

REVISED CORRECTED TRANSCRIPT*

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2005–06

Melbourne — 3 June 2005

Members

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Witnesses

Ms C. Broad, Minister for Housing;

Ms P. Faulkner, secretary;

Dr O. Donald, executive director, housing and community building division;

Mr L. Wallace, executive director, financial and corporate services; and

Mr K. Downie, director, strategy and corporate finance, housing and community building division,
Department of Human Services.

*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication date.

The ACTING CHAIR (Ms Romanes) — Minister, at the end of the segment on local government I omitted to thank the witnesses for their attendance, so if you will please pass on the committee's thanks to the witnesses who attended and those who helped prepare for the local government presentation. I welcome Ms Patricia Faulkner, the departmental secretary; Dr Owen Donald, executive director, housing and community building; Mr Lance Wallace, executive director, financial and corporate services; and Mr Ken Downie, director, strategy and corporate finance, housing and community building, 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 2005–06 budget estimates for the housing portfolio. I would ask if we can keep it under the 10 minutes if possible.

Overheads shown.

Ms BROAD — I will commence with strategic directions and indicate that the housing budget for 2005–06 builds on substantial progress in 2004–05 against the government's key strategic directions for housing and homelessness assistance. In addition to innovative schemes for social housing acquisition, Victoria is also leading national policy work on affordability issues which are the shared responsibility of the commonwealth and the states. Neighbourhood renewal is getting people into jobs and training, reducing crime and violence and improving housing and community structure by actively engaging residents. Implementation and evaluation of Victorian homelessness strategy pilots has continued through 2004–05 and significant commitments have been made against the youth homelessness action plan. Improving the quality of social housing is the continued priority, and in 2004–05 we have made significant further investments in addressing social housing maintenance, management of maintenance services and complaints management.

Moving to the operating environment, in real terms the state of Victoria has lost over \$760 million over the past decade through the commonwealth-state housing agreement. Over 30 per cent of properties are in excess of 30 years old. That means we need to plan for sustainable growth and increase the supply of affordable housing in areas which are near employment, education and existing services. Family violence is the leading contributor to deaths, disability and illness for women aged 15 to 44. The other significant part of our operating environment is that communities situated where there are large concentrations of public housing are characterised by high levels of socioeconomic disadvantage.

The 2005–06 state budget responds to this operating environment with new funding in a number of areas — \$49.6 million over five years to grow social housing stock. This is in addition to funding available in the 2005–06 housing budget, which includes \$30 million for the building more homes together program, Melbourne 2030 affordable housing boost and housing for regional Victoria initiatives. It is in addition to \$78 million for CSHA acquisitions and redevelopments and \$47 million for the strategy for growth in housing for low-income Victorians. It is also in addition to \$148.5 million for physical improvements.

In the area of family violence in 2005–06 there is \$2.38 million in new funding and \$13.39 million over four years as part of the government's response to family violence. In 2005–06 new funding of \$3.2 million will be combined with existing funds to provide \$5.8 million for the neighbourhood renewal program. This chart highlights the investment the Victorian government has made in affordable housing in addition to our commonwealth-state housing requirements — some \$363 million in additional housing commitments since the government came to office in 1999. We can see from the next chart the significant additional state contribution to the supported accommodation assistance program over the five years of the SAAP IV agreement from 2000–05. Additional state SAAP funds for core services since this government came to office have totalled over \$51.2 million between 2000–05, and that is the blue part of that bar chart.

Moving to another priority for the government — improving public housing quality — as you can see from this slide it will continue to be a significant investment for the government in the upgrade and improvement of public housing stock. Some \$70.2 million has been allocated to high-rise, and \$57.5 million will be invested in villas, low-rise and walk-up estates, with \$20.8 million in addition to minor capital works. Over 800 major upgrades are expected to occur in neighbourhood renewal areas, with a total of 2200 expected across the state. In the maintenance area some \$88.2 million will be expended in 2005–06 for maintenance. This chart clearly highlights the crucial investment that has been made over the last five years, the term of this government, to allow us to improve the value, the utility and the quality of existing housing stock. It also demonstrates this government's commitment to providing a quality living environment for tenants of the Office of Housing. The actual amounts show that between 1995–2000 the total amount was \$779 million, and over the five years, 2000–05, the amount is \$1.23 billion.

Moving to the output costs, the total amount of output funding in budget paper 3 includes \$112.9 million for the homelessness assistance output and \$272.8 million for long-term housing assistance outputs, with the totals being \$385.7 million compared with \$351.4 million in 2004–05. Moving to the output measures, in 2005–06 the department's output table was subject to an external review by the Department of Treasury and Finance, and that review has produced a more sophisticated structure with fewer but more meaningful integrated measures that are more outcome focused — something that Mr Roger Hallam would appreciate, I am sure, if he were here. We had a debate about that one year at the Public Accounts and Estimates Committee. The new measures include the total number of long-term social housing stock and the total number of long-term assists.

The ACTING CHAIR — You have about 2 minutes left.

Ms BROAD — Moving to the more detailed part of it, which will not take long, in 2005–06 we are expecting to see increases in the number of SAAP support episodes, the number of crisis-transitional assists, and the number of housing establishment fund assists. Those increases reflect the additional allocations made in the budget to reform the family violence system.

The Office of Housing will be acquiring over 794 new long-term housing properties. There is a slight decrease in the upgrade numbers this year, and that reflects the need to target stock in poor condition. This is a legacy of historic low levels of investment and an ageing property portfolio. The increased focus on high-rise infrastructure, particularly in older persons' accommodation, also reduces the number of unit upgrades on that measure. Additional state funds the government has invested in stock growth has allowed us to continue to increase our total social housing stock — a commitment by this government. If we were to rely on funds purely from the commonwealth-state housing agreement we would certainly see stock declining, as is the case in nearly every other state and territory.

In conclusion, Victoria has continued to invest significant additional state funds in housing this coming financial year to counter commonwealth reductions. New funds are earmarked for growth in social housing stock as well as improving housing quality for reducing disadvantage through neighbourhood renewal. We have also provided additional state funds for homelessness assistance and we are negotiating, we hope, a better deal from the commonwealth for the forthcoming SAAP agreement.

Mr RICH-PHILLIPS — Before we get under way, I seek clarification from the minister. The presentation use both the terms 'public housing' and 'social housing'. Minister, are you using those interchangeably?

Ms BROAD — No, I am not using them interchangeably. Social housing includes housing which has been acquired in partnership with a range of partners, including councils and community organisations. One of the ways this government has sought to grow affordable housing is by leveraging our investment. Investing in purely public housing does not attract any leverage, but we have through the first term of the government, through the social housing innovation program, achieved some 30 per cent leverage on state government investment. Through a number of new strategies which we are pursuing in this term of government, particularly housing associations, we are seeking to add to that equation further leveraged through private sector involvement, so social housing certainly includes public housing plus the partnership acquisitions through those other means I have described.

The ACTING CHAIR — I refer you to page 98 of budget paper 3 and the important issue of output costs for homelessness assistance. We can see that the allocations of funds continue to grow. You made reference in your presentation to the SAAP V agreement and the ongoing negotiations with the commonwealth government about that SAAP V agreement. Can you give us more details about where things are at with those negotiations?

Ms BROAD — The commonwealth-state funded supported accommodation assistance program is the principal support funding mechanism for the Victorian government's response to homelessness, and that includes women and children escaping from domestic violence. The current five-year agreement expires on 30 June — this month — and under that agreement currently the commonwealth provides approximately 60 per cent of matched funds, and the Victorian government provides approximately 40 per cent. As well as that, the Victorian government also provides an additional \$14.5 million in state-only funds for core SAAP services. Those are funds which are not matched by the commonwealth, and when those funds are taken into account Victoria provides just over half of the funding for core SAAP services for people who are homeless in Victoria. The Victorian government received an offer from the commonwealth Minister for Family and Community Services for the supported accommodation

assistance program that was completely unacceptable at the end of December last year. That commonwealth offer sought to change matching arrangements with the effect that not only was there no funding for growth in this area, but the offer actually reduced the amount of funding provided by the commonwealth by some \$6.5 million per year, or \$32 million over the five years of a future agreement. That, of course, would have had a devastating impact on one of the most disadvantaged and vulnerable groups in our community — homeless people. I formally wrote to the commonwealth minister earlier this year, advising on behalf of the state government that that offer was completely unacceptable, as did other state and territory ministers, and since then I have sought to engage the commonwealth minister on this matter, to try and obtain a more favourable outcome for Victoria.

One of the principal issues with the offer is its failure to recognise additional state funding over the last five years of the SAAP IV agreement — funding which is not matched by the commonwealth. However, Victoria's additional funding contribution has certainly been included in performance reports to the commonwealth, and has been recognised in national SAAP reporting, published by the national data collection agency, which is a commonwealth agency. That funding is certainly contributing to addressing homelessness and assisting homeless people here in Victoria. With only weeks to go before the current agreement ends and with agency staff and homeless people, understandably extremely anxious for the future, a new offer arrived very late on Wednesday. It is a particularly complex offer, and I am seeking detailed advice from my department. I also want to seek advice from the homelessness sector as to their view about what this revised offer would mean for them and for the homeless people that they support. The early assessment of this revised offer is that the commonwealth is no longer proposing to cut its funding in the next financial year, 2005–06. However, beyond 2005–06 the story is much more complicated, and that is why we need to conduct careful analyses and consult with the sector about what it would mean for the future.

Mr CLARK — My question relates to the vexed issue of what has been happening to the state's social housing stock. As you probably know, the committee has been trying to get a handle on this in previous reports. I must say I am disappointed if the changes made to the output measures, with which Treasury has assisted as best it can, result in a very modest step forward. Given that fact, I ask whether, either now or on notice, you could provide the committee with the actual number of social housing stock units that make up the various bars in the chart in your presentation — in other words, what is the actual numerical figure represented by each of those bars? Also, in respect of 2004–05 and 2005–06, can you provide the committee with a full reconciliation of how the different numbers are arrived at in terms of sales and demolitions and other losses of stock that offset the acquisitions that you have in your performance measures, so as to arrive at the changes to the total figure; and what is the explanation of the difference in aggregate number between the figures in your chart which appear to be in excess of 76 500 units and the figure for the long-term social housing properties of 73 000? I assume that may relate to short-term housing for homelessness assistance, but if either now or on notice you could provide the committee with a table of how those numbers fit together in terms of what has been happening to changes in the total of social housing stock, that would be most helpful.

Ms BROAD — Certainly. I will endeavour to set out in a table the information you have requested. Beyond information reported in the budget papers there is information which is reported in a number of ways, including under the commonwealth-state housing agreement, so there is certainly further data which we can provide.

Mr MERLINO — Minister, I also refer you to the homelessness assistance measures on page 98 of budget paper 3 and, as you pointed out in your presentation, a number of those targets for 2005–06 have increased. Can you explain to the committee how the recent announcement of the additional \$35.1 million will improve the response to family violence in Victoria?

Ms BROAD — Addressing family violence is a key priority for the Bracks government, and whole of government policy initiatives and budget commitments which relate to this priority area include the women's safety strategy, safer streets and homes, the indigenous family violence strategy, Victoria Police's violence against women strategy, as well as the government's *A Fairer Victoria* social policy statement recently released and funded through the budget. The additional \$35.1 million contained in the budget for the next four years begins the implementation of an integrated multi-agency response to family violence across Victoria, and the new funding will be used in an integrated way across a number of portfolio areas to tackle the multiple causes and consequences of violence in the home. This new response builds on a lot of work which has developed an integrated model through the statewide steering committee to reduce family violence — a committee comprised of senior representatives from the family violence sector as well as the public service and Victoria Police.

The Bracks government believes the complexity of family violence requires a long-term approach and that the changes that we are seeking will only be achieved through a coordinated effort involving government, community organisations and the community; and the new model will provide much more integrated quality services for women and children, as well as a strengthened response to male perpetrators of family violence. Currently the Department of Human Services is providing some \$20.4 million annually for services to women and children experiencing family violence, and of this the Office of Housing provides \$15 million per year, and it has increased its part of recurrent funding by some \$850 000 in recent years. As well as that the new Office for Children provides some \$2.8 million for prevention, support and men's behavioural change programs, and \$2.6 million for responses to indigenous family violence. The budget package in terms of my portfolio area particularly includes \$7.3 million for case management and outreach services for women and women with children to handle the increased reporting of family violence, with another \$1.8 million for intensive case management for the most complex cases. It also includes some \$600 000 for new crisis accommodation and referral services for men and \$1.4 million, which will be combined with redirected Victorian homelessness strategy funding of \$2.1 million, to better link women into the private rental market, as well as providing emergency accommodation and more choices of accommodation in situations where they are experiencing family violence.

Some \$1.6 million has been provided for strengthened statewide and local after-hours services for women. At the moment there are parts of the state where there is not an after-hours service and that will now be available through this funding. Some \$200 000 has been allocated for developing a method to assess current and ongoing danger to women, which will lead to more accurate assessments and more appropriate referrals as well as better services. This funding will provide more housing choices which will better meet individual needs. Alongside the secure refuge housing option, when it is required, there will be the choice of community-managed housing and access to the private rental market with support in all cases and additional support to meet particularly the needs of more complex cases.

Mr RICH-PHILLIPS — I refer you to the policy and funding plan for the Office of Housing which was prepared in 2003. I was wondering whether you could provide the committee, presumably on notice, with a budget update to that plan now that the budget has been released. I understand that other agencies within the Department of Human Services update their plans to reflect budget changes and I was wondering whether the Office of Housing could also provide us with an update of its plan in view of the budget.

Ms BROAD — The director of housing has advised me that we can certainly do that. We will follow that up and provide that information as requested.

Mr SOMYUREK — I refer you to page 270 of budget paper 3 and the various output initiatives under the heading '*A Fairer Victoria — Creating Opportunity and Addressing Disadvantage*'. In particular I refer to the output initiative of 'expanding and extending neighbourhood renewal'. We expect \$3.3 million to be spent in the 2005–06 financial year, rising to \$5.9 million in 2006–07 and then \$10.2 million and \$10.4 million — a total of \$29.8 million going forward to 2008–09. Can you confirm what progress has been made in addressing the needs of disadvantaged communities and what this new funding will achieve?

Ms BROAD — The \$29.8 million announced as part of the *A Fairer Victoria* social policy statement is the amount which will fund the extension to neighbourhood renewal. It is in addition to the \$153 million which the government has invested in neighbourhood renewal through the Office of Housing up to and including the current financial year. Spread over the four years that have been referred to the new funding will enable neighbourhood renewal to expand to four new areas in Victoria that experience high levels of disadvantage. It will also extend all neighbourhood renewal projects to eight years to ensure that the very positive changes are embedded and sustainable. It will strengthen all projects with additional resourcing to support employment and community infrastructure development.

I believe the progress that has been made so far in existing project areas is very significant. Residents now form 40 per cent to 50 per cent of the governance structures for most projects. Some 13 learning and employment coordinators have been appointed to develop employment and learning opportunities in all 15 of the existing project areas. Over 1000 community jobs program jobs and training placements have been made, with 60 per cent of participants moving on to ongoing employment or further education and training. Resident employment clauses in Department of Human Services' contracts have also provided sustainable work options for long-term unemployed public housing tenants. Over 15 community enterprises have been created through neighbourhood renewal to help revitalise local, neighbourhood-level economies. Joint funding by neighbourhood renewal and the

Department for Victorian Communities is allowing the Brotherhood of St Laurence to support development of 12 new enterprises in neighbourhood renewal areas in the 2005–06 financial year. As well as that, 2500 properties have been upgraded and improved; 130 new properties have been built; and 1000 homes have had energy improvement works in partnership with Sustainable Energy Authority Victoria. Police statistics are another very important indicator of the impact of neighbourhood renewal. The 10 neighbourhood renewal areas which were established between 2002–03 and 2003–04 show that property crime is down 70 per cent in those areas. As well as that, neighbourhood renewal projects won three Australian crime and violence prevention awards in 2004. They were neighbourhood renewal areas in the Latrobe Valley, Fitzroy and Collingwood and Shepparton. There is a lot more data, but I will not go through it all. I think that data shows that neighbourhood renewal is making a real difference in disadvantaged communities for the individuals, for the local economies and for the safety of those communities. The most notable change has been achieved where resident engagement and joined-up government have intersected, including where we see local councils and shires getting actively involved — —

Mr SOMYUREK — This is a case in point.

Ms BROAD — That is right — and where local priorities have been identified and targeted and where efforts have been sustained over an adequate period of time. We expect to see more of that as some of the more recent neighbourhood renewal projects are evaluated in a similar fashion.

Mr CLARK — As you probably know, in recent times both the Auditor-General and the Ombudsman have raised concerns about aspects of the operation of the Office of Housing. In a report in June of last year the Auditor-General referred to a growing problem with overcharging and unrectified works by contractors to the office and estimated that overcharges could be in the order of \$2.7 million per annum and \$3 million per annum for works that need to be rectified. The Ombudsman has referred to the Auditor-General for investigation of suspected fraud in the administration of the rental rebate scheme citing the scale of public revenue at risk. According to one press report one housing officer said she suspected fraud was occurring at about 10 per cent of the 390 properties she managed. What action is the government taking to address these problems?

Ms BROAD — Thank you for that question. I might indicate that in addition to the Auditor-General's reports, when it first came to office this government was aware that this was an area that needed to be addressed. As a result of that the Office of Housing undertook a review of this area. Following the findings of both the Office of Housing's own reviews and the Auditor-General's audit process the Office of Housing has initiated a number of business improvement initiatives in this area. They focus on a number of matters which have been identified in those reviews and reports, including management of contractor performance, improved collection of property condition assessment data, expansion of the independent review function for maintenance services, increased numbers of customer satisfaction surveys, as well as improved management of complaints and importantly improved communications with tenants. We believe a review of the response of maintenance contracts has strengthened contractors' obligations in relation to the quality and timeliness of work, which is one of the matters that was examined.

A contractor consultant review panel is now in place, and all contractors used by the Office of Housing are subject to review, and their performance in all maintenance projects is monitored. As well as that, some 117 regional staff have received training in contractor management, something which needed to be addressed. The maintenance call centre, an initiative of this government, is also a very significant improvement in this area. Monthly customer surveys conducted by the maintenance call centre show a very high level of customer satisfaction — in fact there is 99 per cent satisfaction with staff performance — with over 5000 surveys having been conducted since July last year. Just in case there is any concern about that, there are also independent surveys conducted. Those are some of the main areas which have been raised in the Auditor-General's reports and in the Office of Housing's own reviews in this area. I do not know whether that — —

Mr CLARK — Thank you for that. The second aspect I mentioned was the rental rebate scheme, fraud and the Ombudsman's reference of this issue to the Auditor-General.

Ms BROAD — I am seeking some advice.

The ACTING CHAIR — Do you want to take it on notice?

Dr DONALD — I would prefer to take it on notice, yes. I will take it on notice and provide a response.

The ACTING CHAIR — Minister, I have a question relating to the long-term housing assistance output, which is on page 99 of budget paper 3. A key part of the government's growth strategy in this area is the establishment of housing associations. The legislation at the end of last year was to facilitate that. Can you provide the committee with an update on the housing associations and their establishment and work?

Ms BROAD — The government committed \$70 million over the period 2003–04 to 2006–07 to implement the strategy for growth in housing for low-income Victorians. Through that strategy the housing program has undertaken a fundamental reform of the housing assistance system to address the damaging effects of declining grant revenues. Since the announcement of that strategy in December 2003 a number of milestones have been reached. They include the enactment of the Housing (Housing Agencies) Act, which provides a framework for the registration and regulation of the housing associations as well as other community housing providers. As well as that, six prospective housing associations have been identified through a very rigorous registration of intent exercise. The appointment of the acting registrar of housing agencies has now occurred. We have also finalised, following consultation with the community housing sector, the performance standards which have to be achieved by registered agencies and the statutory guidelines on the use of powers of intervention set out in the legislation. The other milestone that has been achieved is the identification and assessment of possible capital projects to be undertaken in partnership with the new housing associations once they have achieved registration under the act.

That registration process is well under way, and it is expected that a number of housing associations will complete that registration process by the end of this month. There was some delay in the process as a result of concerns expressed by some of the prospective housing associations that their charitable or public benevolent institution status might be affected. That issue is being addressed through discussions with the Australian Taxation Office, and a public determination of the matter is being sought from the tax office. The Office of Housing does not have any control over the timing of that, so we are proceeding in the expectation that that is a matter which can be resolved satisfactorily. Following registration, funding will be committed for a significant number of capital projects that have been evaluated over the past six months and are purely awaiting the completion of the registration process this month.

Mr RICH-PHILLIPS — Minister, I would like to ask you about debtor control and management among public housing tenants. For each of the last two financial years, 2002–03 and 2003–04, and where possible for the current year, 2004–05, in terms of expected outcomes, can you tell the committee what the total rental arrears has been, what is the total tenant responsibility accrued maintenance debt, what the level of provision for doubtful debts has been and what the actual write-off of bad debts has been?

Ms BROAD — I am not certain that I can provide here today responses to all of those components. I am certainly willing to provide them subsequently. I will indicate in response that public housing constitutes around 20 per cent of the rental market, and certainly all landlords experience some level of rent arrears. It does fluctuate, and I am advised that over the past six to eight years arrears have remained within similar bounds as a percentage of rent collected. Housing authorities certainly have their share of tenant issues, so this is an ongoing area which requires attention. Writing off a level of arrears is something which needs to be constantly under review, but again the advice to me is that the proportion of rental arrears written off has not varied greatly over the past three financial years.

Currently almost 63 per cent of public housing tenants are paying rent by direct debit, and we think that is a form of payment which greatly assists in avoiding tenants, many of whom are certainly on very low incomes, from falling into rental arrears when they are having difficulties managing their household budgets. When tenants do fall into rental arrears the approach which is taken is to assist them in making arrangements to repay debt in affordable instalments, and those tenants who are not making rent payments by direct debit are strongly encouraged to take up that option. I also indicate that staff training focusing on minimising rent arrears is also being developed to better equip Office of Housing staff to have a range of early intervention strategies to avoid — to the extent that that is possible — the problem getting out of hand. I might ask whether the director of housing can add anything to that.

Dr DONALD — Yes, I can. There are a couple of matters which I would draw to your attention. The first is that the impact of very tight targeting of public housing to people with multiple and complex needs, as the minister has indicated, does have an impact on the aggregate level of arrears. That matter is being addressed quite vigorously through staff training, amongst other things, as the minister has indicated, and through our twice-yearly business review meetings with all of the regions. So this is a very strong element of focus for management in the administration of arrears. Clearly, as the clientele of the Office of Housing becomes a higher proportion on very

low incomes facing a variety of issues, increasing proportions come into the system through homelessness and have very little, if any savings and so on, and that has an impact on arrears. We are currently running at just over 3 per cent for 2004–05, and that is not acceptable to us although it is comparable with arrears in the private rental market. We are driving as hard as we can to reduce that figure through a range of management actions.

Mr RICH-PHILLIPS — Can I clarify that you will be able to provide those dollar figures on notice?

Dr DONALD — Yes, I did not get them all, but I think the record will have them, and we will endeavour to provide them.

Mr MERLINO — Minister, I refer you to the long-term housing acquisition measure on page 99 of budget paper 3. I understand that part of the \$50 million in additional funds announced in the 2004–05 budget will be used for the building more homes together initiative. Could you please explain to the committee what this initiative entails and detail the progress of this initiative to date?

Ms BROAD — The building more homes together project is a very exciting and innovative leveraging initiative to harness the capabilities of the government, as well as private and non-government sectors, as a primary strategy for delivering more housing stock; something which I referred to right at the start of this session as a strategy that the government is vigorously pursuing. Under the earlier social housing innovations program, we have certainly seen that the partnerships between the government and community sectors and local governments have achieved that 30 per cent leveraging result, which I referred to. With the addition of the private sector we are aiming for this new approach through the building more homes together project to also achieve significant leveraging. The project aims to procure more social housing stock numbers by leveraging that \$20 million of government funds as well as Office of Housing owned vacant land assets with private funds, as well as property which might be privately owned in a number of configurations.

The project is expected to deliver some 170 units by way of the government working with private developers and community-managed housing providers, which might include housing associations either on their own or in consortia, by a collaboration of assets to boost value for money; something which the government is always looking for in terms of the dollars that it is investing, as well as increasing the strategic capabilities and delivering more housing stock. The project is to run through to the middle of 2008. It is currently in the expressions of interest stage, and the short listing of respondents to advance proposals will occur shortly. It is expected that the announcement and commencement of projects will occur later this year.

Mr CLARK — Minister, as you probably know public housing stock remaining vacant for extended periods was the subject of some press reporting a couple of months ago, including claims about a house in Corio being vacant for more than four years, and a house in Horsham being without tenants for more than three years. What information can you provide to the committee about the performance of the Office of Housing over recent years in respect of vacancy levels, vacancy periods, the number and value of undeveloped sites, and the period between the acquisition of sites and their being available for occupation? Are you prepared to consider putting performance measures on some of these aspects in the budget papers for future years? Do you know whether or not these houses in Corio and Horsham, that were mentioned in the press reports, have now been tenanted?

Ms BROAD — Thank you for that question. Certainly the amount of time that properties are untenanted and the reasons for that are matters that the government takes seriously. The proportion of public housing rental properties vacant at June last year was around 1.2 per cent of total stock, and that was 733 vacant properties, compared to the private sector vacancy rate which was 3.8 per cent at the same time. The Office of Housing also plays an important role in monitoring the private rental market, and that indicates that the Office of Housing is certainly performing favourably by comparison — —

Mr CLARK — You have a long list of people waiting to get into your properties. The private sector has to attract tenants, so I submit that they are not strictly comparable measures.

Ms BROAD — Nonetheless, I think it is important to compare the efficiency and performance of the Office of Housing against the private rental market, and that is something that the Office of Housing does in terms of setting rents and in terms of its property management. Monitoring the private market is something which we think is an important source of information in terms of doing that assessment. Of the 733 vacant properties, the majority had been vacant for 39 days or less. When you take into account the factors which need to be considered before properties can be re-tenanted, which include regular maintenance, a process of offering properties and

tenants accepting offers, and tenants needing to move to take up property offers, that is considered to be a reasonable period for the majority of properties. The fact is that most tenants take up housing offers, but not all tenants take them up. Some properties can take longer than that to tenant.

The average time taken to prepare vacant properties from offer through to allocation was 38 calendar days, which is an improvement from the same time last year. Again, the Office of Housing benchmarks its performance not only with what is happening in the private rental market but also with state housing authorities. We believe that the 38-day average is consistent with national averages. Notwithstanding that performance I have requested the Office of Housing improve the planning and delivery of maintenance services to ensure that vacancy management and turnaround times are reduced where that is possible. The Office of Housing has been requested to conduct a survey of vacant properties and identify any particular locations of concern, and report on current status. That is over and above regular vacancy monitoring. An intensive program of statewide monitoring and of those target turnaround times was commenced in March. That is all about ensuring that prompt decisions are made about whether vacant properties are re-tenanted. In some instances the decision is made that the properties will not be re-tenanted but that they instead will be disposed of or that they will be replaced. So there is a stock assessment process which has to be followed with such a large property portfolio as that managed by the Office of Housing. I might ask if the director of housing wants to add to that at all.

Dr DONALD — There are a couple of matters. I mentioned earlier the process by which we liaise with the regional offices of the Department of Human Services in the administration of housing. Apart from the issue of rental arrears, the issue of vacancy management is one that is attracting an enormous amount of attention. The process that we have been through over the last 12 months has been to identify best practice around the regions as well as to identify good practices in other jurisdictions and to both formulate working procedures associated with good practice and to promulgate those right around the estates. Those practices are in place and vacancy management is now significantly improved. That is not to deny, though, that vacancy management in some locations is very difficult because of mismatches historically that have arisen between the pattern of demand and the pattern of supply. So you always have from place to place properties that are in lower demand and therefore take some time to find a willing tenant. In other cases, of course, the occupancy time can be attenuated by the need for substantial maintenance or in some cases, significant upgrade. So there are significant factors that do constrain the turnaround times of the properties but that is a matter attracting considerable management attention, and I am confident that we have got that issue under pretty strong management control.

Mr CLARK — My question goes to the subject of undeveloped sites which I also referred to in my initial question — that is, where there is a site that has been bought vacant, needing to be built on, how long it is taking between when the site is acquired and when it is available for occupation, and what the number and value of those sites is.

Dr DONALD — The purchase of land and the development of land — while those two processes can often be quite closely associated — there are plenty of good reasons why the land purchase may precede development by a considerable period. Clearly we need to keep an eye on the market and to purchase land where we have funds available at a time when that is most propitious in terms of the market cycle and getting ahead of demand where that is possible through judicious purchases is also highly desirable. There does not need to be and in fact it would be quite inappropriate for there to be a very close connection between the purchase of land and its development where we are attempting to purchase at the appropriate time in the market cycle and to develop at the appropriate time in the development of demand, location by location. There is not an immediate connection between purchase and development.

Mr CLARK — Do you have any figures on the amount of developed land on offer?

Dr DONALD — There is very little but we have a small amount of land-holdings, some in individual lots, some in somewhat larger lots, but by comparison to the total stock it is a very small amount indeed.

Ms BROAD — I might also indicate to Mr Clark that in relation to a certain rural property which received a lot of publicity because it had been untenanted for a long period of time, that my advice is that that property continues to have no tenants that are willing to take up a tenancy so it continues to be available to be tenanted but there is no one on the waiting list who is prepared to take up that offer.

Mr CLARK — In Horsham?

Ms BROAD — We have avoided identifying it because there are other properties, as you would be aware I am sure it is a small rural community and we try to avoid in those circumstances particularly identifying properties where other tenants might then be identified as Office of Housing tenants, but it is in that area.

The ACTING CHAIR — I have a supplementary to follow from this discussion of vacancies and areas that become unattractive to those on the waiting lists and, Minister, I am wondering if you can tell us whether there have been any strategies that have been successful in different areas to overcome the problem of that lack of attractiveness to those on the waiting list, where you have highlighted then in answer to Mr Clark's question, areas of difficulty — have there been some areas of success in turning things around?

Ms BROAD — Chair, in response I would indicate that with such a large property portfolio the Office of Housing is constantly reviewing the locations of properties and whether there needs to be a change in the mix to better reflect where there is demand. In some circumstances and the one that we referred to earlier, it is not always that easy to dispose of properties for which there is no demand and replace them in areas where there is, but certainly that is what the Office of Housing aims to do and in determining where new investments will be made the aim is very much to ensure that new investments and redevelopment of housing stock occurs in well located areas which are going to provide good access to Office of Housing tenants and social-housing tenants to transport education and health services and community facilities in general.

We have also indicated that in the metropolitan area we are looking very closely to align new investments with the Melbourne 2030 metropolitan strategy which the government has in place to ensure as far as possible that we are ensuring that affordable housing is available into the future in those areas because they are areas which will meet our criteria of providing good transport and good access to facilities and services for the tenants and better opportunities for public housing tenants who need access to opportunities.

Mr SOMYUREK — Surely, Minister, the neighbourhood renewal projects would have had a positive impact on the vacancy rates or in attracting tenants that would otherwise would not have gone into some of these areas?

Ms BROAD — Yes, I can certainly confirm that that is the case that in neighbourhood renewal areas we certainly see an increase in the number of offers that are being accepted by tenants who are being made housing offers in those areas. We also see in terms of the value of properties in those areas as reflected in the market that property values increase in neighbourhood renewal areas so there are a number of very positive indicators in terms of take-up of properties in those areas and property values flowing from the very substantial investment and positive community engagement which occurs through the neighbourhood renewal program.

Mr SOMYUREK — I understand the Office of Housing undertakes major redevelopments to improve living environments for tenants. Could you, Minister, please provide an overview to the committee of the major redevelopments being undertaken by the office of housing.

Ms BROAD — The Bracks government is certainly committed to a significant program of redevelopment of older public housing estates and all of those redevelopments are proceeding according to agreed schedules and are expected to reach their planned milestones. In addition to providing for necessary property improvements and replacements, the redevelopments also aim to improve the social living environments for tenants and for the wider community in the neighbourhoods concerned. A considerable amount of consultation and planning has been undertaken in developing appropriate actions for each of these redevelopment projects. Some of the key milestones in redevelopment projects expected to be reached in the next financial year include completion of the Long Gully redevelopment near Bendigo, with the final units under the third stage of the project expected to be handed over this year. Overall that project will deliver 75 new public housing dwellings, as well as a community centre, the spot purchase of some 34 dwellings off-site and the upgrading of a further 91 existing properties in the general area. At Kensington, one of the major redevelopment projects that the Chair of the committee has been closely involved in, two construction projects will be completed. The 97-unit older persons block is due for completion this year and the 11 family units at Henry Street south are also due for completion this year. Major redevelopment projects are expected to deliver some 162 new units in the next financial year. Expenditure on these major redevelopment projects reached \$24 million in the current financial year, 2004–05, and a further \$12 million is expected to be invested in 2005–06.

Mr RICH-PHILLIPS — I would like to ask about the Office of Housing business plan. I have a copy of the 2003–04 business plan. Firstly, can you tell the committee if there is a 2004–05 and a 2005–06 business plan, and if so can the committee get a copy? With respect to this business plan there are a number of reporting targets on pages 30 to 33. Can you tell the committee whether those targets were achieved? Also, on page 34 there is a very good summary of the office’s budget in terms of receipts and outlays. Can you provide the committee with an update for last year and the new budget year so that we can have a better understanding of the operation of the budget?

Ms BROAD — I do not have those documents in front of me; however, I will ask the director of housing if we can provide an update. It is a little early — we are not yet at the 2005–06 stage — but I am sure we will be able to do that.

Dr DONALD — Over the last two years we have moved to a five-year strategic framework, rather than a process of focusing solely on an annual business plan. The five-year strategic framework has been published and we could make it available to you. It is certainly published and is accessible on our web site as well. That obviously focuses on strategic developments. As for the achievement of targets in the 2003–04 business plan, again, I do not have that in front of me at the moment, but I can confidently assert that the majority of the targets have been met and I can anticipate that there will be a couple in the area of the strategy for growth in housing for low-income Victorians which the minister has referred to that has slightly attenuated into a later year in relation to the registration of housing associations and the construction and development activity associated with that.

Mr RICH-PHILLIPS — Given there is not an update to the existing business plan in this format, are you able to provide the committee with an update to the table on page 34 which gives the budget breakdown?

Ms BROAD — Yes.

The ACTING CHAIR — This is from the questionnaire?

Mr RICH-PHILLIPS — No, this is from the business plan.

The ACTING CHAIR — From the business plan. Okay.

Mr RICH-PHILLIPS — For 2003–04. It is page 34 and it gives a good summary of receipts and expenditure. Is it possible to get that for 2004–05 and also an estimate for 2005–06?

Ms BROAD — I expect that we can do that and in fact I think we have the figures to hand.

Dr DONALD — Those figures are actually published in the summary of housing assistance for 2003–04, and the 2004–05 document will be ready a little later in the calendar year. That provides a full breakdown on exactly this basis.

Mr RICH-PHILLIPS — Are you able to provide it for the estimated 2005–06 year, with the new budget, to the committee?

Ms BROAD — Yes, I am sure we can. Looking at the information that is contained in this table I am sure we can do that.

The ACTING CHAIR — Some of that material is already published and some you can make available?

Ms BROAD — They will obviously be estimates for 2005–06, but that is what you would expect.

The ACTING CHAIR — Looking again at the long-term housing assistance output in budget paper 3, could you outline what initiatives have been taken to increase energy savings and improve water management in public housing stock?

Ms BROAD — I am very pleased to be able to advise that the Office of Housing has developed very significant energy efficiency and sustainable housing initiatives in line with the Victorian government’s range of environmental policies in Growing Victoria Together. The Office of Housing has established arrangements with key agencies to jointly improve the environmental sustainability of public housing dwellings, and those arrangements include, through the Victorian greenhouse strategy, a public housing energy efficiency improvement

program to improve the energy efficiency of existing public housing, in partnership with the Department of Sustainability and Environment and the Sustainable Energy Authority of Victoria. Those arrangements also include a memorandum of understanding with the sustainable energy authority and a partnership with Melbourne Water.

As part of its core business the Office of Housing has implemented standards incorporating environmental elements to improve energy efficiency and as a result of that the Office of Housing has constructed over 1400 five-star energy rated homes since 2001. The Office of Housing has also made physical improvements to more than 4000 homes since August 2003 which have incorporated energy efficiency components. Through the Victorian greenhouse strategy, energy-efficient upgrades have been completed to more than 400 existing homes which now achieve between a 4 and 4½ star energy rating. Solar water preheating systems were installed to 15 high-rise towers during 2003–04 and a further 10 high-rise towers are planned for completion by the end of this current financial year. As well as that, the Office of Housing has installed some 750 solar panel boosters to hot water in detached housing since 2001.

In terms of very innovative construction, the Office of Housing, which believes that it is important to show leadership in this area, has plans for the construction of a 96-unit development incorporating environmental sustainability and development principles in Windsor and that features comprehensive energy and water management elements aimed at reducing greenhouse emissions. I might say that all of these initiatives are important not only because they provide very important environmental benefits, but they provide very substantial benefits to Office of Housing tenants — people on low incomes managing a household budget which is very tight — and reducing energy and water bills is of great assistance to tenants through these investments. We are also seeing in Port Melbourne, at the Raglan-Ingles estate, some 64 new public housing units with all units featuring a minimum 5-star energy rating, and some units are in fact achieving between a 5-star and the equivalent, I am advised, of a 7-star energy rating. That, together with a range of additions aimed at saving water and using water more efficiently, is a very substantial program, I believe, in this area by the Office of Housing which is demonstrating leadership and making very significant savings for Office of Housing tenants.

Mr CLARK — I would like to follow up on the issue of the initiative for housing associations which has been touched on previously. I understand that funding for that was provided for in the 2003–04 budget with \$70 million being set aside over four years, including \$10 million in 2003–04 which I believe has now been rolled into 2004–05. Could you tell the committee how much of the \$70 million has been committed so far or was expected to have been committed by the end of 2004–05, and overall what has been the progress with the initiative so far?

Ms BROAD — I might ask the director of housing to respond to this.

Dr DONALD — The minister has already provided a fairly expansive update on where we are at in relation to housing associations, indicating that the implementation of housing associations has gone through a number of stages including the current process of registration which has, again as the minister has indicated, been delayed somewhat by the issue of the tax status of associations being clarified with the Australian Tax Office. That has meant that funds that would have been committed to housing associations for acquisition and development have been held while that process is under way. We expect commitments to flow to those housing associations perhaps at the very end of this financial year, and certainly in very significant numbers in the early stages of 2005–06.

Mr CLARK — Assuming that flow follows, would you then be expecting to have committed the \$30 million that was originally budgeted for the last financial year in 2004–05 by early 2005–06, and then presumably the further \$20 million that was set aside for 2005–06 during the course of that year?

Dr DONALD — Absolutely correct.

The ACTING CHAIR — That concludes the consideration of the budget estimates for the portfolios of local government and housing. I thank the minister and her departmental officers for their attendance today. It has been a useful session. The committee has a couple of issues that it will follow up, and there is some agreement for questions on notice and further information to be provided, but we will be writing to you at a later date to confirm that extra information that was sought. Again I thank you very much for your attendance.

Witnesses withdrew.