

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 16 May 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Ms W. Lovell, Minister for Housing,

Ms G. Callister, Secretary,

Mr D. Craig, Acting Executive Director, Housing and Community Building,

Ms J. McInerney, Acting Director, Policy Planning and Strategy, Housing and Community Building,
and

Mr R. Jenkins, Assistant Director, Budget and Performance, Housing and Community Building,
Department of Human Services.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I now welcome from the Department of Human Services Ms Gill Callister, secretary; Mr Doug Craig, acting executive director, housing and community building; Ms Jo McInerney, acting director, policy planning and strategy, housing and community building; and Mr Rob Jenkins, assistant director, budget and performance, housing and community building. I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information relating to the budget estimates for the housing portfolio.

Overheads shown.

Ms LOVELL — Thank you, Chairman. In this budget we maintain a significant government commitment to public and social housing, with a continued focus on maintenance and upgrade and a strong focus on prevention and early intervention in the homeless sector.

The first part of the slide outlines how many properties there are actually in Victoria — the dwellings are a total of 82 974. You can see the breakdown of them there — that is social housing dwellings. We have approximately 130 000 residents, and we deliver other services. It is particularly worth noting that housing is also responsible for emergency accommodation. Over the past two years we have played a strategic role in providing emergency accommodation to those people who have been affected by floods in northern Victoria. We also provide assistance for people to enter or stay in the private rental market and support products like the national rental affordability scheme, that increases the supply of affordable private rental.

The key points from this year's budget are that we will be undertaking 1600 upgrades to public housing properties, we will be acquiring 1150 social housing properties, we will be providing support to 77 000 households and we will be providing over \$200 million in homelessness support.

We have a number of key challenges in our portfolio. Not least of these is the growing structural deficit. We have inherited an unsustainable operating model, resulting in a growing structural financial deficit. This means that operating costs exceed revenues. These are growing on an annual basis. The Victorian Auditor-General recently noted that the situation for public housing is critical. The current operating model and asset management approach places the long-term provision at risk. He also said the evidence base used to inform decision making is incomplete and outdated. This is an indictment of the mismanagement of the portfolio over the last decade. The Victorian Auditor-General highlighted the fact that despite repeated warnings, the former government did nothing to address these problems.

The Auditor-General also highlighted the lack of accurate information about the public housing stock and noted that this undermined effective decision making about asset management. We also know there is a significant maintenance backlog, and this was highlighted by the Victorian Auditor-General in both 2004 and 2007.

In addition our challenges in the homelessness sector are not insignificant, but we are committed to reducing homelessness. The Victorian homelessness action plan has been well received by homelessness service providers and the community sector. In fact VCOSS said in a media release on 5 October:

The plan will implement and evaluate these new approaches and chart a path towards wider system reform.

The Council to Homeless Persons also released a media release on 5 October that said:

... this new and important focus on innovative service delivery models will target the right support, in the right housing, to the right people, at the right time.

It was actually said to me, Chair, by one of the journalists who covered the action plan that they had never seen a social policy from either side of the Parliament received so well by the sector, and I was pleased to have that feedback.

Unfortunately housing's financial position is unsustainable. In March 2012 the Victorian Auditor-General released a report called *Access to Public Housing*. In his report he reiterated many of the findings of the 2010 parliamentary inquiry and raised what he considered to be a number of new important issues. The report paid particular attention to the growing gap between housing revenues and expenditures driving the structural financial deficit estimated to be around 42 per cent between rental revenues and the cost of providing housing under the current model. Given that the Auditor-General has also identified that there is a significant maintenance backlog, which means there has been significant underinvestment in maintenance over many

years, this would also actually add to that gap, so the gap is probably much larger than 42 per cent. The Auditor-General also noted that the current system is not sustainable and that it has been developing over an extended period of time.

As a response to the parliamentary inquiry and the Auditor-General's report the government accepts that reform of the public housing system is urgent if we are to be able to continue to provide housing support for vulnerable Victorians into the future.

Since becoming minister I have initiated significant work to enable the government to better understand the finances and operations of housing, and these include seven key initiatives that are on the slide. The first is an independent review of housing and community building division finances, including a line-by-line expenditure review. The second is that I commissioned a comprehensive property condition audit of the entire portfolio. The third is that we have implemented better management of vacant stock, and we have reduced turnaround times by 10 per cent. We are working to get that improved even further. We also had an audit of vacant stock, which immediately returned 1000 properties to being tenanted. We commenced development of the new housing framework, and we have commissioned evaluation of outstanding Nation Building projects, which were 1000 behind target when the coalition came to government. We have also instigated better management of our waiting list. To ensure that people are not just languishing on the waiting list we have better contact with them to ensure that we can provide the right service that they need at the right time.

Some of these actions have already yielded results; the better management of vacant stock and better management of the waiting list have actually yielded results already. Other actions have given us a much clearer picture of the financial position of housing. These actions from our first year have enabled us to start to address the fundamental problems and structural deficit which we have inherited. It should be noted that all of these actions were initiated before the 2012 Auditor-General's report.

Our Victorian homelessness action plan was released in October last year. It is a five-year plan, and the action plan details the government's commitment of \$76.7 million in funding. It supports innovative approaches to homelessness, investigates models that focus on early intervention and prevention and better targets resources where they are most needed and where they will make the biggest difference. The action plan committed \$25 million over two periods for the innovation action projects, and I announced the 10 successful innovation action projects on Friday, 13 April. We actually said we would fund 8, but we funded 10, and we are further developing a domestic violence-specific innovation action plan as well. The 10 projects demonstrate high levels of innovation and integration and focus on early intervention and prevention approaches.

We have started the consultation on a new housing framework, and we released two documents: one, *Pathways to a Fair and Sustainable Social Housing System*; and the second is a KPMG document — a discussion paper on the options to improve the supply of quality housing. As we have said, we have inherited a system that is in crisis and it is our job to fix it. The Victorian Auditor-General's report summed it up: financially unsustainable and poorly managed. The Victorian Auditor-General said:

New directions must explore innovative options for ... public housing ... so that access to public housing can be better managed and sustainable ...

The Family and Community Development Committee also said there was:

... a need for greater focus on the financial viability of public housing and other social housing options. While the long-term, future financial viability of public housing remains unresolved, the housing needs of many low-income Victorians will continue to be unmet.

As VAGO observed, operating costs now exceed revenue by 42 per cent, and it would be more if maintenance deficit had actually been addressed. The situation cannot continue. As minister, I will use the development of the housing framework to put social housing on a sustainable footing so that we can deliver housing support and assistance to vulnerable Victorians into the future.

This slide shows a change in the profile of our tenants and shows that tenants are actually staying longer. The current system has seen the length of tenancies increase over the last 12 years, and you can see the single line is actually showing you over 12 years how the length of tenancies has increased. The bar graph shows you the amount of turnover we have actually had, the amount of new allocations we have been able to make to people

on our waiting list. You can see that these are directly opposed. As people stay longer, it actually frees up less public housing for us to be able to offer a home to those on the waiting list.

Some of our budget initiatives this year are support for high-risk tenancies. The 2012–13 budget will continue to deliver the Support for High Risk Tenancies program, which targets tenants who, because of their needs and history of disengagement with support services, face eviction or are at risk of homelessness, and this program assists around 300 high-risk tenants per year in public and community housing; 86 per cent of those tenants are in public housing.

We have also continued support for the Opening Doors program, and it increases the ability of clients and community support agencies to obtain a coordinated, efficient and effective service response for the homelessness system.

We also have funding for our first youth foyer which we are very excited about. The first of our youth foyers will be built on the Kangan Institute of TAFE site at Broadmeadows. This foyer model is an integrated model of support on campus with supported on-campus accommodation for students who are unable to live at home and who want to continue to study. It is designed to assist disadvantaged students at risk of homelessness and, as I said, those young people who can no longer live at home but who do want to study and do want to improve their lives. The 40-bed youth foyer will be constructed in 2012–13 with a proposed commencement date of around mid-2013. The foyer will be supervised 24 hours a day, 7 days a week and provide young people with access to education, training and employment services; an opportunity to develop independent living skills; a safe, secure and affordable place to live while they study; and also support from trained staff.

We also have an extensive capital improvement program, and these are just a few of our larger programs at the moment. Our new Norlane initiative, which is a four-year, \$80 million public and private housing initiative, will deliver 320 new affordable low-density homes in Geelong; 160 of these will be public housing properties and 160 affordable private housing properties. It is generating local jobs and investment for Geelong, but most importantly it has been received very well in Geelong with endorsements from the Committee for Geelong and from the local government area, who are very happy about it.

Only a couple of weeks ago I announced our five-year \$160 million private and social housing redevelopment at Westmeadows. This includes \$56 million from government and also some private investment. It will provide more than 220 private homes, 110 social housing homes, 34 independent living units for older Victorians, a 120-bed aged-care facility, new parks, bike paths and green walkways, and this is being delivered in partnership with Australand and Bapcare. We also continue to deliver the HAF projects on the estates at Fitzroy, Prahran and Richmond.

In summary, to recap, we face significant challenges in housing if we are to continue to deliver social housing for Victorians in a sustainable way. We have inherited a crisis, as explained at the beginning of my presentation, and our priority is in addressing the structural deficit. Work is already under way. We have released discussion papers to form the basis for consultation so we can develop a housing framework.

Issues in regard to the lack of accurate information about the portfolio are being addressed, and this is not before time. We will continue to deliver the Victorian homelessness action plan, an innovative and targeted approach to addressing homelessness, and our budget initiatives of the youth foyer, support for high-risk tenancies and Opening Doors will continue to support those in need as well.

To sum up, we have inherited a portfolio in crisis in housing, but we are determined to address the challenges so that we can continue to deliver public housing in Victoria for those who need it.

The CHAIR — Thank you, Minister. In the remaining time we will address questions to the housing portfolio, and I ask: given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within your portfolio. In responding could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

Ms LOVELL — Thank you, Chair. As I have already said, we have inherited a public housing system that is in crisis. The recent VAGO report said the future of public housing in Victoria is at risk. We are committed to

fixing this legacy and delivering a financially sustainable public housing system which is well managed and efficient and which provides housing assistance to those in need.

Even before the VAGO report in 2011, as I mentioned in my presentation, I commissioned seven key initiatives to address my concerns about the state of the housing portfolio. These included — and I will not go through them all — the independent review of housing finances, including a line-by-line review of all expenditure, to identify opportunities for efficiency savings. We have a comprehensive property condition audit that we have initiated, and as the property data used by housing is outdated and inaccurate, once this is complete, this will better inform our decision making about investment in our properties into the future.

We have developed the two discussion papers to underpin the consultation on the new housing framework, and we have introduced better management of the waiting list, which is more regular contact with applicants with the goal of not allowing people to languish on the waiting list with no alternatives.

All of these initiatives aim to start to fix the legacy, to improve efficiency and to improve service delivery to tenants and others seeking housing support. Our \$76.7 million Victorian homelessness action plan is based on achieving outcomes for those at risk of homelessness, rather than funding throughputs, as happened under the former government. As the homelessness sector has stated, this innovative approach is offering the prospect of delivering significant service delivery improvements. As part of the VHAP we are mapping the current distribution of services and funding and we are identifying opportunities for integration, coordination and improved service delivery through partnerships. These activities are enabling us to set up a comprehensive monitoring process so that we can assess the effectiveness of these programs.

In conjunction with the ministerial advisory council on homelessness, which I established last year and which is being chaired by former federal minister Dr Kay Patterson, we have commenced a significant evaluation task to enable us to assess the effectiveness of current services. Overall we have significant work under way across the portfolio to boost efficiency and improve service delivery. The 2012–13 budget includes some key measures to enhance service delivery and to deliver efficiency gains. The \$10.4 million to build and operate the first of three foyers for young people will provide structured help, accommodation and access to education, training and employment services. It will reduce the incidence of young people entering homelessness and costing the state in housing, health and youth justice systems.

Our funding boost for targeted programs includes \$7 million for the Opening Door program over the next four years and \$4.7 million over four years to support public and community housing and high-risk tenancies. It will assist those who are in the homelessness system or those who are at risk of losing their tenancies. This focus has already achieved results. Our vacancy management improvement has achieved a 10 per cent reduction in turnaround times. Our active management of the waiting list has reduced the waiting list by 3325 applications, and we have instigated better use of resources through our hard to let program. The hard to let program is for properties that remain vacant because nobody chooses to live in those areas or nobody on the waiting list chooses to live in those areas. We publish those at our housing offices and on our website, and people who are wanting to gain access to public housing can choose to take one of those properties if they are on our waiting list.

My answer is focused on the key initiatives which will enhance service delivery and yield efficiency savings. At the same time we have established two of our five work and learning centres, and these will improve productivity by encouraging public housing tenants to undertake training, skills development and work experience to enable them to participate in their communities and in the economy. Overall, the government's approach to the housing portfolio is focused on fixing the legacy that we inherited by boosting efficiency, improving service delivery and providing incentives for productivity improvements.

Mr PAKULA — I just want to talk about actual outcomes. Given that there is still an ongoing significant problem with homelessness, can you just tell me how it helps reduce homelessness for you — having failed to meet your target for the number of households assisted with crisis and transitional accommodation in 2011–12 — to then reduce your own target for 2012–13 as outlined in budget paper 3, page 163?

Ms LOVELL — Are you talking about the long-term — —

Mr PAKULA — Number of households assisted with crisis or transitional accommodation.

Ms LOVELL — Okay. So this target is actually our transitional housing system, and what we know about the transitional housing system at the moment is that people are actually staying longer. Originally these properties were designed to be turned over about three times a year, but when people stay longer we get less turnover of properties. It is directly related to that graph that we had before on public housing properties. Tenants are staying in properties longer, which does not enable you to turn them over as quickly as you might like to do in order to give assistance to others.

Budget paper 3 does set out the target of 9800 properties for next year, which is an increase on the 9400 families that we helped this year. I think it is important, too, to note that that is only the crisis side of our assistance. We actually need to add that together with the measurement above, which is the number of households assisted with long-term social housing. From that you will see that we will help a total of 86 800 households in 2012–13.

Mr PAKULA — In fact I do notice from the one above that you failed to meet that and you have dropped that as well. You say that is only about crisis accommodation. You have talked about what funding you have got, but can you just explain to the committee how it is that under both the ‘Social housing’ heading and the ‘Housing support and homelessness assistance’ header on the next page you have got outputs, total output costs on pages 164 and 165, and what it shows in regard to both those general headings — ‘Housing support and homelessness assistance’ and ‘Social housing — is that the trajectory is down, down, down — 219 down to 181 down to 177; 223 down to 226 down to 222. How does that help to reduce homelessness when your total output is down, down, down?

Ms LOVELL — Okay. The member would also note from the footnote that there has been some reclassification that has occurred between these two categories of funding. But actually only about 40 per cent of our budget appears in the budget papers. This is only the money that is appropriated from Treasury. About 60 per cent of our budget does not actually appear in these output sections. We have actually funded additional homelessness support through the Victorian homelessness action plan. That is the \$15 million that we announced a few weeks ago, which is not included in these budgets because it has already been allocated to services. We have funded internally support for the accommodation option for families and the accommodation support fund and the associated rental brokerage out of our general program. Also, in the main the downturn in funding that appears in here is a direct result of the Nation Building funding running out.

Mr MORRIS — Minister, in your presentation you referred to the structural deficit in the housing portfolio. Can you indicate to the committee the impact of that deficit on your capacity to deliver public housing for vulnerable Victorians?

Ms LOVELL — Thank you, Mr Morris. The VAGO report does refer to a review of housing finances that we commissioned last year that also showed that a structural deficit is set to increase significantly in the future if nothing is done. The structural deficit must be funded and is funded out of housing revenues. This means that the deficit reduces the amount of public housing which can be built. The impact of Labor’s legacy of mismanagement of this portfolio is essentially fewer public houses for those who need them. Labor got the asset management fundamentals wrong. They did not do any property audits. They had poor information about the management of their properties, and they failed to deliver — —

Members interjecting.

Mr MORRIS — On a point of order, Mr Chairman, I am sorry to interrupt the minister in her response to my own question, but I could not hear the answer. As I said this morning — —

The CHAIR — I accept your point of order.

Mr MORRIS — I just make the point, Mr Chairman, that it is obviously out of order to be interjecting, but to do it in the manner in which it has been done, with the minister at the table, is totally unacceptable.

Mr PAKULA — On the point of order, whilst Mr Morris might have a point about the nature of interjections, it is also in the standing orders that ministers’ answers to questions are an opportunity for the minister to talk about matters within their portfolio, not to engage in setpiece attacks on the former government. I suggest — both to you, Chair, and to Mr Morris — that if you want some parts of the standing orders upheld, it would be equally appropriate for other parts of the standing orders to be upheld. If the minister desists from

reading setpiece attacks on the former government, then Mr Morris might find that the opposition desists from interjecting.

Mr O'BRIEN — On the point of order, Chair, there is nothing in the standing orders that refers to 'setpiece attacks', as that phrase was used. That is another set piece from the opposition. What they do is interrupt when they do not like the answers, particularly about their former government's legacy, which the minister has to deal with as part of her portfolio responsibilities. The basic answer to the point of order is for the minister to answer the questions without interruption.

Mr PAKULA — The minister's responsibilities deal with matters of government administration.

Mr O'BRIEN — Including your legacy. What are you supposed to do — wave a magic wand and hope it all goes away?

The CHAIR — Are we going to have a conversation in here about what we think is in the standing orders? Let me be clear about this: my role is to maintain some order, and I think it behoves all of us as members of this committee to be sufficiently respectful of the process that when questions are asked we can actually hear the response. Clearly sometimes some members do not like the question and the pejorative nature of the question; sometimes members do not like the response to a question and the pejorative nature of the response. But if we are all going to get a bit precious about it, we are not going to get through many questions.

Let's just focus on the main game, and that is getting through as many questions as we possibly can in the time allocated. We have just wasted probably the time for about two questions. I note my colleague Mr Morris's objection to the behaviour. All I can do is note it and again remind members that for this process to work constructively there needs to be some tolerance and forbearance shown. I have to say that the Chair is showing a good deal at this stage of the day. If you just use the Chair's model, we might get through it more expeditiously. I will ask the minister to proceed to complete her response, and perhaps we might be able to get through a few more questions.

Ms LOVELL — Thank you, Chair. I do understand the opposition being upset by their legacy in public housing. But as I was saying, not only did they fail to do property audits and not only did they have poor information about the management of their properties, they also failed to implement the IT system known as HiiP. VAGO has pointed out that we have a growing structural deficit, and this means that the housing portfolio is unsustainable. We have recognised that in order for public housing to be provided into the future the system has to change. That is why we have developed the discussion papers, and that is why we have embarked on consultation with the housing sector, with the community and with our tenants to put public housing on a more sustainable basis into the future.

Mr SCOTT — Minister, I have asked you to refer to the questionnaire — this time obviously for the Department of Human Services — that was provided to the committee by the department and again to question 4.2, which ends on page 15 of the questionnaire, which outlines the savings and consequential reductions in funding to the department. In this case I think it is \$108.9 million in the 2012–13 year. I again ask you: could you please advise what saving targets must be achieved within the housing portfolio responsibilities, how many jobs will be cut and how these targets will be met without affecting front-line services?

The CHAIR — Which question are you on?

Mr SCOTT — It is the same question as previously — 4.2 — and it goes across pages 14 and 15.

Ms LOVELL — In this year's budget the housing division has been very fortunate that we were asked for very few savings in our budget. We have been asked for less than 1 per cent of our budget in savings, and so it has actually been a quite painless exercise to come up with that. We did this by looking at some of the efficiency gains that we looked at through our line-by-line review. We have initiated some funding reductions to capital project feasibility studies. What was happening in housing was that there was an allocation every year to feasibility studies. There is actually a shelf full of feasibility studies that have never been funded, and by the time we get around to doing these projects we need to do the feasibility study over again. We have decided that in the current environment, while we are going through our framework consultation and putting public housing on a more sustainable footing, we will cease doing additional feasibility studies that are not necessary and that are just going to sit on a shelf.

We have also had a small reduction to our non-urgent maintenance program. Part of this is insurance spending on burnt-out and flooded properties. We were a self-insurer, and what happened before was that when a property was burnt out or flood damaged it was just automatically rebuilt. We have decided that instead of just automatically rebuilding, we will make informed decisions about those properties, whether they are in areas of need, whether they are in areas where public housing is very highly densified and whether we could perhaps sell off that block of land and build somewhere else. We will not be just automatically rebuilding those properties, and we can make some savings through that.

We have also made some savings through a redundant program that was a gutter-cleaning program for tenants who were in areas where there was vast bushland, and I guess it was initially ascertained to be a bushfire prevention thing, but no-one had ever gone out and cleaned those gutters, so it was actually a redundant program. We require all of our tenants who are in stand-alone properties to do some maintenance on their properties — general maintenance such as mowing the lawns and cleaning out their gutters — as part of being a good tenant. We will continue to provide information about bushfire preparedness to all of our tenants to ensure they are aware of the need to clean their gutters at certain times of the year. We have also had a small cut to our discretionary maintenance funds, and these were funds for maintenance that occurred outside of the scheduled program.

There has also been a small reduction in the social housing advocacy support program. We believe that this will not result in any reductions in the direct support case management component of the SHAS program. This program will continue to support tenants through targeted interventions, and the reductions will be managed through efficiencies and better alignment with mainstream DHS tenancy support services, such as support for high-risk tenancies. The department is meeting with the sector tomorrow to commence the consultations on the SHAS program and how we can better align those services. I should note that advocacy support programs are not the core role of housing. Our core role is to provide housing. The role of advocacy support is actually a Consumer Affairs Victoria role.

Mr SCOTT — Could you provide the detail of dollar amounts for the programs that have been affected? And there was no addressing of the jobs issue in your response, so could that be provided? If it has to be on notice, I can understand that.

The CHAIR — Are you, Minister, able to respond at this point, or perhaps the secretary?

Ms CALLISTER — The department underwent an extensive organisational review last year to look at how we can strengthen service delivery to vulnerable Victorians. The sustainable government initiative also will involve, as well as that review, some reduction in staff for the Department of Human Services. That is a number of 500 staff that we are reducing, and we are currently in the process of consulting with staff. The primary focus of that review is about strengthening service delivery out where our clients are, so out in the regions in rural Victoria and regional Victoria and metropolitan growth areas, and we are looking to move a substantial number of our resources further out into service delivery, including our senior staff, and consolidate some of our duplicate and back-of-house functions centrally in head office.

Ms LOVELL — Mr Scott wanted to know the dollar amounts for our savings; it is actually \$10.8 million.

Mr SCOTT — On a point of order, Chair, what I actually asked for is the dollar amounts for the programs.

Ms LOVELL — I can give you that too. It is \$4 million from feasibility studies; \$1 million from the insurance savings on burnt-out properties; \$1 million from the gutter-cleaning program; \$2 million from the discretionary maintenance budget; and \$2.8 million from the social housing advocacy support program. That program will be boosted by other supports that we are rolling out of DHS into that program, and we are working with that sector to redefine the roles of the SHAS program and what roles the sector will undertake and what roles the department will undertake.

Mr ANGUS — Minister, I refer you to budget paper 3, page 163, under the social housing outputs noted there, and I see that one of them is a target of 77 000 households assisted with long-term social housing in 2012–13. I note that you mentioned that in passing in your presentation and also that that was the subject of an earlier question a few moments ago. Minister, can you advise the committee: what are the key strategic challenges in the portfolio to ensure the continued delivery of housing assistance?

Ms LOVELL — I thank the member for his question. As I have already outlined, we have inherited a lot of challenges, and I will go over a few of those again. The key challenge for us is the reform of the public housing system to ensure that we can put public housing on a more sustainable basis into the future. Inequities have been highlighted in the parliamentary inquiry and also in the VAGO report. In fact the VAGO report was a scathing report into the mismanagement of public housing by the former government. The VAGO report highlighted Labor's poor asset and financial management of the portfolio, and, worse than this, Labor has a history of inaction. Labor was warned by the Auditor-General in 2004 and 2007 about the maintenance liability, which is a major contributor to the financial unsustainability — —

Members interjecting.

Ms LOVELL — And again in 2012 the A-G said:

... the division lacks basic information, such as accurate property condition data, to inform decisions. These failings expose a serious deficit in asset management skills within DHS, which must be addressed.

He continues to say:

It is unclear why the division has not introduced longer term strategies to address this acute situation given that it has developed over at least a decade.

On financial management and the structural deficit the auditor states:

In its 2007 report, the —

housing review —

board noted that the division's underlying financial position has been deteriorating since 1998–99.

And, most damning, he finds that:

Despite these reviews, neither the board, the division, nor the government, developed or acted upon any long-term strategies to address the deteriorating financial position.

Assets mismanagement under Labor has put the housing portfolio at risk. We are addressing this challenge through the production of our two discussion papers and our consultation period, that we have commenced on and which goes through to the end of July, and then we will develop a new housing framework that will put public housing and social housing in this state on a more sustainable footing so that we can continue to provide housing support to those vulnerable Victorians who need it. Doing nothing is not an option, because to do nothing would mean that the public housing system would not exist in a few years.

Ms HENNESSY — Minister, in relation to budget paper 3, page 163, and to the performance measure 'Number of households assisted with long-term social housing', can you tell the committee what the average rent paid by an Office of Housing tenant is and the average subsidy being afforded to a tenant, when you compare that to market rent?

Ms HENNESSY — We asked it last year and we were not given an answer.

Ms LOVELL — Okay. We did provide the committee with an answer, so you were given an answer, Ms Hennessy. This year I can tell you that the average public housing rent paid is \$125.50, the average public housing rebate is \$114.53. But averages really mean nothing in this portfolio, because rent is set at 25 per cent of household income. So some tenants are paying far less than the average and some tenants are receiving far more than the average rebate. We know that there are tenants receiving hundreds of dollars in subsidies in public housing properties in this state.

Ms HENNESSY — Just by way of follow-up, is the minister or the department able to provide on notice an outline of what the classifications are?

Ms LOVELL — What do you mean by that?

Ms HENNESSY — What you say are the levels of subsidy available. You talked about thousands of dollars being available for people to subsidise it.

Ms LOVELL — It varies, depending on tenant by tenant. Tenants pay 25 per cent of their income in rent. We have 65 000 properties; we would have to provide you with 65 000 answers. That is too cumbersome for the department to deal with.

Ms HENNESSY — I accept that. It is a classification of subsidies.

Ms LOVELL — There is no classification.

The CHAIR — Just to confirm it in my mind, what we are talking about, in effect, is a sliding scale according to individual income?

Ms LOVELL — What we are talking about is there would be a market rent for every property that we have. Every market rent would be different and every household income is different. The subsidy is the difference between what a household pays and what the market rent of that property pays. That would be far too onerous for the department to produce. We would need to produce 65 000 answers.

The CHAIR — There are no cohorts classified together?

Ms LOVELL — No.

Mr O'BRIEN — I would like to ask a question in relation to existing projects. In budget paper 4, page 35, under 'Work and learning centres — construction (statewide)' you have allocated 0.2 million in this year for further capital works and for the delivery of a further three work and learning centres. I was wondering, Minister, if you could update the committee on the implementation of this unique initiative.

Ms LOVELL — I thank the member for his question. I am absolutely delighted to talk about the work and learning centres. These were a \$4.6 million election commitment to improve employment opportunities and living standards for public housing tenants. We have established the first two of those centres, at Carlton and Geelong, and they are both up and operating, and we will announce three more locations for work and learning centres this financial year. Carlton is operated by the Brotherhood of St Laurence in partnership with the Church of All Nations, and Geelong is operated by the Brotherhood of St Laurence in partnership with the Northern Futures. These are creating opportunities for tenants to find work, to develop job-ready skills and to access information and resources. People who do not have a job can be excluded economically and socially, and they can be trapped in a cycle of disadvantage. By providing our tenants with training, education and ultimately employment we can help people break out of a cycle of disadvantage.

Carlton is already achieving results. They are creating a partnership with local agencies, they are currently working with the Complex Training Academy to place security guard roles, and the Complex Training Academy joined with the work and learning centre to train and place candidates, particularly from our high-rise estate at Carlton. The work and learning centre has held information sessions, and they identified 35 interested tenants who attended the information sessions who would be suitable for those jobs. The Complex Training Academy is now assessing those applicants for training needs and for potential placement into real jobs.

In overall numbers Carlton has 51 clients currently, with support plans, they have 17 clients receiving training, and 12 clients have been placed into actual employment. In Geelong the results have been even better. They have 174 clients with support plans, they have 65 clients receiving training and they have actually placed 52 clients into employment. So these are great outcomes for these tenants, giving them an opportunity to participate in the workforce and giving them the opportunity to improve their living standards.

Mr PAKULA — Minister, I want to ask you about the measure in budget paper 3, page 164, for social housing dwellings, 'Total social housing dwellings acquired during the year', noting that it has fallen from 3756 in 10–11 to 1600 in 11–12 and it is down to a target of 1150 in 12–13. I note the explanation that is given about the winding down of commonwealth funding. The substance of my question is: given the 1150 target for 12–13, how many properties are you intending to dispose of during 12–13? In other words, what will be the net addition to the social housing stock in 12–13?

Ms LOVELL — I am absolutely delighted to answer this question. If we could have that slide on acquisitions first, please. These have been the acquisitions over the last few years in public housing. You can see that there was an absolute spike in a couple of years there, in 2009–10 and 2010–11. That was due to Nation

Building. You can see that we are now returning to more normal levels of investment. But you can see that investment this year of 1150 properties is still much higher than what the acquisitions were in 2006–07, 2005–06 and 2004–05, and it is relatively equal with what the normal investment program is.

We were very lucky in this state to have Nation Building, which did give us an opportunity to boost supply. Unfortunately, if we bring up the one on disposals, you will see that at the same time that we were building properties under Nation Building the former government was disposing of properties at record levels. In fact our Nation Building target was around 4630, but during the four years of Richard Wynne's time as a minister he actually disposed of 4494 properties, so he almost wiped out the complete benefit of Nation Building to this state. This year our disposals are much, much lower. You can see we have only earmarked 400 properties for disposal, which is the lowest disposals over about 12 years.

If you want to talk about acquisitions, we can also talk about the number of properties that we are acquiring over the term of the government. In fact I have a press release here from Richard Wynne, dated 9 November 2010, that says:

... a future Victorian Labor government would build a massive 4000 public housing units over the next four years.

There was no funding applied to this press release, so I presume that this was going to be funded through the NHA and general funds.

Members interjecting.

Ms LOVELL — You might knock our 1150 acquisitions this year. That 1150 is actually higher than what would be the average of acquiring 4000 over four years. If we actually look at the acquisitions, in 2010–11 there were 3756 total properties delivered — 882 of those were delivered between June 2010 and November 2010 under the Brumby government; 2874 were delivered between December 2010 and June 2011 under the Baillieu government. Add to that the 1600 that we delivered last year in 11–12, and the 1150 that we will deliver this year in 12–13, and that is 5624 — a massive 5624 units in two and a half years.

Mr PAKULA — Just to follow up on this matter about social housing dwellings, in terms of the total social housing dwellings where you underperform against your target by almost 1000, I am just trying to understand this explanation about 'adjustments to stock configuration to create larger properties'. Is that a reference to the director of housing's program of combining dwellings with a small number of bedrooms to create accommodation for larger families? If that is what you are referring to, how many dwellings did you reconfigure in that manner in this financial year, and what are you planning to do in the 12–13 year?

Ms LOVELL — Is this the measurement at the top of the page?

Mr PAKULA — That is the one.

Ms LOVELL — Yes, the reference there to the stock configuration is to our program that requires — —

We have two problems on our waiting list. We have a number of singles and very few single-bedroom properties, and we have a number of 2, 3 and 4-bedroom properties but we also have a component of our housing list that exists of families with very large numbers of children. This reconfiguration of properties is the matter of perhaps knocking a walkway through two apartments to turn 2 two-bedroom apartments into a four-bedroom or 2 three-bedroom apartments into a six-bedroom apartment to accommodate some of these larger families. We do not have the actual number of reconfigurations with us at the moment, but we are happy to supply that to the committee.

Mr PAKULA — For 11–12 and 12–13.

The CHAIR — Minister, I refer to BP 4, page 35, which shows 7.05 million investment in the construction component of the first youth foyer. Can you advise the committee on how this initiative relates to the Victorian homelessness action plan released last year?

Ms LOVELL — Youth foyers were a key election commitment for us. They also form part of the \$76.7 million Victorian homelessness action plan. This budget provides capital and recurrent expenditure of \$10.4 million over the forward estimates. This further funding will allow for implementation of the first foyer.

As I have already said, the first foyer will be constructed in Broadmeadows, on the site of Kangan Institute. The foyers are actually a genesis of a partnership that was established long ago, when I was in opposition, between myself and Tony Nicholson, the executive director of the Brotherhood of St Laurence, and Tony Keenan, the CEO of Hanover Welfare Services. I thank them for informing me about these programs, which are international best practice.

This will also involve a very strong partnership with the TAFE sector, because we are building these facilities on TAFE land. Kangan TAFE is uniquely placed to deliver a vision for the young people in Broadmeadows, disadvantaged young people who we can help to build better lives for themselves. The youth foyers are focused on early intervention, targeting young people who are homeless or at risk of homelessness. They are about empowering young people by allowing them to focus on education and training, and enabling them to build a better life for themselves.

The CHAIR — This concludes the consideration of the budget estimates for the portfolios of children and early childhood development, and housing. I thank the minister and departmental officers for their attendance today. Where questions, and there were several, were taken on notice, we will write to you, Minister, and we would like a response within 21 days. Thank you very much. This concludes the hearing.

Committee adjourned.