

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 18 May 2011

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

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Witnesses

Ms W. Lovell, Minister for Housing,

Ms G. Callister, Secretary,

Ms Margaret Crawford, Executive Director, Housing and Community Building Division,

Ms M. Kirchner, Director, Policy, Planning and Strategy Branch, Housing and Community Building Division, and

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

The CHAIR — I now welcome Ms Gill Callister, Secretary of the Department of Human Services; Ms Margaret Crawford, executive director, housing and community building division, Department of Human Services; Ms Megan Kirchner, director, policy, planning and strategy branch, housing and community building division, Department of Human Services; and Mr Rob Jenkins, assistant director, budget and performance, housing and community development division, Department of Human Services.

I now call on the minister to give a brief presentation in relation to the budget estimates for the housing portfolio.

Overheads shown.

Ms LOVELL — Thank you, Chair. It is a pleasure to now present the housing budget to the Public Accounts and Estimates Committee inquiry into the 2011–12 budget. This first slide shows the enormous size of the housing portfolio and also the challenges that we face in managing such a large portfolio. The number of social housing dwellings in Victoria totals 80 955, of which 65 437 are public housing dwellings — which makes the director of housing our largest landlord in Victoria! We have 11 580 community dwellings that are either owned or managed by community housing organisations in this state, and there are also 3938 transitional and crisis properties. These properties house around 130 000 of some of our most vulnerable tenants in this state. The Office of Housing also manages emergency accommodation responses, such as the response to the January floods this year, the administration of bond loans and housing establishment funds and also the national rental affordability scheme.

The 2011–12 housing portfolio will have an operating budget of around \$800 million. That is actually quite different to what is shown the outcome measures in the budget papers. That is because the budget papers only include the funds that have been raised from Treasury for the operations of the housing portfolio, the delivery of services and also grants that will go to housing associations. Contributed capital direct to the director of housing for the acquisition of properties is not included in the budget papers, and of course our rent receipts are not included in the outcome measures either.

This year, of that \$800 million, we will spend about \$528 million providing for capital improvement, construction and acquisition of properties, including 1800 major upgrades, which are upgrades that cost \$10 000 or more, to some of our older stock. We will also acquire 1600 new properties this year either through building properties or purchasing properties. In addition, we have more than \$100 million that will go into our general maintenance program. Over the term of this government we will deliver around 6500 new properties into the social housing sector.

This next slide outlines some of the challenges that we face in the social housing sector and particularly in public housing. I have already spoken about our ageing stock — about 40 per cent of our stock is more than 30 years old. Some of it is nearing the end of its use-by life, and for some of it we are extending its use-by life by doing the 1800 major upgrades.

Waiting lists have been a serious concern for around 10 years now. Just before the former government left office they hit a 10-year high of 41 212 families waiting on that public housing list. In the past six months that has reduced to around 37 430 applicants, but there is still a long way to go to satisfy the need for social housing in Victoria.

We also have cost pressures on the management of our portfolio that include the cost of utilities, the rising cost of rates and the rising cost of building new properties and maintaining such a large asset base. In addition, there are challenges that our tenants face, such as unemployment, homelessness and also the generational disadvantage that exists for many of our tenants and their families.

This government recognises that we have a once-in-a-generation opportunity for change. The Family and Community Development Committee conducted an inquiry into public housing in the last term of Parliament. That committee handed down a damning report on the former government's management of public housing in this state. As part of our response to that report we have committed to developing a new strategy. The report highlighted the need for a new direction, and we will deliver a fresh strategic direction to meet the challenges of the next decade in social housing. This new direction will focus on housing the most vulnerable Victorians. It will also focus on greater choice and responsibility for our tenants and creating opportunities, connections and better communities.

We believe that public housing should be a pathway and not a destination. Currently we have three-quarters of public housing households who receive no income from work. There are less than 10 per cent of homelessness clients who work in either full-time or part-time work. We recognise that there are multiple barriers to work faced by many Victorians, but we are committed to breaking the cycle for those who are just generally disadvantaged by not participating in the workforce. We are committed to creating pathways and opportunities for people to reach their full potential.

The 2011–12 budget delivers funding for two of our election commitments. The first is to improve economic participation amongst our social housing tenants by establishing five work and learning centres on Office of Housing estates. This budget commits \$4.6 million over the next four years to deliver two work and learning centres this year and three in the following year. These will be delivered in partnership with the Brotherhood of St Laurence and will be a first step for new housing tenants to connect them with opportunities that might exist for them. The work and learning centres will provide tenants with the opportunity to connect with training and education, and also to create the skills that they need in order to participate in the workforce and ultimately lead them down the path to employment and economic participation to give them the opportunity to build a better life for themselves rather than consigning them to generational welfare dependency.

The youth foyers is a program that I am really excited about. It is an innovative program that is operating in the UK, Europe and North America. The international experience is that 72 per cent of the homeless young people who go through this program leave the program either employed or still engaged in learning, many of them in university courses. The first of the youth foyers will be delivered in partnership with the Brotherhood of St Laurence and Hanover Welfare Services. I have been working with Tony Nicholson and Tony Keenan, the CEOs of those two organisations, for a number of years now to develop this policy. Tony Keenan also happens to be the chair of the Australian Foyer Foundation. These two gentlemen are very committed to making this project work.

The youth foyers provide education and training support for young people up to the age of 25, and this is done under a mutual obligation contract. In return for accommodation, the young people must sign a contract that they will participate in work and learning opportunities. The young people are also provided with support services on site at the youth foyer and also 24-hour supervision. We have set up a steering committee to implement these programs. It is being chaired by Rob Knowles, a former Minister for Housing in this state. It is a very exciting initiative. The Office of Housing, Hanover Welfare Services and the Brotherhood of St Laurence are working together to establish our first foyer.

The CHAIR — Thank you, Minister. Obviously this is another portfolio where population and demographics play a considerable part in driving the direction of the portfolio. As I will ask a question in a moment about population, I note that we now have 45 minutes for the remainder of your session at the estimates hearings so we will be dedicating that to housing. I ask: how have predictions concerning population growth shaped the budget for 2011–12 and the out years for the discharge of your portfolio responsibilities in housing?

Ms LOVELL — Thank you for your question. As we all know, population growth is a big issue for Victoria. The housing portfolio is already challenged by a housing shortage, and further population growth will only compound this situation. The National Housing Supply Council has identified that overall Victoria has a housing shortfall of 27 000 homes in 2011, and this is largely due to failed housing policies over the past 11 years that have provided for a crisis at all levels of housing in this state. Eleven years of traditional Labor values left 41 212 families languishing on public housing waiting lists —

Mr SCOTT — Actually you said it was lower than that. Are you misleading again?

Ms LOVELL — but the housing crisis exists at all levels.

Ms HENNESSY — You gave us a different figure before.

Ms LOVELL — There is a shortage of housing in private homeownership. There are not enough new homes being built —

Mr PAKULA — Didn't you get up and oppose every social housing development?

Ms HENNESSY — She did. This is embarrassing.

The CHAIR — Order!

Mr PAKULA — Chair, we are being provoked.

Mr ANGUS — Let the minister answer the question.

Mr PAKULA — Why don't you ask the minister to stop provoking us, and I will not react. How about that?

The CHAIR — Are you happy? Have you made your point?

Mr O'BRIEN — It is your government record that is provoking you.

Ms HENNESSY — She is misleading. She has used wrong figures. She opposed every social housing project.

Mr SCOTT — Her own figures show she was just misleading.

The CHAIR — Minister, when we have some quiet we will continue.

Ms LOVELL — There is a crisis in the homeownership market because there are not enough new homes being built to keep up with the demand for homeownership, and that is largely due to the former government's planning policies which restricted land supply, increased development costs and restricted the amount of new homes being built.

Mr SCOTT — That is not true either. That is not true.

Ms LOVELL — We have a crisis in the private rental market because people are staying in private rental longer because they cannot get out into homeownership. Some of them cannot afford homeownership because the cost of homes has gone up so much.

Mr PAKULA — I am glad to hear you are going to fix that.

Ms LOVELL — Some people are buying up properties that were in the private rental market and renovating them for homeownership, so the private rental market has become restricted and lower income families have been priced out of the private rental market, forcing them onto the public housing waiting list and into social housing and placing pressure on that sector.

While the population steadily grows, the commonwealth funding allocation under the National Affordable Housing Agreement has only been indexed at CPI, and there is no growth funding in that. The current NAHA funding model does not reflect the demand for public housing, and more significantly the current funding levels of the NAHA do not provide sufficient resourcing for ongoing maintenance and to increase stock.

The renegotiations of the commonwealth-state housing agreement provided an opportunity to increase levels of funding from the federal government to the state through the new agreement, which is known as the NAHA, the National Affordable Housing Agreement, but unfortunately it was an opportunity lost because there was no growth funding provided in that agreement. There was a lot of disappointment expressed by the housing sector at the time that, despite the former government's continued criticism of the Howard government for not investing in social and public housing —

Ms HENNESSY — That is a fantasy.

Ms LOVELL — the NAHA negotiated with the Rudd government did not provide any growth funding either. The lack of growth funding provided by the commonwealth places Victoria's housing portfolio in a precarious situation. Discussions are taking place around a change to the funding model, and the commonwealth government needs to work with all jurisdictions to develop a funding model that is reflective of the current times and future demand.

This government is committed to fundamental review and reform of the housing system in Victoria. Challenges including how we meet the future needs of our client group will be addressed in the new housing framework. The housing framework will address issues such as the scale of the portfolio and demand, the management

arrangements of social housing and maintenance liability issues. I am committed to better management of the portfolio and to creating opportunities for our tenants to realise their potential.

More specifically the government's commitment in the 2011–12 budget for youth foyers is a response to the growing needs of young people in Victoria today, and these projects are about breaking the cycles of homelessness and disadvantage and also reducing the reliance on government-subsidised housing.

Mr PAKULA — Minister, budget paper 3, page 229, has a table for the total number of social housing dwellings, and it shows the target number of dwellings being 83 300 and the expected outcome for 2010–11 being 83 755. I think you mentioned a figure of 80 955, but it is expected to be quite a bit higher than that in just five weeks.

Ms LOVELL — That was the 2009–10 actual. This is just expected.

Mr PAKULA — Yes, which is five weeks from now. If you go to page 79 of budget paper 4, just for reference, it talks about existing projects and at footnote (a) talks about all the housing projects and says:

These projects are funded through a combination of state funds, commonwealth funds, and other revenue generated by the director of housing.

What I want to know is: in terms of the acquisition of new social housing stock over the next financial year, how much state funding has been allocated?

Ms LOVELL — I thank the shadow minister for his question. As the footnote says, it is a combination of state funds, commonwealth funds and our other revenue, which I believe I explained in my presentation — not all revenue that we have in the housing budget is presented as part of the outcomes in the budget papers. This is the traditional way that housing has been funded in the past. I have talked about the National Affordable Housing Agreement, which provides funding to the states for their use for the provision of public and social housing. I think I have talked about Nation Building. If I have not, I would love to talk about Nation Building.

Ms HENNESSY — I just want to know how much state funding there is.

The CHAIR — And there's more!

Ms LOVELL — The Nation Building program was designed to deliver about 4500 properties in this state, and we expect that it will deliver a lot more than that. It has been a one-off injection that I think every state has been grateful for, but we acknowledge it is probably a once-in-a-generation opportunity as well.

I am told by the director of housing that the actual funds within the budget are not broken down into state and commonwealth funding; it is just the way that the budget is presented.

Ms HENNESSY — It is extraordinary.

Ms LOVELL — The director is just telling me that she does not have a breakdown of the 528 million as to how much would be commonwealth, how much would be rent, how much would be contributed capital, how much would be state; it is just part of our overall budget and that is the portion that has been allocated for acquisitions.

Mr PAKULA — I would like to follow up. I would prefer an answer now, Minister, but — —

The CHAIR — Minister, the member has a follow-up question.

Ms LOVELL — It's all right. The director has just given me some information that may help the minister with his requirements.

The CHAIR — The shadow minister.

Ms LOVELL — Shadow minister; sorry.

The CHAIR — Refer to him as the Deputy Chair.

Mr PAKULA — I am always happy for a walk down memory lane, Minister.

Ms LOVELL — Whilst it is difficult to break down that figure, approximately 200 million is commonwealth funding — that is, contributed capital from the commonwealth.

Mr PAKULA — So if I could just follow up, 200 million out of how much?

Ms LOVELL — The \$528 million that we are investing in acquisitions and maintenance.

Mr PAKULA — Right, so the rest is state money.

Ms CRAWFORD — It comes from a combination of rental revenues, sales of property and state government allocations.

Mr PAKULA — Can you take that on notice and come back with some more detail?

Ms CRAWFORD — Yes.

Mr MORRIS — Minister, I refer to budget paper 3, pages 229 and 230. Those pages have a range of performance measures for housing assistance. Can you inform the committee of any reforms that you have started or plan to start which will have an impact on service delivery in the coming financial year?

Ms LOVELL — I thank the member for his question; it is a great question. I am very proud to outline the program that the Baillieu government is implementing in social housing. We are very proud of our achievements over our first 150 days. As I said before, this is a very large and very challenging portfolio. When the Premier asked me if I would take on the role of minister in this portfolio I was really excited because I recognise there are enormous opportunities to make a real difference to how we deliver public and social housing in Victoria. We are tackling the challenge at both macro and micro levels on all fronts at the moment. We have had some success in reducing the waiting list through some of our new management practices.

At a macro level we are going to introduce fundamental reform through a new housing framework that will have a new vision for the delivery of social housing in Victoria, and this is a project that is long overdue. We are also consulting and finessing the homelessness action plan. This is a plan that will not be just words but will have real action to prevent and tackle homelessness. The former government, after 11 years in government, came up with a homelessness strategy that was 115 days late being delivered but it did not actually provide any real outcomes, and the sector was very disappointed that it had not actively been consulted and included in the development of that strategy. We committed to reviewing that strategy and to using the money that was assigned to that to deliver some real outcomes. Our homelessness action plan, which we will be releasing fairly soon, will be the result of that work.

At a micro level we have already undertaken an immediate audit of vacant stock and substantially reduced the amount of vacancies of stock in Victoria. At June 2009 there were 2176 vacant dwellings in this state. At March 2011 we had that down to 1464 vacant dwellings. We have introduced choice-based letting for some of our hard-to-let properties, and this is a really great story. Some properties remain vacant for extended periods of time because people just do not want them, and yet there are other people who would love to have the opportunity to be housed in those properties, people who had not even thought to put down that waiting list area as one of their choices. What we are now doing is providing homeless services and our offices with lists of properties that have been vacant for some extended periods of time, allowing those who are really wanting to be housed, who are desperate to be housed, to choose from those properties. A number of people who have been homeless have been housed in some of those properties. That is a fantastic result.

We have also had some success already in tackling the wait list, as I mentioned before, through the active management of applicants and vacancies. We are now introducing new strategies for turning over our properties quicker between tenancies, to have them re-tenanted to get people off the waiting list and into homes. We have also adopted an active management of the applicants on the list so that we are going back and reviewing everyone who has been on the list and reprioritising them. Some people have moved onto the early housing waiting list and have been housed through that. Others we may have been able to assist through providing them with information about and connecting them with housing associations to enable them to be housed that way. We have even helped some of them through the provision of a bond loan to get them into private rental. We are

not prepared to just let people languish on the list. We want to actively manage their applications to ensure that they know of all the opportunities that are available to them to be housed.

We have also commenced a review of all of the letters that go out to tenants through the Office of Housing. This is to improve clarity and also the tone of the communication with tenants. We are making them in plain English so they are not bureaucratic, and we are also making them friendly rather than a bit pushy.

In relation to rooming houses, we are working with Consumer Affairs Victoria to expedite the new minimum standard regulations, which are long overdue. We all know that there has been a real problem with rooming houses in this state for many years. These regulations should have been in place long ago, but when we came to government they had not actually been developed, so one of the first things we said was, 'We want those regulations developed', and they are about to go out in the form of a RIS very soon.

On illegal activity, we have introduced a bill into the house to amend to the RTA to close a loophole that allowed drug dealers to deal in drugs on common areas of the estates, like children's playgrounds or the corridors of housing estates. It prevented them from being evicted because they did not use their actual apartment to do the crime in. That bill is actually before the house already. I have also met with Victoria Police to form a joint action task force at the Richmond estate to join with the police to fight the drug problems in that area that were highlighted in the media recently.

We have got the Nation Building targets back on track.

Mr PAKULA — Come on. There are limits.

Ms HENNESSY — If she wants to table it — she is just reading her stuff.

Mr PAKULA — I thought this was meant to be about the budget.

Ms LOVELL — The former government failed to meet the December 2010 figures. They were about 1000 behind in delivering those properties. We now have those back on track, and we are confident will make the milestone of June 2012.

We have managed emergency response to the floods, including providing emergency interim accommodation assistance to 292 households. That has been through 48 households having been provided with public housing. Nine households were provided with private rental assistance packages.

Mr SCOTT — Chair, can we have this tabled?

Mr D. O'BRIEN — I am interested in the flood response.

Ms HENNESSY — She is not telling us anything that she knows.

Mr PAKULA — Chair, perhaps the answer can be tabled.

Ms LOVELL — Twenty-six caravan tenancies have been established, and 209 households will receive housing emergency funds.

Mr ANGUS — Let the minister finish.

Mr PAKULA — Finish? It has been going for 10 minutes.

The CHAIR — No. That is enough.

Mr PAKULA — This is an opportunity for questions.

The CHAIR — Enough, deputy. Let the minister conclude her answer.

Ms LOVELL — We have also started to fulfil our election commitments to develop the three foyers and the five work and learning centres.

Mr SCOTT — I refer to the performance measure ‘number of households assisted with long-term social housing’ on page 229 of budget paper 3 and more particularly the total output costs related to that. You noted earlier it was difficult from the budget materials to specify particular costs, expenditures or revenues. I would like to seek clarification on a related cost and expenditure. I understand the director of housing has both revenue from operations, such as rent, as well as operating costs associated with rental operations, such as maintenance. I understand these rental operating costs may exceed rental operating revenue, leading to an operational deficit. None of that is ascertainable easily through reading the budget papers, so I would like to seek information on that. My question is: what is the projected rental operating deficit, because I believe there is one, for the Office of Housing in each of the budget years?

The CHAIR — That is a fairly detailed question. It might take a moment.

Ms HENNESSY — It is kind of, ‘What deficit are you carrying in a major part of your portfolio?’.

The CHAIR — I take it, Minister, that requires to be taken on notice?

Ms LOVELL — It will be required to be taken on notice.

Ms HENNESSY — You’re kidding.

Mr PAKULA — For goodness sake!

Ms HENNESSY — It is the deficit in your portfolio.

Mr PAKULA — So you can go on for 10 minutes about the Dorothys, but you cannot answer single question — —

Ms HENNESSY — You cannot answer the most fundamental issue of your portfolio. That is hopeless.

Ms LOVELL — Chair, I am told that we can provide that before the end of the hearing.

Mr PAKULA — But you ought to know it.

Ms LOVELL — I know relevant, but we are going to go through the right figures.

Ms HENNESSY — It is your deficit.

Members interjecting.

The CHAIR — I know we are all a bit tired.

Ms HENNESSY — No, we would just like some basic information.

The CHAIR — It’s day 8 and all of that, but let’s just be civil.

Mr PAKULA — It’s day 9.

The CHAIR — It’s day 9? I lost a day!

Mr SCOTT — I know it does roll into one, Chair.

Ms LOVELL — Mr Scott has just asked me — —

Mr SCOTT — I am perfectly capable of deciding, without your assistance, Minister, what I should ask. Could you will also provide information on how you expect to fund this operating deficit or otherwise eliminate the deficit over the estimates period?

The CHAIR — It is a really good follow-up question, but you need the answer before you ask the follow up.

Mr SCOTT — I said ‘on estimates’.

Mr PAKULA — Assuming there is a deficit.

The CHAIR — I think what we will do is — —

Members interjecting.

Mr SCOTT — I am happy to take it all on notice, Chair!

Ms HENNESSY — So they have a deficit in their portfolio. He is asking — —

The CHAIR — We will take that on notice as well as. We will move to Mr Angus.

Ms LOVELL — However, Chair — —

The CHAIR — Minister, that is enough.

Mr ANGUS — Minister, I refer you to budget paper 3, page 47, and the output initiative ‘work and learning centres’. Indeed you touched on that also briefly in your presentation to us in relation to the five pilot work and learning centres. Can you explain to the committee just the benefits of this initiative?

Ms LOVELL — Certainly, and I thank Mr Angus for his question. As I said in our presentation, we are really excited about these two projects, both the foyers and also the work and learning centres. This is a project that I have been talking with the Brotherhood of St Laurence about for many years. The Brotherhood of St Laurence share our values about people participating in the workforce — that it gives them a better opportunity to build a better life for themselves.

This is an innovative model based on a proven approach to economic participation, putting that at the heart of service delivery to public housing tenants. We have committed \$4.6 million to establish five pilot work and learning centres. Two will start in this immediate financial year and three in further years.

We are delivering these, as I said, in partnership with the Brotherhood of St Laurence which has the expertise and experience in running these types of centres. We will get the centres up and running quickly. In fact we have had several communities come to us already very excited about the prospect of having a work and learning centre located in their community. Some of them with committees that already operate to promote their community are saying, ‘You train the workers for us. We will find the jobs’. It is really positive that communities are coming to us excited about the opportunity to have one of these in their community.

As I said, over three-quarters of public housing tenants have no income to their household from work. This severely disadvantages them. Children on many of our Office of Housing estates have never seen a parent go to work, and they have never seen a neighbour go to work either. They have not seen the benefits that can be gained from economic participation. We want to give people these opportunities to build better lives for themselves.

The government will be consulting in Melbourne and other regional communities, some of whom have expressed their desire to have a work and learning centre already, and local governments and other organisations throughout the sites will be locating these five work and learning centres.

Ms HENNESSY — Minister, I would just like to ask a question about the budget. The contributed capital for your portfolio responsibility is set out on page 95 of budget paper 5, but what I would like you to explain to the committee is the relationship between the contributed capital and your major outputs listed on page 229 of budget paper 3, particularly in relation to the total number of social housing dwellings.

The CHAIR — Minister, on the social housing dwellings, thank you.

Ms HENNESSY — And the relationship between the contributed capital.

Ms LOVELL — As I have already explained to you, contributed capital does make up part of our housing budget, and contributed capital describes the funds that are provided to the department to acquire assets such as houses that go on the director of housing’s balance sheet. Budget paper 3 does not include that contributed capital, but you have outlined where it is outlined in budget paper 5 on page 95. The total contributed capital provided to housing and community building in the 2011–12 year will be \$161.2 million. The director has just informed me that we cannot break it down to exactly what that will deliver compared to what our whole budget

for acquisitions and maintenance is going to deliver; it is not broken down, it is contributed into that one pot of money.

Ms HENNESSY — By way of clarification, can you just advise us how the level of contributed capital is determined?

Mr JENKINS — It is a government decision about the level of money that you put into additions to stock. So it is the new acquisitions, and the government determines the amount of money they wish to contribute directly to the director's balance sheet.

The CHAIR — I think we are up to Mr O'Brien.

Mr O'BRIEN — Thank you, Mr Jenkins, and thank you, Minister. Following on from that and from your presentation where you have outlined that in 2011–12 the housing portfolio will have an \$800 million operating budget and 528 million will be provided for capital improvement, construction and acquisition as outlined, I refer you to budget paper 3, page 216, and ask you, Minister, to please advise us how new housing will contribute to the stated objective to 'plan and deliver forward thinking, responsive housing and community services'?

Ms LOVELL — I thank the member for his question. As I said before, on 6 April we tabled a response to the parliamentary inquiry into the adequacy and future direction of public housing in Victoria. This report was a damning report card on the former government's delivery of public housing in this state. As the opposition members of the committee have identified, the housing budget does have a structural deficit to it. The system is not working; it is not providing for vulnerable Victorians adequately, and the ability for it to cope with the demand due to the structural deficit in the budget is creating enormous pressures on the whole system. We recognise there is an opportunity — a once-in-a-generation opportunity — to have a look at a new framework for the delivery of social housing in this state to provide real opportunities for Victoria's vulnerable residents. The Baillieu government has recognised that need for a renewed and clear strategic direction for housing in Victoria that addresses the housing circumstances of low-income and socially disadvantaged Victorians and also aims to maximise personal choice and responsibility as well as rights and entitlements.

We propose to develop a new housing framework which addresses the current and future housing challenges for low-income Victorians and provides a vision for a public and social housing system which enriches people's lives and futures, wherever possible provides a pathway rather than a destination and looks at a whole-of-government and whole-of-community approach to public and social housing challenges.

Mr PAKULA — Minister, back to page 229 of budget paper 3 and the measure of the total number of public housing dwellings with a major upgrade during the year. I am wondering if you can tell me how much has been allocated for physical improvements and upgrades to existing housing for the 2011–12 year and the out years and how that compares to the last two years.

Ms LOVELL — Approximately 1800 major upgrades are planned for the 2011–12 year. We intend to carry out upgrades of more substantial work than was carried out in previous years, so they are going to be more costly than some of the upgrades that have happened in previous years. We are going to continue to invest in the maintenance and improvement of our stock. This year we have a maintenance budget of \$112.7 million for our general maintenance and also a physical improvement budget of \$136 million to deliver those 1800 major upgrades.

The physical improvement and upgrade works target the reduction of the maintenance backlog that was left to us by the former government, the structural and safety issues around some of these homes and reconfiguring the distribution and layout of properties to better match tenants' needs.

Over the past two years the number of upgrades has been higher than we intend for this year. In the 2009–10 year there were 3712 upgrades, but there was significant investment in that year through the Nation Building funding in those upgrades, and last year the number of upgrades was 1955. As I have already outlined, the reason for the lower target this year is that we expect to take out more substantial upgrades than have been done in the previous year.

Mr PAKULA — Do you have targets for the out years, or is it just year by year?

Ms LOVELL — It is year by year.

The CHAIR — Minister, I refer again to page 229 of BP3 relating to the target of 84 785 social housing properties which has been set for 2011–12. Can you advise the committee what you are doing to ensure that as many properties as possible are occupied?

Ms LOVELL — Thank you, Chair, for your question. We are very committed to improving the management of this valuable public resource that public housing is. With so many people needing housing it would be irresponsible to leave properties standing empty. The Australian Institute of Health and Welfare reported that 2176 dwellings were unoccupied in June 2009. On becoming minister, I immediately commissioned an audit of all of our vacant stock, and through targeted action the number of unoccupied dwellings had been reduced to 1464 by the end of March 2011. Many of those properties that are still vacant are being upgraded and some are for sale because they have come to the end of their usable life span.

The statistics reported to the Australian Institute of Health and Welfare also included some anomalies like sold properties and some awaiting settlement, but any vacancy is one vacancy too many. We are focusing on the vacancies to ensure that they are turned over as quickly as possible to allow people to be occupying those homes. We have trialled the choice-based letting project that I spoke about before. That has had real outcomes for some people. These properties have been advertised in our housing offices and also with homelessness agencies and we have had success, with some 17 of these properties now tenanted or under offer since December. This is an encouraging start. It is only a start, and we will get more properties into this program.

One property in Omeo had stood vacant for 949 days. It now houses a tenant who was homeless and staying at the Bairnsdale hospital, so it was a great outcome for that tenant and a great outcome for the hospital as well to free up the hospital bed. He is now in a home of his own and can feel safe and secure. Another property, in Lismore, was vacant for 665 days. It now houses a couple who were homeless and staying temporarily at a local pub. Another property, in Jeparit, which had been vacant for 174 days, was recently tenanted by an applicant who had been on the waiting list for three years and had recently found himself in emergency crisis accommodation. So there were some great outcomes for people who have had a choice to take a property that was just remaining vacant.

We have also instigated a review of all of our management practice around the turnaround times of our properties. It seemed to me that the average turnaround time for properties was extensive in public housing, something you would not have seen in the private rental market. So we are now reviewing all of those practices to see if we can bring those turnaround times down to shorter periods as well.

Mr SCOTT — I also wish to ask a question regarding the upgrading of public housing dwellings. It is essentially the same figure that Mr Pakula quoted, the 1800 upgrades during the 2011–12 period, which appears in budget paper 3 at page 229. I understand that this target is the lowest target for this measure in a decade. Over the past decade one of the major priorities of this program has been to renovate and upgrade flats in inner Melbourne's high-rise towers, and my question relates to those towers: can the minister guarantee that even within a diminished upgrade program like this these towers will continue to be upgraded?

Ms LOVELL — There have been no variations made to the upgrade plan for the high-rise towers. They are still continuing in the same numbers that they were under the former government.

Mr SCOTT — Can you guarantee that none of those towers will be sold off during — —

The CHAIR — I think it is a different question, actually.

Mr SCOTT — It relates to the question.

Members interjecting.

The CHAIR — It is a different question. Mr Morris.

Mr PAKULA — The minister might actually want to answer that.

The CHAIR — She can ask for it later.

Members interjecting.

Mr PAKULA — A yes or a no.

The CHAIR — No.

Mr MORRIS — I will stay away from the subject of asset sales, Chair. I would like to go to an issue that is certainly a significant issue in our part of the world, and that is the waiting list issue. To provide a reference to the budget papers, it is page 230 of BP3. Minister, I note that the target waiting time is in fact proposed to increase on the 2010–11 target. Can you indicate why the target waiting time has in fact gone up in the budget papers when the waiting list numbers are apparently dropping a little bit, and can you indicate to the committee how you plan to tackle the waiting list?

Ms LOVELL — I thank the member for his question. This is actually an interesting measure, the measure that you are referring to, because if you actually read the measure it says:

Average waiting time for public rental housing for those clients who have received early housing allocation.

It is actually the measure of the people who have been housed, not the measure of the time that people are actually on the waiting list as a whole.

Because we have been actively managing the waiting list and targeting some of those people who have been on the waiting list longer and perhaps that has led to many of them being reassessed as being in urgent need of housing, we are actually housing some of those people who have been waiting the longest. So that actually makes that measure go up rather than down.

As I said, we have managed to reduce some of the waiting list, some of that due to new properties coming on line and some of that due to just better management of the waiting list. But by housing people who have been waiting longer, it actually makes the waiting time go up, which is disproportionate to the waiting list going down.

Ms HENNESSY — Minister, will you rule out the sale of any inner city towers for the period of the forward estimates?

Ms LOVELL — There are no plans to sell off any of the high-rise towers.

Mr PAKULA — That is not ruling it out.

Ms HENNESSY — I think she has made herself clear.

The CHAIR — Mr Angus.

Ms LOVELL — I don't know what you are talking about.

Mr PAKULA — You could have ruled it out.

Ms HENNESSY — You could have said, 'No, I won't sell them'.

Mr ANGUS — Minister, I refer you to page 52 of budget paper 3 and again a matter that you touched on briefly in your presentation to us in relation to youth foyers and the first-stage funding for planning and design work for youth foyers. Minister, can you please advise the committee how this initiative will help address youth homelessness in Victoria?

Ms LOVELL — I thank the member for his question and any opportunity to talk about youth foyers, because they are really exciting and really innovative projects. I have been working with Tony Keenan and Tony Nicholson from Hanover and the Brotherhood for many years to develop these projects, and I am very, very excited that we will finally be delivering on them.

The youth foyers have a focus on employment and education for young people who are homeless or at risk of homelessness. This provides an environment for young people to make positive changes to their lives and to lead them on a pathway out of being homeless. By developing these youth foyers in partnership with the

Brotherhood of St Laurence and Hanover — the CEO of Hanover, Tony Keenan, is also the chairman of the Australian youth foyer foundation — we are partnering with two very respected organisations who have a great deal of experience in the homelessness sector and who know what is really needed to make a difference to these young people's lives.

Foyers have a proven success internationally. I said earlier in our presentation that 72 per cent of the participants leave the foyers either engaged in work or in full-time learning. This is a sensational outcome that has been achieved in the UK, in Europe and in Northern America, and we hope to replicate that here in Victoria. We have set up a working group, chaired by Rob Knowles, and that working group is doing the strategic planning that is necessary to identify locations for the three youth foyers and to implement this policy.

The 2011–12 budget provides us with the first-stage funding for the essential planning and design works of the three 40-bed youth foyers, two of which will be in Melbourne and one in regional Victoria. The preconstruction work commences this year, and we look forward to delivering those three foyers over the term of this government.

Mr PAKULA — Minister, I just go back to that performance measure, 'Number of households assisted with long-term social housing', which we have referred to on a number of occasions now. Can you tell me what the average rent paid by an Office of Housing tenant is and include in your answer the average subsidy being afforded to a tenancy when you compare that rent to the market rent?

Ms LOVELL — I think the member would probably be quite aware that most of our housing tenants are on a rebated rent where they pay 25 per cent of their income as rent in public housing, and anyone who is on a statutory income would be paying 25 per cent on their rent. In fact over 80 per cent of our tenants are actually on rebated rents. Once a household's income reaches a point that the 25 per cent would be more than what the market rent is, the households are able to go on to a market rent, or to pay market rent for their property. We do not evict them from their property just because their income has gone up, but if the 25 per cent of their income would be more than market rent, we only charge them market rent. I do not know if we have the actual average rent.

I am advised that we do not actually have what the average rent is here with us, but we are happy to take that question on notice and provide you with what the average rent and the average rebate would be to public housing tenants.

Mr PAKULA — The average rent and the average subsidy.

Ms LOVELL — Yes, the rebate.

Mr O'BRIEN — Minister, I would like to return to the issue of the performance measure for timeliness, following on from your answers to Mr Morris's question, on pages 229 and 230 of budget paper 3. I ask you, Minister: could you advise what is being done to ensure that those who are waiting for public housing whilst residing in rooming houses are living in safe accommodation?

Ms LOVELL — I thank the member for his question. The rooming house standards task force made 32 recommendations back in 2009. As I said earlier, we have known for many years in this state that rooming houses have been a problem. In fact you can go back and find articles in 2002 where Mary Delahunty is quoted talking about the standards of rooming houses and just how dangerous they are. Of course we all remember that dreadful incident in 2006 in the Brunswick rooming house fire that claimed the lives of Christopher Giorgi and Leigh Sinclair. But the former government, despite constant press reports of the dodgy rooming houses that existed in this state, ignored that situation until the coroner was about to hand down his recommendation or his findings on the Brunswick rooming house fire. It was only then that the government did establish their task force, and as I said, they made 32 recommendations in 2009.

Unfortunately it took another 12 months for the Brumby government to even bring into the Parliament legislation that enabled regulations to be developed, and that was passed, I think, in September last year. But the regulations were never developed by the former government, and when we came to government in December I found that the regulations were actually a blank sheet of paper. So we have been working very hard, and I have had my department working on expediting these new rooming house regulations to provide greater safety to tenants who are living in rooming houses in Victoria.

We are working with the Minister for Consumer Affairs on these, because they are jointly administered through the RTA act between housing and consumer affairs, and we have developed a new set of regulations that is currently being finalised. A regulatory impact statement will be out very soon. The new standards do focus on improving privacy, safety and amenity for rooming house residents and also on compliance for operators. Operators who fail to comply with the new standards will be subject to penalties under the compliance obligations.

I am proud that we will deliver these standards, because it has been a problem for such a long time and we need to do something to clean up the rooming house sector and to make it safer for those vulnerable Victorians who are using it for accommodation.

The CHAIR — Thank you, Minister. I regret to advise that that is the end of this hearing on the budget estimates for the portfolios of children and early childhood development and housing.

Ms LOVELL — Sorry, Chair — —

The CHAIR — You had a question on notice, did you not?

Ms LOVELL — The director has information around the operating deficit in 2011–12, which is estimated to be around \$70 million. This will be met through funds that we have in the bank, interest earned on money in the bank, repayments from remaining home loans that are outstanding, from living within our means and also discussing the Treasury payment with the Treasurer. That is not a new problem; I am sure that your former minister discussed that repayment with the Treasurer on many occasions. But there are too many variables to predict the operating position for future years.

Mr PAKULA — Thank you, Minister.

The CHAIR — Minister, thank you for honouring your commitment to come back to us before the end of the hearing, and I had overlooked that I needed to remind you of that, so thank you for volunteering it. I thank the minister and departmental officers for their attendance today. It has been a useful session. Where questions were taken on notice and where there are unasked questions the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 21 days.

Witnesses withdrew.