

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON HOUSING AFFORDABILITY IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON WEDNESDAY 24 OCTOBER 2007.**

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**Mr PETER HOULT**, SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES, **Ms ALISON JACOB**, DEPUTY SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES, **Ms MERCIA BRESNEHAN**, DIRECTOR, HOUSING TASMANIA, **Mr PETER WHITE**, MANAGER, PORTFOLIO DEVELOPMENT AND INVESTMENT, **Mr SIMON BARNESLEY**, DEPUTY SECRETARY, SHARED SERVICES, **Mr GLENN HARDWICK**, MANAGER, ASSET SERVICES, AND **Ms KATRINA STEPHENSON** WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Martin) - I declare the session open and welcome you. Do you want to give us an overview?

**Mr HOULT** - Yes, I have some opening remarks which I am quite happy to read into the record. I am making the assumption people have had a chance to look at the whole-of-government submission that was submitted so I am not going to read out swaths of that.

The department recognises that access to safe, secure, affordable housing is a reasonable expectation, if not a right, of all Tasmanians and occupation of such housing is a major contributor to individual and community wellbeing.

The first section of the whole-of-government submission which has been provided to the committee focuses on these matters and outlines how housing impacts on broader social and economic wellbeing. I know that the committee has heard much about this from other groups and individuals in their hearings.

The second section of the submission acknowledges that there has been an increase in house prices and a decline in housing affordability in Tasmania, particularly over the last two to three years. It also outlines the different tenures in the broader housing market. This is important because the department, through Housing Tasmania, is responsible for only a small part of the housing system namely the public and social housing sector.

Housing Tasmania is focussed on the provision of housing for people on low incomes, that is those in the bottom two income categories of the usual five categories or those who currently earn less than \$800 per week.

The provision of public and social housing has to be understood in the context of the entire housing system, what is happening more broadly in the housing market and what the overall supply of affordable housing is across all tenures. Obviously if there is a lack of affordable housing supply in the market then pressure is going to come back on to the social housing sector.

Making housing more affordable is a complex issue and this will likely only occur if there is a range of supply and demand responses, action across three tiers of government,

a whole-of-housing system response and likely partnerships with the not-for-profit and private sectors in a much more structured way.

On page 14 of our submission is figure 3 entitled 'A continuum of affordable housing options'. This diagram illustrates the range of models and responses that are possible according to income and need. I commend the diagram as a reasonably succinct way of understanding the entire spectrum of the affordable housing market.

People on very low incomes and those with very high needs are down one end of the continuum receiving higher levels of government assistance, while conversely those at the other end with moderate incomes and low or no support needs receive less overt government assistance.

The public housing element has now become a tightly targeted response assisting people at the high-need end of the continuum. I will speak a little more about that later on. The challenge is to create an efficient system that provides a range of products to meet a range of needs for the duration of that need. Public housing is not the only answer nor is it always the best response.

Section three of the submission provides an overview of the current housing policy context. Unfortunately there is no coherent national affordable housing policy despite the fact that housing affordability is, by any definition, a national issue and that many key policy options are within the purview of the Commonwealth Government. The submission outlines the key Commonwealth-State housing assistance policy and funding frameworks which include the Commonwealth-State Housing Agreement - CSHA; Commonwealth Rental Assistance - CRA; Supported Accommodation Assistance Program - SAAP; the Australian Remote Indigenous Accommodation program - ARIA; and the First Home Owner Grant - FHOG.

Of note here is the CSHA, the major social housing funding agreement with a very long history. In the last decade the Commonwealth Government's financial commitment has declined by 30 per cent in real terms. The result of this is that Tasmania receives only \$21.7 million per annum in base funding under the current CSHA and repays almost \$17 million to the Commonwealth to retire historical debt. In real terms, except for about \$4 million, the Commonwealth contribution is a pass through. This leaves Housing Tasmania with limited funds for a capital program. Despite this limited budget Housing Tasmania performs exceedingly well within its available resources and we give national benchmarks. I think it is perfectly fair to say that against any argument Housing Tasmania is efficient in the use of its resources, and I quote:

'Public housing performance at the end of August 2007 shows 92.3 per cent of new allocations in Tasmania were for those categories in the greatest need against a national average of 38.1 per cent; 70.5 per cent of new allocations had a special need against a national average of 52 per cent and the occupancy rate in Tasmania was an historical high of 98.8 per cent.'

These are national comparative figures; they are not just ours.

Turnaround time, that is from when a property becomes vacant, undergoes maintenance and is re-tenanted was 23 days in Tasmania and the benchmark target is 28 days.

'Rental arrears were exceptionally well managed at 0.7 per cent against the national benchmark of less than 2 per cent'.

Section four of the whole-of-government submission outlines what the Government has done in response to declining affordability in Tasmania, specifically the \$95 million Affordable Housing Strategy that has a range of initiatives across public housing, the private rental market and home ownership as well as the creation of Tasmania Affordable Housing Ltd - TAHL.

What is not in the government submission and could not have been, given the timing, is the Premier's announcement last week in the state of the State address that there will be a new State policy developed under the State Policies and Projects Act 1993. This will establish a statewide position on the provision of affordable and social housing. Once it comes into effect, it will require planning authorities to review and amend their planning schemes consistent with the policy. The policy will be supported by an implementation guide and the model planning scheme provisions.

I must emphasise that while Tasmania is facing its own particular challenges in relation to decline in affordability this is a national problem and while there is pressure on the Tasmanian public housing system the same pressures are being faced by every State housing authority around the country. I know you visited interstate and are aware of some of these.

**CHAIR** - Yes.

**Mr HOULT** - The Affordable Housing Strategy, home ownership assistance, private rental assistance and the creation of TAHL, the release of crown land and changes to the planning scheme - all of these initiatives - reflect a broad approach being taken by the Tasmanian Government to address the problem.

Housing Tasmania, along with other State housing authorities, is looking at new ways and new models to make their business more efficient and to increase the supply of social housing. All State housing authorities except for Tasmania, for example, have a rental policy that charges a flat 25 per cent of income while in Tasmania we have variable rates with tenants paying on average only 19 per cent of income as rent. This directly impacts on the long-term viability of Housing Tasmania's revenue. Similarly, current government policy allows for life tenure in Tasmania, meaning that regardless of income you can stay in public housing for as long as you like. For decades this has been a subject of debate by public housing authorities and in some other States, notably New South Wales, there are now moves to introduce fixed term leases against which people's income is assessed at certain points in the tenure life. These are very complex social questions that are important to ask to ensure we have been as efficient and effective as possible, particularly given the cash flows available for capital. Issues such as rent setting and tenure will be the subject of consultation and debate at the up coming minister's forum on 2 November.

Finally, most States including Tasmania are now looking to the not-for-profit sector as a means of growing supply with the aim of having multiple social housing providers in the marketplace. By the not-for-profit sector I do not mean the traditional community

housing sector. The community housing sector has been in existence for a long time in this country and in Tasmania but in Tasmania it is very small and fragmented with over 550 properties being managed by 52 organisations. It is easy to do the numbers and see that they look after about 10 properties each. There is one large one which looks after 120 properties, so if you take that out of the frame the others are very small players.

What I mean is there is a need for sizeable organisations entering the field which have a business and a social focus. These new players need to be highly skilled, able to operate at scale, manage multimillion dollar budgets and assets and deal with financiers and developers, take risk and manage that risk and deliver real outcomes for government.

In other States these organisations are commonly referred to as growth providers and they have many advantages over traditional public housing models and over State housing authorities. These include that they have exemption from the GST, they have exemption from fringe benefits tax, they have flexibility around eligibility in allocations policies which means they are able to cross-subsidise operations by having a mix of low and moderate income tenants. Most importantly tenants in these organisations can access the Commonwealth Rent Assistance - CRA - which can draw as much as \$85 per week per tenant into the social housing system.

These advantages - and I emphasise particularly access to CRA - enable these new growth providers to leverage debt off the asset and/or the income stream available to them which further adds to their capacity to increase the supply of affordable housing. They are supported by government either through stock transfer, capital grants, recurrent payment or a combination of all. This is a new and developing area with only a dozen or so of these new not-for-profit affordable housing growth providers around the country.

In Tasmania we have TAHL, our first not-for-profit housing organisation which has been specifically set-up to capture those advantages I listed above.

As we look to the future we may see the emergence of a model that preserves a core of public housing portfolio for those in highest need, that difficult end of the spectrum, while at the same time moving to a more diverse social housing sector with a range of not-for-profit players that are able to leverage off the existing community-owned asset and maximise the growth of affordable housing.

I thank you for the opportunity to make introductory remarks.

**CHAIR** – Thanks, Peter. You have led me into a very big question to start with. Is there vision for where Housing Tasmania will be in 20 years?

**Mr HOULT** - There is emerging discussion about that, that there is not yet a defined long-term government policy position other than the initiatives that came out of the Affordable Housing Strategy which in themselves have some very long-term elements, such as TAHL. I am pleased to say the Premier's more recent announcements on planning issues will certainly be part of a long-term strategy.

**CHAIR** - Do you see the State Government remaining as a landlord in the long term?

**Mr HOULT** - You are asking me to comment on the government policy position, which is difficult. What I can say is that patterns have emerged around the country and internationally. Where the Government has in the past been a significant provider of public housing they have tended to remain in the sector but have tended not to become the engine of growth in the affordable housing sector. I would imagine Tasmania will have an element of public housing as a State housing authority for a very long time. That is my belief. Again I stress that I am not stating government policy, I am stating my personal belief.

**CHAIR** - I should stress that in any of the questions I am asking for your personal opinions and not government policy.

**Mr HOULT** - Okay, and if we feel difficult about that we will let you know.

**Ms BRESNEHAN** - Certainly the current financial structure of public housing is such that all State housing authorities are looking to new models and to take advantage of what levers are out there to maximise supply. I am sure in your going around the country you have heard about the Brisbane Housing Company and the Canberra Housing Company. We are certainly internally exploring those models.

**CHAIR** - I suppose the question that has been floated by some people is whether community housing will ever completely take the place of public housing.

**Ms BRESNEHAN** - Again I think we have to be careful about terminology, because community housing is a term that has been in the social housing debate for a long time and it refers to a really small niche cottage kind. What we are talking about is this new beast that Peter referred to in his opening comments - these not-for-profit growth organisations and they are of a different size and scale and skill base. Those new organisations need to be created. I think that is where the new world is, not with community housing.

**CHAIR** - When I use the words community housing, I am referring to the -

**Ms BRESNEHAN** - Okay.

**Mrs SMITH** - High needs is the strong issue, is it not?

**Mr HOULT** - It is.

**Mrs SMITH** - We are not seeing high needs to a major degree in the new world. Do you see that as your role?

**Mr HOULT** - If you look at the UK market and elements of that, you have seen it. There are some providers of not-for-profit groups which are very sophisticated providers of housing. The trick is that they tend to be providers of a range of housing types so that cross-subsidy occurs between them. They also have differing relationships with government to service different client groups so it may not be consistent.

If in the future - and we are only talking about ifs - the Government wanted a sophisticated provider to provide high-need services, there would be negotiation about

the relationship about how that was done and what sort of community service obligation might exist for government to do that.

**CHAIR** - On that point, in our hearings and the submissions that we have received on our interstate visit it is becoming quite clear that the new organisations, the new models such as TAHL, really will not be focusing on the category 1 aspirants. Is that a fair call?

**Mr HOULT** - Not entirely a fair call. I think that in their developmental focus, as they seek to establish an asset base and a cash flow and some sort of secure existence, they will tend to look at the less difficult housing. But remember our eligibility criteria to get on the list are pretty tight. They are not going to be cherry-picking middle-class people, but there is some truth in what you are saying and we have to accept that during their development phase they are going to look to develop a secure organisation that has economic sustainability, that has cash flows et cetera before they increasingly take on risk. That is absolutely understandable. We are trying to grow affordable housing here because the best way to take pressure off the current public traditional welfare housing is to increase the availability of affordable housing, both in rental and in purchase.

**CHAIR** - I have always been a supporter of the concept of TAHL et cetera. I suppose the concern that has been expressed is that when that policy was announced to set up TAHL it was mooted as the substitute for funding for Housing Tasmania to purchase new houses. Plus, there is a gap there where no-one will be servicing category 1.

**Mr HOULT** - Certainly public housing continues and on the figures I read out about our targeted allocation we are absolutely servicing the highest need categories as a priority. It is not that nobody is servicing them. The question about this is how we grow the affordable housing sector. The elements to that growth are pulling those levers we talked about. Let us be honest - they are basically tax and Commonwealth subsidy levers. Also, getting people to leverage off being able to access private financing. To do that they need reasonably secure incomes streams and they need to be able to service whatever debt they have with the private sector. In Victoria the Government has put in additional money to fund the growth providers in terms of giving them a capital base. In South Australia the proposed model is that they will use stock transfer and stock sale of public housing to generate the growth providers' asset base. So there are a number of models and that is what we are trying to look at now in the sense of a way for Tasmania.

**CHAIR** - I suppose the problem that is being put to us is that if 700 people are on category 1 waiting list, 700 households -

**Ms BRESNEHAN** - Well, that is not quite true. In category 1 there are about 300. I can get that for you exactly, but it is combined 1 and 2. In category 1 there are 234 and in category 2 there are 900. So there are about 1 100 in the top two categories.

**Mrs SMITH** - Of the unprocessed 291, given the comments that there are a lot of people who might have decided to give up at Housing and are staying away because they know that they will be well down the category, you would have to presume surely that some of those 291 unprocessed will end up in 1 or 2 - more than half.

**Ms BRESNEHAN** - It is hard to say. The unprocessed ones are ones where we are waiting for information to be returned. It might be a medical certificate; it might be proof of

income. Quite a number of those unprocessed claims do not even come back. We have had a big push this year on our operational side to manage those unprocessed ones. Previously if people did not provide the information we were not chasing them, if you know what I mean. Whereas this year we have said, 'come on, if you have a genuine need we really want to know where you are at'. So you can see that that number has come down because we have focused on trying to be really on top of that area. I think there would be an even spread across the categories.

**Mrs SMITH** - Of that 291.

**CHAIR** - The thing is you have 2 600 people on the waiting list - 1 200 in the category 1 and 2. Over the last ten years public housing stock has been depleted by 2 400. You have had some net gains over the last three years, but that is from the Affordable Housing Strategy which is no longer applicable. The gain has been because of the remnants of the money. We do not see in the budget a huge potential for net gains in the future under current policy and TAHL is to deliver 700 homes in four years. It does not add up, does it? It is going to be serious. A lot of people are not going to be -

**Mr HOULT** - And I think that that is what we have been seeing about the public housing authorities right around the country. The speed with which housing affordability has changed in this country has been dramatic in terms of the housing market. Housing markets usually tend, except in a few hot spots, to move relatively consistently. We have seen very rapid changes in housing affordability in relatively short time frames, which is why you have seen the emergence in Australia of an interest in innovative techniques to get more affordable housing very quickly. We, like you, have been very interested in looking at them and will be going back to governments in the coming months to try to talk about where we might pursue those. Yes, there is a gap.

**Ms BRESNEHAN** - Our general approach and thinking is how can we maintain and preserve public housing for those people at the high needs end and at the same time how can we try to explore these new models where we know that we can get some growth. At the moment the cost structure of public housing is such that a dollar invested in public housing is in fact a dollar lost whereas a dollar invested in these new models could be a dollar gained. It is a question of let us preserve what we have but let us get some growth where we can take advantage of those other taxes and CRA.

**Mr HOULT** - Certainly the current Commonwealth setting - and I am not just talking about the CSHA but I am talking about how not-for-profit organisations can tap into CRA, how they have tax advantages et cetera - is driving every public housing authority to consider those options. You would be business foolish not to do that. Whether in fact that in the long term is the best thing for the country, whether it is substituting payment from one level of government to another - all of those things are reasonable questions. But we exist within settings and economic settings that are not of our making and we would be foolish not to consider taking advantage of it. The issues are of course that there are parameters can be changed by that other level of government.

**CHAIR** - The key factor is that the Commonwealth-State Housing Agreement is up for grabs.

**Mr HOULT** - Absolutely.

**CHAIR** - What do you think is going to happen there?

**Mr HOULT** - Chair, I have absolutely no idea. You can ask me the same question about a number of other Commonwealth-State agreements including the Healthcare Agreement and Disability that are currently up for renegotiation and I do not have a clue. I think there is huge risk on what has been promulgated as a model by the previous Government which is now in caretaker mode in that it seems to have been implying that investment directly into State housing authorities has been inefficient. I would absolutely dispute that and I think the figures we have shown about Housing Tasmania would not support that at all. But if it follows the pattern of the last more than 10 years, 15 years, that the Commonwealth will attempt to establish funding relationships that miss out the State level of government - and they have done this across every category of social spending whereby they attempt to fund directly into NGOs or directly into local government. If that pattern continues then Housing Tasmania's options in terms of capital growth will disappear entirely and we will be faced with a declining viability in the public housing authority in this State.

**CHAIR** - Is there a contingency plan for that?

**Ms BRESNEHAN** - I think we could say that the current Federal election will be pretty significant in this respect. The current Liberal Government have signalled an end of the CSHA and they have in July and August of this year put out a request for information, a request for proposals to the private sector which would allow them to fund them directly for the construction of public and social housing. The Federal Labor Party on the other hand, the Opposition, if they were to get into government have said that they would renew the CSHA albeit in another form. It is likely to be a national affordable housing agreement and they have a range of other initiatives that they have announced as policy around tax rebates for rental schemes and an infrastructure fund to support local councils to do planning and infrastructure development. They have a range of strategies and they are supporting a CSHA agreement. The Liberal Government on the other hand are very uncertain.

**CHAIR** - What are the contingency plans ? Really, what I am asking is what would be the impact on Housing Tasmania.

**Mr HOULT** - If Housing Tasmania continued to have a \$60.7 million debt retirement problem for the next -

**Ms BRESNEHAN** - 2040.

**Mr HOULT** - till 2040 and lost an income of the equivalent of \$21 million a year, the net effect would be dramatic, which would entail either the State tax base stepping into the void to maintain the current situation or it would lead to a rapid decrease in the capacity of the State's public housing authority to continue to own the number of dwellings it owns.

**Ms FORREST** - I hear what you are saying about the issues with the uncertainty at a Federal level. With TAHL, one of their chief drivers or incentives is the CRA. If that was



removed or modified dramatically in a way that the benefit was not as great then that could have a significant impact on their ability to produce the goods, so to speak.

**Mr HOULT** - I think you could safely say that if the Commonwealth Government decided to remove access to CRA from all not-for-profit housing around Australia you would see, if not the demise, then the reversal of the move to have those as major growth providers for affordable housing.

**Ms FORREST** - You think that would be an unlikely decision then?

**Mr HOULT** - It certainly would not be picked on one organisation. It would have to be the taxation policy of the Commonwealth Government. I think that would lead to enormous outcry and some fairly influential not-for-profit non-government groups would be making very loud noises to the Commonwealth Government.

**Ms BRESNEHAN** - In fact some of the negotiation discussions around the CSHA is to go the other way whereby State housing authorities are asking that the CRA payment be paid to public housing tenants rather than private, so anybody who is in social housing or low income can get access to CRA. So if public housing authorities had access to the CRA benefit then their viability and income would be significantly improved.

**Ms FORREST** - That flows on a bit from the comment Peter made about the rents you charge. You say you have a variable rate of rents for properties and that is an average of 19 per cent of a person's income.

**Mr HOULT** - It is an average. That is an average figure of disposable income.

**Ms FORREST** - Nineteen per cent of what?

**Ms BRESNEHAN** - On average of people's assessable income.

**Ms FORREST** - Why do you have such a low level? You are getting 19 per cent of a low income whereas many other organisations and private not-for-profits would charge up to 30 per cent. Again, it may be a low income, but 30 per cent of a low income is a bit more than 19 per cent of a low income.

**Mr HOULT** - There has been a very longstanding social policy of governments in Tasmania to treat rents in that way. I am embarrassed to say I think it was when I was last in public housing in 1988 that those rent-setting models were actually being established. They have been refined in bits and pieces in a number of iterations, it would be, Mercia but -

**Ms BRESNEHAN** - That is right. Basically housing authorities around the country have various rent calculations and ways and methods of dealing with it. A number of them have been variable and that has been the case in Tasmania but over the last two years all other State housing authorities have gone to a flat rate of 25 per cent. New South Wales, in fact, are about to push to 25 per cent to 30 per cent whereas we are the only ones who are still on a sliding scale, variable rate which on an average now means we are only charging 19 per cent.

Next year when our full market rent reviews come in because we have increased our market rents then it will in fact reduce to about 16 per cent of average income. We are internally looking at this. We are having discussions with the minister and it is in fact one of the issues that the minister wants to talk about at her forum because she recognises that the concept of putting up rents is a delicate issue so she wants to have some discussion at her forum about that issue. So it is certainly in our sights to look at.

**Ms FORREST** - I am sure there are a number of things on the agenda no doubt but one of the others is looking at life tenure issues?

**Ms BRESNEHAN** - Yes, that is correct. As Peter referred to in his opening comments, issues of rents, life tenure, really go to the heart of what is public housing for, who is it for, what is it about and the arguments about tenure. On the one hand if people are in a home for life then they can build the home, they have a sense of community, the kids go to school, you have access to jobs but the downside of that is that if your circumstances do improve and you are no longer in need of that assistance then it is actually stopping somebody else who is more needy so you have to weigh up those social outcomes.

**Ms FORREST** - If you had models that included a range of housing options within the same area, for example you see one person living in a three-bedroom home and a family waiting for a property. If you had a variety within the same geographic area and access to the same services, same schools, same everything, is that a more workable option to move people around within that same setting, within the same support networks, but perhaps better utilise the stock for the people who need it.

**Ms BRESNEHAN** - Again it is tricky, because who is on the waiting list and what you have in terms of the stock creates a dilemma for us. About 48 per cent of our applicants on the waiting list are single people and our stock is predominantly three-bedroom houses in broad acres. Straight away you have a mismatch. When a single comes on the waiting list and the next available house is a three-bedroom, what do you do? Do you not house them. We look at the people on the top of the category and within the top half a dozen we try to get the best allocation. We do not drop down, but look at the person with the highest need. By nature of the stock we have under-occupation of our houses.

**CHAIR** - In that situation would you put a single person into a three-bedroom house sometimes? You try not to.

**Ms BRESNEHAN** - Within category 1 you would go down to the point where you can get the best match but if the first 100 are all singles, then we have no choice.

**Mrs SMITH** - That is a different message to what the clients understand. The clients come into our electoral offices and tell us they are only offered what they are entitled to. That is what they are told, that there is no flexibility.. You are telling me that under particular circumstances and urgencies it does not stand.

**Ms BRESNEHAN** - This is the delicate art of housing allocation. I would not want to be absolutely foolproof. We have some allocation policies based on household composition. They give us a broad set of parameters. Once clients are put on the waiting list it is a matter of matching up as best as possible that need with the houses that are available as they become available.

**Mrs SMITH** - I was interested, Peter, in what you said about rent setting and the different tenures being raised at the ministerial conference. I find that fascinating when housing is a State Government responsibility and the ministers are going to have a conversation about it although Queensland gave strong evidence of how they work a tenure process - five and ten years. New South Wales gave us evidence about their two, four, six year arrangements, to discuss individual needs. The conversation is around whether the client would be better placed in something smaller to free up a particular home. If that were the case they would transfer that client at the department's costs, to allow them flexibility around their stock.

**Ms BRESNEHAN** - We do that now but we do not have a policy. That certainly is our practice. Often we will get a request to modify a property which might be 30 or 40 years old and a family home now occupied by a single elderly woman. It is a large three-bedroom place with steps, a bath, a large garden and it might be failing at which point they ask for \$20 000 or \$30 000 to upgrade the property to make it accessible for that person. We go in and ask if this is a long-term solution for the lady. At the moment we have those conversations about trying to relocate people but if that person does not want to move then we are caught.

**Mrs SMITH** - It is no different in Queensland. But they act very strongly when a new client comes in and is allocated a property they know it is for x amount for years and then it will be reviewed. That is a stressed position. I am interested because the discussions will be national.

**Mr HOULT** - The discussions will be at the 2 November forum meeting. The minister wants to test with stakeholders ideas about change. It is a State-level decision and we utterly accept that. It is a State policy decision.

**Ms JACOB** - All of the modelling and figures have been done.

**Mr HOULT** - I have to emphasise to you that over the last 20 or 30 years any attempt to change tenure relationships in Tasmanian public housing has been vigorously opposed by a large number of community groups and advocates. It is not something that they like, they argue that life tenure is life tenure. It is difficult to come back from those positions just as it is difficult to change rent-setting policy.

**CHAIR** - I think Queensland has dealt with it through a grandfather clause. That is a possibility, isn't it?

**Mr HOULT** - It is, but given our turnover rates that will have a very slow impact on any allocation policies.

**CHAIR** - Alison mentioned the data, are we able to access that?

**Ms JACOBS** - What I mean is whenever we have any of those discussions we have always done the figures, the modelling, the options, the effects all of that sort of work. That is where people like Katrina come into the plot because all of that work gets done.

**CHAIR** - Is it possible to get access to that?

**Ms BRESNEHAN** - We have draft papers for the minister's forum and when we send those papers out we could make them available to the committee. There are also a workshop paper on tenure and eligibility and on rent setting that talk about our current thinking. We would be happy to make those papers available.

**Mr HOULT** - That will be in the next couple of days.

**CHAIR** - Okay.

**Mr HARRISS** - I am still on that theme that is being developed by Ms Forrest and Mrs Smith. Mr Houlton, I hear what you said about the opposition by community groups to revisiting that profile of people across the housing portfolio. Is there a mood within the department to 'toughen up' when a housing tenant family's profile changes with time and the things that we have been discussing? The three-bedroom house was okay for the family 10 years ago, but now there is only one person left. Is there a mood within the department to toughen up on that sort of issue, to adequately and properly address both the affordability issue and also some measure of homelessness?

**Mr HOULT** - Is there a mood within the department? The department has provided policy options to government for 30 years on these matters. Governments make decisions about them and that is what governments are for, in my mind anyway. What there has been is a lot of work looking at what is possible and what effect it might have. The other thing you have to say is that it will not have the dramatic effect people are talking about because our waiting list is largely not composed of people who want three-bedroom houses on broadacre. Even if you freed up three-bedroom houses on broadacre you would not have a happy run of people coming off the waiting list being moved there.

I think the thing to realise is that because we are targeting the most in need - single people or single-parent families, small families - compared with the kind of housing stock we have on our books which was built and planned in the 1950s, 1960s and early 1970s which was targeted at nuclear families in what were then believed to be growth areas. I have to say that the decisions made in the late 1960s on Gagebrook, Clarendon Vale and those places was overturned and overcome in terms of its social amenity by putting in the Southern Outlet.

**Ms BRESNEHAN** - Each one of these issues is worth a whole day's discussion by itself but there are a few different ways of coming at this problem. You can talk about tenure in terms of the property or you can talk about tenure in a system which allows you to guarantee a home but it may be different depending on needs. That is another way of looking at it.

Another approach is to look at eligibility. What happens is that when you come into public housing you are assessed on your income and your circumstances at that particular time. Your circumstances may change so it might be that what we do is review your eligibility. For those people who have increased incomes and have managed to stabilise their lives and can manage on their own, it may be that the right point to find another incentive for them to move on. There are different ways, like carrots and sticks, that you can use within the system to get at this.

You can deal with misallocation, under and over-occupying by having flexibility within the system and you can deal with people who have overcome their circumstances and are on a better income through looking at eligibility. It is how you put those things together in a policy sense and we are certainly looking at all of those options and putting forward a range of possibilities.

**Mr HARRISS** - I understand and that has given a good background to the issue. It is complex, it is not just the fact that the kids have moved on mum and dad are left. It is this matter of capacity to pay if you like, we will call it a means test for want of a better term. Peter you indicated in your opening remarks that an average of 19 per cent of income sits with your portfolio's situation, policy is a maximum of 25 across the nation. But you also said -

**Mr HOULT** - It is actually slipping out now in some places. I believe New South Wales is now looking at up to 30 per cent.

**Mr HARRISS** - Yes, Mercia mentioned that.

**CHAIR** - Which is housing stress.

**Mr HARRISS** - Between 25 and 30. So the fact that your average is 19 per cent goes to the matter which Mercia just addressed, the capacity of your clients to pay. This suggests to me that because your average is 19 per cent there might not have been too much consideration over recent years, or even history, as to revisiting those customers to see whether they ought to be moved on. Because if the average is only 19 and then later on - I think it was Mercia who said that when full market value is assessed next year that average will come to 16 per cent. I would like to understand that more. So there are two part to the question. First of all, what attention has been given, over recent years in particular, to the fact that 19 per cent is your average, which suggests to me that you have a heap of people in there that ought not be. I am being rather harsh about the issue and probably simplistic. The second part of the question is to ask for more explanation please about the 16 per cent average.

**Mr WHITE** - Before that is answered, Paul, there is probably just a slight miscomprehension of the income levels for rent. When we talk about the 19.6 per cent, that is actual gross income. What happens in public housing is that certain income types, such as family tax benefits et cetera, are given certain exemptions and if you added those up and grossed them, then you are looking on average at the 19.6 per cent. In terms of the assessable incomes, the sliding scale starts at 21.5 per cent and on average works out at 23 per cent or thereabouts.

**Mr HOULT** - This is the other complexity in trying to compare with other States. What they define as income becomes really interesting and changes over time. It is very hard to compare them because you are often on the surface level not looking at apples and apples, particularly the way the treatment of Commonwealth payments has changed in some jurisdictions over time. It is not easy but I think it is safe to say that Housing Tasmania virtually continually have reviewed their options around rental and put forward that information to government for many years. Again, it is a government policy decision about what the Government of the day believes is a reasonable charge to people to occupy that housing. Housing Tasmania has a requirement to tell government what its

policy options may be, and also to tell government how those options might impact. They might impact on the ability of the public housing authority to become more or less viable, but it is a government decision absolutely about what levels they set those things at. There is not a lot of science in saying 30 per cent of disposable income equals housing stress.. For somebody who is on \$200 000, 30 per cent of disposable income does not put them in housing stress, but if you are on an average or less income it certainly does.

**CHAIR** - But your clients -

**Mr HOULT** - Absolutely, of course it is. Now that we are targeting people who are almost entirely dependent on social pension and benefit, yes.

**Mr BRESNEHAN** - Can I just clarify something? I misquoted my notes here. In fact when I talked about 16 per cent before - that is in fact that 16 per cent will be paying market rent when we move to the full market rents, not that the average rent charged would be that. I misread that when I read it out.

**Mr HARRISS** - Yes, because I was trying compute how, if we were at 19 per cent now, we -

**Ms BRESNEHAN** - We could go back the other way. Sorry.

**Mrs SMITH** - There is actually quite a good explanation of your payment thing on page 7 - the extra info we got.

**Mr HARRISS** - A couple of other issues on that theme. I want to try to understand as best I can the 19 per cent issue. Peter has mentioned that it is a mix of components of the family income. It could be, as you said, family tax benefits.

**Mr WHITE** - It could include disability pension payments which would not be fully assessed, payments under the Commonwealth Pharmaceutical Scheme and the like that all come into a total if you looked at someone's gross income. A lot of those different payments - and there are literally hundreds of them that we have to look at in our rental structures - we make either fully or partially exempt. The basis of these exemptions is that some of those payments are made for specific purposes so it is obviously not fair to charge people rent for that service or payment.

**Mr HARRISS** - In relation to the matters in the preparation of a paper for the forthcoming ministerial forum, does it include statistics on the profile of the percentage of income used to pay rent? Do you have that breakdown and if you do can this committee be provided with it?

**Ms STEPHENSON** - We have modelled about 10 possible rent scenarios and for all of those we have looked at income brackets and how many would get decreases and increases and things like that. To include all this in the paper for the forum would be too much and also it is specific to a point in time with incomes and tenancies changing all the time. We are hoping to get out of the forum some consensus from the stakeholders about which of these multitude of options we should do some further work on and to enable us to do that sophisticated analysis of potential impacts on current tenant group by going down a particular path.

We do have some data but it is quite old because we have been doing this off and on for years for various things. We need to get some agreement about whether to use a split formula, a variable formula, a flat formula, what would be the most acceptable to a broad range of community stakeholders because that will always be the sticking point.

Many of you would have received letters in relation to market rent increases and that was just one component of the current formula. You can imagine with a change of formula we have to tread very carefully in making a decision about how to do that work. There is modelling, more on some scenarios than others, but we need to do a bit more work once we get imprimatur from the stakeholders.

**Ms BRESNEHAN** - We know for a flat 25 per cent rate, for example, the average increase across the board would be \$6 per household. In the variable rate it is different; if you use a flat rate the average might be \$6 but some rents would come down and others would go up to get to that flat rate. It is those whose rents would go up that we are particularly concerned about. While the average is eight I cannot give you the range off the top of my head. The dilemma in moving to a flat rate is that once it is in place it is fine but the transition is difficult.

**Ms JACOB** - It is not necessarily instinctly fair either because when you look at the effect on different client groups it does not necessarily have the least effect on those who you would consider to be the most needy. You have to be really careful about change.

**Ms BRESNEHAN** - About 8 100 households would be affected by that sort of adjustment.

**Mr HARRISS** - I know that it will only be a value judgment which I or other committee members might make, but can you provide to the committee the statistics which give that mix?

**Ms STEPHENSON** - The current tenant profile for 2005, is that what you mean?

**Mr HARRISS** - Yes. You might have 100 people paying 10 per cent of income whilst the average is 19 per cent and we would get that profile mix.

**Ms BRESNEHAN** - I see, you want the breakdown of the current profile of what percentage of rent people are paying.

**Ms STEPHENSON** - We have assessable income versus gross income. The 19 per cent is of gross - I am sure we would have it.

**Mr HOULT** - We can take that away and see what we can do for you? We will try to define our terms reasonably well so it is comprehensive.

**Mr HARRISS** - Yes, against the backdrop of what your delegation has said.

**Ms STEPHENSON** - We do not have historic data so it would probably cover the last 12 months.

**Mr HARRISS** - That would be fine. It will give us an indication and, as I said, it would be a value judgment and there is no particular cleverness in that. It is an interesting profile because some evidence to the committee suggests that some of your tenants are paying as low as 15 per cent which clogs the system in the words of others.

**Mr HOULT** - I have to say that from a management point of view, a flat rate has enormous attractions. Let us be blunt about this. I remember the list from 20 years ago and no doubt it has grown enormously - it is incredibly complex. It is difficult to gather the information from clients - and a lot of clients complain about how much time they spend getting information from Centrelink and other places. It is difficult to assess and it changes rapidly all the time. You get strange situations - at the last election the Federal Government gave aged pension holders \$500. What do you do with that? Do you say, 'That's equivalent to \$10 a week so we'll add it to your assessable income?' Those things become really very difficult. If you were setting this up as a business from scratch, you would say, 'I would much prefer to have a fixed rate' and deal with the anomalies that emerge in other ways rather than try to assess everybody to get some notional fairness, which is incredibly difficult to describe.

**Mr HARRISS** - The major anomaly that would arise in another way would be that if you strike that flat rate then some of your clients would be paying way above market rate.

**Mr HOULT** - Yes.

**Ms BRESNEHAN** - At the moment we have a ceiling, but if you wanted some incentives and market signals in there -

**Ms FORREST** - How often is the rate assessed? People's income can vary a lot. They might get a bit of part-time work or whatever. As you said, the \$500 -

**Ms BRESNEHAN** - We have a requirement in the lease that people tell us when their circumstances change. That does not always happen -

**Ms FORREST** - Every time their circumstances change?

**Ms BRESNEHAN** - Yes, particularly their income. If people have not been forthcoming with that information, we pick it up when we do an annual visit and check on who is living in the house, the condition of the house et cetera.

**Ms FORREST** - Do you think that could be a disincentive for someone who perhaps may have a part-time job or whatever - they are on a low income, that is why they are there - to take on more work? If they get a bit of extra casual work or something and they have to declare every little bit -

**Mr HOULT** - They are only declaring a proportion. We are not taking all of it off them.

**Ms FORREST** - I am not saying you are taking it off them, the fact that they have to do the reporting -

**Mr HOULT** - If they have incredible sensitivity to changes in their income it might, but I am not sure that many people do react that way. I think the decisions about whether to take



on more work or not would not be made on the Housing Tasmania formula and what its net impact might be.

**Ms FORREST** - So you don't think it is a disincentive?

**Mr HOULT** - I don't think it is transparent enough to be a disincentive, to be quite honest.

**Ms BRESNEHAN** - There is a lot of discussion about this nationally and certainly for the Federal Government our current Government's rent-setting policies are a disincentive to work which is why everybody has moved to a flat rate to make things a lot clearer. The research shows that it is not really a disincentive. Different States and authorities provide different things such as rent holidays. You can negotiate things. We have understandings with people whose income changes, if they are on casual work and seasonal work. Again, it just goes to the complexity of this issue and how much effort has to go into managing it.

**CHAIR** - Can I change tack a little bit? In the supplementary information you gave us, on page 3 of the financial figures, there is some interesting data that tells a bit of a story. It shows the financial income and expenditure in broad figures over the last decade. Basically the contribution from the Australian Government has dropped by about \$4 million from 1996 until now. The State Government income until 2004 was fairly static, it ranged between \$10 million and \$12 million. Then it jumped to \$36 million in 2004-05 with the Jim Bacon Affordable Housing Strategy money. It was \$26 million in 2005, reflecting additional funds but with the decision not to proceed with stage 2 of the strategy it has dropped to \$14 million. At the same time your rental income has helped a little bit because there was a \$7 million increase last year.

**Ms BRESNEHAN** - That last split was when we moved to update the market rents.

**CHAIR** - When you look at the impact of that and at the expenditure side, what cutting back of the Affordable Housing Strategy means is that in the preceding two years you spent \$30 million and \$34 million in capital expenditure, buying and building new properties which was a substantial increase, a record spend. This was good. With the deletion of the Bacon policy, you spent \$10 million in the last financial year which is a record low. The worry for me is this coincided with a time when we are in a housing crisis. The category 1 and 2 waiting lists would seem to indicate that we are in a bit of a crisis. What is your recommendation to Government about the amount of capital expenditure you need to be able to tackle the category 1 and 2 waiting lists?

**Mr HOULT** - Our recommendation to Government has always been to tell them how many people were on the various waiting list during the budget time and indicate that we do not have the capacity to house.

**CHAIR** - What is the figure that you are giving Government? You put in budget bids.

**Ms BRESNEHAN** - This \$10.9 million includes a \$6 million repayment to the CSHA debt.

**CHAIR** - Does that mean you only spent \$4 million on capital expenditure?

**Ms BRESNEHAN** - That's correct.

**CHAIR** - That's all we had to spend in the last financial year, at a time when we are in crisis. It would be fair to say you are starved of capital expenditure funds.

**Ms BRESNEHAN** - What we tell Government is what we need to maintain the portfolio. We provide the figures about our maintenance and upgrade requirements to maintain what we have and we leave it for the Government determine how much they will invest.

**CHAIR** - At last year's budget bid, what was the figure you asked for?

**Ms BRESNEHAN** - We didn't put it in.

**CHAIR** - That is a bit abnormal, isn't it?

**Mr HOULT** - No. We have a forward estimate and we know what we have. It has been made plain by the Treasurer over the last two budget cycles that we get our forward estimate and that is what we live with.

**CHAIR** - What advice do you the Government about the shortfall and the impact of the Treasury decision?

**Mr HOULT** - We tend to do that in terms of informing the Government about people who are on the waiting list. We do not do a lot of theoretical costing of capital works programs and things like that. We inform the Government of the waiting list and the demand pressures that are on the agency, as is the case with the public hospital system, disability services and other things.

**CHAIR** - What is your advice to the Government on the waiting list and the impact of only \$4 million to spend on capital expenditure?

**Mr HOULT** - The advice to the Government would be that this will not make any impact on the waiting list.

**CHAIR** - In fact, the waiting list will probably get worse.

**Mr HOULT** - That depends on the inflows and outflows from the available stock.

**CHAIR** - The other thing that the figures on page 3 tell me is that from about 1999 onwards, the capital sales figure has increased. There was a huge number of property sales in 2002 through to 2004. What were your reasons for that, for the record? Then, when the Bacon strategy money came through in 2004, you stopped selling properties. You went from \$30 million worth of sales in 2002-03, \$21 million in 2003-04 to \$4 million and \$7 million in the next two years after the Bacon strategy money came through.

**Ms BRESNEHAN** - It was before my time. From what I have picked up, I think in the early 1990s there was much less pressure in the market. The realignment issues in the public housing portfolio were really coming to the fore and there was a conscious decision to try to sell off the stock that was no longer performing in the broad acres and re-profile to an infill policy whereby we were buying and constructing houses closer to services in the city. There was a conscious attempt to sell off what we did not need and rebuild where

we did need with more appropriate stock. I think the market conditions at that time and the waiting list allowed that environment to happen. But when the market lifted there was a decision by Cabinet to reduce the sales policy so that it was limited to 150 with the Affordable Housing Strategy.

**CHAIR** - So what is the future now with it?

**Ms BRESNEHAN** - The policy position is still 150 but we have not been able to achieve that in the current market over the last two years as is reflected in - I do not know if the numbers are here.

**Mrs RATTRAY-WAGNER** - Forty-six.

**CHAIR** - So if you continue on - the budget figures you get from government to continue on as they have this year and if that is the advice you are still getting from Treasury and you only have \$4 million to spend next financial year and the year after that, what is the impact of that on waiting lists and the future sustainability of Housing Tasmania?

**Mr HOULT** - I do not think anybody would argue that the current model of housing in Tasmania is sustainable. We have - like every other State you have visited - told you the exact same story. The graph will look exactly the same in terms of affordability and sustainability in public housing authorities in every State and Territory in Australia.

**CHAIR** - Some States have substantial increases in capital expenditure, though.

**Mr HOULT** - Some have but most of that is going to attempt to increase the amount of affordable housing available. It is not all targeted at category 1s or the high need.

**CHAIR** - There is a focus in New South Wales.

**Mr HOULT** - It is but if you look at the proportions they are doing some and, of course, New South Wales has come off a much smaller base of housing stock available as public housing in proportion to the total housing stock. We are the equal biggest in terms of proportion.

**CHAIR** - If Housing Tasmania continues to have \$4 million to spend on capital expenditure, the solution for that is the community housing, for want of a better term. The fact is the commitment at the moment is 700 homes in the next four years so we just continue the crisis. There are not enough homes being provided. Housing Tasmania is starved of funds to be able to build any more and the only thing we have to supplement that is 700 homes in four years.

**Ms BRESNEHAN** - That is the current position.

**Mr HOULT** - They are the budget figures.

**CHAIR** - Yes, I am not blaming Housing Tasmania.

**Ms BRESNEHAN** - As Peter said in his opening comments, we try to do the best with what we have and I think we do really well with what we have in terms of our performance

but there are pressures and the most immediate pressure is on the maintenance area and maintaining what we have. So there are two issues. One is maintaining what we have, the other is getting some growth, and the question is how long is a piece of string. The maintenance issue is you are always going to have to maintain your existing portfolio so, again, it is a question of what level of amenity you want. These are very expensive and endless questions that we are pondering, and to find what is the desirable level is pretty difficult.

**CHAIR** - The budget cycle has started for this year. Is there a recommendation going forward to Treasury this year?

**Mr HOULT** - We provide information on demand across the agency through the minister regularly to inform government where the demand pressures are and will continue to do so but the Treasurer has made it clear that the forward estimate is the forward estimate currently.

**CHAIR** - That means you will be expecting the same budget figure for next year.

**Mr HOULT** - The forward estimate has a 3.5 wages and salaries growth in it so basically the Government's capital program will be negotiated - the Government still runs a separate capital program and we input to that on what the demand system is and the Government will make its calls within its overall capital budget.

The other interesting thing, of course, is that because they built proportionally so many homes in the public housing sector Tasmania is now at a disadvantage due to the 1950s, 1960s and 1970s. Except for South Australia we are now maintaining more than any other State proportionally and that has created another difficulty because many are now reaching if not the end of their economic life then they are coming to the high-cost end of their economic life. The State Government's 1960s and 1970s investment in public housing is becoming an increasing liability in the 2000s.

**Mrs RATTRAY-WAGNER** - I want to ask a couple of questions about the maintenance issue of the stock. I just noticed in the figures that were available that there has actually been a decrease. So does that mean that out of the 1 485 homes that have been sold in that 2000-04 bracket that pretty much got rid of the old ones and even though we are maintaining older stock there are not as many of them? With the decrease in maintenance I would have thought that we would have needed more maintenance funds if we had an older stock.

**Mr WHITE** - The sales programs that occurred probably through that period from the late 1990s through to about 2004 did focus on the sale of three-bedroom homes and tended to be the older style of home or typically in the broadacre areas.

**Mrs RATTRAY-WAGNER** - High maintenance.

**Mr WHITE** - Generally the high maintenance. What was happening as well in situations where there was a long-term tenant or some other issue where there were significant maintenance items on a property, rather than spend the \$40 000 to \$50 000 or whatever that may have been required for the full upgrade, that property was sold in those times so

that actually removed some pressure from the maintenance budget and that has assisted us over the last couple of years in managing maintenance as we have.

**Mrs RATTRAY-WAGNER** - Okay, but there is still a decrease in that maintenance budget, Peter.

**Mr WHITE** - That is correct.

**Mrs RATTRAY-WAGNER** - Is that because you don't have the funds or are you just not needing to do as much maintenance?

**Mr WHITE** - We are managing to budget. The figure for this financial year's maintenance is \$27 million in budget. So we have actually increased over \$4 million for 2007-08 in our maintenance budget so we have allocated further funds this financial year.

**Mrs RATTRAY-WAGNER** - Okay. It is my understanding that the maintenance budget has just been let again; is that correct?

**Mr WHITE** - Yes, the maintenance contracts were let. We have what we call four head contracts across the State and they commenced on 1 July this year.

**Mrs RATTRAY-WAGNER** - Okay. So what sort of audit do you do on maintenance works? As a department do you audit a percentage of the maintenance?

**Mr WHITE** - We audit up to 20 per cent of works for timeliness of the works. There are certain requirements, especially legislative requirements, from the Residential Tenancies Act. For example, a 24-hour turnaround on certain items that are critical in a home and then we have other time frames depending on the urgency of the matter. There are audits done of the quality of the work undertaken by the contractors.

We inspect the quality of the workmanship of 5 per cent of those projects, and there are also audits done of what was ordered up and what was done, whether they did *x*, *y* and *z* or did they just do *x* and *y*. In addition to that, tenants are contacted through the contractors about their responses in terms of timeliness of the response, service, quality, did the guy run dirt through the home, were the tenants treated with respect and all these sorts of things.

5

**Mrs RATTRAY-WAGNER** - So you would only do about 5 per cent site visits?

**Mr WHITE** - Five per cent site visits, that is correct, but these other audits occur on a random basis. And our contracts we have effectively have bonuses and penalties, depending on the benchmarks that we have. We have a 95 per cent base benchmark in those contracts. If the contractor achieves better than 95 per cent against those criteria they will get a bonus, if they do poorer than that they will actually have a penalty under the contract, and that is done every month.

**Mrs RATTRAY-WAGNER** - Okay.

**CHAIR** – I have one last question on the page 3 table. Regarding the \$225 million from the Australian Government, the interest figure there is \$10.9 million but we always talk about \$17 million.

**Ms BRESNEHAN** - It is that plus the \$6 million, so there is a capital and an interest component.

**Mr HOULT** - Principal and interest. The other \$6 million is hidden.

**CHAIR** - So it is \$17 million?

**Mr WHITE** -Yes. Just under.

**Ms BRESNEHAN** - \$16.7 million.

**Mr HOULT** - \$16.7492.

**Mrs RATTRAY-WAGNER** - And it will be paid off in 2040, did you say?

**Ms BRESNEHAN** - 2042.

**Mr WHITE** -So the current debt is around \$240 million to \$242 million.

**Mrs RATTRAY-WAGNER** - Have you as a department asked the Government to take the debt and put it back into consolidated debt?

**Mr HOULT** - I believe we have asked the Government over many years about other ways of handling the debt. I believe that the Premier recently wrote to the Commonwealth Government suggesting that this debt was not an integral part of their finance strategy and it should be forgiven.

**Mrs RATTRAY-WAGNER** - Okay. So they feel the same as the department then?

**Mr HOULT** - The implication of the Premier's statement was that should that occur, the entire Commonwealth funds would flow to the department but given what might happen with the CSHA, it might be a Pyrrhic victory.

**CHAIR** - One of the problems is that some States have already retired the debt.

**Ms BRESNEHAN** - Only Victoria.

**Mr HOULT** - Victoria has retired the debt.

**Ms BRESNEHAN** - Their Treasury assumed the debt. They have not actually retired the debt.

**Mrs SMITH** - I think Queensland gave evidence they had paid their debt. Victoria has gone into Treasury and it is not sitting in the -

**Mr HOULT** - I think Queensland paid theirs some time ago in their early boom years. Victoria has gone to an interesting repayment model out of Treasury which is supposed to have some efficiency dividend out of housing to help pay.

**Mrs RATTRAY-WAGNER** - You haven't looked at that model specifically?

**Mr HOULT** - We have looked at that model and have discussed it with the minister.

**Mrs SMITH** - I think the discussions we should be having around models is probably with Treasury and not with Housing.

**Mr HOULT** - I think that is a reasonable assumption.

**Mrs SMITH** - A fair comment, thank you.

**Mr HARRISS** - Through you, Mr Chairman - on that matter of the CSHA debt, you would have done some modelling. I am just thinking that through a bit further from what Sue just said.

**Mr HOULT** - What we know is we would have \$17 million a year more to spend in the public housing authority, that is the simple equation, because it is just a pass route; they would give us \$24 million and they would take back \$17 million.

**Mrs SMITH** - We are making a presumption that that might go into capital expenditure. I think that was sitting on the table.

**Ms BRESNEHAN** - Again, it gets back to that issue about you have to maintain what you have and then there is a question about growth. What we know about maintaining what we have is that we are underspending on maintenance given the age of our portfolio. If we were to be funding that at a level that we know is going to keep it where it is then it is about this mystical \$17 million kind of area so that the debt would allow us then to be pretty well able to maintain what we have. It still would not allow us but there would be a choice then about whether you want to maintain it at that level or do you want growth, so that is the choice.

**Mr HOULT** - And whether you in fact dispose of some of that stock and replace it with more appropriate one and two-bedroom stock. Let us say that if we had the debt retired it would give significant more options in capital expenditure.

**Mrs RATTRAY-WAGNER** - And given that 48 per cent of your waiting list are single people, a two-bedroom unit situation infill in city areas -

**Mr HOULT** - Near services.

**Mrs RATTRAY-WAGNER** - and rural areas of course.

**Mr HOULT** - And rural areas. I think the other thing you should note is that the figures we gave you on potential future housing stress is also - very much the growth in housing stress looks like it will occur on the 65-plus age group so if we did have money we

would be looking to invest to service that potential growth so, yes, it would be the two-bedroom unit accommodation.

**Mr HARRISS** - Have you reached a management position with regard what you would desirably do with the extra \$17 million if the CSHA debt were retired?

**Ms BRESNEHAN** - It would be a mix of putting some into maintenance and some into this new growth area and we would come to an understanding with Government about that, but my recommendation internally would be that it would be across both of those areas. Some would be going towards maintaining what we have and we would have a sale strategy of still trying to reduce in those broadacre areas with three bedrooms. We would have a purchase and acquisition strategy about trying to get two bedrooms to meet this growing need and we would have a maintenance strategy to maintain the stock to the best condition we can, so you would be working on all three fronts.

**Mr HARRISS** - Is there any indication from the current Australian Government with revisiting next year the CSHA issue across the nation that debts just might be forgiven and that there will be a continuing contribution of the net amount to the States?

**Ms BRESNEHAN** - No. The Australian Government's current position is that they will not look at the debt as the debt is the States' problem. They have gone further to say that they may change the CSHA requirements so that it is not possible to repay your debt from the capital grant, so they are actually looking at prohibiting States from doing that. That is the Federal Government at the moment and, as I said, the ALP have said that they would sponsor the Commonwealth-State Housing Agreement and would increase funds through that agreement but what they would do with the debt I am not clear.

**Mr HOULT** - We have no certainty of what will happen in any of this. We are currently in a flexible environment about all of this.

**Mr HARRISS** - CSHA was negotiated before the introduction of GST, if I am right. That was a loan situation for all the States. It is possible to identify whether this State Government over a period of time - it is the only one that has been in office since the GST - has contributed any component of GST that you can identify, or they have identified for you, over and above the CSHA obligation?

**Ms BRESNEHAN** - In the previous five-year Commonwealth-State Housing Agreement there was acknowledgment of the transition to GST. There was a phasing down of that contribution and in this current agreement, which expires next year, there has been no GST compensation from the Commonwealth. It was up to States to decided whether or not they compensated housing authorities for GST but no additional funds for GST have been given to us in this agreement.

**Mr HARRISS** - I do need to understand the issue with the GST and you mentioned that it was scaled down.

**Ms BRESNEHAN** - In the previous agreement there was acknowledgment that GST was introduced and that State housing authorities' costs would go up as a result of having to pay input tax. That was acknowledged but they only provided that benefit in the last



agreement. In the current five-year agreement no additional funds were identified for the purposes of GST. That has been for States to deal with.

**Mr HARRISS** - It has been a State policy decision, given their GST revenue, as to whether they then passed some of that on to your service.

**Ms BRESNEHAN** - That is correct.

**Mr HARRISS** - You are telling the committee that has not occurred over what period of time?

**Ms BRESNEHAN** - In the life of this agreement, so 2004 to 2008.

**Mr HARRISS** - Please document for the committee what contribution you did get after the introduction of the GST and the fact that you have not had a contribution over the life of this current agreement.

**Ms BRESNEHAN** - There is about \$1 million per annum. I think the current GST requirements are about \$3 million but from the government point of view we received the injection of the Affordable Housing Strategy funds over and above the State matching requirements. One could argue that we were compensated over and above what was required. That all happened at the same time.

**CHAIR** - Now that has gone.

**Mr HOULT** - But it was within the terms of the current agreement. If you averaged out what the GST contribution would have been as against what the Government were putting in above and beyond its requirements, it is massively more than the GST.

**Mr HARRISS** - That was on a policy position, though.

**Mr HOULT** - We do not receive a segregated budget that indicates where the funds that the Government make come from. We would have no idea whether it was a policy decision or not. That is a Treasury matter.

**CHAIR** - One thing I need to clarify concerns next year's budget probabilities. Is any component of the \$14 million contribution from the State Government this year still vacant strategy money?

**Ms BRESNEHAN** - We have \$3 million left from the Affordable Housing Strategy which is funding some recurrent programs.

**CHAIR** - Is that included in the \$14.5 million?

**Ms BRESNEHAN** - Yes it is.

**CHAIR** - From what has been said about Treasury reading, would you expect the figure to drop to \$11 million?

**Mr HOULT** - As I said though, we have 3.5 per cent growth in salary and wages. We do not know what the Government's capital decisions will be. The Government will take capital decisions about the capital budget. I cannot answer that; certainly not for the next financial year given that it is now only October.

**Ms BRESNEHAN** - The base funding through the CSHA is \$21.9 million which is matched by the State at \$10.2 million, so the extra \$3 million here is the last bit of the AFS.

**CHAIR** - So unless a new strategy is put in place to give you additional funds, we would expect roughly \$10.2 million.

**Mr HOULT** - If we go back to the matching obligation only, but again that is a government decision and I have no knowledge of that.

**Ms BRESNEHAN** - On top of that is Government's commitment to provide up to \$6 million available capital.

**CHAIR** - I recognise that. I want to make an observation that from a planning point of view you are in a disastrous position at the moment, with the uncertainty at the Federal level.

**Ms BRESNEHAN** - These are frustrating times.

**CHAIR** - Yes.

**Mr HOULT** - I think that could bring any member of my staff here - acute hospitals are in a very similar position.

**Ms JACOB** - Disability certainly is.

**CHAIR** - We love elections, don't we?

**Mr HOULT** - We were just going to close up shop for the rest of the month.

**Mrs SMITH** - I want to explore your relationship with TAHL, a new entity that has been set up and I think we received some evidence that in December 2006 it became a legal entity so it could organise itself and start to go to work. Did you have any involvement prior to that with the setting up of that legal entity and, if so, what was your involvement?

**Mr HOULT** - Mr Barnsley was the departmental representative in the discussion.

**Mr BARNSELEY** - Setting up TAHL goes back to December 2005 with the announcement by the Premier. There was a committee-cum-working party with the relevant shareholders. They were stakeholders in the first place and then became shareholders. They met through the course of 2006. A large part of the set up was coming up with a shareholder agreement and articles of incorporation which involved a lot of legal advice because it was essential that it was set up as a public benevolent institution to get the right tax structure. A very significant part of that work was ensuring that the structure demonstrated that it was not controlled by Government so that it could access the tax benefits and the CRA. We used solicitors from Queensland who had worked with the Brisbane Housing Company and we then had to write to the Tax Office and ensure that it

endorsed everything that was proposed before it was incorporated because thereafter it would have been too late.

That legal process was lengthy and the Government had to drive that very hard all the time and support TAHL through that period which took us to 2006. I have do not have the precise date on which the shareholder agreement was signed but it is in your material and then the legal processes to set the company up flowed.

**Mrs SMITH** - Were the stakeholders Treasury and the Department of Health and Human Services?

**Mr BARNESLEY** - That is correct.

**Mrs SMITH** - Are they now the shareholders?

**Mr BARNESLEY** - The ordinary shareholder is now the Crown and the others are called community shareholders. The detail of the incorporation is such that the ordinary shareholder, being the Crown, does have special powers under the shareholder agreement for the reason that the Crown is entirely funding the operations of the business.

**Mrs SMITH** - Which department, minister or whatever is perceived to be the 'Crown'?

**Mr BARNESLEY** - It will be represented by our minister.

**Mrs SMITH** - Okay, thank you.

**Mr BARNESLEY** - In terms of correspondence with TAHL and practical issues such as approval of the corporate plan and the like, it would flow to our minister.

**Mrs SMITH** - During the 12 months of setting up this company were there any interim arrangements made with the TAHL that would be formally set up? Was any work done in that particular 12 months in that area?

**Mr BARNESLEY** - In the 12-month period we had a set of bilateral agreements that started, when it was announced in December 2005, with an agreement with STEPS to develop some properties at Warrane. There was a bilateral agreement with OneCare to do some properties in various locations and we then launched the Home Folio Tender for up to 245 properties. I will check the dates on that.

**Mr WHITE** - The tender was launched in March 2006 and it closed in June 2006.

**Mr BARNESLEY** - We got a lot of work under way with the business construction that we were going to use for TAHL. By that I mean a five by five by five lease structure. We committed those developments by selling land to the developers so that they could start the building work and have a flow of properties in the pipeline as TAHL came on-stream.

**Mrs SMITH** - I am trying to find out about the relationship with TAHL coming on-stream. Did you do all this and it is just handed over or was there some involvement between the two?

**Mr BARNESLEY** - TAHL did not exist. TAHL had no executive staff whatsoever. The work was effectively done by the government officers. Charles ? was key amongst those. It was done on the premise and understanding of the other shareholders that we would novate all of those leases to the company once it was established. As soon as the properties are built and completed, the lease is novated to TAHL for them to take over. We have done some novations already.

**Ms BRESNEHAN** - No, not yet.

**Mr WHITE** - They are being planned for the month or so.

**Mr BARNESLEY** - It was done in full knowledge of the business structure and the nature of the properties being built. A lot of them are two-bedroom properties, strata title on multidevelopment sites.

**Ms BRESNEHAN** - In Brisbane we heard that it had taken them two years to be established but we did not want to wait two years before we started. We therefore started this strategy in parallel so that at the end of it we could just novate those properties across.

**Mrs SMITH** - We have heard some concern that initially there was a presumption that crown land would be released and in the first instance Housing land is to be released. Could you take us down the path, considering the non-broadacre concept that Tasmania appears to want to continue.

**Mr BARNESLEY** - I will go back to 2005 and the Premier's announcement with reference to up to a quantum of crown land being made available. The definition of that was that sum included Housing-owned land, which is crown land. It is just under the control of the Director of Housing. In addition to that, there was the presumption that other crown land would be accessed. During 2006, with the Home Folio Tender, we identified development-ready land and, in essence, the only development-ready land that is zoned, subdivided and ready to build on, is Housing land because the Government does not normally own residential land except in the housing area.

The Home Folio Tender was premised entirely on housing land. In the funding agreement with TAHL we now have what we refer to as category A and category B land. In the category A land is a further tranche of housing land which are subdivided sites across the State. Not all of them are broadacre, I should say. We have some land that is in Wynyard -

**Mr WHITE** - We have sites in Wynyard, Ulverstone, Margate, Glenorchy. There is a range. There are obviously some in broadacre areas but there is also a mix of good sites in the traditional areas and suburbs.

**Mr BARNESLEY** - In the category B land, we have land that housing has taken over and, Mr Chairman, you would be aware of the Chigwell site, for example, where the primary school at Chigwell was closed. There is a large piece of council-owned land adjoining that and it forms, all up, about a 5.6 hectare site in, I think, a very good location for affordable housing developments. We have said with TAHL that will be a joint development because we want a mix of affordable housing, public housing and so forth.

Potentially, I think there might be some private sale of land to individuals in a mixed development setting. That is a good example of what I will call, a crown land-type development.

To progress the crown land side of the picture, which is the future, Treasury has formed an interdevelopment committee with other portfolios to start working through land holdings that are in the name of other agencies, not Health, because all of our housing-suitable land already is with Housing, and then to start the process of identifying that land and then bringing it out for release.

**CHAIR** - On that point, you should be in a good position to do that because most of the work has been done because the assessment, CLAC, has been completed. That would probably provide you with all the things you need.

**Mr BARNESLEY** - Yes. The work on landholdings of agencies has been trawled over. I have been working in the government for 15 years now and every year there is another trawl over assets that can be sold. So the identification process is well advanced.

**CHAIR** - CLAC was fairly strategic.

**Mr BARNESLEY** - And it was very much about cleaning up landholdings.

**CHAIR** - Yes. Has it been identified that the sites need this?

**Mr BARNESLEY** - I do not have that detail.

**Mr WHITE** - I was familiar with the CLAC process. Largely what CLAC has done is really looked at a lot of the reserves around the place or vacant parcels of crown land. We played a role in that and obviously they were referring to Housing Tasmania to determine if some of those sites they identified would be suitable for housing. We found that it was largely in remote areas that this land was found under CLAC. It will clean up a lot of those issues and management issues. When it comes to the provision of crown land in relation to TAHL I think what we would be looking at here is probably for agencies to be looking within some of their holdings about - I will use a school example where part of a school might be under-utilised so some of that land could be released. That was not part of CLAC.

**Mrs RATTRAY-WAGNER** - Can I get a definition of 'remote' from you, please?

**Mr WHITE** - Remote?

**Mrs RATTRAY-WAGNER** - You will have to be careful.

**Mr WHITE** - I have to be very careful. I would say the west coast -

*Laughter.*

**Mr WHITE** - I should not say that.

Certainly there are old parts of crown land on the Lyell Highway and things like this that were 3-acre blocks -

**Ms FORREST** - There is very nice remote land there; not suitable for housing though.

**Mr WHITE** - We focused on the urban areas and, to be frank, there was really nothing that came out of there except for land that DPIWE had said they would retain as public reserve and their cemeteries et cetera.

**Mrs RATTRAY-WAGNER** - You have looked all over the State?

**Mr WHITE** - That is correct. We had a process where as they evaluated sites and went through that process they would send us a CD-ROM with all the sites identified and we would go through that list and flag to them any that we had an interest in.

**Mrs SMITH** - What input does the Housing department have to the type of stock that TAHL may look to in the portfolio?

**Mr BARNESLEY** - I will answer that and I will also look at Mercia too.

From my point of view, my expectation is that the company will work with us on opportunities that it has, so there will be dialogue about the best development of a site. The best example I could use is Hopkins Street in Moonah. Once again, you would be familiar with that site, the former TAFE plastering school I think. It came up for sale under TAFE, they were going to dispose of it as a normal asset. We identified, we being the department, that this would be a good potential housing development site so we bought it in the name of Housing. We have tendered that once with a mixed commercial residential development, we did not have a successful outcome on that tender, and at the moment we are talking with TAHL about what is the best potential use of that site, taking account of what the council thinks about development approval, what we think about the market and what TAHL thinks the investor would be attracted to. You have to weigh up all three parts of those equations every time.

A really big part of this issue of crown land is if it is to be affordable housing then the land itself must be of a value that is affordable. Land in Sandy Bay is never going to be a suitable site for affordable housing but, on the other hand in terms of public housing, on occasion public housing can invest on land in the infill sense where the equation is an affordable one because it is the nature of the Crown's holding.

**Ms FORREST** - Can I ask a question on that line? You are saying that land would never be affordable in Sandy Bay for purchase. There are a number of primary schools very close to each other down that way. This is hypothetical, but if the decision was made to amalgamate those schools for a number of reasons, and that could happen, in that case being Education department land would that be an option perhaps to look at redeveloping that area? I know that it is not available at the moment but looking to the future.

**Mr BARNESLEY** - Firstly, it is all crown land. Any government agency has no legal standing whatsoever. The only legal standing is extra housing. So it is all crown land. The minister for crown land administers that land. It is a government policy decision as to how it is dealt with. Is it redeveloped for various purposes, is it sold and the proceeds

reinvested elsewhere - those are government policy decisions and it is the role of this IDC that I mentioned to look at crown land that would be affordable as to how that is identified.

**Mrs SMITH** - And that will be the role in some areas. Affordable housing means land price regardless of ownership as well as the building you put on it. The question I am looking at is the physical stock. Do you have input into any agreement as to whether you are looking for a percentage of two-bedroom units versus a percentage of houses versus a percentage of studios or -

**Ms BRESNEHAN** - At the moment we have made a request that it is predominantly two-bedroom units and that is because we have an agreement that TAHL will be housing off our waiting list. So as I said before, 80 per cent of our waiting list are either lone person households at 53 per cent or single-parent families with one child at 27.6. So 80 per cent of our applicants require a one or two-bedroom property. Investors are a little less inclined to build one bedroom so we go for two. But we also have a process with TAHL of doing a strategic plan.

There is a requirement for TAHL to do a strategic plan every year and so that would be the opportunity for us to sit down and talk with them. If they had a particular developer or investor that wanted to come in and put only three and four-bedroom houses well there is an opportunity to have a conversation about that. But I think the facts are pretty clear that this need is around one and two-bedroom so that is what we are asking them to do.

**Mr BARNESLEY** - TAHL under their funding agreement have actually four drivers for them aligning their development with need. Firstly, they are bound to take their tenants off the waiting list, they have to respond to our waiting lists. So if our waiting list is of a certain profile that drives them to construct to that profile, but they have to balance that against the market. The second issue is that a large attraction of TAHL properties is that there is a crown guarantee over the lease payments.

The developer is guaranteed that the rental payments will be delivered for the entire duration of the lease, and that guarantee we only give if we agree to the lease model. We look at each lease one by one, we have not delegated the guarantee to TAHL; they have to come to us with each proposal. The third is the strategic plan, as Mercia said, and the fourth is the subsidy structure. We have constructed a funding agreement with TAHL with an eight-year life and each year we add another year onto the end of that. So every year there is a long-term funding review of TAHL.

They know that we want to fund a business that delivers us what we want and they have to work with the flexibility of matching the market expectation of what the market thinks they want to invest in that gives long-term capital gain with what we think meets the client need.

**Mrs SMITH** - Is the \$6 million a year coming out of the housing budget?

**Ms BRESNEHAN** - It is additional.

**Mr BARNESLEY** - The \$6 million is in the housing budget and then flows back out. So it is added on.

**Mrs SMITH** - But it is additional, it has not been taken out of the stream of your funds.

**Mr HOULT** - The other thing that I think people should not forget is the very nature of the establishment of TAHL as an entity. The rules of incorporation and the membership of the board are not designed for it to be a private developer. It is actually governed by its articles of incorporation and the membership of which the Government has two nominees on the board.

**Mrs SMITH** - But the next stage is that the board have employed a property manager, a step away, and there will be another requirement to ensure that the property manager facilitates the need rather than the life easy for me as a property manager in a list of making the wrong sort of judgments. I am not casting aspersions on individuals or organisations but the danger, as you step away, may be that it is easier to house some on the list to make the job of property manager easier on behalf of TAHL, Housing and the State entity, the further you step away.

**Mr BARNESLEY** - I would like to respond on that because this has been the subject of extensive discussions since the start of 2006 and I would like Mercia to come in and add to this. Firstly, the fact that you are on category 1 and 2 does not mean that you are a difficult tenant.

**Mrs SMITH** - No.

**Mr BARNESLEY** - You can be a high priority category 1 and an outstanding tenant. Secondly, we have in what I will call the welfare housing sector, tenants from people with significant mental health issues and disability through to very ordinary tenants. When I say 'ordinary' I do not mean to be disparaging but regular people-in-the-street tenants who live year-to-year, decade-to-decade and never make a squeak. I think that what we are trying to do with TAHL is access the taxation and capital benefits where Government is constrained on its access to capital, the Commonwealth has very definitely biased its taxation incentives towards private investors and we believe that it is very valid and good to access those. The question of balance in tenants is that we want to use every opportunity we have to access every possible pathway to increase the housing stock. This balancing act about the preferred tenant is such a live issue that everybody has the fear of cherry-picking, call it what you will, and it is just a part of the regular discussion.

They are bound to work off our waiting list. I think of this as giving them pre-qualified tenants. We have a set of tenants that we would be housing as a priority, and they work within this group. Remember that some of the tenants will be offered a property in a place - they all new properties so it will be attractive - with a 12-month tenancy at the moment, I think - you had an earlier discussion on tenancy duration.

We have to manage over a long term some of our very challenging tenants and one would work very hard to keep them in a stable tenancy. TAHL may be better positioned to work with tenants who are high priority because of income and family pressure issues



but are good tenants and they are willing to meet the incentives of being a good tenant because your lease might not get renewed if you are not.

**Mrs SMITH** - My perception of this is that the department will have to still continue to deal with special needs housing - a fact of life - and that what I call public-private models through not-for-profit organisations may take some of the stress out of the system and all that helps. As you said the Government is constrained on access to capital. I look at the total value of Housing Tasmania stock here of \$1.631 billion. If I was in private enterprise and I had an asset worth \$1.6 billion I would take that asset and use it as a base to grow more housing. Has the model ever been looked at by the Government?

**Mr HOULT** - Endlessly.

**Mrs SMITH** - By the business unit that does exactly that?

**Mr HOULT** - Endlessly. The myth about the asset - pardon me. We do not have an asset, we have a liability.

**Mrs SMITH** - You have a liability but Treasury or someone must have title.

**Mr HOULT** - No, our houses are exempt because it is an income stream that is capped. It is capped by being occupied almost entirely by poor people. We have had Macquarie Bank work this. They sat down with their sharp, sharp pencils and their private sector cutting-edge brains and they told us not to bother. It does not work. There is no secret means of turning the book value of the housing stock into capital stream. The private sector does not want to know except in the subsidised marketplace, which is in fact what we are doing, and if we do it in government we do not access the CRA and the tax benefits. The only thing that makes it work are the CRA and the tax benefits. Believe me, it has been done to death. In 1986, New South Wales went to a mezzanine mortgage scheme guided by a bank and ended up in a hole with a debt of several billion dollars that the Government had to bail them out of. It does not work because there is no profit to be derived from the people who occupy the houses. If it were a saleable asset you could sell it but you cannot sell it while it has the current tenants, to be blunt because they are poor.

I understand what you are saying because people have looked and said it is a big asset surely we could do something like that. Homes West did this through the 1980s and early 1990s where they investigated every possible opportunity to leverage off a government-owned asset. They tried to create Homes West as a corporation which would be regarded as a PBI and the Tax Office said, 'Dream on, go away, you are not having it'.

I have to say that I do not know of any contrivance that has been successful anywhere in the world by a government-owned public housing asset base being used to lever additional capital in any other way than with a giant and direct subsidy from the Government itself which is greater than the subsidy you would pay to a non-government entity as long as you can target them at the group you want to have.

**CHAIR** - What about Canberra?

**Ms BRESNEHAN** - That is a new profit model.

**Mr HOULT** - It is a new model. It is a not-for-profit, tax-advantaged model. It is exactly the model we talked about earlier and what TAHL is, in fact.

**Ms BRESNEHAN** - A GBE model would not be able to leverage CRA -

**Mr HOULT** - Or the tax.

**Ms BRESNEHAN** - so that is not consistent with the new model and the new direction. It would not be able to meet the rate of return that is required of a GBE because you would need to provide a community service obligation which is really the subsidised rent which we are doing through public housing anyway.

**Mrs RATTRAY-WAGNER** - They had complete ownership of 200 houses -

**Ms BRESNEHAN** - That is correct.

**Mrs RATTRAY-WAGNER** - Is that something you have looked for the TAHL model?

**Ms BRESNEHAN** - That is a part of the new models that -

**Mr HOULT** - That is why we are interested in what South Australia is doing. They are doing exactly that. They have taken a proportion of their publicly-owned housing stock which they are moving in to these new organisations on an ownership or beneficial risk base of 35 years plus, which is regarded by the tax system as basically ownership. You can either set these new organisations up by giving them new money and letting them go off and do it or you can set them up by giving them existing stock which becomes their asset base which they can do redevelopment on and they can increase the cash flow because they can get up to \$85 a week from the Commonwealth rental subsidies that we cannot get, on top of the rent that they charge at 25 per cent of rental.

**CHAIR** - Is that an attractive model for Tasmania?

**Mr HOULT** - In my mind, yes. We have to set up new organisations of substance to do it. What we know is that this is not getting the little people who own 10 houses and lease them out to deal with a particular client group. These are people with extreme business nous, understanding the private development and private financing. TAHL is the first step on that but we very well might recommend to government that we look at one of the existing mainland groups and consider bringing them into the Tasmanian marketplace to leverage off their existing management expertise and see what they could do for us.

**Ms BRESNEHAN** - It is publicly known that through the Affordable Housing Strategy we had done work and analysis about what the core level of public housing should be. We set that in terms of an overall percentage and the high need at around 10 000 properties. Given our current portfolio is around 1 600 we said there are about 1 500 properties that we could look at these new models with. So we have been exploring and modelling and looking at what that might look like as a small start.

Peter is quite right, we have to look at a few issues. One is capacity of our sector. It is very dispersed and the thinking is not here, the capacity is not here, the skill is not here.

Also we need to put in place things like regulation and reporting, you need to be able to protect the asset. Under the ministers' conference at the moment there is a national affordable housing plan of action and one of those streams of work is looking at how we might, across the nation, build this not-for-profit sector. About 12 of these organisations are up and running so from a national point of view the ministers said we should look at this and ask what we need to do to grow it, what regulations are required, how to get some consistency in place so that work is going on and we are participating in those workshops. We're doing the modelling around 1 500 for Tassie. Our view would be to maintain public housing, have TAHL and maybe have one of these growth organisations and build it up slowly as people get to understand the model.

**CHAIR** - One of the issues there, to make it sustainable, from what we have learned, is that they need to achieve 30 per cent rental.

**Mr HOULT** - There is no given. What they will tell you is that they need to get a return of that nature. It depends how that is construed. Is it made up of direct rental taken from the tenant? Is it made up of a community service obligation paid by the Government as a top-up? Do they maximise the Commonwealth Rent Assistance? They have to cluster a bunch of payments of around that order of magnitude, depending on the price of the development and the repayment stream they have to give back to investors.

**CHAIR** - Have you done any modelling to know how much the contribution from the State Government will need to be?

**Mr BARNESLEY** - On the TAHL one, the modelling was done at the outset on a model of accessing 30 per cent of income then the Commonwealth Rent Assistance and subsidy. The Commonwealth Rent Assistance depends on the family living in the unit; a single person gets less than a couple and a couple with children would get more than just a couple. I do not have the figures to hand. Once again it comes back to the kind of property you have, the tenants you have in it, their capacity to pay will vary depending on their family structure.

I will mention another point here. We talked about the public housing and the NGO in the middle. One issue that has not been touched and it is useful to recognise, is that there is also bond rent. Another barrier to getting into housing is the bond, the start-up cost. In the Affordable Housing Strategy the bond rent scheme crosses that barrier so people can stay in the private market, but be assisted over those barriers.

All the time I think in terms of the continuum of housing solutions from the disability group home, highly supported accommodation through to the private ownership market. Affordable housing is working in every bit of that marketplace.

**Mr HOULT** - Also we should remember that this affordability crisis - and it is reasonable to call it that in Tasmanian terms, of what has happened in the last three years - will soften. In every market in Australia there have been ups and downs. Brisbane is now below us as is Melbourne. If you had done the numbers two years ago they were different. This is not some exponential curve on it. It is very likely and some people argue that the Tasmanian housing market and affordability issues are already softening. It is not as if we are going to see an endless ramping up of that. That does not make economic sense.

Western Australia has been driven upwards but by a particular set of unique circumstances in the west.

**CHAIR** - The crisis is not going to diminish as the supply of houses we are providing is still very much under the demand, isn't it?

**Mr HOULT** - It is arguable. Given Tasmania's demographics and where the hot spots are on housing stress, we might very well because older people are the potential growth area. The numbers we have show it is the 65-pluses. I would argue that they are very attractive people for private providers to have. They are good tenants. I think because the growth is in that area, if we do recommend to the Government to pursue some of these sophisticated not-for-profit entities, that is exactly the kind of people we might be able to increase the housing stock for and flatten the problems off in it.

**CHAIR** - It will require a significant CSO, wouldn't it?

**Mr HOULT** - It will require a CSO -

**CHAIR** - You are talking about people on fixed incomes.

**Mr HOULT** - Yes. But, again, if we can access all the tax advantages through these organisations and the CRA, the CSO is significantly lower than what it would be if we were housing them through the traditional government-public housing model. It is a government policy decision. But if you look at every other public housing authority in government in Australia you will see a variation of this kind of model of development emerging and quite quickly.

Everybody has looked at Brisbane. Brisbane Housing has been around a long time and it works. But it does have preconditions and these are, the tax treatment does not change, the Commonwealth keeps its rental support into the private sector and you have a relatively sophisticated organisation which is capable of keeping all those ducks in a row, as well as accessing private capital and making developers believe that they are capable of keeping it going over an extended period.

**Ms BRESNEHAN** - This is not an easy issue and building houses is an expensive business. We have to think about what is the best bang for our buck, if you like, and with our current model we are standing still if not going backwards. I think we all acknowledge that. Just to bring us to a maintenance position is expensive, let alone growth. These new models also require some degree of support. Peter has outlined the context but we cannot overstate as well. There is no golden egg in these things.

The modelling we have done says if you transfer 1 500 public housing properties then you could leverage off about 23 additional properties from that. If government put more revenue in this, say another \$3 million, you could get up to 40 properties and over ten years you could get, say, 400 additional properties just by transferring 1 500 properties from public housing management arrangements to a not-for-profit management arrangement. By this, you could get up to 400 additional properties over ten years just off that portfolio. If it remains in public housing with our cost structure then you are actually going to be losing 150 per year so you are going to be going down.

We are trying to look creatively at finding out what the best use of this asset is and to transfer it into another model you do get growth, albeit modest growth. I would not want to overstate it. All of the models you are looking at around other States, whether it is transfer or capital injection, the more money government puts in the more wood you have in the fire and the greater growth you will get. Just on the straight transfer at least it is taking you in a positive direction and not in a backwards direction.

**Mr WHITE** - On that modelling as well what we have found is that is a transfer at no cost. That is 1 500 units or whatever, with perhaps a book value of \$200 million which would be handed over at no cost. As soon as you attached \$20 million, \$30 million, or whatever price to that asset, the opportunity for growth just goes.

**Mr HOULT** - They have to borrow money to service that and basically that takes their growth capacity down.

**Mr WHITE** - That is right. They have the same problem we have.

**Mrs SMITH** - It helps your maintenance budget because you have disposed of 200 therefore you have disposed of the maintenance necessity on those.

**Ms BRESNEHAN** - Yes, that is right.

**Mr HOULT** - You are also disposing of rental stream.

**Ms BRESNEHAN** - One scenario you are going backwards -

**Mrs SMITH** - You have finished telling me it is tougher to get them so -

**Mr HOULT** - It is, it is.

**Mrs SMITH** - You are still in a plus situation.

**Ms BRESNEHAN** - I do not want to overstate it but these are definitely worth looking at because in one scenario, the current one, we are going backwards. With these new scenarios you are going forward but you get better leverage from what you get putting in.

**Mr BARNESLEY** - The other side to this is building the capability for change and in the past year, getting TAHL in place, the infrastructure involved in that is significant because you have to pass all those regulatory hurdles. At the same time, in the Home Folio Tender we brought Community Housing Limited to the State which have taken 50 properties in the north and north-west and are one of the NGO operators. They now have a foothold in the State and they are looking at Tasmania.

Getting people into the Tasmanian marketplace is really important and you generally need to build people in - they do not just arrive on a plane one day magically. We are building that capability right now. When we sold the Tolosa site to OneCare for an aged care development the Government, as part of the agreement, committed that OneCare would construct 18 affordable housing units on that site. OneCare will manage those but they are to manage them as affordable housing - they are not aged care or anything else. They are on a normal rental arrangement.

**CHAIR** - Not through TAHL?

**Mr BARNESLEY** - Not through TAHL. One of the issues, going back to your point on tenant selection, everybody would like older tenants because they are seen to be safe, reliable, stable, low risk, all of those issues.

**Ms BRESNEHAN** - Less maintenance.

**Mrs SMITH** - If it is OneCare and they have an aged care facility, would you not put them there and incorporate them into the facilities of your establishment as well so you do build that community structure around a certain element of your planning?

**Mr BARNESLEY** - That is exactly what OneCare is doing -

**Ms BRESNEHAN** - They have to be affordable.

**Mr BARNESLEY** - -on the one site. It is just how government can leverage its sales to achieve outcomes.

**Mr HOULT** - They have to be over 55 to be a tenant in them as well

**CHAIR** - The OneCare one? Do they have to be from the waiting list? Do OneCare come to the waiting list?

**Ms BRESNEHAN** - Yes.

**CHAIR** - So there is a requirement in the contract that they have to choose from the waiting list?

**Ms HARDWICK** - Yes.

**Mrs SMITH** - On the issue of planning schemes, we have seen with some housing issues that it becomes apparent, I think Claremont might have been one area, as was Kingston where the property was purchased and then a change of use. When Housing looks to purchase property, do you purchase conditional to the appropriate planning approvals going through or do you purchase and then end up doing something with it if everything falls over?

**Mr WHITE** - They are not always subject to that but in most cases - Claremont, for example - that was subject to planning approvals being obtained. It is about a risk situation. Typically if the property is appropriately zoned you may purchase it with no conditions but a situation such as a change of use where you know it is discretionary under the planning scheme, we would buy with a conditional contract.

**Mrs SMITH** - Some years back, before the 1993 planning scheme, governments could put what they like, where they like, when they like and never had to go through a process.

**Mr HOULT** - Bring it on.

**Mrs SMITH** - Housing affordability which is a bigger stream than just Housing Department, is about people who want to purchase first homes et cetera. What sort of incentives might be there, what sort of equity schemes, et cetera and so forth? Would you like to make a comment on the difficulties for Housing of planning schemes? Do you want to go back to the old days of put it where you like and everyone has to live with that?

**Mr HOULT** - With my previous hat on, I was responsible for the State planning policy group and things like that. Of course we get concerned about the fact that what are good and reasonable developments in terms of social policy occasionally seem to be thwarted by the use of planning schemes and planning guidelines. I think the Premier stated an intention to look at a State policy on affordable housing is a good idea. I was very interested in the visit we had from South Australia which indicates that when any State funding is used in a development, a new subdivision there is a requirement to build a proportion of affordable housing and that affordable housing is only available to be purchased by pre-qualified people. I think the strength of that is it gives them a chance into the marketplace before they would be swamped by people with more money who liked it. But interestingly it is also driving construction of lower cost, lower size housing within normal subdivisions which I think is a very good thing because we have tended to have very homogenous, Mac-mansion kinds of developments which means you never get it for people who only want one-and-a-half or two-bedrooms up in the \$180 000 not \$320 000 range.

**Mrs SMITH** - Is the danger in a small market, and we are a small market in the scheme of things, that if you restrict developers to a concept of in a subdivision of 35 lots you must allow X amount into the affordable stream, that the developer says not enough in this for me we walk away. Had there been any example of that to your knowledge in that South Australian?

**Mr HOULT** - The South Australians say no. In fact what they are getting is some really interested developers because they do get some other benefits on set-up and other things for these properties. They are actually seeing developers pursuing them in the sense that they know they will be purchased. They have a very high probability of very rapid purchases, often purchasing off the plans, and the fact is the market adjusts. Developers will reassess the capacity to sell at whatever cost makes a profit and make a judgment. Certainly in the current marketplace I would argue that they are probably thinking they would make a profit, anyway.

**Ms BRESNEHAN** - It has driven creative design in South Australia and they have moved away from the traditional quarter acre block and have got some really innovative things happening.

**Mrs SMITH** - We had evidence yesterday that there are developers who have nowhere to go on land availability and capacity to subdivide in and around the greater Hobart area.

**Mrs RATTRAY-WAGNER** - Land-locked, I think was the term that was used.

**Mrs SMITH** - Out of the industry that would be hunting because of the commissions they make to find and sell these subdividable types of areas.

**CHAIR** - What happened was that back in 1995 the Government did a study into available land which was given as 40 years' supply. Councils, and I know Glenorchy in my time, did all our strategic planning based on that. There was evidence provided that the RPDC have been knocking back residential rezonings based on that report. Yet it is now an 11 year old report. So there is probably a need to update that.

**Mrs SMITH** - Would like to go back to your planning hat for a month or two and sort it out before you leave?

**Mr HOULT** - No.

*Laughter.*

**Ms FORREST** - I want to ask a couple of questions about the categorisation and the process surrounding that. You gave us some information on page 5 about how you establish categories and points required. We had some evidence from a community organisation that this information is not publicly available and that it makes it difficult for people to know what their special needs need to be to get into category 1, for want of a better phrase. Do you know what I mean?

**Mr HOULT** - Yes.

**Ms FORREST** - They come to my office and ask, 'what do I need to do to be in category 1?' Is there a reason why this information is not made publicly available? I have another question to follow on from that.

**Ms BRESNEHAN** - It is at a higher level. The fact is that our assessment process assesses people against three factors: adequacy, affordability and appropriateness. The sub-components within that are made available and are available on the Internet. What is not available is how many points you get for what particular bit.

**Ms FORREST** - Right. That is probably what -

**Mr HOULT** - Yes.

**Ms BRESNEHAN** - Certainly people are very aware of what they are assessed on. I have in front of me adequacy: what are your current living conditions, what is your security of tenure, how many bedrooms do you need, what is your rent income ratio, what is your income status, what is your health, are you experiencing family violence? All of those are very well known. What is not known are the points that we put to each of those because, as you can imagine, there would be some attempt at manipulation.

**Mr HOULT** - I think that is entirely appropriate, to be honest.

**Ms FORREST** - Yes, I was not aware that even that level of information was available.

**Ms BRESNEHAN** - It is available off Housing.

**Mr HOULT** - Off the web site.



**Ms FORREST** - Further to that, we had some discussion yesterday about varying situations that arise, particularly for people with needs like disabled access, people in wheelchairs and the like. Generally speaking, for people get enough points to be in category 1 would they have to be homeless or living in an unsafe environment or where they are compromised in some way? We have had evidence that in one case, and I can think of a number of different scenarios where this could happen, the person living with parents is creating a health risk for the parents but, because they are living with their parents, the person involved does not fit into category 1. It is not them who has the problem; it is the people who are caring for the person who have the problem. So is there any capacity within this assessment to assess the situation rather than the person? That person is fine in that they are in a housing situation that is adequate, but it impacts on the people who are also in that house. But they are not the ones wanting another house - this person is.

**Ms BRESNEHAN** - Yes and no is the answer. The straight policy answer is no, because otherwise we would be assessing virtually the whole community. You would be assessing not only the individual and their circumstances, but where they are and what is the impact on them, and then you could say that is the impact on next door. So the strict answer is no. In reality though the staff who are doing that assessment do take a full record of what the person's circumstances are and they would be sensitive to that. It might not tip them over but they would be aware of it.

The straight policy answer is no, we cannot go that far in our assessment even though we are mindful of it.

**Mrs SMITH** - Even if there was a doctor's statement attached to it?

**Mr HOULT** - May I tell you that many things have doctors' statements attached.

**Mrs SMITH** - I am aware of that too, from those who come through my office, but this appeared to be a significant doctor's statement.

**Ms BRESNEHAN** - All I can say is we have a sensitivity of it, so it is not a strict policy.

**Mrs SMITH** - There is flexibility is what you are saying?

**Ms BRESNEHAN** - Our assessment officers are very thoughtful. They try and take a holistic - and we are in fact restructuring the way that we are doing our assessments. At the moment we assess only for housing need. We are now doing a thorough assessment around support needs in the new world and we will take those things into consideration. But the determination of where you are on the wait list will be according to a transparent process so that we can maintain equity. If you do it for one person -

**Ms FORREST** - I appreciate it is a thin edge.

**Ms BRESNEHAN** - We are sensitive to it but we follow policy and then see what we can do.

**CHAIR** - I am conscious we have been going for a bit over two hours. I have a few more questions here that I need to ask.

**Mrs RATTRAY-WAGNER** - I had a question.

**CHAIR** - Before you ask it, I will leave it up to everyone: do we want a coffee break?

**Mrs SMITH** - Are you happy to stay? Does anyone want a coffee?

**Mr HOULT** - We have put aside the morning.

**Sitting suspended from 11.10 a.m. to 11.25 a.m.**

**CHAIR** - I have a couple of things I want to clarify in the supplementary information. Can we go back to the financial figures on page 3, so we can analyse this correctly? We cannot quite understand how the financial information on page three correlates with the stock issue tabled on page 1. For example, 1998-99 it says that you built or acquired six properties and yet had a capital expenditure of \$20 million. Then in 2006-07 you acquired 105 properties and yet capital expenditure was \$10 million.

**Mr WHITE** - I can speak a bit better about the 2006-07 figures. That is really a timing issue. What it represents, those 105 units, would be the 53 units at Walford Terraces and they came on stream around July or August. We do not count them until they are ready for occupation. The cost of that, however, was borne in the previous 18 months.

**Mrs SMITH** - Eighteen months plus; we know that story.

**Mr WHITE** - I know you have been there. So certainly in terms of last financial year there were those properties and some other properties around the same time where expenditures were incurred in 2005-06. I think you will note there was about \$35 million on capital expenditure and the bulk of that expenditure in relation to those projects was incurred in 2005-06. It is just that they did not come into stock until 2006-07.

**CHAIR** - So there is really no correlation.

**Mr WHITE** - It is not an accrual accounting system. This is a cash accounting process. What you see in front of you are the cash figures, therefore the expenditures are treated for the year they are incurred and the stock comes on as it is completed. You will often find a time lag between when the expenditure was incurred and when the stock numbers come on stream.

**Ms BRESNEHAN** - What is not captured in the data is the investment that we are putting into upgrades, which is not additional stock.

**CHAIR** - But that should be shown in the maintenance figures. You go back to the end of the 1990s; through the years there were 95 properties and you had a capital budget of \$60 million.

**Mr WHITE** - There were a number of upgrading projects undertaken around that time - some of the unit complexes, at Rokeby, in the Launceston area, and on the north-west

coast. At Ulverstone, Devonport and Latrobe there were various unit complexes that were upgraded at that time and that came from the capital funds.

**CHAIR** - Rather than maintenance?

**Mr WHITE** - Yes. Where you have got capital upgrades and you might come in and do significant works -

**Mr HOULT** - Where it is a major upgrade it comes out of capital, while ordinary maintenance is from the maintenance budget.

**CHAIR** - So the redevelopment work in Glenorchy would be as a capital project rather than maintenance?

**Mr WHITE** - Yes. The major redevelopment to the Garfield property was a capital project of about \$1.5 million. So that is not treated as maintenance; it is treated as capital.

**Ms SMITH** - So do you have figure where it moves from maintenance to capital?

**Mr WHITE** - We tend to work on about a \$15 000 figure. Simply, it tends to be where you go through and effectively reconfigure or replace a lot of the key items - roofing, kitchens, bathrooms, wiring, plumbing and all those sorts of issues. With unit complexes sometimes the tenants might be relocated for a time while there is a lot of work done, especially where they do not work as well - getting parking to the door, for example. We might put carports in where before you might have had 15 or 20 car spaces together, or major landscaping, or maybe taking out a few units to create better private spaces and the like. We tend to work on about \$15 000 to \$20 000 on a property basis.

**Mrs SMITH** - What I mean is, where is your cap when you say, 'This is not maintenance; this is a major capital upgrade'?

**Mr WHITE** - We do not work to a set figure but traditionally we treat work as a capital upgrade where you are doing more than one thing. So you are going through and making a conscious decision to upgrade that property, say for the next 15 to 20 years of economic life. You might take that opportunity at vacation, once the tenant moves out, or in a situation where a unit complex is not working through turnover or other issues around the tenancies and the general age of the units.

**Mrs SMITH** - A significant make-over would be in that one?

**Mr WHITE** - That is correct.

**Mr HOULT** - Anything that affects the fabric of the building is an upgrade.

**Mr WHITE** - That is another thing, yes.

**CHAIR** - On page 7 of the supplementary in relation to waiting times with the greatest-need applicants, you have shown figures there of north, 31 weeks; north-west, 29 weeks; and south, 47 weeks. If you go back to the Auditor-General's 2005 report, the Auditor-General's waiting times for greatest-need applicants back then, which is not that

long ago, had north, nearly one year, whereas it is now 31 weeks; north-west, six months, compared to 29 weeks now; south was nearly two years, compared to 47 weeks now. What has caused the significant reductions in most cases?

**Ms BRESNEHAN** - I cannot recall but we had an issue with the way that the auditors did that calculation, which we went back to them about. I do not recall it off the top of my head.

**Mr HOULT** - Can we take it on notice and give you an answer?

**CHAIR** - Yes, thank you.

**Mr WHITE** - We were counting how long people had been on the waiting list. The Auditor-General made the point that if I go and buy my fish and chips I do not want to know how long the person before me waited. I want to know how long I will have to wait before I get my fish and chips. At the time, we were looking at the waiting list in terms of how long people who had been housed that month had been sitting on the waiting list. The Auditor-General's recommendation related to saying, 'I want to know how long those people on the list today will have to wait to be housed in the future'. That was the difference.

**Mr SMITH** - So it is futuristic, not past?

**Mr WHITE** - Yes. We were looking at how long people who had been housed that month had to wait but he was suggesting we should be working on how long people will have to wait who are on the list today.

**CHAIR** - I would agree with the Auditor-General. There is a difference?

**Mr WHITE** - There is a difference. How long you have to wait is subjective and you have to project, if you like, how many people are going to move out of housing over this period of time. Whilst there is some historical evidence, it then comes down to location preference, type of stock, bedroom types et cetera. For those people on the waiting list for those properties it means that it is very difficult to extrapolate forward what you think might happen when there are so many variables at play.

**CHAIR** - You do not have those figures?

**Mr WHITE** - We retain figures on our turnover rates and the average time that those people who were housed in that month had to wait on the waiting list for the various categories.

**CHAIR** - You don't project into the future? What if someone on the waiting list was sitting here now and said, 'How long do I have to wait for a home?'.

**Mr WHITE** - We would refer to the figures we use in relation to those people who have been currently housed, so they were waiting about  $x$  weeks or whatever it may be on average.

**CHAIR** - But the Auditor-General said that was not in his opinion a fair call.

**Ms BRESNEHAN** - Waiting times are different for each States because everyone does it differently.

**Mr HOULT** - Everybody measures differently.

**Mrs SMITH** - You cannot compare it then. It is a pretty good strategic move, I reckon.

**Ms FORREST** - How many other ways could you measure it?

**Mr HOULT** - Some people start you again on the waiting list if you refuse any property. New South Wales used to do that; if you were offered a property and you said no then your waiting time started again.

**Ms FORREST** - You might have waited three years already and then you would start again. You then show up in the statistics as a one-month wait next time.

**Mr HOULT** - Yes. You know that in hospital waiting lists some people always said that should a person refuse a time to have surgery then it should start again because they have actually artificially lengthened the time on the waiting list.

**CHAIR** - Going to your original submission, still on waiting lists, page 21. The submission claims that the public housing list has declined by 22 per cent since February 2005.

**Mr HOULT** - At the end of 2007 there were 2 606 on the waiting list, compared to 2 000 in July, a decline of 283.

**CHAIR** - Two paragraphs later it is claimed that due to fiscal duress and Commonwealth policy, the waiting list had become longer.

**Mr HOULT** - We were just talking about the entirety of the CSHA, weren't we?

**Ms BRESNEHAN** - Yes. What we are saying concerns figures since 1945; it was a longitudinal comment rather than about the last couple of years.

**CHAIR** - We have received a fair degree of evidence from a number of organisations that the size of the waiting list is not an accurate indication of how many people are in need of public housing. In other words some people have given up applying because they believe it will take too many years to get a home. Is that a true statement?

**Ms BRESNEHAN** - I think that would be fair to say, whether it is because they think they cannot a home or what - I am not sure of the reason. There are a large number of people on low incomes who are in housing stress. We know they are predominantly in the rental market and all we can say for sure is that 2 600 of them have expressed an interest in public housing.

Some people are in housing stress but would always choose not to be in public housing. These are people who have decided that public housing is an option for them and so they have expressed it. It is hard to know what is in the hearts and minds of people on low incomes and the choices they are making. It has gone down over the last 12 months and

we think the AHS initiatives have had an impact on that, but everybody is tight in the market. The private rental market is tight.

**Mr HOULT** - I think it is also true that there are location issues here. There are some people who know that if they want to live in particular places then the odds of them getting public housing are very low indeed because we just do not have stock. We also have a number of people who will not under any circumstances go to live on some of the broadacre estates; because of family history or whatever they do not want to live there. I think some of them may opt not to be on the waiting list.

**CHAIR** - What about someone on a category 4? Realistically, what is their likelihood of receiving a home?

**Ms BRESNEHAN** - We have a policy that staff do not give specific times because that leads to expectation and upset, so we would say it is likely to be a long time - 'many months' is probably a general phrase they would use. They would not say 'five years'; they would not say 'two weeks'. They might say it will be a number of weeks or a number of months but not more specific than that. If they do then they would probably get into trouble.

**Mrs SMITH** - Is it not a reality, though, that category 4 are never going to get a house?

**Ms BRESNEHAN** - Not quite. We do actually house some people from there because of the stock. It might be that no-one in these categories wants that particular property, so you go down the list and here is a family of five kids who are happy to live in a rural area, and there is a match.

**Mrs SMITH** - Are you telling me that with all of these people in category 1 you could get a situation where they all say, 'I am in significant housing stress. I'm living in a car, on the beach or whatever but I will not take that.'

**Ms BRESNEHAN** - Yes.

**Mr HOULT** - Yes, there is a tradition in Housing that indicates that even those in the highest need will often not take a house, based on location or type.

**CHAIR** - Are you talking about places at Maydena or something?

**Ms BRESNEHAN** - We have a general policy guideline about reasonable refusals. In the example that Peter gave before, if you say no to the first property you are off the list or you go to the bottom of the list. We are bit more negotiable than that and we have an idea of about three reasonable refusals. You have to get behind why people are saying no and if people are just stalling then they go to the bottom of that category, not to the bottom of the list.

**Mrs SMITH** - To the bottom of category 1.

**CHAIR** - Are we able to get a copy of the policy guideline?

**Ms BRESNEHAN** - Yes. Is it written in that way?

**Dr STEPHENSON** - I am not sure, you are testing my memory.

**Mr HOULT** - Can we take that on notice?

**Ms BRESNEHAN** - It might be in the procedures rather than in the policy.

**CHAIR** - I want to follow up on pressures on your staff. As a politician, I suppose that housing inquiries are the most prevalent of those coming through my electorate office, and I guess that is the same for all of us. By the time they get to us they are pretty desperate. We are the last port of call usually and they are pretty stressful situations that you are dealing with - people in dire circumstances. Your staff must deal with it on a daily basis. My experience from people out my way is that they think your staff do an amazing job. Do you have programs in place to help them to deal with the stress in dealing with these people day after day?

**Ms BRESNEHAN** - I would certainly want it on the record that I feel very proud of my staff and I think they work very hard under difficult circumstances and do an excellent job. I think that is worth noting. But in consultation with our staff, because of the changing client base, there has been pressure on them and they have felt as if they do not have the skills, the support and the capacity to actually do the work that they are being asked to do. That is why 18 months ago we initiated a major review into the way that we run our tenancy services. We are in the process, as we speak, of implementing the recommendations of that review which has recommended a change in the way in which we assess people up front so that we put people who have a higher level of skill and capacity at the front end of the business to do the assessment, look at the need and try to determine the best not only housing but also support outcome for this person. So we are ensuring a lot more skill and capacity up front and we have also freed up the tenancy officers from doing a lot of the administrative tasks so they are able to go out and do a lot more early intervention work. If you can intervene early, you can stop a lot of these problems from escalating. The way that we work with support organisations and the way that we operate internally has significantly changed under the new model. We are also putting in place a much more consistent policy framework so that staff know where they begin and end with decision making and we have also put in a much more robust training and coaching process so that they can debrief and get support when they experience some of those stressful situations. I think we have been mindful of the change that has happened in public housing; we have undertaken the review; and we are putting these new things in place. That will fully go ahead from the new year. We are doing training through December and January before we move into this new model.

**Ms FORREST** - Mercia, is that what the changes have been in Devonport more recently?

**Ms BRESNEHAN** - Yes, that is right.

**Ms FORREST** - There was very poor public understanding of what was happening there. Maybe that is a lesson to be learnt from that in that if you want the community with you it is best to let them know what it actually means.

**Ms BRESNEHAN** - I would have to say, Ruth, we did do some communication there but it is an issue.

**Ms FORREST** - Parochialism reigned supreme.

**Ms BRESNEHAN** - Yes it did, I am sorry.

**Mrs RATTRAY-WAGNER** - I wanted to ask about the HOAP - Home Ownership Assistance Program - scheme so whoever would like to take that on. I noticed with interest that it is very insignificant numbers. Obviously 14 is not completely insignificant, but compared to what has been in the past, it seems like it is almost stalled. Can you give me some indication of why that has happened?

**Mr WHITE** - There are a couple of key things in the parameters of HOAP. One is that the income eligibility for HOAP is a maximum of \$825 per week and the other is that it is made available only to people who cannot get their first mortgage finance in the private market and that has been since inception. When the Government established HOAP in 1994, it deliberately said this scheme will operate for people who could manage a mortgage, but the large banks do not want to finance them. Obviously over that period of time we have seen massive changes in the financial industry. There are a lot of non-bank lenders and obviously there is a variety of products out there that people can access. So on one level it is a lot easier for people to get finance and I think everyone is probably very aware of that.

On the other hand, what has happened in the marketplace, as I think everyone is aware, is that our median prices across the State have gone from around \$100 000-odd five or six years ago to about \$270 000. Our maximum loan under HOAP is \$120 000. HOAP is designed to ensure that people are not forced into housing stress by trying to stitch them up with a loan, if you like, at any cost. When you look at the combination of who we are trying to target with HOAP, what the maximum loan is about in terms of the \$120 000 and then you look at what the median price is, you can see that there is a massive gap between what you would argue is out there in the marketplace in general and what people who could access HOAP can achieve.

What that has meant is that HOAP clients are tending to buy outside the major urban areas of the State. Recent loans would have been in places such as Bothwell, for example, small towns along the north-west and west coasts and parts of the north-east. That is just a fact. They are also buying some homes in our areas for our sales program. However, most people who buy through our public housing sales are predominantly getting their finance privately. I think last year out of the 14 loans there were only about four of those HOAP loans were to public housing purchasers. So what that is telling you is, again, that the private sector effectively is providing the finance to people who want to buy a home in Gagebrook, Bridgewater or Clarendon Vale et cetera.

We have understood that that gap and we have looked at HOAP over the last three years in terms of asking whether we should continue with it; whether the product is still relevant in the marketplace. Obviously for those 14 people last year and the three this year it is relevant. Unfortunately, it is a big program to run. It is intensive in terms of administration and the requirements we have under the Consumer Credit Code et cetera -

**Mrs RATTRAY-WAGNER** - It has made a profit though?



**Mr WHITE** - It makes a profit. It has a portfolio around \$10 million now. We do not have any debt associated with that portfolio so effectively the profit is driven by the repayments and I should stress it is really a surplus rather than a profit. The surplus is generated by the repayments that clients are making on those existing loans. The fact is that it is debt free - we paid off the debt we had to Tascorp in September 2005. It means essentially that all the money that comes in through that scheme has come back into government coffers, if you like, but the scheme in terms of its size is reducing considerably as we speak -

**Mrs RATTRAY-WAGNER** - It does not come back into the Housing Department?

**Mr WHITE** - No, it is a separate fund.

**Mrs RATTRAY-WAGNER** - Yet you administer it?

**Mr WHITE** - That is correct; we administer that.

**Mrs RATTRAY-WAGNER** - So you should really have the funds?

**Mr WHITE** - Our administration costs are part of the charges against the HOAP portfolio.

**Mrs SMITH** - So the \$10 million would be there in case somebody defaults on their loan - is that the concept?

**Mr WHITE** - Typically, if someone defaults on their loan they are just part of the portfolio. We have a very low default rate: we had one default last financial year and, I think, the two years before that we had zero defaults.

What we do is the same as any mortgagee would do. We would sell the property, we take what is owed to us and then the person who defaulted would get any balance remaining on the sale of the property.

That \$10 million represents our portfolio. Any losses we might assume on any default sales or mortgagor defaults would be picked up as terms of that cash flow coming back into us in surplus.

**Mrs RATTRAY-WAGNER** - That would not happen in the market that we are in at the moment though, you would not lose out?

**Mr WHITE** - No, we haven't. At the sale we had last year, for example, we recouped our full loan repayment. We have not lost on a loan since about 2002, I think.

**Mrs RATTRAY-WAGNER** - Have you thought about actually bringing those caps up? Have you talked about expanding the scheme to fit today's market?

**Mr WHITE** - We have given consideration to that. I suppose when you get into that area suddenly you are competing more and more with the private sector. None of our evidence suggested that people who were over that \$825 limit needed a product like HOAP any more.

We have looked at the alternatives and we have proposed a shared equity scheme that is currently under development. We are conducting an expression of interest process for a private financier to provide the first mortgage finance under that scheme. The shared equity scheme is intended to assist with the sale of public housing dwellings and also to assist with what we would call house-and-land packages on land owned by the director that people can come along and build on.

In that scheme the purchaser will have to finance 75 per cent of the purchase price, not 100 per cent. We had about 50 people apply for HOAP last year, who were eligible, but could not borrow enough under our scheme to buy a home. We find that the gap is about \$15 000 to \$20 000. If we relaxed our guidelines for HOAP we would find that those people would probably go into a negative equity situation on the model that we apply. That model is a maximum loan of a person's annual income multiplied by 3.25. So if someone is on \$30 000 income per annum they can borrow \$97 500 under HOAP. If they borrowed another \$10 000 or \$15 000, for example, under HOAP that would mean that if interest rates went up again their repayments would not cover the interest rate. I personally do not want to put people in that situation and I do not think the Government wants to either.

In a shared equity scheme the equity is really an-interest free loan, if you like, from government. It is just that the equity is linked to the value of the property and that, in the case of our sales of public housing dwellings, would be equivalent to about \$30 000 to \$35 000. That represents a saving of about \$60 a week to a purchaser under that scheme on what they would otherwise have to repay if they had to finance the full amount.

**Mrs RATTRAY-WAGNER** - Have you looked into the option of still being the owner of the land and letting people build and then paying the lease of the land component. You would never own your piece of land, the Crown would always own the land, but the people would own the house on the land.

**Mr WHITE** - That is something we have not looked into to a degree and that is because, at the end of the day, we in Tasmania are very small. If you want to go for innovative financial products with our scale, you will find that no-one will touch it. If we were in New South Wales, yes it might work. In terms of our financing for shared equity, it is a bit different - I mean, we have not had 50 financiers coming through our door saying they want to participate. It is different, but it is small in the financial scheme. I know in the UK I think they have similar types of schemes but in Australia they are different. The financial industries take some time to get their heads around it in the risk and -

**Mr HOULT** - The thing about Europe and the UK is that they have histories of different kinds of tenures that people are willing to put financial products into. Long-term leases on flats in the UK are tradeable items but here you just do not have those models, you just do not have that experience. Financiers here see land as part of the package of value against which they will take a risk on a borrowing. If you take that away somebody is going to have to guarantee what happens.

**CHAIR** - I have to leave for 10 minutes, so I will ask Paul to take over the chair.

**Mrs SMITH** - You opened a Pandora's box. You said, 'We use it in public housing dwelling sales.' What is your policy on public housing dwelling sales? We have had sell-offs of

older stock, first to the people who lived in them, and then to other interested parties. I was under the impression that the sale of public housing dwellings is very limited now - in fact, it is limited to about four specific areas. Is that correct or not?

**Mr WHITE** - No. We have 10 areas around the State that we have identified where sales could occur - the broadacre estates of Bridgewater, Clarendon Vale, Shorewell, Rocherlea, Ravenswood - those sorts of areas where our density effectively is over 25 per cent. If a tenant wants to buy their home in those areas then we would look at that property in relation to the overall condition, its configuration et cetera. For example, if it was a disabled unit, one or two bedrooms, we would probably say, 'No, sorry, we will not sell that to you because that is a property we want to retain long term'. However, for mostly three-bedroom stock and some two bedrooms we would say to someone, 'Yes, we are happy for you to buy that sort of property'.

We can sell outside of those areas and we would ask the minister to approve any sales, so we do have sales to tenants outside of those ten areas - again on the basis that those properties do not meet our requirements in going forward. It is very nice as a home for that person potentially but it is a decision we are making in terms of that configuration and location. Typically you will find in those areas where there is strong demand we are not selling because of that demand. We are here to meet the needs of those people off the waiting list.

**Mrs SMITH** - Except that then we can give them a life-time tenancy to sit on it in the situation we have at the moment.

**Ms BRESNEHAN** - We deal with each case.

**Mrs SMITH** - If you have someone who wants to buy and, no, we want to retain it because it is easier to maintain et cetera, but then if that person blocks it by not going elsewhere then we have not achieved anything anyway.

**Ms BRESNEHAN** - If it is in a broadacre and the property is 30 or 40 years old and the tenant has been in there for over ten years, then inevitably we would say that is okay for sale. But if someone has only been in there for two years and it is an area of high demand, each property is -

**Mrs SMITH** - I find that an interesting comment because I quite clearly remember asking about a property in West Ulverstone two or three years ago now. The response was, no, it is not in an area in which we are looking at disposing of properties because it is an area of need. That is fine, that is policy, so you tell your client, 'I am sorry that is policy'. They are looking in particular areas but we look at that under particular circumstances, and that is one of the difficulties that clients get into.

**Ms BRESNEHAN** - A fire-damaged property, for example, might be out of area, or it might be a property that requires significant maintenance and upgrade. Hypothetically a property in Sandy Bay might need \$50 000 or \$60 000 worth of upgrade, so we might sell that to the open market because we have not got the dollars to put that much investment into it. So the odd property may come up out of area and we might offer it in the open market but it is not policy as such.

**Mr WHITE** - The vast majority of our sales - 90 per cent or close to it - are occurring in those areas that we had allocated. Sales outside those are the exception but there are circumstances whereby people will make application. The minister has to approve those sales and she has to be convinced that there is a reasonable basis on why we would want to sell that property.

**Ms FORREST** - I want to ask about SAPP services. We have had evidence that one of the major problems with these crisis services is there are no exit points, and of course the ongoing issue of funding across all areas. What do you see is the way forward here to address the needs of that area?

**Ms BRESNEHAN** - Again it comes back to the discussion we were having and the diagram that Peter referred to in his opening comments. We need to take a systems look at it and for people who are down that crisis end you need an immediate crisis response. The refuge sort of thing is for six to twelve weeks; then they go into some transitional arrangement which is for some six to twelve months, and hopefully in that time they can then move on to these long-term sustainable options - public housing, private rental or whatever.

What is happening, of course, is that because we are running at 98.8 per cent occupancy and the private rental is running at 98 per cent, the system is blocked at that point. That means that people are staying in transitional accommodation for longer, and so it is all the way down the line. For us it is about how can we make sure that the SAPP service is being as efficient as possible, but really the true answer is trying to get more supply so that there are places to go.

**Ms FORREST** - The only solution, as you have said, is to put more properties out there for people to actually move into.

**Ms BRESNEHAN** - We are looking at how we work with the community sector to perhaps provide more properties in that transitional end. We do that through a thing called community tenancies, where we might transfer a property over to a community organisation so that they can manage these people who are in crisis, but it means the transitional pool gets bigger rather than adding to supply.

**Ms FORREST** - We are hearing that there is possibly only one place in the State where you can have fathers with children. The services tell us they are seeing a lot more men with children and they continue to have a lot of women with children and single people as well. How can that be addressed - the issue of men with children?

**Ms BRESNEHAN** - That is true, that is a gap. We do the best we can with the \$14 million that we have for SAAP services. We would have to, in the long-term planning sense and if we had additional dollars, inquire about whether or not we invested in that area. It is certainly a gap in the system at the moment. I recognise that.

**Ms FORREST** - Is it seen as a priority to look at that area? I know all areas are high priority.

**Ms BRESNEHAN** - Within the SAAP system there are a number of pressure points and that is one of them. If more money was available then we would look at a range of priorities,

and that would be one of them. It is a bit tricky. What we do on a case by case basis is work with an organisation because you cannot have people in these situations, so we might transfer a property to deal with an immediate situation. There is a system issue which is based on the long-term funding, which is really what you are getting at. So we try and deal with the immediate situation as best we can but it is a long-term structural issue we are talking about.

**Mr HOULT** - I think the other thing we have to be aware of is that SAAP and housing is becoming an end-point for a whole lot of social problems that are largely about income and capacity to pay. The more we get housing affordability driven away from income and capacity to pay, particularly for people on fixed incomes and benefits, the more problems we will have. The trouble is that Housing, and the State Government for that matter, do not control or have much influence over the benefit levels and capacity to pay. It is a huge problem.

Also, the other factors that drive housing affordability are largely around issues of taxation and the taxation treatment of principal dwellings. We are a bit like being the ambulance at the bottom of the cliff on some of this stuff; we control very few of the factors which will influence what is happening.

**Ms FORREST** - Stamp duty is a State Government area; what if there was some stamp duty relief?

**Mr HOULT** - Marginal effect according to all the economic studies I have seen. It would be much more effective to reintroduce a capital gains tax on principal dwellings to stop people speculating from the fact that housing is now the best tax free investment you can possibly get. That is what has ramped prices up, because there is nothing else in this world you can do to get a tax free benefit on capital growth.

**Ms FORREST** - There has also been some comment that land tax, being another area of the State Government, could be charged on all properties, so everyone who owns a property pays it and spreads the load a bit further.

**Mr HOULT** - There are many models. European countries who use land rent models and things like do control and cap the growth in prices of housing. Even in the United States the price of housing is nowhere near what it is in Australia in proportion to average income. When you sell your house you pay a capital gains tax on how much money you have made on it, which does not encourage you to buy. The next most expensive house you can get is your superannuation. It is not something that I think this department is going to have much influence over, particularly not in a federal election campaign.

**Ms BRESNEHAN** - The other thing with the SAAP service, which does give us some flexibility to deal with fathers with children, is our brokerage fund. We have something like \$400 000 which is divided up around the organisation so that they can purchase hotel accommodation and get specific responses for particular circumstances through that flexible brokerage fund. That is another way that we try to respond.

**Mr HOULT** - The other thing that the non-government groups can do that we do not in public housing is factor in multi-occupancy dwellings. They will support two or three

individuals or small family groups in a single house, which of course we do not have the capacity to do.

**Ms FORREST** - You said that at times you get three-bedroom properties and the first 50 people on your list are all single people, so has there been any consideration given to looking at joint tenancies and trying to match people up?

**Mr HOULT** - It has been tried.

**Ms BRESNEHAN** - It was tried and it was re-run with the community sector a couple of years ago. We gave three properties to Colony 47 to trial but it is a very difficult tenancy management problem. It is more intensive. In theory it is good but in reality, if the tenants do not get on, or if one does not pay their rent and who is responsible and how is that managed, it is a pretty difficult situation to manage. Just dealing with one tenancy sometimes is tricky, let alone two or three in the one house.

**Ms FORREST** - Has it basically been given up as a bad idea?

**Ms BRESNEHAN** - Yes.

**Mr HOULT** - It has been tried all over the country and to my knowledge none of the public housing authorities have continued with it.

**DEPUTY CHAIR** (Mr Harriss) - Can I go to the matter of an opportunity for your clients to split their rent payments. We understand from evidence to the committee that parenting payments and family tax benefits come in different weeks. There has been some criticism that you do not provide a facility for your clients to split their rent, given that that is an income stream which people have.

**Mr HOULT** - You mean pay variable rent depending on the income stream?

**DEPUTY CHAIR** - No, splitting their rent. If they are required to pay this week when they have only got their family tax benefit, when the other income stream for them, the parent payment, comes in -

**Mr HOULT** - Next week.

**DEPUTY CHAIR** - Yes.

**Ms BRESNEHAN** - My understanding is that it is a system issue for us.

**Ms STEPHENSON** - They pay fortnightly and with benefits you can choose either to make a payment or have an automatic deduction. The system we have is an old system, so to introduce complexities around multiple payments and split payments is actually really expensive and difficult to administer, so that is the main issue.

**DEPUTY CHAIR** - What would be required to ramp up the system to facilitate that?

**Ms BRESNEHAN** - We have done a business case and replacement with a new model would be \$15 million. One of the things about our current information system is that the

tenancy information is here, the rental income information is there, issues about the condition of the property are over here and in fact there are some big gaps around the assets side of it, so it is not very well integrated. It is a bit of an old clunker.

**Mrs SMITH** - How old is it?

**Mr WHITE** - About 14 years old I would suggest.

**Mrs SMITH** - We have had evidence on the mainland they can actually do it, so their system is more modern?

**Ms BRESNEHAN** - That is right.

**Ms STEPHENSON** - We do not charge a bond, and that is considered as partially a compensation so that people can get ahead. They should be able to manage their payments because there is no bond paid out at the beginning, unlike a private rental market. That is part of the decision-making process originally. People do not have that up-front cost so that they should be able to get ahead.

**DEPUTY CHAIR** - You could argue, of course, that that is a once-off in the private rental market.

**Ms STEPHENSON** - But you are not behind the eight-ball to begin with. They have those regular payments but they have not had to pay a bond.

**Ms FORREST** - You did some modelling on it and you knew how much it was going to cost?

**Ms BRESNEHAN** - Yes. Like any good business management you go back and you ask, 'Within this information system, what are our main priorities?'. We have a project at the moment which is looking at the asset management side because we feel that the more information we have about our assets the better planning we will be able to do to understand our liability, what stock to retain, what stock needs upgrading and what has happened, so asset information is our priority at the moment. We are putting our effort in that end of the system rather than our payment end.

**Ms FORREST** - It is going to cost \$15 million to upgrade it -

**Ms BRESNEHAN** - No, to replace the whole thing.

**Ms FORREST** - To replace it, sorry. Would there not be significant cost savings in staffing and convenience?

**Mr HOULT** - It may well be, although realising those savings has always ended up being more problematic than one would expect. The trouble is we do not have \$15 million in venture capital to do it up front.

**Ms BRESNEHAN** - Over five years you would get that back and make an efficiency.

**Mr HOULT** - And with IT systems, if our estimate is \$15 million then you could probably add another \$5 million to what it would actually cost. That kind of return would be very hard to pull out of our current system.

**Mr BARNESLEY** - The salaries bill for the entire housing business was \$17 million, so on that it is not going to pay for itself over anything less than 30 to 40 years.

**Mrs SMITH** - Then it is out of date again.

**Mr HOULT** - Yes.

**Mrs SMITH** - We are not getting any further with technology except for the expensive cost of replacing people are we?

**DEPUTY CHAIR** - Just to pursue that a little further. Are there software alternatives that you are aware of on the mainland? The committee did receive evidence that one State said they would do that and they moved down the path and allowed their clients to split their rent.

**Mr HOULT** - They must have had at least two generations difference in the architecture of our housing information system because we just cannot do that. They system would not stand another major attempt to alter it. Seriously, it is a system that is functional for what it does but you certainly would not want to try and do major rewrites of the software.

**Mr WHITE** - The technology of the system is 1980s-based. It was acquired from the United Kingdom at the time of the early 1990s, when it was established. There was a fair bit of modification to that system as part of what Housing Tasmania went through to establish that system. Basically it is like comparing an FJ Holden to a Commodore - it is just so different in terms of the technology. A lot of the fields et cetera are all locked in whereas today's technology allows you to put data in and move it around, pull reports off very quickly and easily and manipulate it in ways that this system unfortunately can't. There is a lot of coding and a lot of computer-oriented work has to go into anything it does in modifications to that system.

**DEPUTY CHAIR** - To me personally - and others will make their judgment about it - that is an alarming revelation in a modern age when we are talking about your clients suffering. As we heard from Peter, they are the working poor or the fixed income poor and we are talking about making housing affordable for them and accessible to them. Therefore, that, to me, is an alarming revelation. Indeed, I hear your plight that you do not have the capital to upgrade that. Perhaps the Government could have flicked you some of the GST, which they haven't over the last few years -

**Mr HOULT** - It would be a long way short of \$15 million.

**DEPUTY CHAIR** - I understand it is a policy decision.

**Mr HOULT** - With the greatest respect, there are a large number of areas in my department and others where information technology, if it was available and if we could afford it, would assist in our businesses. This is not an isolated case. Our clinicians say there are



systems in our hospital system we are desperately trying to redo. We have PAC systems that we have not put in place yet across the hospital system. This is not isolated; it is one of the areas where it is hard to get investment because it is somewhat of an intangible when you try to argue it as a business case and against other priorities, such as service delivery, it often does not get up.

**Ms FORREST** - At the end of the day it improves your service delivery that is where the conundrum is, isn't it?

**Ms BRESNEHAN** - If we were given \$15 million then, no doubt, the pressure would be on us to put that into housing rather than our IT system.

**Mrs SMITH** - It would be a good story, wouldn't it? A \$15 million computer versus X amount of houses - I can see the headline already.

**Mrs RATTRAY-WAGNER** - It would be as good as a football team.

**Mr HOULT** - Particularly when it ended up costing \$15 million.

**Mrs RATTRAY-WAGNER** - It has a ring about it.

**DEPUTY CHAIR** - It does. Brown and gold!

**Mrs RATTRAY-WAGNER** - It is one of those things we had better kick off, I reckon.

**Mrs SMITH** - Draw the profit out of the Launceston area to buy it.

*Laughter.*

**DEPUTY CHAIR** - Can I take you to another matter: that of the criticism provided to the committee that you do not have a free call number - is that true?

**Ms BRESNEHAN** - We have a free call number for maintenance. We do not have a free call number for tenancy, but that is being addressed in our new service delivery review where we are going to be using Service Tasmania as our front-end telephone response.

**Ms FORREST** - But we hear that number is not free to mobile phones.

**Ms BRESNEHAN** - I would have to take that on notice, I am not sure.

**Ms FORREST** - I understand that it is from a landline, but not through mobile phone services - it incurs the usual mobile costs.

**Mr HOULT** - If that is the sole obstacle to their making contact with us, I do not think that is unreasonable to be honest.

**Ms FORREST** - In all fairness though, not the majority perhaps, but certainly a percentage of people in public housing would only have a mobile phone. They tend to be transient people, particularly while they are looking. Some of them do not even have fixed addresses, so their mobile phone is what they have.

**Ms BRESNEHAN** - I would suggest if you are a tenant then the issue that you would want to contact us quickly and urgently about is maintenance and that is a free call. If it is about other general tenancy matters, we have seven service outlets around the State where people can go to, so I think we are fairly accessible in the nine-to-five sense during the day. I do not think it is a major issue.

**Mrs SMITH** - That comment came out of the service centre. So I presume it is a comment they get at the coalface a lot.

**Ms BRESNEHAN** - That is the first I have heard of it. It has not been raised as a major issue with me.

**Mrs SMITH** - I was surprised. Even people in houses are not putting in a standard telephone.

**Mr HOULT** - No, they don't.

**Mrs SMITH** - They buy the mobile and the mobile is their permanent contact because it fits in their pocket.

**Ms BRESNEHAN** - If it is an emergency on maintenance the call is free. If it is a regular or tenancy inquiry they can either do it free on the landline or they can go into a service centre, so I think there are lots of choices for them.

**DEPUTY CHAIR** - I note from the table you provided us that there are a number of policy reasons why an application will be suspended, such as outstanding debts et cetera. Can you give the Committee some detail about an outstanding debt? What might constitute an outstanding debt? What sort of time lead would your customer have to repay that debt, and what component of the debt needs to be repaid before you will make the application live again?

**Ms BRESNEHAN** - A scenario for suspension most typically might be when a tenant vacates a property and on vacation there are some tenant damages which have not paid. Maybe they have damaged the wall or whatever, so they might have, say, \$5 000 worth of damage to a property when they left that needs repair. So when they reapplied for public housing that \$5 000 worth of damage would be on their record and we would say, 'Okay we will assess you, we will give you a place on the waiting list but you will stay there suspended until you have repaid that debt.' Some people cannot afford to pay the \$5 000 up-front so we tell them they have to demonstrate a commitment and a record of successful repayments. They have to get to a point of 80 per cent of that debt before their application becomes live. They would still be in category 1 or 2 or whatever their assessed area is, but they only get live when they have reached that 80 per cent. There is always an element of discretion, but that is our policy position.

**DEPUTY CHAIR** - Upon a property being vacated, what is the operational process which is put in place with the vacating tenant? It might be that the person is being relocated, they might have met some other criteria and satisfied you that they should be relocated to a three-bedroom property, or whatever. In the private sector, because there is a bond process in place, the owner or the owner's agent would have a thorough inspection of the

property on the day of vacation, identify the deficiencies, set them off against the bond and if there is any dispute that can be taken care of at another time. What is your operational process?

**Ms BRESNEHAN** - Very similar in a way except for the bond. When a tenant signs a lease at the beginning, we do a property condition assessment, we take photos and that is all on record. When a person notifies us that they are going to vacate the property, we do a property inspection at that point in time and we go back to the original inspection. If the tenancy is over a number of years, we do a property condition report at regular intervals throughout the tenancy, so you go to the most recent property record, you do an assessment, you work out what is fair wear and tear and what might be classified as tenant damage. The tenant is then offered a list of what they are expected to fix up. I would have to say that in most cases the tenants do and it is all negotiated and all fine. Where there is some dispute then at a service centre level there is a negotiation process and, again, most of them are resolved.

A few cases come through to our independent housing review committee so if someone is not happy with what they have been charged or they feel that the policy has been applied incorrectly, then there is an independent, outside of Housing Tasmania review process. Let us say we have dealt with the damages or whatever, a part of the property inspection is then to say that this property is vacated, where does that sit in our larger strategic asset management plan? Is this a property that we want to retain? Is it something that is earmarked for upgrading? Is it something that could be put straight back into stock?

So there is always an assessment about where that property fits within the overall strategic plan. Let us say it was going to be retained in public housing but it needs some minor works done, it is best to do that while it is vacant rather than disturb tenants when they are in there, so it will go over to our maintenance section. We have a 14-day turnaround in the maintenance area whereby we log the works, get the contractors in, they do the work and then they pass the keys back to tenancy. Then there is a 14-day benchmark on the tenancy side. This process starts as soon as it becomes vacant, but then you start offering that property. People go in and have a look at whether or not it is suitable. Then you do the sign-up and get the condition assessment done again, and so it is relet. The benchmark for that process is 28 days - 14 days maintenance and 14 days tenancy. As we said before, we are currently running at about 23 days in that overall process.

**DEPUTY CHAIR** - Is the inspection with the vacating tenant always conducted on the day of vacating?

**Ms BRESNEHAN** - In about 90 per cent of cases. Depending on the tenant, it might be done the day before. There are lots of scenarios where someone might do a runner, someone might say they are going to leave on that day but they drop the keys in the day before. Our policy position is that the inspection is done on the last day of tenancy, and 90 per cent of them are done that way, but there are exceptions for a whole lot of reasons.

**DEPUTY CHAIR** - So if I was to suggest to you that there is a possibility that a vacating tenant has dotted all the i's but there is not an inspection on the day and a couple of days could expire -

**Ms BRESNEHAN** - It wouldn't be a couple.

**DEPUTY CHAIR** - Even if a day expired -

**Ms BRESNEHAN** - Yes, okay.

**DEPUTY CHAIR** - but that there was some damage occasioned to the house by others than the tenants, even though it had been vacated and they rocked the windows or whatever, how would you make a judgment as to whose responsibility that damage is?

**Ms BRESNEHAN** - Again, we sit down and look at the tenancy and the history of the tenant. If it has been a really stable tenancy, absolutely no problem and the person has been totally responsible and done absolutely everything and there has been some time elapsed and we know that there has been trouble in the neighbourhood - you have to show a bit of discretion - then you would negotiate that process through. Often what happens is that tenants don't like the fact that there is some damage and that they might acquire some debt, so they will find some pretty creative ways of explaining why they may not be responsible for that damage.

**Mr HOULT** - And not be there when the inspection was scheduled to happen.

**Ms BRESNEHAN** - Indeed. More and more it is our policy to take photographs so that that can't be disputed.

**DEPUTY CHAIR** - Have you shared with the committee the quantum of your maintenance backlog? Is it \$80 million and has that been escalating?

**Ms BRESNEHAN** - There are lots of different ways in which you can calculate a maintenance backlog. The figure of \$80 million that you refer to was the figure that the minister mentioned in the budget Estimates process. That is derived from an industry benchmark which says that you should be reinvesting 3.17 per cent of the value of the property back into the portfolio. That for us, if you look back over the time, would be a liability of about \$80 million.

**DEPUTY CHAIR** - So that is the figure the minister in the budget Estimates. Is that a reasonable multiplier to you?

**Ms BRESNEHAN** - Yes, it is around that mark.

**Mr HOULT** - Other than going and doing absolutely every property at a point in time assessment, it is a notional figure one could apply and it is an industry standard that is applied. It is a notional figure and we can't swear to that.

**Ms BRESNEHAN** - As the value of the property goes up, so the value is affected.

**Mr HOULT** - So the rapid growth in the value of your property artificially inflates the maintenance figure as well. It is a proportion.

**Mr WHITE** - The figure we use is the replacement value. It is similar with the property market. Building costs have escalated considerably in the last two to three years in particular. The 3.1 per cent figure came out of the national Public Works Council, work done in 1993 - there is published documentation which looked at public housing across Australia and at life cycle and essentially recommended that was the figure that you needed year on year to reinvest. Again, that is against capital and maintenance. It is not just about maintaining; it is about the capital items - kitchens and bathrooms et cetera - over that sort of period as well. So in the context of our portfolio we are talking about \$45-48 million per annum in total expenditure that would be required.

**DEPUTY CHAIR** - So that multiplier of 3-odd per cent is multiplied against what?

**Mr WHITE** - The replacement values. That is not a figure you will see in front of you but it is the replacement value of the portfolio. If you went out to build the 11 500-odd houses we have, it is the cost to build them. It is nothing to do with land. As it happens it works out around the same figure as our portfolio value that is reflected in the books. Around the \$1.5-1.6 billion is what it would cost you to go out and build all those homes and units today.

**DEPUTY CHAIR** - Can I take you to pages 1 and 3 of the tables that you have provided to us. On page 1, the bottom line of 2002-03 indicates a bit over \$10 000 per dwelling as your operating expenses. That was the highest of any of those years that you have provided there. Any particular reasons for that, because it started to decline since then? Bear in mind it is per dwelling, not against the quantum of the stock. It might be difficult to identify right now but I am interested in why it was reasonably high compared to everything else.

**Ms BRESNEHAN** - I cannot explain that. I would have to go back and look at the detail behind the figures. It is not apparent to me why that \$10 million is there like that.

**Mr WHITE** - I would not be able to comment today on that.

**DEPUTY CHAIR** - Don't worry about it for the moment. I will think about it and if it is significant to the committee-

**Mr HOULT** - Please ask if you do require it.

**DEPUTY CHAIR** - Certainly, thanks. Comparing page 1 and page 3, take for instance 2006-07 on page 1. If I multiplied the bottom line by the total housing stock I came up with \$108.5 million as your total operating expense. Shouldn't that be the same figure as the bottom line on page 3? Shouldn't the multiplication of those two figures on page 1 give me \$117 million as shown on page 3. It does not, so why doesn't it?

**Mr WHITE** - It would not include capital expenditure. With operating expenses typically you do not include your capital. If you looked at the capital expenditure figure that figure would come in at around \$106 million. So if you deducted that \$10.9 million off the \$117 million you would end up with about \$106-odd million, which is probably close to the figure that you have come up with.

**DEPUTY CHAIR** - Right.

**Mr BARNESLEY** - And you would have the effect of the TAHL monies -

**Mr WHITE** - That may well be the other reason.

**Mr BARNESLEY** - sitting in the other expenditure line because that would be all expenditure recorded against housing, but not all of the operating costs against dwellings. So I think that would explain the variation there.

**CHAIR** - With the link between affordable housing and the social and economic wellbeing of the Tasmanian community, which is one of the terms of reference, do such comments extend to the appropriateness and quality of housing as distinct from how much it costs?

**Mr HOULT** - Do you mean in the sense of whether the housing stock is of good quality and appropriate to the family unit that wants to occupy it?

**CHAIR** - Yes.

**Mr HOULT** - Yes, to an extent. You work on the principle that if somebody had some kind of housing that they can afford then it is better than not having any at all, but certainly the amenity of the housing and the location of the housing in particular does impact on that.

**CHAIR** - Just as one example, I have had a senior member of Government say to me in relation to the Harrington Street development that it was too good.

**Mr HOULT** - I personally have never heard such a comment and would take it as a throw-away line.

**CHAIR** - I would like to think that it was a throw-away line but it was not. Supposedly the view was that we could develop more units and more people would be housed.

**Mr HOULT** - We would accept that as an argument in that we did lose some density on that site. That was a shame because the unit cost would have been lower in putting them on that site than putting them elsewhere.

**Ms BRESNEHAN** - We got caught in the planning density requirements there. The other thing about Walford Terrace is that it was subject to a competition, which you might love or hate, depending on your view, and there was an attempt in that development to explore more sustainable methods for the future, things like solar passiveness, recycled water and so on. These things were experimented with on that site to reduce the costs for tenants.

**CHAIR** - Did that add to the cost of the development?

**Ms BRESNEHAN** - Overall it would have added to it.

**CHAIR** - With hindsight do you think it was the right way to go?

**Ms BRESNEHAN** - The pressures on us to find ways of constructing buildings in an energy efficient way to reduce the burden on low-income people are there regardless, so we are doing a lot of work around drafts, insulation and things like that. This was a way of seeing whether the solar panel and double glazing and those sorts of things actually did work, so it was a bit of an experiment in practice.

**Mr HOULT** - There is a continuing tension that has been about for a long time between how much you spend up-front on a dwelling. This would do two things: improve the amenity and cost to the person who is going to live in it, and reduce your maintenance overheads. It is a balancing act all the time because we have to maximise the stock numbers, but you do not want to give to people places which are very ordinary to live in, particularly when you are building them as new dwellings.

**CHAIR** - For the sake of *Hansard* I should stress that I am being a devil's advocate here, because these are not my views. The comment was that they are too aesthetically good et cetera. You would obviously not agree with those comments.

**Mr HOULT** - No. I think that within the parameters of what you can afford to pay, you build the best you can. Smart design often does not mean more expensive; good design can actually reduce costs.

**CHAIR** - The submission noted the relationship between housing and health and wellbeing. What do you see as the relationship between affordable and appropriate housing on things like mental health, disability services, child protection and rehabilitation programs?

**Mr HOULT** - The research nationally and internationally shows that safe, affordable and appropriate housing has a net benefit across almost all areas. I am not too sure about child protection and I think it is a little more tenuous, but there is so much social research now to show that if people are in safe and sustainable housing then the net benefit across the whole gamut is real. It is very basic.

**Ms BRESNEHAN** - If people have a disability, or a mental or a drug and alcohol problem, then often you cannot provide the support that people need if they do not have stable accommodation. It is not so much that the accommodation allows them to have better health and wellbeing outcomes; it is the fact that they are stable and you can get the support to them.

**Ms FORREST** - And they can get to the services because they are close by.

**Ms JACOB** - The research is supported in every area of my portfolio. Whether it is child protection, disability or youth justice, they all have a housing component. Housing is fundamental. Pretty well all our capital works recently have emphasised that end of the spectrum, those people who have those extra needs. We are concentrating on those people for that reason.

**Mr HOULT** - It has been a benefit of having Housing within the overall portfolio of Health and Human Services. There is a very strong set of linkages between our priority groups and other areas like disability.

**Ms JACOB** - It has certainly been really good for the Human Services executive group because we can plan some of those solutions and involve housing as part of it. That has been a real benefit of having Human Services working as a total group.

**CHAIR** - That is a really important point. There have been a lot of suggestions from a number of witnesses that Housing should be a separate portfolio.

**Mr HOULT** - I spend a lot of my time listening to people who want to pare off pieces of this department. That it is usually driven by a belief that if this were a stand-alone entity, their own agency, they would get more government money. I do not think that is a tested assumption by any means but I can certainly tell you that their management and administrative overheads, as a proportion of the money they got, would go up. You cannot establish agencies without the infrastructure to manage, administer, pay and whatever. What I can say from my observation of this agency is that there are benefits, which are sometimes not apparent to the public, and which I would be loath to see lost by fragmentation of the agencies.

**CHAIR** - Economies of scale?

**Mr HOULT** - Economies of scale, but also the fact that nobody is allowed to live in their own little silo. They have to take into account other needs across the whole Human Services sector and the Health sector when they are discussing how they spend their money.

**CHAIR** - The reason people put this forward is that there is so much focus on the health system and hospitals, which is probably the number one issue out there in the general public and the one where politicians are under the most pressure. Therefore Housing, being part of the same portfolio, gets lost in the shadow.

**Mr HOULT** - I can hear a certain disability advocate saying exactly the same thing and a child protection person saying something very similar. The evidence from the past and in some other areas - the UK in particular - is that when you have stand-alone hospital departments there are virtually no controls upon their capacity to eat the available tax dollar. The debates in my department about expenditures on acute care are inevitably that if we spend here we will not be able to fund things in other areas. If you end up having a department of hospitals they will not care where the money comes from and -

**Ms FORREST** - Primary health will suffer.

**Mr HOULT** - Yes.

**Ms BRESNEHAN** - I come at it from a slightly different point of view - one of integration. We have talked today about the fact that public housing has become very tightly targeted. By targeting we mean that we are only able to house those people who have a range of high or complex needs. Invariably they are clients of the broader Human Services agency, so a significant amount of the capital dollars that we have had access to in the last few years have been spent on disability housing and modified housing for that particular group.



We do community tenancies for mental health, for people exiting prison and for kids coming out of Ashley, so there is a lot of integration. This is the sharp end, the most needy end, so linking the housing provision with the support provision is a really important component of what we now do.

In New South Wales, for example, they have a human services accord. They are trying to get the connections back in another way. The way that public housing is going you need those links. How you get them, of course, is up for grabs but having them within the one agency allows us to do that more efficiently.

**CHAIR** - I sincerely thank you for the way you have participated.

**THE WITNESSES WITHDREW.**