

**THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON TUESDAY,
20 MAY 2003.**

Ms MERCIA BRESNEHAN, ACTING DIRECTOR OF HOUSING TASMANIA, **Ms MYCHELLE CURRAN**, ACTING ASSISTANT DIRECTOR OF HOUSING TASMANIA AND **Mr ROD FAZACKERLEY**, MANAGER, BUDGET AND FINANCE, HOUSING TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Fletcher) - We welcome you to the Public Accounts Committee meeting. You have received correspondence from us in which we outlined a number of issues that we would like you to brief us about. At this stage I should explain that there is no inquiry as such. We as a committee have a capacity to make an inquiry, but before we consider any of those aspects, part of our modus operandi is to meet with the agency or with the minister and listen to their briefing on the relevant matters and then make judgments after that time. So we do welcome you and we provide you with the opportunity to brief the members in relation to the correspondence you have received from us.

Ms BRESNEHAN - Thank you very much. We have prepared a paper with quite a number of attachments. You will see that the document that we have prepared is in three parts. The first part is a general overview of Housing Tasmania. The second part addresses the five specific items that you identified in your letter to us, and part C is a series of attachments. The reason that I asked Mychelle and Rod to join me today is that I am the current acting director, Rod is our financial manager and Mychelle is currently acting as deputy director but also has responsibility for strategic asset management and planning. She will be able to provide the details around some of our asset issues and Rod will have the details around our financial issues. My suggestion is that we quickly walk you through the paper just touching on the key points, and then perhaps have that open for discussion. We expect that going through the paper will take about 20 minutes.

I shall do the overview and address the first issue that you raised with us, which is around Housing Tasmania's capacity to meet demand, and then I will ask Rod to discuss the budget matters and the methodology for accommodating Commonwealth money and then I will ask Mychelle to speak about the sales strategy and the home ownership assistance program.

So if we look at Part A in the overview, we all know, I think, that Housing Tasmania is an output group within the Department of Health and Human Services. The objective of Housing Tasmania is to ensure that low-income individuals and families, particularly those with special and/or complex needs, have access to adequate, affordable and well-located and appropriate housing. Obviously housing is a major determinant of health and wellbeing, and it is really important to understand the contribution that housing makes to our general wellbeing and to the good of the community. To provide you with a bit of an overview, during 2001 and 2002 Housing Tasmania provided housing for 14 000 households. We assisted over 470 people into home ownership. We assisted thousands of people into private rental, and we supported approximately 2700 people from homelessness through a range of programs. In addition to assisting these

individuals we also are a major player in the construction and building industry. We assist in training and the creation of employment opportunities. We support local councils through the contribution of rates to the value of \$16.4 million. I might just pause there and say that not many people appreciate that Housing Tasmania pays its rates the same as everyone else, and that is in fact a rather large fixed expenditure for us. We directly employ 215 Tasmanians and we support the Tasmanian reconciliation agenda. So I think we have a specific objective about focussing on supporting people with low incomes, but through the agency and through the objectives of the Tasmania Together process we contribute to a much broader picture within the Tasmanian community.

On the following page, Housing Tasmania's purpose, vision and values, we see very much our purpose as working with others. We do not see that we are solo operators. What we do in Housing very much depends on the broader community and the broader market, so we need to work together to provide housing options that enhance health and wellbeing. Our vision is to create sustainable homes and sustainable communities, and we have a number of values there around pursuing excellence and innovation, choice and diversity, participation and learning, being responsive and accountable, and a series of values which we hold very dear, I must say.

We have a number of outputs. There are five listed there: public rental assistance; private rental assistance; community sector housing; home ownership; and service development, policy advice and ministerial servicing. That gives you an overview of our outputs. Our strategic priorities: we are funded partly through the Commonwealth State Housing Agreement, and through that we set some major strategic priorities and directions. Currently they are: being responsive and providing effective housing assistance, building stronger and healthier communities, and creating sustainable business.

We have a number of priorities, which are as an attachment there. Our total source of funds is \$147.8 million, which is broken up there. You can see that we received \$27 million in base funding from the Commonwealth. That is matched by the State to a value of \$10 million. We also receive money mainly through our rents and sales. There is always an element of our business - because it's just the nature of our business - involving capital projects, some amount of carry forward of projects which are committed but won't be completed until the following year. So that's the basic, and Rob will go into more detail about our budget a bit later on.

Over the page, resources for service delivery. Our services are delivered around seven local service areas with a central administration in Hobart. We currently maintain 12 100 houses, and the distribution of those houses around the State is listed there in that table.

Our current performance. As we all do, we come up at the beginning of each financial year with our initiatives and priorities; we have nine priorities listed in our current budget papers. They are listed there, and we are very pleased to report that we have achieved all of those identified priorities for this year, with the exception of Windsor Court where significant progress has been made with the development application currently submitted to the Hobart City Council.

Another external comment, I guess, on our behaviour and performance is the Auditor-General's report and, as with other State government bodies, we are subject to this review. We have maintained a strong record of receiving unqualified and clean audit certificates from the Auditor-General, and an unqualified certificate was again received for last financial year.

That's an overview of our strategic framework and our priorities. Housing Tasmania is actually performing very well. However, I think we would be the first ones to acknowledge that there are a lot of pressures in the system at the moment, and Housing Tasmania and public housing generally are under pressure and need to respond and find different ways of meeting those pressures and demands.

So I might move on, then, to one of the first questions that were asked of us, which is the capacity of Housing Tasmania to meet the current demand for housing. Before I go through this, I think it's important to note that public housing does fit within the broader social housing system. If we step back, home ownership actually constitutes 70 per cent of the whole housing system. Private rental is approximately 24 per cent, and what we call social housing, or not-for-profit, of which public housing is the largest component, consists of only 6 per cent. So whatever happens in the broader housing market directly impacts on the provision of public housing.

Over the last couple of years we've had an increase in home ownership. Certainly the first home-owners grant has provided an opportunity for people to get into home ownership who might not normally be able to afford to own their own home, but what we're finding in Tasmania and in other States is that the houses that are being bought up are houses at what we call the lower affordable end of the market. That has caused a contraction of the private rental market so that there are literally fewer houses out there in the private rental market, and the houses that are there are more at the top end.

What we've seen in the system is a shrinking of the houses that are available for people on low incomes, and that has created a great deal of pressure back on public housing to respond to an area of the system that usually provided for those people. I think it is important to recognise that, throughout Australia and in Tasmania, there is an overall decline in affordable housing and that is putting pressure back in on the public housing system, which, as I said, in the overall scheme of things is a very small component of the system.

Referring to page 11 here, the second paragraph, I think this is a really important message for people to communicate, and unless you're working close to the business it's a point that's often missed. Over the past 50 years, the nature of public housing provision has changed significantly. Throughout the 1980s, the profile of people in housing need began to change so that by the 1990s public housing provision moved away from low-income families to target those in most need, which meant increased numbers of older tenants, people with special or complex needs and people living on their own. This has been a fundamental shift in public housing provision, which not everybody appreciates. What happens is that people who are struggling, who have an affordability issue, who just want to have some support with housing, they rock along to Housing Tasmania and have an assessment but their needs are assessed relative to everybody else. What is happening is that if you have low income then you're lower down on the waiting list than someone who has low income plus other needs, plus a

mental illness, plus a disability, plus age, plus some other health condition. So we are finding that 80 per cent of the people we house now come from this category 1 high-need group. I will touch on it later it but this is one of our major drivers about reconfiguring our business.

This creates a number of challenges and pressures, a longer waiting list, a mismatch of the housing stock-resulting in the need for major reprofiling and reconfiguring - and high levels of support required to be provided to tenants. We also receive reduced rental revenue as a result of an increasing number of single households. I would like to talk about that a little bit later on.

Despite all these pressures, which Housing Tasmania and every other jurisdiction faces, Housing Tasmania is still responding well to clients. In fact we have the shortest waiting time and the lowest waiting list of all State Housing authorities. So compared to other States who have the same pressures relative to our population, we are doing extremely well. Not denying the pressures, not denying that we still have to do things, but in fact against the odds we are doing really well.

There are currently 20 000 people in Tasmania whom we define as being in housing stress. This is outside public housing tenants because we say of people who are in public housing that we have removed their housing stress. Outside of that, we estimate that there are 20 000 people in housing stress and that is that they are paying more than 30 per cent of their income. You can imagine that for someone on a really low income that is heaps on rent. This is driven by a number of factors. Compared to other States and Territories - and I am referring now to the list of arrow points at the end of the page - Tasmania has the highest proportion of people who are unemployed, who are not in the labour force, who are reliant on income support, who have a disability and receive the disability support pension. In addition to that, we have the second highest proportion of people who are older than 65, older than 75, who live alone, who are single parents and who are indigenous. So out of 12 indicators that we use in Housing throughout Australia, Tasmania is either the worst or the second worst - second to the Northern Territory in most of these - in all these indicators. Those demographics directly drive our business and what we need to respond to.

How do we respond to all of this? I won't go through it but we do have a needs-based planning model which takes account of demand and supply factors, that looks at people on the waiting list and people who are in housing stress. We then match that up with our existing housing stock and that gives us our first level of where the gaps and needs are in the community and we have put that with local area planning. We use that high-level needs assessment to then take the first cut at what we might need to do with our portfolio, the numbers and the sizes of the houses we need.

Under the subheading here, 'Public Rental Housing Stock', what we see from the table on the next page is that currently at a statewide level, 75 per cent of public housing applicants require one or two-bedroom houses. So everyone who is on our waiting list is wanting one or two bedrooms, close to services because they are old and living on their own and they need support. However, the houses that we have are predominantly three-bedroom houses which are often old weatherboard houses in outer broadacre estates. So we have a major reconfiguring effort of trying to get appropriate one and two-bedroom

houses close to services and fewer three-bedroom houses out in the suburbs. That is identified there in those tables.

Under the capital investment requirement, the biggest challenge facing Housing Tasmania is its capacity to reconfigure stock to meet the changing needs of tenants away from three-bedroom houses. I have made that point. To illustrate it I have two photos. One slide is an example of an old 1950s-60s weatherboard house that we're trying to replace. The thing about this old stock is that it is very hard to maintain and in an inappropriate location. We're trying to create flat, accessible stock which is closer to services and able to meet the needs of our new client. The other slide shows people with high needs. This is Mrs Poppit, if anyone knows her, and we managed to house her last year over in Warrane. She has a disability; she is in a wheelchair and we've got a highly modified two-bedroom unit for her and her husband and her nice cat. You can see there how we've had to adapt the kitchen and the bathroom to meet her needs.

The point about this is that people with high needs are the most expensive to accommodate. They require this highly modified and flexible housing but they are also require increased tenancy management and coordination with services as well. We have brought examples of our old stock and the stock that we are replacing it with to give you a visual image of the sort of thing that we're trying to do.

The other real driver for us is our declining revenue and this takes two dimensions. The first dimension is the money that we're able to obtain through rents. This is the money that we need, particularly for the operational side of our business. Take a three-bedroom weatherboard house in Bridgewater. We charge 25 per cent of income as rent. Now if we, in the old days, had a couple with three kids there, we would have been able to make \$102 per week in rent for that property. The same house, same location, same condition and doing exactly the same function but if, unfortunately, we haven't got a house for a single person so we've got to put them in there - say it's a person on a disability pension - we're able to obtain only \$42 a week for that same property. If it was a single person on, say, Newstart, then only \$38 a week. So because it is income-based, our rent revenues have significantly declined as the profile of people who live in public housing has changed and this has really contributed to our overall viability issue.

The other big contributor is the Commonwealth State Housing Agreement which, while it has been existence since 1945, for a number of years was provided as a loan and from that loan we have accumulated a debt of \$269 million which we still have to repay each year.

Mr HIDDING - Interest?

Ms BRESNEHAN - It's a combination. We repay \$16.7 million each year so of the base funding we get, which in this scenario was \$27 million from the Commonwealth, nearly \$17 million goes straight back, so what we have effectively left towards a capital program is not much.

Not only are we having to repay the debt but the Commonwealth have indicated that they want to withdraw from this agreement and in fact it has been declining in real terms by 1 per cent each year. The current financial year that we're talking about here and the current agreement still has a GST component; Rob will touch on this later. In the final

agreement that is being proposed, which we will consider signing up to - we're still in the negotiation process, it kicks in in July of this year - the Commonwealth are refusing to pay GST, they are not willing to negotiate any repayment of the debt and they have built-in efficiency dividends of 5 per cent if we don't meet particular targets - employment targets, investment, attracting private sector investors. They are putting on us a lot of onerous reporting and other things. CSHA has become a very onerous agreement; it's going down in real terms and we have serious issues around having to repay the debt and where that's going to take us into the future.

On page 14 there's a subheading, 'Our capacity to house applicants for public housing'. It is tight, it is limited and I don't think anyone who is in the housing game will run away from the fact that it is a very demanding and challenging job to try to meet needs. We have an increased waiting list. We have an unsuitable housing portfolio to meet those needs. We have a contracting private rental market, as I've mentioned, and we've got reduced funds through the Commonwealth State Housing Agreement and our rent revenue. So all together there is a lot of pressure on the system and very limited capacity to respond. Even so we are responding well and I guess government's response has been to acknowledge that there is an issue, that the overall structure of funding from the Commonwealth is changing and as a part of its election commitment government announced the development of an affordable-housing strategy.

So I think it is well recognised in the community and by government that we have a problem. We are now moving forward to address that problem. We are currently in the consultation phase of developing the strategy. In fact as we speak, Chair, we are in the middle of this full public consultation phase. Over the last two weeks we have conducted eight focus groups around the State with key stakeholders from business, industry, community organisations, tenants, our own staff, whoever is wanting, willing and able to come in and comment. We are also open to receive written submissions. We welcome anybody's comment, anybody's thoughts about the issues, priorities and future directions as a part of this consultation process.

We are committed to going back to Cabinet by the end of June with the results of that consultation and with some options for Cabinet to consider about what is the best way of addressing these issues. It is a very open and transparent process and I must say I am very pleased with the level of response and input that we are getting from the community and all the stakeholders to the issue.

The nature of public housing provision, I think, needs to be considered in the context of the whole housing market. The nature of housing provision for people on low incomes has really changed. It's not just about low incomes; it is around people with high and complex needs. We have major challenges within public housing to try to meet those needs. The nature of our business is such that that takes time and we really do need to address our overall viability issues, which we are doing with the Commonwealth and which government is responding to by the affordable-housing strategy which, as I say, is open to consultation. I would be very happy to come back and provide you with the results of the consultation and what the community and stakeholders see as the key issues. That would be of interest to the committee down the track.

CHAIR - Thank you, Mercia. I think it would be opportune to ask questions now while that information is fresh in our minds before we move on to a broader section. Are there any members who would like to clarify any points that Mercia has made?

Mr RATTRAY - On page 4 you said that you've assisted 470 people into home ownership; I take it that is in the last 12 months?

Ms BRESNEHAN - 2001-02.

Mr RATTRAY - The previous financial year?

Ms BRESNEHAN - Yes, that's correct.

Mr RATTRAY - How many more applications would you get through for which you were not able to meet the demand or meet their requirements or for which they did not meet the guidelines which you might want?

Ms BRESNEHAN - I might ask Mychelle to answer that.

Ms CURRAN - In relation to home ownership, I would need to check those figures. The 470 people that we refer to there are people who may have been assisted with Hope loans or Streets Ahead assistance. There are very clear guidelines around income eligibility criteria for both of those programs. Generally for both it's income of up to about \$700 per week for eligibility. So it's rough aligned with public-housing eligibility as well. I could certainly find out if you wanted to know those numbers.

Mr RATTRAY - It's interesting to see just how many people are not getting housed that want to buy or do something along those lines.

Ms BRESNEHAN - Interestingly we've seen a real change in the market there. A number of mortgage products have come on board and the market is responding to the first home owners grant. We provide incentives. Banks have come down and are providing more diverse products. What we're seeing overall is home ownership going up with a number of mortgage products and incentives.

Mr FAZACKERLEY - That's right. So the total number of low-income people assisted into home ownership in the community is in excess of this number; these are the numbers we have assisted. As Mercia said, there's a number of products out there now, so it's all positive.

Mr RATTRAY - All helping.

Ms BRESNEHAN - Yes. The way we see it is that these are people on low income and public housing is not necessarily the only answer. In fact some would argue that getting them into home ownership or long-term private rental or supported accommodation is a more appropriate result for them. So wherever we can, if we can get people on low incomes into home ownership, we do because it's an ideal.

Mr STURGES - My understand is that, in line with this strategy to encourage home ownership, Housing Tasmania makes that house available for a period of time for the low-income earners, the low-income recipients. Can you just explain that.

Ms BRESNEHAN - We're going to touch on this in the following section.

Mr STURGES - Okay, we'll leave if you're going to touch on it.

Ms BRESNEHAN - Certainly we give priority to sitting tenants.

CHAIR - Any other questions particularly related to the overview?

Mr HIDDING - It would appear that most of your current pressures and demands - or much of it - is flowing from private market scenarios outside of your control.

Ms BRESNEHAN - Yes, there are a number, and I think the other major pressure is around the crisis end - people who are escaping domestic violence, people who are falling into financial difficulty, drug and alcohol problems, mental illness. Someone who has, say, a mental illness but perhaps is not quite defined as having a mental condition that would receive a service, is often in private rental. They get into a lot of trouble; they can't manage their rent, they need support and they fall out. As public housing is a last resort they are the ones that tend to come to us.

Mr HIDDING - They present to you.

Ms BRESNEHAN - Yes, that's right.

Mr HIDDING - Have you got any reference on that; how great has that grown compared to the year before and the year before?

Ms BRESNEHAN - If we refer to page 30 of part C, which is an attachment, what we see here are the current applicants on hand; in other words, how many are waiting. We see there that category one has increased. There was a big rise in that over last year. It stabilised this year and we think that's because people are actually living in housing stress and in sub-suitable accommodation because they know that public housing is unable to respond to their needs. So people are sitting there. We are seeing an increase in the number, though it has stabilised now, but all the indicators from the consultations are that people are living in sub-optimal situations because they'd rather at least have a roof over their head than none at all.

Mr HIDDING - So a degree of that statistic is anecdotal, but often that's where you first get to understand it, I guess.

Ms BRESNEHAN - Yes, and it's very difficult for us to get accurate information about what is happening in the private rental market. One of the things that we have been considering for a while now is a rental-bond board because that would give us access into who's who and where's where and exactly how many private rental properties are out there. At the moment, it's only those people who register with a real estate that we have any handle on. We know that there are heaps of mum and dad investors out there with one or two homes. They rent them themselves and don't go through a real estate. We

really haven't got a handle on what's happening so we therefore don't know how much people are paying in rent or what bonds they're paying, what stress they're getting into, how much overcrowding there is. So there's a big part that we really don't understand fully until it starts to present to us, because it's in the private domain.

Mr HIDDING - But there seems to be a pretty large move in the market to absentee landlords, people from the mainland who have bought many properties in Tasmania. One would think that they'd put them on the market. Are they coming on the market at high rental rates that are unaffordable?

Ms BRESNEHAN - That's right.

Mr HIDDING - Because of the prices they've paid?

Ms BRESNEHAN - Exactly. What they're doing is they're coming in and they can afford to do them up, and they put them at the top end of the market. They might come in and buy something for \$70 000 or \$100 000, which might be affordable for somebody else, and then spend \$50 000 on it and it's right up there at the top end. We're not seeing people coming in and buying up. They're either buying it as somewhere for them to live in because they are on low income and being assisted through home ownership products, so they're staying there themselves, or they are doing them up and getting a higher rental.

Mr HIDDING - But the market seems to be paying their rentals, because they are still buying houses.

Ms BRESNEHAN - But the thing is the housing stress at what cost. For a State like Tasmania 20 000 people in housing stress is quite a significant figure, so a lot of people are living out there and managing, but at what cost is the question that we do not really understand.

Mr HIDDING - And you are saying that this is getting worse because of the way the market has become very bullish?

Ms BRESNEHAN - Yes. And in Tasmania even in the last 12 months. We just have to look around. With a lot of the developments, the constructions, are inner-city apartments. It is at the top end of the market. The old houses being sold, bowled over, rebuilt or being done up. No-one has a conscience, I guess, for providing houses for people on low incomes. That is not where the money is. People on a low income are struggling either through trying to get into home ownership or trying to get in the door of public housing. So we acknowledge that there are pressures, but I would have to say, acting as Director of Housing at the moment, that I am very proud of what we do, given the nature of our clients and the people we are able to assist. I would love it to be on the public record that our tenancy officers go out there every day and manage people who are really under a lot of pressure, under a lot of stress, who live in quite demanding and challenging circumstances. They have complex needs; they do a fantastic job putting them in touch with services, supporting them, providing them with whatever they need to provide. I would love it to be recorded that Housing Tasmania staff on the ground are doing a magnificent job in very difficult circumstances.

Ms GIDDINGS - The graph is quite clear in showing, if you compare it against our economic indicators, that the economy is doing so well from that 2001-02 period, and that is where that real crisis demand has started to build, hasn't it. So that would be fairly straightforward I would think. But the other problem I see with constituents who come to me is the fact that I think private rental people are a bit more discerning about the people that they put into their properties. Often you get single mothers with a number of children who try to get private rental, and it is not just the cost, it is the fact that the owners do not want certain people in those homes, so that is adding further pressure, I would expect.

Ms BRESNEHAN - Yes. In fact one of the things that we will discuss as a part of the affordable housing strategy is how we can make sure that we support people who are in the private rental market, that we can wherever possible reduce discrimination, get a better handle on what is happening. We do not perhaps have enough mechanisms out there to understand what is happening in some of those discrimination issues. It is always a fine balance between privacy and somebody else's business, as opposed to protecting people.

I think it is also important that the way that we move forward in the provision of public housing will be very different from how we have seen it in the past. Our response has traditionally been public housing, public housing, public housing, and there is absolutely no doubt that there is a public housing response, but because of the nature of people on low income and all of those complexities of needs, I think we are going to be looking much more at what we call community-housing models, where we are working with community organisations to assist us to provide the high-level support that these people need. And so I think we would see a future over the next ten years where we may well have more supported-accommodation models, more community-housing models, maybe greater partnerships with local councils and partnerships with private sector investors. I think we need to see a much more varied response. One size fits all is not where we are at, and certainly the thinking behind our strategy will be to put to government a range of options and choices about how we might move forward.

CHAIR - You stated earlier on that you were seeking innovative ways of meeting this demand. Are you suggesting you are going to do things that you are not doing at the moment, and at the end of the day does it not boil down to someone making more money available to provide this opportunity? Your previous statement probably addressed that matter.

Ms BRESNEHAN - Yes. There are no easy or magic white bunny rabbit tricks to this. How do you get new money into the system? Certainly government will consider our options as a part of the affordable housing strategy, and it will have its response. The Commonwealth have indicated that they are moving away from the Commonwealth State Housing Agreement and that they see that their money should be directed to what we call the Commonwealth Rent Assistance - CRA. I don't know if you are familiar with that but from the Commonwealth's perspective it supports people on low incomes in two ways: through the CSHA capital grant to the States to build, or through the CRA, the rent assistance which is like an income supplement that is paid through Centrelink. So if you are out in the private rental market and you have not got enough money to cover your rent they will top it up to make it more affordable. The reality is that the

amount that goes into that payment is not enough to meet the affordability issues, particularly in places like Sydney and Melbourne.

One way that we can actually put more money into the pot is through creating greater community-housing associations and organisations because they can claim this Commonwealth rent assistance and put extra money into the kitty in that way. As a public housing provider we are unable to attract CRA. There are innovative models where we may ask the private sector to help us build, we might ask a community organisation to help us manage it and we may provide the tenants with support. We are trying to find innovative ways because we know what we are doing now needs to be more diverse.

Mr HIDDING - Just one more question about this private market. If I bought one of these houses recently, a return for me would be around \$180 a week. I would go to the real estate agent, who carries out, from what I have seen, a reasonably arbitrary and not very equitable filter system as to who should be there. I have seen some pretty crude stuff about who should come into your house and that is what Lara was saying about a single mum or what have you. If it is my house obviously it is my decision who goes in there and I will listen to my real estate agent, but if I knew that a body such as Housing Tasmania was going to be ultimately responsible, I suppose, in terms of managing that client, I would not really care who is in there because you people do handle things. I have seen your people work with pretty challenging circumstances and manage the rental pretty well. Do you get involved in private rentals at that level?

Ms BRESNEHAN - Not directly; we manage that through other community organisations. For example, Colony 47 at the moment are about to pilot a program with half a dozen landlords whereby they do the filtering and the tenancy support and whatever. So the landlords there have a social conscience, are happy to help out but do not want to actually deal with the hassles of the tenants.

If a community organisation can do that tenancy management function we might be able to increase the supply. Some landlords are willing to do that; we are trialing this particular program to see how it might operate and if it does look like a goer we will promote it. There are a number of issues. Often the landlords want to charge a little bit of extra rent to cover any damage and therefore we end up paying more rent for someone, so there are a few delicate issue that we have to resolve, but as a concept it is certainly worth considering and that is why we are piloting it with Colony.

Mr HIDDING - Especially to cut out the real estate agent who takes \$25 a week off the top.

Ms BRESNEHAN - It is an excellent idea and we are aware of that and we are trialing it.

CHAIR - Perhaps we had better move on to Rod who is going to present next.

Mr FAZACKERLEY - Thanks, Mr Chair. The second direct point raised through the committee was looking at the methodology for obtaining and accounting for Commonwealth moneys identified for housing purposes. I will give a brief overview of that and then talk in a little bit more detail about the CSHA, as Mercia alluded to earlier.

As it says on page 16, a primary mechanism for securing Commonwealth funding for the provision of housing assistance is the Commonwealth State Housing Agreement supported by both the multi-lateral and bi-lateral agreement. The current agreement is a four-year term in June 2003. As Mercia mentioned earlier, the proposed new agreement that is being considered by government is a five-year agreement going to June 2008.

The next bit shows some overview matters; the authority under the Constitution and the Housing Assistance Act for the grants. Section 4 of the CSHA specifically provides for the payment of what are now interest-free, non-repayable financial assistance grants. As Mercia said before, in the earlier days of the CSHA they were in the form of repayable loans to the States, from which we still have a legacy.

Funding under section 4 provides for specific base funds from the Commonwealth. The current agreement has a GST compensation clause which ends on 30 June this year and tied funding for the specific program - Aboriginal rental housing, community housing and crisis accommodation.

Section 4(3) of the CSHA determines the apportionment of funds. You will see under subsection (a) of that it shows that there is an amended per capita basis for the distribution of funds. The intent of that was to gain more equity for the smaller States. On a straight per capita basis obviously the larger States would be significantly advantaged and the smaller States disadvantaged. So we have a split there which tries to assist and certainly assists Tasmania in the allocation of funds. The tied funding is basically apportioned on an agreed need basis, as agreed by the Federal minister.

The receipt of those grants; once approved they are paid in simple fortnightly instalments from the Commonwealth direct to us. They are receipted into the State Treasury through the two revenue items, which basically split them in accordance with our budget estimates into recurrent and capital purpose funds. Then those funds, plus the applicable State matching under the agreement and any additional State funds that might be applied, become available to Housing Tasmania through the annual appropriation bill. The Treasury fund types are probably not that relevant to the committee, but we access those through specific fund types at Treasury through our current expenditures. The important point to note is that all States and Territories under the terms of the CSHA are required to provide annual financial and other reporting against those grant allocations.

The section mentioned here, subsections 28, 29 and 30 of section 4, require us to provide uncertified financial statements within six months of the end of the financial year - which we do - an annual certification from the Director of Housing as to the use of the assets and the available funds - which we provide, that is the statutory Director of Housing, being the secretary of our agency - and also reporting against the targets identified in the bilateral agreement. In a technical sense that is the methodology for obtaining and accounting for the Commonwealth funds. If we look around the CSHA funding, the current agreement, as Mercia mentioned earlier, ends on 30 June this year. That agreement had inherent in it a 1 per cent efficiency dividend on a straight cash basis. So if we convert that to a real-term basis, we probably saw a 3 to 4 per cent decline in funding across the term of the agreement, which has a significant influence, particularly on the smaller States.

The table on page 17 shows a straight comparison between funding under the current financial year, 2002-03, and proposed funding under the new agreement for 2003-04. Members of the committee will see a \$2.76 million reduction to this State, primarily driven by the cessation of GST compensation funding. There is also a reasonably significant cut in the base of Commonwealth funding. The GST compensation is an important point for us because, whilst supported by this compensation funding under the current agreement, that will drop off after June this year. We need to recognise that in our business we now have a real cost in the order of \$3.5 million for GST costs to Housing Tasmania.

Ms GIDDINGS - Is that GST on rates and things like that?

Mr FAZACKERLEY - It is primary GST on works we do. Obviously as a State government department prior to GST we were exempt so it is mainly on maintenance and capital works undertaken. But there is also GST on a number of administrative payments.

CHAIR - Rod, that is a straight loss there? I suppose in the ideal world the GST collections would eventually flow back to Tasmania as a transfer of funds back to the Consolidated Fund.

Mr FAZACKERLEY - Yes, that is correct and that is obviously the logic for the Commonwealth's finalising the compensation funding. Whether the full amount received will fully compensate is something I am not sure about.

Mercia mentioned the CSHA debt. Between 1945 and 1989, as I said earlier, the funding was provided as repayable loans to the States. We still owe, as at June 2002, \$269 million in respect to that debt. We will make a payment, that you see on page 18, of \$4.8 million. That is due and payable on 30 June this year. We will make that payment which will reduce the debt to \$264 million as at the end of this year. Annual servicing costs, as Mercia said, are about \$16.7 million. Obviously this is like a normal credit foncier loan, so over time the interest repayment will reduce slightly and the principal will increase slightly. Next year, for example, in 2003-04 we are paying just over \$5 million in principal - \$5.065 million - with \$11.6-odd million in interest payments - a significant issue for our division in our viability.

I will move straight to this next funding flexibility point because it talks about that. If we look at the base funding provided by the Commonwealth relative to the debt servicing cost - and for these figures I have excluded the tied program because we are required from the Commonwealth to, of course, apportion those to the purpose for which they were granted so we've excluded the tied program funding - out of the non-tied component of Commonwealth base funds we find that 78 per cent of those funds are going straight back to the Commonwealth in terms of principal and interest repayments, leaving us \$4.7 million this year reducing to \$4.5 million next year in true available funds.

I have again mentioned here in terms of a flexibility issue the fact that, out of that \$4.5 million for next year, we essentially have to fund our GST payment commitments which are approximately \$3.5 million, leaving us with a fairly inflexible base in terms of funds received from the Commonwealth. In terms of flexibility I'll just mention another couple of points here. In terms of Treasury guidelines and instructions, which we of

course recognise and adhere to, things like capital sales proceeds of course as a capital receipt, according to the Treasury guidelines, need to be applied to a capital purpose and we do that. We apply all our capital sales proceeds into new capital acquisitions that meet the needs of our clients, but in terms of an overall program flexibility issue we have the fact that a number of pockets of dollars within our funding base are in fact tied and limited in terms of flexible use.

The last point there is probably a very significant one in that respect. For Housing Tasmania, in our recurrent expenditure base, we have half a dozen major expenditure lines. I've mentioned a few big ones: salaries of \$12.5 million; recurrent maintenance of approximately \$19 million; municipal rates of \$16.4 million. I might just say that one point where we are very much disadvantaged I think in comparison to other States is that our average rate cost per unit of stock for Housing Tasmania is around \$1 300 per annum. I think it was South Australia that last year had just under \$400, I think, in comparable municipal rate charge per unit of stock. I'd need to verify that statement as I'm a little bit scratchy.

Mr HIDDING - \$1 300?

Mr FAZACKERLEY - Yes. Also coming out of our current expenditure there's the CSHA interest cost that I talked out before. All in all, around 75 per cent of our recurrent expenditures are on these half a dozen or so major items which we have very little flexibility about. That is probably all we'd like to say at this point, unless there are any questions.

CHAIR - Rod, just in relation to the rates. The rates would be levied in Housing Tasmania in exactly the same way as they are levied on any other householder in Tasmania and that would include government charges -

Mr FAZACKERLEY - All of that.

CHAIR - as well, so there would be a component of that once again flowing back to the Consolidated Fund out of your budget and back to the Consolidated Fund.

Mr FAZACKERLEY - Exactly, and we do in fact receive some benefit. Because of the size of the cost of this line item to our business, we've been very proactive in recent years in trying to do what we can to minimise it. We've negotiated with councils in terms of forward-paying future council rate demands. What we generally try to negotiate with the council is that if we pay the full year's rates demand at the point of time that the first instalment is due, what benefit can we derive? We take into account in that calculation the interest that we would otherwise derive from those funds by leaving them in the Treasury trust account. We wouldn't sign up for an agreement with anything less than that but we negotiate with councils for a discount. Obviously there's a cash-flow benefit to council in getting the money upfront and, as I say, we certainly don't sign off on anything that is not beneficial to the State. But through that process we have negotiated discounts in the order of about \$350 000, which is a proactive step on our behalf and certainly the cost you see here is net of those.

CHAIR - Normally through the budget process and from your initial bits through to the final allocation approved by Cabinet and approved by the Parliament, you would get a chance

to negotiate and normally Treasury would arrange to compensate you for the money that is flowing back to government in the way of a charge or levy of some nature. Are you compensated in your global allocations for that component of rates that flow back to government?

Mr FAZACKERLEY - No we are not. Not at present. There is a small amount of additional State funding proposed to be allocated to the housing area for 2003-04, but that is primarily around indexation on some capital funds. So we don't receive direct identified compensation for that item, no.

Mr HIDDING - The model that you show us here, 2002-03, and next year of the percentage of debt servicing costs to the base funds received, has that been the same for the last five or ten years?

Mr FAZACKERLEY - It's probably worsened over recent years. As I said before, the existing CSHA has a one per cent efficiency dividend on the base. That is applied to the Commonwealth base and in real terms, as I say, it has been declining by more like 3 to 4 per cent.

Our debt repayment schedule, which is the normal schedule, is essentially just a normal credit foncier-type loan. We have a repayment schedule to be made until 2042. So it's not something that's going to be a problem for one or two years; it is a fairly long-term issue for the State.

Mr HIDDING - So tied grant funding; where's it gone to? Have you any material on that?

Mr FAZACKERLEY - The tied program funding for community housing, crisis accommodation and Aboriginal housing is all capital funding for the provision of appropriate capital solutions in those areas, and it forms part of our capital works program each year.

Mr HIDDING - Has that gone up recently? In the last five years?

Mr FAZACKERLEY - In real terms, no. Under the proposed new agreement there is indexing on the tied components. Under the existing CSHA there was not indexation on those tied funds so they remained. For instance, the 696 for the Aboriginal rental housing program was the same figure at the start of this last agreement, so we are now five years down the track receiving the same dollar amount for that tied program.

CHAIR - It seems to me that your advice to the committee is that predictions are that tied grants will remain and indeed they may be indexed in the future subject to the new agreement but that the untied grants are being reduced, initially through an efficiency dividend, but the Commonwealth has stated that it's likely to continue to reduce those untied grants in favour of supporting the rental assistance program that they have.

Ms BRESNEHAN - Overall, the conditions under the proposed next CSHA are what you have just outlined. The indications at the moment are that the Commonwealth will not have another CSHA in five years time. It's really signalling to States that you've got five years to position yourself for a brave new world. In five years time where there won't be any CSHA and the Commonwealth's only effort will be through CRA.

CHAIR - Can I just get that right? When you speak about CSHA generally do you speak about the tied grants?

Ms BRESNEHAN - There are two components within the CSHA: the general and the tied. Rod is making the point that with the tied programs they are very tightly targeted and we have to spend funds on exactly what they say. So there is very little flexibility for us and that is around community housing which has a lot to do with those people in high needs who need supported accommodation, crisis accommodation and then also in Aboriginal housing. So it's very tied, very fixed and we have to be accountable for those particular items.

Then we've got general funding and from it we also have to pay off the debt and get the GST. At the end of the day that pretty well pays for itself and we don't get much on that side at all.

CHAIR - But your specific advice to us is that even with the tied grants, where you have little flexibility and a higher degree of accountability, there is a pessimism that they may not continue after five years?

Ms BRESNEHAN - Certainly, because they are a part of the agreement.

Mr FAZACKERLEY - Mr Chairman, can I just clarify that last point around the indexation? The situation is that on the existing agreement, finishing 30 June this year, there is no indexation but there is a 1 per cent efficiency dividend, so we have that decline. The new agreement proposed from 1 July this year to June 2008 also has an efficiency dividend but does have indexation applied to that base from the second year. The starting point is reduced and there is indexation in outer years, but there is also this efficiency dividend, so we need to clarify that.

Ms GIDDINGS - We have seen this from the Commonwealth in the childcare industry, too, where they have withdrawn their capital funding but have put their support into providing assistance to working parents through Centrelink payments, so it is pretty much replicating what we have seen in other parts of our government.

Ms BRESNEHAN - That is true. In fact there is a section here where we talk about common themes through Commonwealth-State agreements. The other thing that they are requiring us to do through the Commonwealth State agreement is to meet some of their policy objectives, as you would, and they are around work-force disincentives. They see that rents are a disincentive, so that if you get a job your rent goes up, and they are trying to drive State policy on what you may or may not charge in rent - what they perceive as a disincentive to work. Now the research does not actually support that, but that is the policy prerogative that they are pursuing through the agreement.

Mr FAZACKERLEY - The point Mercia makes is one we should probably have covered in more detail. The proposed agreement for 2003-04 and on incorporates efficiency requirements from the Commonwealth. One is around private sector investment and one the other concerns work-force disincentives, so moving away from work-force disincentives and attracting private sector investment into the social housing area. The proposed agreement has a penalty clause in it of 2.5 per cent for each of those factors,

totalling 5 per cent, with the capacity for the Commonwealth to withhold base funds up to that amount if the States do not meet those requirements. For Tasmania that would mean an amount of \$1.064 million. It would be reduced from the figures that you have seen today were we not to meet those requirements.

CHAIR - Is there generally goodwill between officers in trying to negotiate outcomes under a Commonwealth State Housing agreement?

Ms BRESNEHAN - I would say at an officer level we all try and work towards it. I would say at the political level there are drawn very strong and hard lines.

CHAIR - Perhaps we could move on to Mychelle.

Ms CURRAN - There are three areas where we value our portfolio: one being for financial reporting purposes, a second one being for purchasing properties and a third one being for sales. Rod is going to talk about the financial reporting component of that and then I will go on onto the purchasing of properties.

Mr FAZACKERLEY - Valuation for financial reporting purposes: obviously in our business, for appropriate financial disclosure and reporting and, as we mentioned earlier, because we are subject to review from State auditors and given that we run a tenancy business, an accurate valuation of our stock portfolio is critical to that. Getting it right is something we are very keen to pursue. The Valuer-General provides valuations for us under the Land Valuation Act 1976, as it says here. The last valuation was done prior to June 2002. A current valuation is being undertaken as we speak. At June 2002 we supported a total stock of around 13 500 properties, as it says here, with a reported gross value of some \$711 million, so we are managing a very significant property portfolio.

Ms BRESNEHAN - We are looking forward to the results of the next valuation, given the current market.

Mr FAZACKERLEY - Yes, indeed.

Mr STURGES - Your rates will go up.

Mr FAZACKERLEY - That is the down side of it. The Valuer-General supposedly values on a five-year rolling program. That is sometimes six, seven or eight years before they get around the various municipalities. We therefore get two files from the Valuer-General each year to support our valuation procedures. We get a file of actual valuations done in the year, so property is picked up in that rolling five-year program. We then get an adjustment factor for properties that are between valuations because we recognise the fact that holding a valuation for five, six or seven years is certainly not appropriate in terms of annual financial reporting.

The first one of those is fairly straightforward. The valuer obviously gives us the valuation on the actual inspections provided on the stock. The second one is probably the more interesting - the interim valuation adjustment factors, as we call them. These are always being provided, but a few years back they've changed the methodology and I'd just like to walk you through that. Previous to the current methodology, we used to get a single valuation adjustment factor for each local government area, so for each

municipality we got just one figure. We sat down in 1999 with the Valuer-General and thought that wasn't probably the best way to do business; it wasn't giving us as accurate a picture as we wanted for our stock valuations. The methodology we came up with is one working at a much lower level, so we now have valuations at a suburb base level, with more property-specific data supporting them. We look at actual dwelling size, dwelling age, dwelling construction type, whereas before they were aggregated up to one figure.

I'll quickly go through an example. In testing this new methodology, we went back to the last year of the data received on the old municipal basis and reapplied our current logic. The example I will give is the Clarence municipality. In the last year of the municipal-based figures we got a straight 5 per cent adjustment factor from the V-G to be applied across the Clarence municipality, which is a very big area. If you think about the Clarence area, we have some more affluent areas - Howrah, Bellerive, Lindisfarne - and some other areas which probably haven't achieved the same level of growth in capital values - Rokeby, Clarendon Vale, possibly Risdon Vale to a lesser extent. If we think about Housing Tasmanian stock portfolio in that municipality, we hold a lot of stock in those areas and relatively few units of stock in the other areas I referred to. Under the previous methodology we applied a straight 5 per cent growth factor to all our stock. When we redid the analysis with the new methodology, we came back to a picture which, whilst it showed a 5 per cent overall appreciation of cost in the Clarence municipality, comprised a range of figures, from Lindisfarne, which had an 11 per cent growth factor for that year, to Bellerive which had 9 per cent, Clarence with 8 per cent and so on, down through the suburbs to, unfortunately, Clarendon Vale, which had an actual valuation decrement of 1 per cent. Under the previous methodology we'd applied a 5 per cent increase to those units of stock, of which there are quite a few for our business. Under the new methodology, we would be quite accurately coding them and recording a decrement in that case.

The methodology, once we tested it and thought it was robust enough, was put to the Auditor-General, who ratified it. They reviewed the methodology and said they were very happy with it. It was certainly an improvement on the previous methodology, so that's what we're using now. We think it gives us the very low level, very accurate picture of our stock valuations at any point in time. Obviously a fairly fast moving property market means you're going, with annual valuations, to struggle to keep pace in some areas with the adjustment that's happening in the marketplace, and there are also some purchaser pressures which apply out in the field. I would like to think that our current methodology, which is reflected in our financial reports - our balance sheet figures reflect this methodology - is very robust and sound.

For financial reporting purposes, valuations need to take account of depreciation. We are depreciating in accordance with a nationally agreed approach, which is a 2 per cent depreciation model, so using a 50-year life span for the rental dwelling stock. That was developed, as it says here, by the CSHA finance technical working group, which is a working group of our finance managers across all States and Territories. They came up with the methodology and signed off on it. Obviously we do the depreciation calculation on the improved value of the stock as is required under standards, so that is the total capital value less the land component, which of course is deemed generally to appreciate, not depreciate. And that's it, if anyone has any questions.

Mr RATTRAY - In regard to the varying valuations, you said that in the Clarence municipality area, there was a decrement of minus one in Clarendon Vale.

Mr FAZACKERLEY - In that particular year, yes.

Mr RATTRAY - Does it lead to any more sales in those lower priced suburbs than for the 5 per cent increase across the board?

Mr FAZACKERLEY - Mychelle will probably touch on this more in a minute, but I wouldn't think the financial reporting evaluations would affect those. In accordance with Treasury guidelines we get a point of sale valuation done. So whilst we might have an annual valuation done during the year, if we move to sell a property we go and get a subsequent valuation done for the purpose of supporting that sale.

Mr RATTRAY - On that particular property?

Mr FAZACKERLEY - On the particular unit of stock, yes.

CHAIR - Rod, just explain to me, we will see accrual accounting this year and you will have a fixed asset -

Mr FAZACKERLEY - Absolutely.

CHAIR - and it will have the Housing stock valued, as you have explained now. That will apply this year?

Mr FAZACKERLEY - Absolutely. Whilst Treasury is moving to an accrual basis for its budgeting reporting, accrual financial statements have been prepared for some time. So we have been operating, certainly in an annual reporting sense, on an accrual basis. The move to accrual accounting within Treasury and within agency financial management is also happening at ground level, but for annual financial reporting we have traditionally prepared full accrual statements.

CHAIR - You have said that there are now two valuations: that as recorded in the books of account and a further valuation which is determined by some party at the point of sale. Do you expect to find discrepancies between those two figures?

Mr FAZACKERLEY - As I have said, we probably do expect to find some degree of movement for a number of factors. The market at the moment is very warm and certainly moving fast in different areas. Valuers, as with other professionals - and I am not one so I'm not speaking as a valuer, of course - need to apply a degree of conservatism and discretion to their valuation reports provided, and whilst it will be their best estimate at the point in time they have done the valuation, certain segments of the market might well move such that the sale is other than that. We certainly do not sell below government valuation, given that the valuation is done at the point of sale and there are guidelines around that. We are required to sell at least at valuation, so there is not an issue of government making a loss; it is more an issue that we may well achieve above and beyond the valuation, which is a positive for us in terms of revenue generated.

Ms CURRAN - Firstly, I will talk about valuations for the purpose of purchasing properties. We buy our properties either through real estate agent listings; on some occasions we get private vendors who approach us with a property for sale. If it suits the targets that we have identified or the identified needs of our clients then we will go and look at those properties. When we have identified that a property meets our purchase requirements, we commission a market valuation using government valuation services. That provides us with expert professional advice and information regarding the property, including the current market value, any council zoning restrictions or issues, comparative sales, evidence of like properties in that area, specific building attributes and also provides an overview of the private real estate market and expected future trends in that particular area. If the property meets all our criteria and we decide to purchase that property, we utilise the services of government valuation services to negotiate with the vendor or their agent on behalf of the Director of Housing. That ensures that those negotiations are kept at arm's length from Housing Tasmania. They are conducted independently, and eliminate potential for conflict of interest and also maintain a level of probity in terms of the purchase. Prior to requesting the government valuation service to negotiate the purchase of the property, we will agree with them about the parameters prior to entering that negotiation. That would be any contract terms and conditions and price. So if someone wants a contract over a 60-day period, or whether we would be happy to endorse that process, they will then go off and offer a price that the valuer is prepared to endorse. There have been some instances where the valuation returned on a property is lower than the asking price. There are some instances where we would need to demonstrate value for money in purchasing a property above valuation if it has specific attributes that are very difficult normally to get in the market or if we are buying a property for a specific purpose. Things like houses that have been fully disability modified or properties that might meet the requirements of some of our special programs like the crisis accommodation program. We would have to prepare a submission to the statutory Director of Housing seeking approval to negotiate above the valuation for that particular property. I can only think of one instance where we have done that in the recent past.

In terms of the marketing and selling arrangements for Housing Tasmania's properties, back in May 2000 Cabinet approved the sale of 3 500 public rental homes over a 10-year period. At the time, and still now, it is considered a key priority for us to disclose our inappropriate low demand and/or poor performing properties which do not meet the needs of our current or future clients. The approach reduces the pressure on some of our high maintenance costs, particularly in areas where we are selling older properties, but also in some broadacre areas where there is high turnover of properties and we have considerable vacation maintenance costs. It also provides us with the opportunity to reinvest and reconfigure in good quality home stock in locations that suit the needs of our clients and also contribute to long-term sustainability for us because we have newer properties that require less maintenance.

We have brought along some photos of some of our sales properties and some of the properties that we have also reinvested in over the last 12 to 18 months. We use a number of asset, economic, social and property criteria in determining whether a property is going to be made available for sale. We look at house type compared with demand from applicants and also assess future demand, the number of bedrooms, the age of the property, the external cladding - for example, weatherboard homes are quite high

to maintain - window types - some of the old windows need full replacement at quite considerable cost.

Site attributes are something that we are looking very closely at because a number of our clients are ageing and have mobility or disability issues. If we have a house that is on the side of a very steep hill, it is very difficult for clients to access it. There are often lots of steps to and from the front of the house and it is very difficult to redesign them inside to meet people's specific needs.

Other things that we certainly look at are opportunities to alter the tenure mix in high density public housing areas. We all know the issues around major public housing developments in broadacres and the social issues that result from that. One of the things that has been identified is that if you can achieve a better public, private mix in those areas, including home ownership, then you can assist the suburb to mature faster.

Over the last three years, our sales program in the first two years focused primarily on the sale of three-bedroom properties in broadacre estates to help us with those issues around social mix. During this year we have had a very high focus on selling older properties which are specifically weatherboard properties built in the 1940s, 1950s and early 1960s - predominantly weatherboard houses in older areas.

We have sold 1132 properties statewide since 1 July 2000. There is an attachment which details the areas that those properties have been sold in. Eighty five per cent of our sales during this year have been to people on low incomes, people who are eligible for public housing or sitting tenants; 33 per cent of sales have been to people who are already renting public housing properties from us. We have some articles here with us that talk about tenants who have been able to buy their properties after a considerable period of time and low income people have been able to access properties.

In terms of selling vacant homes, Housing Tasmania considers offers only from people receiving low incomes in the first 30 days of properties for sale. That actually means that those low-income people don't have to compete against people who are on higher incomes and who can afford to make higher offers for properties. This actually provides a huge advantage to those people in the current booming market. Once the 30-day period has expired, if there haven't been any offers from low-income people and there are no applicants for public housing waiting for properties in that area, we actually are required to get approval from the minister to proceed to sell the property. We've only had three sales approved in the last two months through that process, otherwise they go back into public housing stock.

Mr HIDDING - How many did you apply for?

Ms FAZACKERLEY - I would have to check that number. There's probably about six or seven, I think. It hasn't been a huge number. Approximately 15 per cent of our properties are not suitable for sale or purchase by low income people; 10 per cent of those are sold to owner/occupiers. Less than 5 per cent of those properties actually go to investors. Generally, dwellings that are sold by owner/occupiers are those in some of the high sales value areas, like some in the City of Hobart areas where we've assessed the property as being on a very steep hill, not suitable for upgrading and not suitable for

redevelopment. We look at whether the site or the block of land is suitable for us to knock down the existing structure and redevelop it for public housing.

In the case of sales to investors, the majority of properties that are sold have required major internal or external upgrading. Lots of them have been fire damaged or have major insurance damage and we've sold unit complexes with low-demand dwellings such as bed sitters. We have very great difficulties getting people to move into bed-sitter accommodation.

In terms of our valuations for sales properties, we are actually required by Treasury instruction to obtain an indicative market value for properties identified for sale from the Office of the Valuer-General, and they use government valuation services to provide us with that information. All properties that are identified for sale are valued prior to sale. Sitting tenants are able to purchase their home at the government valuation service valuation. In the case of a vacant home we arrange for the valuation to be completed and then we would actually list the property for sale through a real estate agent and then have a market appraisal done. The sale price will generally be higher than the valuation price.

On average at the moment we are getting roughly 5 per cent above the GVS valuation for our sales properties. Our sales program has been buoyed this financial year because of the assistance that is available from the Commonwealth in First Home Owners Grant, our Streets Ahead incentive package and also the availability of the Home Ownership Assistance Program. We are finding that a lot of people who have applied to purchase a home or who contract to purchase a home from us are not having a lot of difficulty getting private sector finance because the incentives that are available actually mean that they've got more than their 20 per cent deposit.

The sale price of our properties in the first year of the program averaged around \$46 000, and that has increased by around about 3.75 per cent since July 2002 to around \$48 000 now. Some areas are much higher than that but certainly a lot of our broadacre areas are still sitting at those levels. It is worth noting that on the basis of our average sale price, it does require us to sell three or four properties to replace one with an appropriate newly constructed or purchased property. Again, that depends on the area that we're trying to purchase in or build in, or whether we've got to buy a block of land to build on or whether we're redeveloping one of our existing properties.

I will move to one of the other specific questions that was asked about the success of the Streets Ahead incentives program and the Home Ownership Assistance Program. The Streets Ahead incentives program was introduced in July 2000 to provide home ownership opportunities for low to moderate-income Tasmanians. We have certainly had a positive response. We have provided 854 people with incentives of over \$4.5 million, which averages at around \$5 500 per recipient through the scheme up until 30 April. The program was introduced to achieve a number of objectives for us and our clients: improved access for low-income people to home ownership; assisting low-income people to maintain their home ownership through the incentives program; to try to get improved social mix in broadacre housing estates; to enable us to enhance our asset portfolio; and to meet the specific needs of people through our reconfiguration strategy. People eligible for Streets Ahead incentives are existing public housing tenants or people eligible for public housing, so you do not have to be a tenant to access the subsidies. Public housing eligibility is based on low-income status, residence in Tasmania and limited assets. So

the financial eligibility criteria for Streets Ahead is roughly between \$400 and \$700 a week. We will provide incentives to people who receive below \$400 a week; they were not actively targeted in the first couple of years of the program but were certainly eligible. If they can obtain finance then we will provide them with the incentives. We have a couple of tables at the end also that provide details of what the specific incentives are and how many people have received them by regional area as well.

The Home Ownership Assistance Program was first introduced in April 1994. There have been 2162 clients assisted through the program since its inception, and that was through to 30 June last year. Loans totalling just over \$111 million have been provided through the program. The aim of HOAP was to extend the benefits of home ownership to low-income earners who are able to afford it but are unable to participate in existing private sector home finance schemes. It certainly also provides a critical role in our reconfiguration strategy as well. One of the things with HOAP was that it started out with an initial \$6 million capital base from the Government, but then used borrowings through Tascorp to actually provide loans over a period of time. Over the last couple of years we have been able to significantly reduce the debt on those loans. In the 2001-02 financial year we reduced the debt by \$5.8 million, and in the year to date, 2002-03, we have further reduced it by another \$4.5 million, so the balance of the debt is now about \$39.5 million. The program is currently self-funding, so all new loans to clients, debt repayment and administrative costs are met from the annual revolving funds which come from the loan repayments and mortgage discharges from clients. HOAP is delivered through an external provider, Tassie Home Loans, who were actually appointed as our managing agent in 1994 under a 10-year agreement. There are very strict lending guidelines that Tassie Home Loans operate under. They were developed by Housing Tasmania and they are monitored and reviewed by the HOAP management committee. The committee actually has representatives from Housing Tasmania, our corporate finance division, the Department of Treasury and Finance and Department of Premier and Cabinet. The committee meets once a month. I have attached a copy of the terms of reference for the committee, but it basically deals with all of the issues around managing the program - its reviews, its borrowings each month, a summary of the program, HOAP approvals that have been provided, arrears reports, properties that may be being repossessed, mortgagee sales, the lending figures and reports on top-up loans. In addition to this, Housing Tasmania's budget and finance branch also undertakes a six-monthly audit of Tassie Home Loans management of HOAP to ensure they are complying with their management agreement and the HOAP lending guidelines. The report is provided to the HOAP management committee for review and recommendation if there are any required. HOAP is also audited by the Tasmanian Audit Office; their financial statements are audited every 12 months. A review of HOAP was completed in 1999 and a further one was completed in March 2003. That report is currently with the Minister for Health and Human Services and the Treasurer for consideration. I have attached a copy of the terms of reference for the current review.

Mr HIDDING - We have sold 412 houses this financial year, which is slightly over budget of, say, 350 a year. Cabinet made the decision to sell 3 500 over 10 years. Was that the deal?

Ms CURRAN - Yes, 3 500 over 10.

Mr HIDDING - How many of the 3 500 have you sold?

Ms CURRAN - We have sold 1 132, so we are right on budget at the moment.

Mr HIDDING - You state that one of the reasons for selling properties is that people don't want to live there.

Ms CURRAN - There are certainly some areas where people are reluctant to move to as public housing tenants. Less so over the last couple of years. The demand in some of those locations has increased. They are broadacre areas, particularly in the south of the State. The demand for some of those broadacre areas in the north and north-west has never been as difficult an issue as it has been in the South.

Mr HIDDING - We've an idea of the pressure out there; how many people are waiting for homes. They have applied and you can't fill their needs, but how many of them are saying, 'I refuse to go to Rokeby'? Are they in genuine need if they're not taking a property, and therefore the place is empty and you are selling it and that person stays on the waiting list.

Ms CURRAN - Our policy is around people being able to choose the location they want to live in. We do get people who say specifically that they don't want to go to certain areas and yet they may be assessed as a category one high-need housing client.

Mr HIDDING - They feel pretty strongly about it, then?

Ms CURRAN - Some certainly do. However, if we made an offer of what we considered was an appropriate property that met their needs and we didn't feel that there were genuine reasons why they shouldn't accept a property in that area, then there are, under the housing assessment system, some provisions for them to be shifted from that category of need. We don't do that lightly; we do it very rarely. But if there are no genuine reasons why someone wouldn't go to an area, then we would certainly consider that.

Mr STURGES - That's a critical component, though, isn't it, the genuineness of need?

Ms CURRAN - Yes. Certainly there is a high level of choice in terms of people's location for housing.

Ms BRESNEHAN - Category one people are mainly choosing the amenity and access of the property. This is more of an issue at level two or three. Category one people have such high needs that it's pretty indisputable. Remember, 80 per cent people we house are from category one?

Mr HIDDING - Have we got a split-up on the waiting list categories?

Ms CURRAN - Yes, page 30.

Ms BRESNEHAN - The other thing that's happening as well is that there is nowhere for people to go. We usually see some throughput, if you like; people coming in, they stay, they leave. Because the private rental market is locked up, people are actually staying,

so the number of houses that become vacant are significantly reduced and therefore the number that we can house are down as well. The throughput is just not there.

Mr STURGES - Therefore I'd see the affordable housing strategy grants would be critical.

Mr HIDDING - Looking then at your ability to purchase, if you're selling off 421 and you've bought about 30 units and houses, have you considered things like developing low cost housing? Somebody asked in the Parliament why 1 Collins St was sold.

Ms BRESNEHAN - That was a specific thing that was out of our control. We didn't have a particular interest in that. Those decisions were made elsewhere. Generally in the affordable housing strategy what we are proposing is that we need, as a community and at all levels of government, is to make a commitment to provide for affordable housing. That may mean looking at our planning requirements, asking local councils to do something a bit different, identifying properties. We are working at the moment on a project identifying current State-owned properties and what might be suitable for affordable housing and other developments. We're in there trying to identify where there are possible locations but we need to put in place the mechanisms that can allow us to do that. So some of those suggestions will come forward.

Mr HIDDING - You have sold 412 houses this year; do those funds go under disposal arrangements straight into consolidated revenue?

Ms CURRAN - They come back to housing for the capital purposes. Our program over the last couple of years has been predominantly focused on construction because we had a lot of clients in categories one and two who did have specific disability or mobility issues. So our purchase program has been severely reduced over the last couple of years. However, we are in the process of gearing our purchase program back up. It is also very difficult for us to compete in the market at the moment because quite often there will be offers from four or five people for a particular property, so by the time we get our offer in someone will offer above us and we can't offer to that level because of our restrictions under the valuation service's requirements.

Mr HIDDING - Are you telling me that Housing Tasmania cannot initiate or consider proposed developments like 1 Collins Street on its own? Is that a political decision or is that not simply a straight housing stock decision which you could make - an in principle decision to do a development plan to see how it comes up and then consider making an offer for a property?

Mr STURGES - It's not your stock to start with, is it?

Ms BRESNEHAN - No, we don't own that and we don't have a claim or a say in that.

Mr STURGES - It's not Housing Tasmania's stock to start with so how can they work up a plan around something they don't own? I don't understand the line of questioning.

Mr HIDDING - There is no trap in here at all. Forget 1 Collins Street. Housing Tasmania can obviously go out and buy 20 houses if they were available, so the money is not necessarily a problem. Can you, for instance, look at a broadacre development? Could you look at some land available? Could you look at a redundant building such as

1 Collins, but any redundant building and do a development strategy for it and consider going down that path rather than purchasing stand alone houses on the market?

Ms CURRAN - Yes we can and we would certainly have to do an analysis of the economic viability of doing that.

Mr HIDDING - That's what everybody in the market place does.

Ms BRESNEHAN - I think it is worth noting, and Mychelle touched on it, that there is an interesting history of public housing over the years. Initially, in the 1940s and 1950s, the building and construction of public housing was essentially a post-war employment and industrial strategy. It was about employment and supporting families. It has changed, as we have described, to people with high need. As we moved away from the social consequences of broadacres and all those things that we created, we then went into very heavy purchasing and what we call 'infill' policy. Over time we found that our clients were changing and we'd bought nearly everything that was suitable. So that then led us to a major construction program. What we found with that is that it's giving us fantastic results, and it's really appropriate and suitable. But of course that is construction; it's long term, it takes a couple of years; what's the capacity of the industry to respond because we've seen the skills of our building industry leave the State. They are starting to come back a little bit now, but we've found ourselves in a situation whereby we're trying to respond to the needs of our clients but we've got caught in this. We're being perceived to be slow; it's not happening fast enough, but it's the nature of the business.

Given the market, we are diversifying our strategy for the next financial year. We will have a construction program, we are increasing the purchasing program and we're also winding up our redevelopment program. If you stood back and said, 'What's the economic viability of putting extra money into these houses?', on a straight economic ratio you might not do it, but in the current market we're forced to go back and reinvest and probably overcapitalise in places to provide the supply. In the long term, those sorts of economic questions will impact on our viability. So how do you get that balance between responding to need, but also not taking this Government or the next Government or anyone, because we're talking about a long-term asset -

Mr HIDDING - Cross your fingers, basically.

Ms BRESNEHAN - Yes, that's right. So it is a balancing act.

Mr HIDDING - Can you confirm for me, then, that all your acquisitions are purchased and you don't do any leasing?

Ms BRESNEHAN - A couple, not many.

Ms CURRAN - We've had a couple of lease arrangements over the years. We had a lease arrangement for some youth clients. We had very great difficulties in getting landlords to lease to us, despite the fact that we put in a lot of safeguards, ensuring the properties were maintained and in the same condition when we decided to hand them back. So we don't actually have any leased properties at the moment. In terms of the overall affordable housing strategy we need to look at leasing properties, particularly in areas

where we might have a specific need at some point in time, but that need's going to shift over time. So it certainly is an option and a strategy.

CHAIR - I wonder would you explain to me some accounting procedures. Housing Tasmania is an output group; you have a number of outputs - five or six or seven. You have a capacity, after the passage of the appropriation bill, to transfer funds between those particular outputs to meet needs. To what degree does that happen in a year? To what degree would you require some approval to transfer funds from one output program to another to compensate for the movement in business activity during the year?

Mr FAZACKERLEY - It hasn't happened to a great extent, I would have to say, probably because of the nature of output groups. The output groups are primarily reporting tools. They are basically segmented into the core components of our business, being public rental housing, private rent assistance, community housing incorporating those three programs. There is often a need to accommodate specific client and other demand needs within our business, and that might focus through a need to, for instance, readjust our capital works program. Whether that then entails a shift between output groups is not always the case. We might have competing capital needs and an urgent issue might arise and, yes, we might need to change our focus in our program. Given the time frame of capital projects, you do have that capacity to make some slight adjustments and free up some dollars where appropriate, but if that activity in total is constrained within the broader parameters of public housing, then it won't entail a change in output group costings. So we have the capacity to do that, yes, but we haven't done a lot of it is the answer.

CHAIR - Are there any other questions? Mercia, would you care to sum up? We appreciate your frankness with us and the thoroughness of your preparation; it has been very beneficial from our point of view.

Ms BRESNEHAN - Thank you, Mr Chair. We welcome the opportunity of coming along because I think the management of public housing is probably one of the most misunderstood areas of government. It is important to understand that public housing is part of a much bigger market, and we have to respond to the forces that come and impact on us. We have to locate ourselves within the context of that broader housing market. I think we do have to acknowledge that our needs and priorities have changed and that has created a great deal of pressure. I'd be the first to acknowledge, I wish it didn't happen, that Housing Tasmania - public housing itself - sometimes does get bad press. When you look behind those stories, however, the stories are often about not being able to get access to a house, or people who have been involved in some sort of neighbourhood or social dispute because they lack the social skills or they may have accumulated debt and arrears and have had to be evicted. When you look behind the stories they are people's lives and there are circumstances there that we are managing really. When you think that we deal with over 30 000 individuals, families in stress, individuals who are doing it tough out there, when you think of that compared to what we're doing and how we're managing it, I'm very proud of what we do. I think we are the first to acknowledge, and the Government has acknowledged, that there are pressures. The affordable housing strategy, I think, is the first time that we have stepped back for a number of decades in Tasmania to say, 'Where are we going with affordable housing in Tasmania? What do we need to do?'

The public consultation is being well responded to. I think we're getting good community views from that, from the building industry, from local council, from community organisations, from people and tenants themselves and we will go to Government with suggestions and feedback on how to go forward. I would be very willing to come back to this committee at any point and give you the results of the consultation and go over any of this. It is in our interests to be very transparent. I think we're managing very well under difficult circumstances. So if you'd like us back to explain anything further, I'd be very happy to do so.

Mr STURGES - Just one point of confirmation in regard to the affordable housing strategy - for which I commend you, by the way. We've had a look at the government procurement policy over the last few meetings. What I am interested in is a new strategy that you are pursuing might allow for some of the smaller builders, some of the smaller suppliers, to get in the game. At the moment, from what I can ascertain, they may be precluded if it's a big tender. Is that something that you might see happening into the future?

Ms BRESNEHAN - At the moment we are going out with large contracts around our large construction. By working more at a local level, perhaps by doing work with local councils, by going into a redevelopment program, you are getting more of the cottage builders involved. So across the market you can get the big construction companies as well as your cottage builders. Part of the strategy for next year is to try to hit different points of the building industry so that we can get a more responsive return.

Mr STURGES - Get your local bloke involved - I like the idea of that.

Mr HIDDING - You still got to be registered at the MBA, housing indemnity and so on.

Ms BRESNEHAN - *Community Chat*, our departmental newsletter, goes out to every tenant, and as you can see there are lots of general health and wellbeing messages in that. This folder was around our sales and construction program and that folder in particular related to our disability modifications, which is a significant part of our business now.

Mr HIDDING - With the mental health community integration program, was that all down to you or does Mental Health own those homes and manage them?

Ms BRESNEHAN - We provide the facility and they manage the support, and sometimes a community organisation.

Mr HIDDING - I wonder if you could send to my office a break-up of what categories 1, 2, 3, 4 mean.

Ms BRESNEHAN - Yes, certainly.

Mr HIDDING - My spokesman may have it but I wonder if you could just send it to my office.

CHAIR - Thank you very much for attendance.

Ms BRESNEHAN - Thank you for inviting us.

THE WITNESSES WITHDREW.