicate that tenants have been provided with a 16-week period after securing employment in order to allow them a period of grace before rent is adjusted, which goes to one of the matters I touched on earlier in relation to addressing disincentives, where people are making the transition into employment. That is one of the measures that has been taken as part of this to address that issue.

Perhaps most importantly of all is the assessment that is made by communities themselves of the impact of neighbourhood renewal. We have been conscious from the start to ensure this is rigorously evaluated in terms of the expenditure of these government funds, and I am pleased to say that the results from the community survey in the Latrobe Valley and Wendouree West areas conducted late last year certainly demonstrate that the program is increasing community engagement, with 92 per cent of people interviewed thinking that neighbourhood renewal was a good idea. The results across indicators such as improvements in housing, community pride and community participation all demonstrated very positive improvements.

The CHAIR — By way of supplementary question — and you may like to take this on notice, Director — given you have a 50 per cent increase in the price of a house in the Latrobe Valley example and that this could be an income generator, with all of the wonderful human benefits aside has the department looked at increasing this as an output measure, given the potential for income? You might like to take that on notice.

Mr FORWOOD — Minister, I refer you to pages 58 and 59 of the department's response which deals with section 7 — departmental asset investment. There are two charts. One is the housing stock additions for the period last year and one says 'revised 2003–04 budget', but I presume you would not be revising this year's budget yet, would you?

Ms BROAD — No.

Mr FORWOOD — I want to try, if possible, to tie this back to our previous conversation about contributor capital. This question asks about capital expenditure. If you look at the first chart for the 2002–03 year through the crisis and supported transitional housing, through the long-term housing's various components — Aborigines, et cetera — and the fiscal improvements you get a total of \$402.4 million in capital expenditure last year. If you look at the figures for the forthcoming year they have dropped considerably — crisis and supported transitional housing has gone from \$18.6 million to \$500 000, the long-term total housing assistance project has dropped from \$213 million to \$120 million, and fiscal improvements has dropped from \$170 million to \$161 million. How come it has dropped by this amount? Is this part of the continuing capital shift? If so, why was what happened in the budget papers not replicated in the questionnaire you have given to us? What I am trying to get to is what actually is the capital spend in the forthcoming year?

Ms BROAD — By way of introductory comments before I hand over to the director of housing, I indicate that there is a shift here which is a policy shift in relation to the emphasis from short-term and crisis accommodation to more investment in longer-term accommodation. That comes about following the recommendations out of the Victorian homelessness strategy where, after a period of time under this government of significant investment in short-term and crisis accommodation, there is now a view that that has reached a level where the priority now is in terms of longer-term accommodation.

Mr FORWOOD — You mean you moved from capital spend to recurrent spend as a policy shift?

Ms BROAD — I am talking about investment in housing and what it is applied to, that there has been a shift in terms of the 2003–04 targets and commitment in terms of where we are going to make our primary investment. But as to the split and the impact on the department's questionnaire I will ask the director to deal with that.

Mr FORWOOD — This is all capital?

Mr DOWNIE — Correct.

Mr FORWOOD — It is all capital spend?

Mr DOWNIE — Yes.

Mr FORWOOD — It has dropped from last year's \$402 million to this year's \$282 million?

Mr DOWNIE — That is correct, yes, and you are asking for — —

Mr FORWOOD — I read the budget papers and I do not see anywhere in them where it suggests that the capital spend of the Office of Housing has dropped from \$402 million to \$282 million. If it has, why has it happened and where has it happened is a legitimate question to ask. Your slides showed that nearly 1000 dwelling units were going to be constructed. I presume that is part of the capital spend.

Mr DOWNIE — Yes.

Mr FORWOOD — We ought to be able to draw a chart that says, ‘Last year for our capital spend this is what we got; this year for our capital spend this is what we think we will get’, shouldn’t we?

Mr DOWNIE — Yes.

Mr FORWOOD — Then we would have some comparison between like and like. The problem with the accounting shift from the urgent issues group is that it is complicating the capacity for people to actually read the budget papers. I am trying to get the information, to clear the decks, so we can understand what the hell is going on.

Mr DOWNIE — Let me have a go at it for you. It is a complex matter because only half of the Office of Housing’s revenues are in any of the appropriations that are budget papers 3 and 2. The Office of Housing also earns internal funds. That revenue base is made up from rents, from home purchase payouts and from other investments. Also there is the additional state funds. There are less funds in the budget for capital. As the minister said, there has also been an increase in the service levels on the recurrent side. These are coming off years of quite low service levels within the Office of Housing. The initiatives that the minister referred to such as neighbourhood renewal — —

Mr FORWOOD — That is capital spend?

Mr DOWNIE — Not all of it is capital spend, there is quite a bit of recurrent spend in there.

As to the new moneys that the state puts in each year generally, with the joined-up government approach in neighbourhood and renewal areas, those moneys are often not reflected on the balance sheet at the end of the day. However — —

Mr FORWOOD — I am just trying to understand it.

Mr DOWNIE — Let me explain that the neighbourhood renewal area, if you were to put the whole of the budget together, is actually taking a proportion of moneys in other parts of the capital budget of the Office of Housing, being the upgrade area, the maintenance area — —

Mr FORWOOD — Maintenance is not a capital expenditure.

Mr DOWNIE — But they do take, for example, a quite large proportion of the upgrade money that is in the budget next year — \$161 million.

Mr FORWOOD — That \$161 million is shown here as physical improvements.

Mr DOWNIE — That is correct.

Mr FORWOOD — You have just said to me that part of that is in fact maintenance, not capital?

Mr DOWNIE — Sorry, there was a mistake in referring to maintenance. The upgrade budget is in fact our physical improvements budget.

Mr FORWOOD — And it is all capital?

Mr DOWNIE — It is all capital.

Mr FORWOOD — If you could do the charts for us, that would be useful.

Mr DOWNIE — Thank you.

Ms GREEN — Minister, the output table on page 101 of budget paper 3 states that 2700 units will be upgraded. Specifically can you provide the committee with details of the commitment to improve the high-rise estates?

Ms BROAD — I am very happy to outline for the committee the government's actions in relation to the very significant high-rise estates. We are developing a comprehensive high-rise strategy, integrating improvements to both the physical as well as the living environments, and improvements to security, building and tenancy management, as well as strengthening the role of tenants in the management of buildings which they live in. We have under development a framework document which will draw all of these government actions together and which, when it is completed, will be publicly released.

The following objectives have been identified to date: improving the social and physical living environment in a way that is sustainable; enhancing operational management of buildings; increasing the role of tenants — and that includes a whole range of priorities in relation to building management, including maintenance, cleaning, gardening, and the security issues I identified; importantly, to increase tenants' sense of safety and security; ensuring effective organisational management; and improving the financial and environmental performance of the high-rise buildings as part of their sustainability into the future.

This government is committed to improving high-rise public housing. A major component of the government's strategy is the implementation of a progressive program of major physical improvements. In 2002–03 some \$70 million was allocated for upgrading of the high-rise buildings. This is in major contrast to the former government, which spent some \$7 million on tenant flats over the life of the former government. As you might imagine, as a result of such major underexpenditure there is now considerable deterioration in the quality of flats, which this government is now addressing, including through that \$70 million which is committed to the high-rises.

Can I also briefly mention, drawing on my former role as Minister for Energy and Resources, how pleased I am that with a number of the high-rise buildings it has been possible to incorporate energy efficiency and water efficiency improvements, which are of benefit to tenants, in terms of both lower bills they need to pay and for a better environment, in terms of the capacity, even through water restrictions, to improve the amenities of the area, including the gardens, through the more efficient use and recycling of water; and there are the environmental benefits that those investments have provided. The government's Sustainable Energy Authority, which I am no longer responsible for, has been a partner in some of those improvements.

Mr FORWOOD — Well done.

Ms BROAD — I am pleased it is meeting its social as well as its environmental objectives.

The CHAIR — Thank you very much, Minister. A considerable amount of information has been provided, and we thank you and the departmental officers. I also thank Hansard for its attendance. We will follow up a couple of matters by way of correspondence. We thank you for your cooperation; good morning.

Witnesses withdrew.