

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 17 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr R. Wynne, Minister for Housing;
Ms F. Thorn, secretary;
Mr A. Hall, executive director, financial and corporate services;
Dr O. Donald, director of housing and executive director, housing and community building; and
Mr R. Jenkins, manager, corporate planning and performance, Department of Human Services.

The CHAIR — I declare open the Public Accounts and Estimates Committee on the budget estimates for the portfolios of housing and local government. On behalf of the committee I welcome Mr Richard Wynne, Minister for Housing and Minister for Local Government; Ms Fran Thorn, Secretary; Mr Alan Hall, executive director, financial and corporate services; Dr O. Donald, executive director, housing and community building; and Mr Rob Jenkins, manager, corporate planning and performance, of the Department of Human Services. Departmental officers and members of the public and the media are also welcome.

According to the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach the PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room. All evidence taken by this committee is, under the provisions of the Parliamentary Committees Act, protected from judicial review. There is no need for evidence to be sworn; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege.

All evidence given today will be recorded. Witnesses who speak at the hearing will be provided with proof versions of the transcript, and the committee requests that verifications be forwarded to the committee within three working days from receiving the proof version. In accordance with past practice the transcript and PowerPoint presentations will then be placed on the committee's website. Following a presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a presentation of not more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the housing portfolio.

Mr WYNNE — Thank you very much, Mr Chairman and members of the committee. Thanks for the opportunity to present to you today. As you indicated, Mr Chairman, I have in support today Fran Thorn, who is the secretary of the department and Owen Donald, who is the director of the Office of Housing.

Mr DALLA-RIVA — We have seen Fran once or twice.

Ms GRALEY — She is our friend now.

Mr WYNNE — Fran is a friendly contributor to this debate, and Owen Donald will assist as necessary to elaborate on the answers.

The CHAIR — Good. You have 5 minutes.

Mr WYNNE — Five minutes exactly? I will spin through it.

Mr WELLS — Spin being the operative word, Minister?

Mr DALLA-RIVA — Spin being the operative word.

Mr WYNNE — This is clearly a good start to proceedings!

Overheads shown.

Mr WYNNE — The first slide talks about our budget commitments, and as members will be aware the government has committed \$510 million to improve and grow social housing and invest in homeless assistance. As you know, this is an historic investment by the government. It is the largest one-off investment by a state government, and we are immensely proud of that in the budget.

There will be a \$200 million boost for public housing to redevelop and replace stock in poor condition that does not meet the needs of people currently on our waiting list — it is relatively inflexible stock — and the creation of a \$300 million investment fund to increase social housing supply by leveraging non-government equity to deliver new rental housing for low-income Victorians. This follows a \$60 million financial commitment in Labor's financial statement 3 and 240 million for growing social housing.

I indicate that the budget also targets \$9.6 million towards homeless assistance, with funding allocated to lift homeless support standards and some new initiatives to support young people in housing crisis. The \$200 million boost will deliver 800 public housing units over the four years. In addition \$300 million will build upon our successful strategy for growth in housing for low-income Victorians. Of this, \$60 million will provide 350 additional social housing units for low-income singles and families, made up of 120 dwellings for single people and 230 dwellings for low-income families; and \$240 million will go towards demolishing, redeveloping and replacing properties that no longer meet current demand patterns or are in poor condition.

An additional 1200 new rental homes will be purchased or built and will be owned and managed by housing associations. We will work with housing associations to really try to push the government dollar further and maximise returns to the public and social housing sector. As I have indicated, \$9.6 million is going into homelessness as well.

In 2007–08 approximately 1150 new homes will be provided through funding of \$100.4 million for acquiring new public housing, \$90.7 million in capital funds for the housing associations, and \$17.6 million for redevelopments. As indicated here, I have been out and about since the budget and we have announced some very significant developments in Norlane, Ballarat, Bacchus Marsh and Bendigo, and in Roberts Street, Northcote as well.

The CHAIR — You are welcome to come to my electorate, too, Minister.

Mr WYNNE — We will be coming to a whole range of electorates. In fact, probably all members around the table here in some form will be getting an outcome from this really significant investment by the state government.

Turning to the next slide, ‘additional state funding for housing’, the 2007–08 state budget allocation provides a major injection, as I have indicated. I am a bit wobbly with colour, Mr Chairman, unfortunately, so I am a bit jammed up here. The bottom line is commonwealth, so commonwealth dollars are essentially flat. The next line up is the state contribution, including the internal budget of the Office of Housing by way of rent and income. The third, the additional spike, is the contribution made above and beyond that by the state government since we came to power. What the colours are I cannot tell you — red, purple and mustard, I am told, so do your best with those.

The CHAIR — It is good to see where you are cutting the mustard, Minister.

Mr WYNNE — Thanks very much, Mr Chairman. It is important to stress that the commitment of the state is above and beyond our commonwealth-state housing obligations — \$450 million up till 30 June this year, above and beyond our state obligations.

The next slide again indicates the additional state investment in housing. That is another way that that is represented. You will see there in 2006–07 going forward the growth that we will get over that period of time.

This slide is actually quite important, because it indicates two things. It basically indicates that we have significant ageing stock. If you can read that clearly, the left graph indicates that ‘58 per cent of housing stock is more than 20 years old’, so there is a skewing of the stock; you can see that on the slide. On the right-hand side is an indication of the really massive investment that this government has made since it came into power in terms of our maintenance and physical improvement program, and I will talk further about that as we go on.

The CHAIR — Very good.

Mr WYNNE — Homeless assistance is the second-last slide, Mr Chairman. In that respect the government, I think, has got a very proud record as well — a significant investment in homelessness, with additional funds allocated again in 2007–08. The chart shows that, I think, very clearly, and it is in stark contrast to the efforts of the former government in relation to homelessness. We will be contributing 57 per cent of SAAP funds over the course of the current agreement. I am sure members will be aware that in the negotiation of the last agreement, which was a fifty-fifty agreement, we could not strike an agreement with commonwealth around that, and the state was required to increase its effort by a further \$13 million.

We have got additional investments through our homeless strategy, our Youth Homeless Action Plan. Our 2007–08 target for SAAP support has increased by 1285 support episodes — that is, support provided for homeless people — and that is a very good result.

In conclusion, Mr Chairman and members, Victoria has invested and continues to invest significant amounts in public and social housing above and beyond the commonwealth–state housing agreement. It has been a major investment by the state — an historic investment by the state, I would submit, Mr Chairman — of \$510 million. It is the largest investment by a state housing authority ever to public and social housing, and new funds in 2007–08 will enable us to acquire more homes, improve the housing asset and enhance our responsiveness to homelessness.

I think this is a good, robust response by the state, and I would finish by saying that over the four years of this government we will commit \$1.4 billion to supporting low-income people in public and social housing.

The CHAIR — Thank you, Minister, I very much appreciate that. You, I am sure, are well aware of my views on public housing. It is a very important sector.

Mr WYNNE — I am.

The CHAIR — I would just like you to look at your portfolio and what impact the portfolio spend will be having on productivity, particularly the new initiatives that you are announcing.

Mr WYNNE — Thanks very much, Mr Chairman. As I indicated in my slides, the policy objective of the government is to reform the public housing system to ensure that it is fiscally viable, economically efficient and an improved amenity for the people who we are here to serve, while achieving overall growth in the Victorian social housing sector through the development of housing associations. There are two parts of this strategy: to ensure we have a robust public housing system and that we have investment in housing associations as the other delivery arm for housing.

The 2007–08 budget has introduced specific measures to improve the productivity of social housing, and the leveraging of assets by housing associations is a very important element of that. This approach, of course, builds on the work of my predecessor in the strategy for growth for low-income Victorians and, in our view, increases the provision of housing options by leveraging non-government assets in partnership with housing associations. We believe this has the potential, Mr Chairman, to deliver between 25 and 30 per cent more housing units than could otherwise be achieved under just straight government investment alone.

The second element of that is the utilisation of commonwealth rent assistance, and housing associations will be able to achieve more financial sustainability as they will be able to access subsidies such as commonwealth rent assistance, but, as I am sure you and the members of the committee are aware, it is not available to tenants who are in public housing.

The third is the reduction of asset maintenance liability. As I indicated, the disposal of older maintenance-intensive properties and the replacement with new stock will have a significant impact in terms of the budget and obviously the capacity to generate funds back into the public housing system generally. So I would submit that these reforms do improve the productivity of social housing and importantly will ensure its viability into the future particularly through the involvement of housing associations through our strategy for growth.

There are just a couple of other points I want to make. Since the announcement of our strategy for growth by my predecessor, Candy Broad, in December 2003, there have been a number of milestones that actually do support those initiatives. The first is the amendment to the Housing Act which provides a framework for the registration and regulation of housing associations. That is actually very important. Housing associations operate within quite a regulated environment, and that is important from the point of view of their long-term viability and their capacity to attract funds from financial institutions. Financial institutions want to know who they dealing with; they want to know what the regulatory environment is within which the housing associations are operating, and that was I think a very important initiative to put in place.

Obviously the Office of the Registrar of Housing Associations was established to implement the new regulatory provisions, so that is a second arm of that, and a registration pilot where we invited 17 agencies to seek registration in October 2006. To date, as I am sure many of you are aware, six agencies have been registered as housing associations.

As a package I think this provides a very good example of how the government is seeking to provide a comprehensive response to housing provision. It is about ensuring that we have a strong, robust public housing system. It is to ensure housing associations have got a strong regulatory environment within which they are

operating to the satisfaction of financial institutions, particularly in terms of attracting support and thirdly of course as I indicated earlier, support for the homeless sector as well.

Mr WELLS — Minister, before I ask my question, when is the public housing waiting list for March 2007 quarter going to be published?

Mr WYNNE — Sorry, Mr Wells, I will have to take that on notice.

Mr WELLS — Surely one of these guys will know.

The CHAIR — It does not actually relate to the estimates.

Mr WELLS — No, but it is an interesting question seeing we looked at the graphs and slides.

The CHAIR — Just take it on notice if you do not have an immediate answer.

Mr WYNNE — Sorry I do not have that, but I will get it for you, Kim.

Mr DALLA-RIVA — October 2010, I think.

Mr WELLS — Are we going to follow that up during this hearing?

Mr WYNNE — Yes — during the hearing?

Mr WELLS — Is it possible to find out during the hearing?

Dr DONALD — We will make an attempt.

Mr WYNNE — We will try.

Mr WELLS — Minister, I refer you to page 105 of budget paper 3 and the 2005–06 funding of 281 million and the 2006–07 expected funding of \$554 million spent on long-term housing assistance. Now I believe that that also includes all the maintenance contracts, of which three worth 52 million have been awarded to GJK Facility Services. I also understand that GJK Facility Services has previously held contracts with the Office of Housing. Can the minister advise if during the period that they have previously been contracted have they been subject to any penalties for non-performance of aspects of these contracts and, if so, have they been fined? Can the minister also indicate in relation to the forward estimates whether GJK Facility Services have had the appropriate accreditation with the ISO AS NZ SNISO 1401 standards, that they have adhered to those standards during the periods of the past and forward estimates?

The CHAIR — Minister, in respect to the answer, please, in respect to the forward estimates in the budget.

Mr WYNNE — Thank you very much, Mr Chairman. Mr Wells, as you would be aware, matters pertaining to tendering and contracts for the provision of services to the Office of Housing are matters that pertain to the responsibility of the director of housing. In that respect I have no direct involvement in the tendering of those particular services. As you are well aware, there is a clearly articulated process and guidelines through the Victorian Government Purchasing Board for tendering of these contracts which are overseen by independent probity auditors. But the specific matters you seek advice on in relation to those tenders, I will ask the director of housing to respond to.

The CHAIR — I just want to make a comment with respect to the question. The first part of the question does not relate to the estimates; the second part of the question does.

Mr WELLS — Just to clarify my question then: I guess what I am getting at is that if we are going to give contracts to a particular company which is going to be in the forward estimates, it is important for the committee, or for us in opposition, to have an understanding that they have adhered to all the accredited standards as set out by the tender process. I am also very keen to find out whether there have been penalties for non-performance in the past and what has been done — to adjust the tender, maybe, in some aspects to ensure that it does not happen in the future.

Dr DONALD — The tender process undertaken in relation to the maintenance and gardening contracts for public housing in Melbourne follow a standard procedure in the Office of Housing, and indeed throughout the Victorian public service, that is deeply compliant with DHS and more significantly with the Victorian Government Purchasing Board requirements. That means, amongst other things, that the process needs to be scrupulously fair, it needs to take account of past performance in consideration of the relative merits of various contenders and to that extent any previous experience with any tenderer is taken into account in the assessment of their claims.

In this particular case, because of the size of these contracts, the process was compliant with the arrangements for such sized contracts. They involved amongst other things the appointment of an independent probity adviser; an openly advertised tender in print and online on the government tender website; a pre-tender industry briefing; extensive tender documentation; the establishment of an evaluation panel of three members; the assessment of a set of weighted evaluation criteria, published, scrupulously measured, recorded and ultimately compounded to give an overall assessment; a review, as I have already indicated, of contractors' past performance as indicators, amongst other things, of likely future performance. Details of successful tenderers then are placed on the government tender website and unsuccessful tenderers extensively debriefed. So to go to the matters raised — —

The CHAIR — I am happy for you to talk about the process, I do not think it is appropriate to talk about individual companies in respect of actions which have taken effect in the past.

Dr DONALD — The only matter that is outstanding then is in relation to the qualifications and our efforts to establish the quality standards applied in various organisations and I can say that that was assessed in all cases, and I would be perfectly happy if it were appropriate to elaborate on the way in which quality standards were assessed in each case.

Mr WELLS — Okay, so just to clarify this point, and I understand the Chair's ruling, but we could have a case where a previous company has had penalties for non-performance yet had received another contract worth \$52 million in the forward estimates period.

Dr DONALD — My hands are tied. The Chair has ruled on the question.

Mr WELLS — We really need to find out how the taxpayers money is being spent on a situation like this. I understand the Chair's ruling, but we are talking about the forward estimates which is in line with the Chair's ruling — that is, has the company in the forward estimates period received fines for non-performance in the past? So we are looking at the credibility of this contract.

The CHAIR — I am happy for the process to be discussed in terms of the credibility of the protocols and the way the process goes forward, and of course to ensure that companies in the future will perform their jobs properly. As part of that you might take on board what the deputy chair has said in terms of in your process including as one of the things you judge where do they include ISO standards et cetera. That seems to be quite a reasonable thing to do.

Mr WELLS — And the fact that they have been penalised for non-performance in the past but have received another contract in the forward estimates period.

The CHAIR — I think the awarding of the contracts occurred in the past, and it is something which we can take up in the public accounts. I guess you can expect a question on that in public accounts when we send the questionnaire out.

Mr WELLS — It just leaves the lot hanging in the wind, I am afraid.

Mr PAKULA — I should say at the outset, Minister, that the Footscray housing association resides next door to my office, so I certainly hope there is a ministerial visit to my electorate some time before too long.

Mr WYNNE — It could be very soon.

Mr PAKULA — That is very good to hear. I also refer to page 105 of BP 3. In December 05, Minister, you announced a redevelopment of public housing in Carlton involving the demolition of 192 flats and the creation of 200 new apartments for low-income families and safe new homes for nearly 800 families. It would be worthwhile if you could update the committee on the progress of the Carlton redevelopment and other major projects.

Mr WYNNE — Thanks very much, Mr Pakula, for your question. This a big development. The Carlton redevelopment is one of the biggest redevelopments the government has undertaken, after Kensington. We are committed to a significant program — as I indicated in our slide presentation — of redevelopment of older public housing estates. The \$250 million Carlton housing redevelopment at this stage is our biggest, as I indicated, and it will transform the face of Carlton and we believe provide a safer and more comfortable environment for low-income families where they are going to have quality public housing.

The Carlton development is planned to deliver approximately 795 new homes — 246 public and 549 private — in an integrated residential development across the existing estates of Rathdowne, Drummond, Elgin and Nicholson streets area. If people think about that area, it is the site on the city side of the old VicRoads building which has been renovated for private housing, to put it in context, and the former Queen Elizabeth centre site in Keppel Street. There are three sites involved in this. The redevelopment of the Carlton public housing portfolio will see the replacement of 192 run-down, three-bedroom walk-up flats with 246 new, well-designed homes for low-income Victorians.

As I am sure members of the committee know, one of the core elements of our strategy is to look for opportunities to refurbish and redevelop some of the old walk-up stock. As I indicated, we will be engaged in the redevelopment of Roberts Street, Northcote, and we are progressively going around looking for opportunities to redevelop some of our oldest and most run-down, often concrete, stock.

Following a really extensive consultative process and research, the mix of units in the Carlton redevelopment has been specified as 121 one-bedroom; 72 two-bedroom units; 33 three-bedroom and 20 four-bedroom units. There is a spread of units which we want to be reflective of people who have resided on the Carlton estate in the past and who may in the future want to come and reside in this area. It represents a total of 444 bedrooms and we believe it will house approximately 700 to 750 residents. As I indicated, we have very much skewed the stock distribution to what the waiting list demand is. The waiting list demand is essential, not exclusively but significantly, for one-bedroom units, and then it scales up to the larger family units as well.

I think that there are couple of other important points. We have had a really excellent relationship with the City of Melbourne which has done a terrific job in supporting us through the planning process for this. There has been a strong and active engagement with the community which is very, very interested in what the potential outcomes are for the area, and we are in continuing discussions with a range of welfare organisations in the area which have got an interest in wanting to be further involved in the estate's redevelopment. One of them certainly is the local community health centre which is currently located on Lygon Street to the north of the site. It is very interested in coming onto the estate and being more integrated into the activities that are happening on the estate, and of course we welcome the opportunity to have further consultations with organisations such as the local community health centre as well.

The other thing I would say, Mr Pakula, is our policy in relation to people who are current residents on the estate is that all of their costs are met when they move out of the estate. We do not expect our tenants to bear any burden in relation to moving off the estate for a period of time whilst the estate is redeveloped. Certainly if they remain ministry-of-housing eligible, they have first option, first priority to return to the estate once it is redeveloped.

This is really, I think, a terrific redevelopment opportunity for the estate. It is well progressed. Just so I can indicate where we are in the process, we have finished the planning process with the City of Melbourne; developers were invited to lodge an expression of interest in October 2006; expressions of interest are being evaluated for short listing at the moment; and the redevelopment works are expected to commence in late 2008. So we are well progressed. We are getting down through the expressions of interest process down to a short list of potential tenderers who will be asked to develop their proposal further. So, it is a very exciting project.

Just before you go further, I have some advice from the director of housing. The March waiting list figures will be available for release within the next couple of weeks.

Dr SYKES — Minister, I would like to congratulate the government on the funding boost for public housing. I am particularly interested in what is the commitment to public housing in country Victoria — and I am talking beyond Bendigo, Ballarat and Geelong — and in particular the provision for appropriate support services. You sort of touched on that in your previous answer, but just by way of background, in country Victoria there are often shorter waiting lists for public housing than there are in Melbourne, so there are often people relocating to

country Victoria to totally unfamiliar areas simply to get a roof over their heads. In doing that they often have limited or no family connections in the area and very poor if any social networks. They are often high-needs families and as a result they overtax our local support services and community goodwill. The types of services that get put under pressure include our community health services, our public transport and neighbourhood centres. So, there are two parts: one is the commitment and actual physical construction in country Victoria, and secondly, the support services.

Mr WYNNE — Thanks, Dr Sykes, for the question. It is always good to talk about our commitment in country Victoria because as you know we actually have quite a large stock of public housing which is non-metropolitan — 31 per cent of the stock owned by director of housing, public housing, is located in rural and regional Victoria. So it is a large amount, compared to 27 per cent of the general population and approximately 20 per cent of applicants on the waiting list.

So in that respect we are very committed to ensuring that we maintain a strong and viable presence for public housing in rural settings. The waiting lists are variable across all of the regions, but nonetheless we certainly, as I indicated in the slides, have got a number of proposals that we have already announced, including Ballarat, Geelong and Bacchus Marsh, and more proposals will emerge through our redevelopment strategies both in metropolitan and in rural settings for public housing refurbishment and redevelopment. So in that context I am also keen to ensure that we have a situation where people are supported in their community. That is really the second aspect of your question.

We do provide a very significant support program. It is a program which is called the social housing advocacy and support program, and the government is committed to ensuring that public housing tenants are supported. In that respect we have committed assistance for social housing tenants to sustain their housing and prevent homelessness through \$6.1 million in 2006–07 to support public housing tenants. As you well know, some of those services are allocated both in metropolitan and in regional settings. For instance, the Rural Housing Network in Hume is an example of where we have a specifically targeted program to tenants who are living in that area.

But I think it is also fair to say as well, Dr Sykes, that part of your statement was that we are creating a burden upon existing services. I am not sure that is right. I think a very positive contribution is made by public housing tenants. A very positive contribution is made through the investment in public housing, particularly in regional settings, and we want to ensure two things, as I indicated from the outset of my presentation: that we have a strong, robust public and social housing sector through the investment we have made — and that is both in metropolitan and regional settings — because when you invest in public housing it is not only providing stable, long-term accommodation to people, but when you are investing in redevelopment it is also providing jobs. And people forget about that. They forget about the fact that the investment by the state in public and social housing has got a really significant impact in terms of the construction industry generally, and that is important.

Dr SYKES — We welcome that — —

Mr WYNNE — And that is important.

Dr SYKES — But it does not detract from the position that extra demands are put on our community health services and other support services, particularly our community public transport systems, and when we come to local government you will be well aware that local government in my particular area, but also in much of country Victoria, is cash strapped so there is pressure on us to provide those services recognising the positives that you have mentioned.

Mr WYNNE — Okay.

Mr SCOTT — I refer the minister to the long-term housing assistance output cost on page 105 of budget paper 3. Could you advise the committee on the recent \$510 million investment in social housing? I know you touched upon it earlier, but it is such a significant investment that I think it will be useful for the committee to have the detail.

Mr WYNNE — Thanks very much for your question, Mr Scott.

Mr SCOTT — I am hoping for some Preston and Reservoir activity as well.

Mr WYNNE — This is a bidding war! Indeed in fact the Preston-Heidelberg-Reservoir area is a classic example of where there are wonderful opportunities for the state to work in partnership with local government and to work in partnership with the private sector to look for opportunities, particularly in some of those broadacre estates to look at redevelopment opportunities.

As I indicated in my slide presentation, I was down in Corio-Norlane, which is really a bit of a mirror of the Reservoir, Heidelberg and Preston area, where there are large conurbations of public housing — a lot of it old, a lot of it concrete, some of it weatherboard and a lot of it past its useful economic life. It is a very big drain on the maintenance budget of public housing, so you have got to look to the opportunities that come from that to redevelop public housing — to redevelop it in a way that is really 21st century and that is going to provide quality ongoing housing for the communities that we were all elected to serve.

In that respect the \$510 million is broadly divided into the following two components: a \$200 million boost for public housing, so that 800 new and redeveloped houses may be provided, and clearly your area along with many others is an ideal candidate; and \$300 million to be targeted towards increasing social housing supply and building sector sustainability. It does incorporate our 2006 election commitment, which was \$60 million to expand affordable housing by 350 homes.

The CHAIR — You have exceeded that.

Mr WYNNE — We have exceeded that with another \$240 million, Chair — another \$240 million to grow social housing. This funding will, as I indicated earlier, be targeted to our successful strategy for growth in housing for low-income Victorians through housing associations, and we expect another 1550 homes will be constructed over the next four years. Overall this new funding will deliver 2350 new and redeveloped social housing properties across both metropolitan and provincial Victoria, Dr Sykes.

Dr SYKES — Beyond Bendigo, Ballarat and Geelong?

Mr WYNNE — Yes. As you know, Dr Sykes, my good friends in Benalla very much look forward to any opportunities we have got up in that part of the world — Mansfield, Shepparton and all good folk up that way. We will be looking for opportunities for redevelopments right across the state. The director of housing has just about fallen off his chair at this stage!

So in relation to the \$510 million, it is about those two major investments, but it is also about our investment in homelessness as well. In that respect I direct Mr Scott to the \$7.5 million which will be used to create a new program to provide a combination of accommodation and support for young people in housing crisis. That, I think, really goes to the sum of what Dr Sykes was dealing with earlier with his question — that is, that where you provide housing for vulnerable people there is a support structure that comes in behind them to assist them. That is particularly the case with young people in housing crisis, and we have got \$7.5 million extra to put into that. A further \$2.1 million has been committed to lift homeless support standards and to ensure that we support people who are working in the homeless sector as well.

I do need to say though that this is a counterpoint. The counter point is that we are playing significant catch-up. The commonwealth-state housing agreement over the last 10 years has seen the net commitment of the commonwealth decrease by \$900 million. That is conservatively 4500 public housing units that we do not have.

Mr BARBER — Kevin Rudd will fix that. There will be no more excuses.

Mr WYNNE — Mr Barber, thank you very much for that.

Mr BARBER — He will get my second preference!

The CHAIR — Minister, can we concentrate on the estimates?

Mr WYNNE — What? Are you not giving them to the socialists this time?

The CHAIR — Minister, on the estimates and the budget, please.

Mr WYNNE — Let the record show, Chair, that — no, I am not going there!

The CHAIR — Mr Barber will have his chance in a minute.

Mr WYNNE — I am sure he will; I will look forward to it. He has thrown me off! The simple reality is that we are 4500 public housing units behind. It is a massive task for us to pick up the disinvestment by the previous government, particularly in our high-rise towers. Apart from general maintenance across our 44 towers over the life of the previous government, only \$7 million was spent — over 44 towers. It is an extraordinary —

The CHAIR — Let us concentrate on the estimates.

Mr WYNNE — It is an extraordinary legacy, Chair. It puts in context the catch-up that we are trying to achieve. It is a proud record of this government and one that I think serves us well in terms of being positioned for the next commonwealth–state housing agreement negotiation, because that is absolutely fundamental to how we go forward from here. Victoria is very well positioned. We are going to the housing ministers meeting, I think, in early July in Darwin. Victoria could not be better positioned to really be saying to the commonwealth, ‘Our money is on the table, our commitment is on the table. It is a long-term commitment of this government — 450 million above and beyond the commonwealth–state housing agreement to date at 30 June, plus this historic one-off \$510 million investment. Commonwealth, where are you? Where are you for the long term?’.

We want to have a cooperative relationship with the existing federal government and indeed we seek some direction from the alternative government as well. Where does it stand in relation to supporting public and social housing? And where does it stand, secondly, in relation to the critical issues of supporting people in the private rental market? That is the other area of real challenge. In that respect I say that we are in good shape in Victoria. We will be certainly going to those discussions with the federal government in Darwin with an optimistic frame of mind, but we are looking for some direction from it prior to the election, because we cannot do it on our own. Victoria and all of the states are part of a commonwealth–state housing agreement. It is an agreement between federal and state governments. Our commitment is on the table, Chair.

The CHAIR — We are trying to get another four questions on housing.

Mr BARBER — Minister, it is about this issue of the assessment of family tax benefit from 11 up to 15, which I am sure you have been asked about a couple of times now. The only information we have really got is DHS’s media release, which suggests that the majority will pay no more than \$3 a week.

Mr WYNNE — Yes.

Mr BARBER — If \$3 a week is a 1 per cent increment, then I am guessing that is for someone who is on about \$300 a week family tax benefit. Can you give us a breakdown or a frequency distribution, if you like, of the different amounts of family tax benefit that your tenants are receiving, in some broad gaps, so that we can see how much each rent increase would be for each person and, from that, can we work out roughly how many dollars, obviously, you are going to be sucking out of these people? How much of that additionally goes back to the Treasurer under the original Stockdale agreement for repaying of this debt that the Office of Housing has over the forward estimates period?

Mr WYNNE — Thank you very much, Mr Barber. As part of the government’s announcement in relation to the historic commitment of \$510 million, we indicated in that announcement that there would be a modest increase in family tax benefit, which is derived as part of the rent formula. It has been 11 per cent for a number of years, and it tops out at five children and no more — so after five children there is no impact. The fifth and subsequent children will continue to be exempt from assessment. These changes will affect 18 000 households — so it is about 28 per cent of all households. As I indicated in the press release, it is important to note that for 90 per cent of affected households their increase will be in the order of \$3 or less per week in the first year.

Despite the increase, a concessional assessment of family tax benefit means that households with children will pay significantly less than 25 per cent of their household income in rent. I will give an example. In the first year of increased assessment of family tax benefit from 11 to 12, a typical single-parent household with one child under 13 will pay about 19.5 per cent of their household income in rent. That clearly represents a very modest increase. Obviously, in addition, the more children there are in a household, the lower the proportion of income that is paid in rent.

A typical single-parent household with five children will receive a rent increase of approximately \$5 per week in the first year and pay just over 16 per cent of their household income in rent. I am happy to provide you with a fuller distribution of those. We will take that notice and we will get back to you in relation to the spread and how that works out over the four years.

The other aspect of that that I think is potentially very exciting, as I indicated in our announcement, is the opportunity to harness the significant purchasing power of the Office of Housing and to see whether we can deliver back to tenants some real gains through the process. We are going to be working with VCOSS and the Victorian public tenants union as well to see what opportunities might be available to harness the Office of Housing's purchasing power. We purchase a lot of whitegoods, for instance. We will see if we can offer potentially some discounts that may be accessible to public housing tenants. So that is potentially quite an exciting opportunity that might arise from this.

But 11 to 15 pretty much brings us in line with the eastern state housing authorities. There are different ways that they treat family tax benefits, but that is essentially the answer. But I take on notice the specific matters you have raised and we will get back to you with the detail of them.

Mr BARBER — And do you know the total amount of dollars this is going to — —

Mr WYNNE — Sorry, the total amount of dollars is about \$6 million after a full four years.

The CHAIR — Six million per year?

Mr WYNNE — Six in year four, when it is fully implemented. All of those funds go back into the public housing system.

Mr BARBER — Except for the bit that goes back to the Treasurer through this historic Stockdale agreement. Can you tell us how much that will be over the next four years — the repayment of the debt?

The CHAIR — You can take it on notice.

Dr DONALD — There is no debt under the Stockdale agreement. Under the previous government the debt was expunged. There is an annual payment to the Treasurer which is determined each year — the nominal amount in the forward estimates — whether that is imposed in each year is a matter for the Treasurer.

Mr BARBER — So there is nothing in the coming year?

Dr DONALD — I did not say that. There is expected to be a payment in 2007–08 at this present time.

Mr BARBER — And how much is that?

Mr WYNNE — That is yet to be determined.

Mr BARBER — How do you determine that?

Mr WYNNE — That is yet to be determined with the Treasurer.

Ms GRALEY — In the last couple of days when the Minister for Water, Environment and Climate Change and the Minister for Energy and Resources were here, I raised the issue of the impact of climate change on the poor and the disadvantaged. It is a rather big issue. I refer you to page 105 of budget paper 3, which details long-term housing assistance, and I am interested in knowing what the government is going to do in terms of water saving and energy efficiency initiatives in the social housing area.

Mr WYNNE — Thanks very much, Ms Graley. We have responsibility, like all other sections of government, to show leadership in relation to climate change, water saving and energy efficiency. It is important that public housing shows its way as well. In that respect we have a pretty good story to tell. We have constructed 2866 new 5-star homes since February 2001, and they are figures as of March this year. Our physical improvement program has included 10 233 public housing dwellings since April 2003, incorporating energy-efficient elements such as dual-flush toilets and ensuring that our public housing is well insulated.

I would point members particularly to the work that we have been doing on our public housing high-rises. As I indicated earlier, it is a very sorry record of the previous government in relation to our high-rises, but if you drive past them they are very visible, you see them, you see those floors, the windows being changed. That is a floor-by-floor renovation that we are undertaking of all of our public housing high-rise estates. It is a big ongoing program — it is a 10-year program — and we are about a third of the way into that. That is really trying to both upgrade the quality of housing in high-rises but also put in energy-efficient and compliant aspects into the properties as well — dual-flush toilets, the low-flow showers, making sure that the units themselves, particularly around the windows, are properly insulated in terms of heat loss and so forth. It is a good investment.

As my colleague Mr Barber would know, the Atherton estate is a model project.

Mr BARBER — A good program.

Mr WYNNE — Thank you very much. It is a model project of water conservation, where on the Brunswick Street side of the estate, through the Department of Sustainability and Environment, we were given a grant to pilot a water-saving program. So we capture the rainwater off the high-rise, which is then stored and reticulated through and into the gardens, the common spaces on the estate. We have also installed a greywater recycling program as well off the high-rise there, and we are just waiting for EPA final approvals, and then that water will also be used to sustain the common areas and the garden areas. It is a fantastic program and one that really is quite groundbreaking in terms of what we have been able to do. The AAA-rated shower heads and dual-flush cisterns in the balance of public housing, as indicated by Ms Graley, it is estimated will save 2822 megalitres of potable water per annum once the program is fully implemented.

We are in there, we are in the game, and we ought to be in the game of water conservation, trying to show leadership in our own right. We are very conscious of the need to be a part of that ongoing program. In that respect it is a good record, it is one that I think is something that public housing and social housing ought to be able to point to as a significant contributor to water and energy-saving initiatives.

The final thing that I would say is that we recently completed a really fantastic apartment project called K2. The K2 apartments comprise 96 units at Raleigh Street in Windsor and feature real cutting-edge, environmentally sustainable design principles and comprehensive energy and water management aimed at reducing and achieving extremely low greenhouse emissions.

This is a good start. They are excellent programs that we can point to on the Atherton estate and the K2 development. This has got to be the way forward for us in terms of how we build and refurbish public housing.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the increase in housing stock. You mentioned 800 new units of public housing, 1550 units of social housing — a total of 2350.

Mr WYNNE — Yes.

Mr RICH-PHILLIPS — Against that, how many of those units will be demolition and rebuild, how many will be renovation, and how many will be new purchases? Then offsetting that, how many disposals?

Mr WYNNE — For 2007–08 our commitment of \$0.5 billion, as I have indicated, includes \$200 million over the four years to provide 800 redeveloped and new public housing units to boost the supply of public housing; \$300 million to create the investment fund, which I indicated, \$60 million of which is for 350 additional social housing units. The investment fund will also commit \$240 million over four years to dispose of 1200. The proposition is that if we have a static situation, we will over that period dispose of 1200 units. Some of those will be in developments like Roberts Street in Northcote, the Carlton redevelopment and other redevelopments we will do which ought to be counted in that. But our criteria for that is that these would be properties that are either too expensive to maintain, they may be in areas of relatively low demand, inappropriate to our clients or in fact very appropriately located for redevelopment as well.

Our minimum position is that we will dispose of and/or redevelop 1200 units of public housing, but I put that in the context of the status quo situation we are in now. Obviously my presentation to you today has really been about wanting to ensure that we are seeking a cooperative arrangement with the commonwealth through the next CSHA — that is in the investment fund — because we are interested in seeking to have a much more cooperative arrangement with the commonwealth government for joint-venture opportunities. So there is a potential, with a

good CSHA outcome, that we will lift the net result for public and social housing over the four-year period with a new, renegotiated commonwealth-state housing agreement.

Mr RICH-PHILLIPS — As to that 1200, have you yet identified the areas where those disposals will be? Has that work been done yet?

Mr WYNNE — Not at this stage, but I will be happy to provide that information at a future forum.

Mr RICH-PHILLIPS — Will the proceeds go back to housing?

Mr WYNNE — All of it back into housing.

Mr DALLA-RIVA — Minister, I refer you to BP 3, page 105. It relates to housing assistance, in particular long-term housing assistance, and my question relates to the housing associations in terms of where they are at. I want the committee to find out what conditions the government has placed on housing associations with regard to the tenant mix they must take. In particular, is it correct that the only condition placed on housing associations by the government is that their tenants be eligible for public housing?

Mr WYNNE — Yes, absolutely. Thank you very much for the question, Mr Dalla-Riva. All of the tenants who will reside in housing association housing must be ministry-of-housing eligible. We would expect that they will be taking people off the public housing waiting list, not in full but in part, because they are looking for a mix of residents across income groups, obviously from the very lowest — people who are on statutory benefits — through to people who may be on a mixture of part-time work and benefits as well.

Mr DALLA-RIVA — Just for clarity, Minister, on the government's housing website there are frequently asked questions. In particular question 33 asks:

Isn't there a danger that public housing will become the residual welfare sector providing accommodation for those in greatest need only?

The Office of Housing says:

No. The Office of Housing will require housing associations to accommodate a proportion of applicants from its priority waiting list so the choice of providers will be expanded beyond public housing for these people.

What we are trying to get clarity on is you said, to my understanding, that it is only for those who are on the long-term waiting list. Is that different from what is in the Office of Housing question, or are we not at the same level of understanding? In other words, the mix, you said, is from those purely on the long-term waiting list. But my understanding, from the Office of Housing advice on the website, is that they are saying, 'No, we expect a variety, so we do not end up with a "residual" welfare sector environment'. So I am just getting some clarity on it, that is all.

Mr WYNNE — We expect the housing associations to take people off the public housing waiting list. Essentially, they will be taking people off the public housing waiting list but there is an opportunity for them to have a mix. I think you, Mr Dalla-Riva, suggested that we do not want to make the public housing sector a residual sector?

Mr DALLA-RIVA — Yes.

Mr WYNNE — That is certainly not our intention. Our intention is to have a strong and robust public and social housing sector. In that context we are keen to ensure that opportunities are provided to our residents to get employment, because that is really at the heart of how you lift people. We have a very good record through our neighbourhood renewal program of offering the opportunity for people to get training and employment which, of course, then changes the mix of how their rent is treated. You may have somebody possibly in a part-time rent situation. They will certainly be getting family tax benefit as well, so there will be a mix of income coming into the household. In that respect, that is what we are looking for. We are looking for a mix of income for people in public housing but also in housing associations as well.

The CHAIR — Thank you, Minister. I thank the witnesses for their attendance.

Witnesses withdrew.