

Public Accounts and Estimates Committee  
Inquiry into the 2024–25 Budget Estimates  
23 May 2024

**PORTFOLIO: Housing**

**Witnesses:**

- The Hon. Harriet Shing, Minister for Housing MP
- Mr. Simon Newport
- Mr. Danny O’Kelly
- Ms. Peta McCammon
- Ms. Dannii de Kretser

**QUESTIONS ON NOTICE**

**QUESTION 1**

*Bev McARTHUR: Minister, let us go to the \$1 billion from the Commonwealth Games which has been allocated to regional housing, of which nearly \$300 million is allocated to output funding. Will the \$300 million go towards bricks-and-mortar buildings, or is this for administration? Mr Newport, do you have that figure?*

*Simon NEWPORT: Yes. The bulk of that money – I will have to provide the exact number to you on notice if that is okay –*

*Bev McARTHUR: That will be terrific.*

*Simon NEWPORT: But the vast majority of that money is set aside for partnerships with community housing providers. It is not shown as capital because it will not end up on the balance sheet of Homes Victoria, it will end up with the community housing providers. So the answer to your question in essence is, yes, of course it will result in houses being delivered with that money.*

*Bev McARTHUR: Well, you will give us the detail, though, on notice.*

*Simon NEWPORT: Absolutely.*

*Bev McARTHUR: Thank you so much.*

*Hearing Transcript, p. 11*

**Name of Committee members asking question: Bev McArthur**

**RESPONSE**

**Answer:**

Of the \$300 million allocated to output funding, \$240 million will be directed towards delivery of housing including \$124 million of grants to Community Housing Providers to be delivered through the Social Housing Growth Fund.

Only six percent of the total \$1 billion is allocated to administrative costs for Homes Victoria for the Regional Housing Fund. This percentage is lower than relevant infrastructure delivery benchmarks and demonstrates the efficiency of delivery by Homes Victoria.

## QUESTION 2

*Will any of the initial \$1.25 billion funding for regional homes include upgrade of homes as opposed to new builds, Mr Newport? Or is that somebody else's –*

*Simon NEWPORT: Yes, I can answer that question.*

*Bev McARTHUR: Great.*

*Simon NEWPORT: There is an amount of money – in fact we will have about 145 homes restored or upgraded and brought back into service. Seventy-five of those have already taken place, and the other 70-odd actually the trades are onsite at the moment, and they will be finished in the next three to four months.*

*Harriet SHING: And what that does, Mrs McArthur –*

*Bev McARTHUR: And, Mr Newport, while you are getting material on notice for us, could you provide the*

*detail of the total number of homes for the last three years that you have built?*

*Simon NEWPORT: In total for the portfolio?*

*Bev McARTHUR: Yes.*

*Harriet SHING: Built or brought on line – because, again, if we have got vacant stock that is vacant for purposes including that it is not fit for purpose –*

*Bev McARTHUR: New homes.*

*Harriet SHING: and we are bringing that back online because of those capital improvements –*

*Bev McARTHUR: Well, okay, the total number of homes.*

*Harriet SHING: We just want to clarify what that total number looks like, so perhaps we will take that on*

*notice.*

*Bev McARTHUR: Yes, great.*

*Hearing Transcript, pp. 11-12*

Name of Committee members asking question: Bev McArthur

## RESPONSE

**Answer:** \$20 million from the Regional Housing Fund has been allocated to returning 143 vacant properties in the regions to a tenable status. 59 have been completed and 84 are in active works, with the majority closing this financial year.

### QUESTION 3

**Simon NEWPORT:** *None of the funds for the Big Housing Build are being devoted towards the towers project.*

**Aiv PUGLIELLI:** *None of it? So that is being funded separately from the Big Housing Build?*

**Harriet SHING:** *There is \$436 million as part of the allocation for the first tranche of the towers development process, and that sits adjacent to the funding from the Commonwealth around the two red bricks.*

**Aiv PUGLIELLI:** *Okay. And for the tender process itself is there a disaggregation within that figure that you can provide?*

**Harriet SHING:** *No, that is built into the \$436 million, isn't it?*

**Simon NEWPORT:** *Yes.*

**Harriet SHING:** *Yes, and that is again something we are continuing to work on. It is about a pipeline of delivery. Because it is a multi-decade process, not dissimilarly to the Level Crossing Removal Project for example, once we get one system of approach to whether it is demolition or deconstruction or whether it is the process of relocations or renter engagement, that will continue to gather momentum as that work goes on.*

**Aiv PUGLIELLI:** *Okay. Thank you. For the first towers that I just mentioned, how much money has been allocated for the relocation of residents where that is occurring?*

**Harriet SHING:** *That is part of the business-as-usual work of Homes Victoria, isn't it, that you took us to earlier?*

**Simon NEWPORT:** *No. Look, we will probably have to take the exact number on notice. There were allocations for capital contribution, decontamination, demolition and relocation.*

**Aiv PUGLIELLI:** *If that could be provided on notice, that would be great.*

**Simon NEWPORT:** *Yes.*

**Harriet SHING:** *Yes.*

*Hearing Transcript, p. 14*

**Name of Committee members asking question:** Aiv Puglielli

### RESPONSE

**Answer:** The 2023-24 Budget update provided funding to kickstart the redevelopment of the first tranche of older-style high-rise public housing towers in Flemington and North Melbourne. Funding was also provided for planning for future tranches. Homes Victoria has made an initial allocation of \$10.4 million over the forward estimates, from the \$436.1 million 'Public Housing Revitalisation program' allocation (page 151, 2024-25 Budget Paper 4), towards moving, connection to utilities, translators and staffing costs.

This funding provides the capacity required for the Homes Victoria relocation team to support households relocate from the Flemington and North Melbourne towers. It also allows for the engagement of community service organisations that will assist households prepare for their relocation, to move with their health and social support needs met and settle into a new home with the community connections that matter to them. Homes Victoria draws on this funding to cover household specific expenses related to their relocation such as removalist costs, the disconnection and reconnection of essential household services.

#### QUESTION 4

**Aiv PUGLIELLI:** *I understand KPMG has been appointed to manage the redevelopment of the public housing towers. How much have they been contracted for? What was that cost?*

**Simon NEWPORT:** *At this stage KPMG are being contracted to do the work on the business case – or the investment case I should say. I will get back to you on that number, but they are not running the project. All they are doing is advising on the investment case and supporting us.*

**Aiv PUGLIELLI:** *Okay. If you could provide that on notice, that would be great. Thank you.*

*Hearing Transcript, p. 14*

**Name of Committee members asking question: Aiv Puglielli**

#### RESPONSE

**Answer:** KPMG has been contracted by Homes Victoria to assist with the development of the Investment Case for the High-rise Redevelopment project. They are being managed by the Homes Victoria project team set up to run the project.

KPMG's fees are based on rates agreed by the Department of Treasury and Finance under its Professional Advisory Services panel arrangements.

The total fees paid to consultancies will be publicly disclosed through the 2023-24 Department of Families, Fairness and Housing Annual Report.

#### QUESTION 5

**Aiv PUGLIELLI:** *Okay. If you could provide that on notice, that would be great. Thank you. Just moving forward, with reference to the 'Investing in a thriving North Richmond' project announced in I think it was the 2022–23 budget due to be completed in the 2024–25 financial year, the 'State Capital Program' details that so far only \$672,000 has been spent out of the \$5.5 million designated, leaving almost \$5 million to be spent in the 2024–25 financial year. Would I be able to just get a breakdown of expenditure for that \$672,000 spent to 30 June 2024?*

**Harriet SHING:** *We can take a notice and give you the breakdown, if you would like. It might be simpler than going through it in granular detail now.*

**Aiv PUGLIELLI:** *No, that is okay. Just adding on to that, if I could get a breakdown of anticipated expenditure for the \$4.8 million remaining expected to be spent in 2024–25.*

*Hearing Transcript, p. 14*

**Name of Committee members asking question: Aiv Puglielli**

**RESPONSE**

**Answer:** \$5.5 million has been assigned from the Investing in a Thriving North Richmond project to Homes Victoria to deliver three capital projects which cover not only housing, but the local community health centre and primary school.

The first project has a budget of \$1.8 million and will create a safe drop off zone at the rear of the North Richmond Primary School in Vere Street. This project has had its detailed design completed and has been submitted to the local council for approval, noting that there are alterations to existing roads and council land to enable the project.

The second project has a budget of \$1.7 million and will undertake landscaping works to enhance the entrances to North Richmond Community Health Centre (NRCHC) and the Medical Safe Injecting Room (MSIR). This project has had its detailed design completed but was delayed with the decision to transition service providers at the NRCHC.

The third project has a budget of \$2 million and will enhance security across the Richmond Housing Estate by installing additional CCTV cameras within buildings. This project is scheduled to conduct a trial of enhanced CCTV on the estate. A subsequent evaluation and expansion of the security coverage will follow.

The spending of \$672,000 is forecast for this financial year. To date; \$142,288 has been spent on the safe drop off zone where expenditure to-date has been associated with development of concept plan options and selection of preferred design solution; zero \$ have been spent by the Department to date as project delivery has only recently transitioned to Homes Victoria following the delay in the appointment of new service provider for the NRCHC; \$12,160 has been spent on a feasibility study for the new CCTV and security practices with a trial set to commence early in the next financial year.

All three projects are on schedule for completion in FY 2024/25.

**QUESTION 6**

**Aiv PUGLIELLI:** *Thank you. On the subject of maintenance more broadly for social housing residents, could I just get an understanding of what the cost savings forecasted for the government are in social housing maintenance in this budget and into the future when the new towers are built?*

**Simon NEWPORT:** *We will take that on notice.*

**Harriet SHING:** *Yes. That is comparison that again might take a little bit of work in terms of what the overall cost–benefit analysis looks like.*

**Aiv PUGLIELLI:** *That is okay. On notice is –*

**Harriet SHING:** *It is not actually set out in the budget paper in terms of that A versus B.*

*Hearing Transcript, p. 15*

**Name of Committee members asking question: Aiv Puglielli**

**RESPONSE**

**Answer:** Operating and maintaining the high-rise towers is estimated to cost \$2.3 billion over the next twenty years. This cost includes operating costs, planned maintenance, asset renewal and responsive maintenance. Operating costs include security, cleaning, the maintenance of grounds, the carrying out of safety checks to individual apartments under the *Residential Tenancies Act* (RTA) and the cost of utilities for common services. Planned maintenance relates to the service of essential infrastructure such as fire-fighting systems and lifts to maintain them in operating condition and treating concrete spalling to maintain building integrity and public safety. Asset renewal covers renewing the building services before they become unreliable or fail and the periodic renewal of apartments. Responsive maintenance entails the make good of the fit out of individual apartments, common areas and essential infrastructure, upon request or to restore service.

Some of the costs listed above, such as RTA safety checks and cleaning, are largely independent upon the condition of the building. Others such as the planned maintenance of lifts are dependent on the number of lifts in a building and the number of cycles performed. Responsive maintenance within units is a combination of the age of the fit out and tenant behaviour.

The future operating costs are dependent upon the building types that will replace the existing towers. It is likely that the replacement buildings will have additional lifts and improved life safety systems to comply with the building codes and additional security and ventilation systems that are unable to be installed within the current towers. All of these will add amenity to the residents, and better ensure continuity of services but will likely increase the operating costs of these building components. Conversely, a newer building will not carry the same operating risks and responsive maintenance cost associated with aging critical infrastructure such as aged main electrical switchboards and failing hydraulic systems especially the sewer stacks.

Seeking a direct comparison between current maintenance costs and the maintenance costs for replacement buildings is not “an apples for apples approach”, as it fails to account for additional amenity of elements such as additional lifts and ventilation and the reduction in the risks to renters by having greater redundancy of services.

Forecast operating costs for the replacement buildings will be developed as the tower designs are finalised and incorporated into the relevant operating and capital budgets.