



Hon Sue Ellery MLC
Chair
Standing Committee on Estimates and Financial Operations
Parliament House
GPO Box A11
Perth WA 6837

Dear Ms Ellery,

Corrections and additional information relating to the Committee hearing for the Department of Housing (Housing Authority) of 8 April 2009 is provided below.

1. Typographical or Transcription Errors

Page 2, Paragraph 4: (first sentence) Add 'commencing' between 'initiatives' and 'this year'.

Page 2, Paragraph 4: (last sentence) Remove 'those' between 'expect' and 'savings'.

Page 10, Paragraph 5: Replace 'centres' with 'sessions'.

Page 14, Paragraph 4: Replace 'GROW' with 'GROH'.

2. Incorrect Factual Information

Page 1: (on the topic of the three percent efficiency dividend). There was some conflict between the numbers quoted by the panel and the numbers provided by the Director General.

Response

The figures quoted by the Chair refer to the efficiency dividend applied to the Works function of the former Department of Housing and Works which was transferred to the Department of Treasury and Finance on 1 February 2009. The figures quoted by the Director General are correct for the Housing Authority.

Page 6: (on the topic of capital injection being sought under the Treasurer's advance). Hon Ken Travers states "*My understanding is that under the Treasurer's advance you are seeking somewhere up around \$20 million as a capital injection*" (paragraph 8). "*That is the additional funding you need just to keep your existing programs in place?*" (paragraph 16).

Response

The Housing Authority does not have access to a Treasurer's Advance. The Hon Ken Travers appears to be referring to a \$20 million application by the Works function of the former Department of Housing and Works in February of this year.

3. Additional Information

Page 2

Question: *The Treasurer announced at the beginning of February a ceiling on the public service workforce with a global figure of 99 155. Each agency's component of that ceiling was the FTE figure set in the 2008-09 budget. Are you able to tell us what that figure was? Is there a difference between that figure and your 1038 estimate and if there is a difference how are you going to manage it?*

Answer:

The Department was not required to publish FTE figures in the 2008-09 budget process. However, the Department's current approved structure is 1038 FTE, which is consistent with the FTE reported in its 2007-08 Annual Report and with information provided to the Department of Treasury and Finance and the Public Sector Commission on a regular basis.

Page 4

Question:

I am just a bit confused. Maybe you can help explain it to me. There is the issue about the stimulus package bringing forward money – the \$300 million-odd that you talked about. Can you explain to me how that has been brought forward, where in the budget it was, and it has been brought forward to. (Paragraph 1)

Answer:

The \$316m was brought forward into 2009/10; none of these funds were brought forward to 2008/09.

Question:

This is my problem. You have \$64million under royalties for regions allocated for this year; you have \$140 million for next year. (paragraph 13)

Answer:

Of the \$64m for GROH, only \$20m has been allocated for 2008/09.

Page 5

Question:

How many contracts do you expect to issue before 30 June? Of the 1009 houses you hope to build out of that money, how many of those will be contract signed by 30 June?

Answer:

The Department expects to award contracts for approximately 334 social housing units by 30 June 2009 funded under both the State and Commonwealth stimulus packages.

Page 6**Question:**

What do you estimate the loss of revenue this year will be?

Answer:

Land and property sales forecasts in the original budget for 2008/09 were \$354m and reduced down to \$161m at the Mid-Year Review. Associated land costs and acquisitions were cut from \$219m (original budget) to \$141m (MYR).

Question:

In terms of a profit figure, the amount out of that you are able to reinvest back into housing, what does that represent in dollar terms?

Answer:

The 2008/09 Mid-Year Review budget shows a profit on land activities of \$16m for reinvestment into social housing.

Question: (re value of lot sales)

What have the prices come down by, on average?

Answer:

10 to 15 percent. The dollar impact is estimated to be between \$18m and \$27m.

Question:

Then in 2008-09 there was originally how much (capital injection sought)

Answer:

The Authority obtained additional capital funding of \$30m during 2008/09 as a result of the reduced revenue from land sales.

Page 7**Question:**

Is there any allocation currently made for indigenous housing? How much is that? On average, what would be the percentage allocated, let us say, since January?

Answer:

Remote Indigenous housing is funded through joint Commonwealth State arrangements. Under the new National Partnership Agreement on Remote Indigenous Housing, Western Australia expects to receive \$496 million until 30 June 2013. This requires an agreed Implementation Plan that is not yet finalised. No Commonwealth funds have been provided to the State since 31 December 2008. Prior to the new arrangements, in 2007/08 the Commonwealth contribution for housing, essential services and infrastructure was \$67.761m, and the State's contribution through the Department of Housing was \$36.07m being 34.7% of the overall funding.

Page 8**Question:**

On a rule of thumb, what would be the percentage of public or social housing that you would provide as a percentage of the overall budget, as a split between metropolitan and regional?

Answer:

The percentage of the budget for public housing construction split between regional and metropolitan WA in the coming financial year is expected to be 40% for regional and 60% for metropolitan.

Question:

According to my sums you are paying on average \$435,000 for regional houses and \$210,000 for metropolitan houses, which suggests that the prices are more than double in the regions. Can you provide more detail on those costings and why, particularly within the stimulus package, there is a big difference in prices? ...If you can give the committee a bit of an explanation of how that breaks up, it would be good.

Answer:

Current cost estimates for public housing in the Perth metropolitan area shows average costs of approximately \$1,500 per square metre compared with costs of approximately \$2,300 per square metre in Wheatbelt towns and costs in excess of \$3,200 per square metre for towns in the Pilbara.

Housing construction costs in regional areas are affected by additional freight, travel and accommodation raising builders' overheads and labour and material costs. In addition, regional housing has to be constructed to suit the local climatic conditions. As an example housing in the northwest of the State will generally have more veranda areas to provide shading to the houses and are required to be constructed to withstand cyclonic conditions.

Page 9**Question:**

On the matter of the 1009 houses you were talking about, do you have a percentage breakdown of where they are going to be built and a comparison between the city and the regions? (provide a map broken down by town where possible)

Answer:

We do not have a project-level breakdown of where the social housing component (609 units) of the 1009 houses will be built. However, indicative figures based on demand are shown below, by region.

2009/10 & 2010/11 Indicative Targets						
Region	State Stimulus		Cth Stimulus		Total	
	Units	Funds	Units	Funds	Units	Funds
Metro North	295	\$ 53,100,000	591	\$184,945,000	886	\$ 238,045,000
Metro Fremantle	130	\$ 23,400,000	333	\$104,208,000	463	\$ 127,608,000
Metro Southeast	125	\$ 22,500,000	407	\$127,366,000	532	\$ 149,866,000
Southern	10	\$ 1,900,000	50	\$ 15,647,000	60	\$ 17,547,000
Southwest	10	\$ 1,900,000	50	\$ 15,647,000	60	\$ 17,547,000
Wheatbelt	11	\$ 2,310,000	22	\$ 6,885,000	33	\$ 9,195,000
Goldfields	10	\$ 3,000,000	22	\$ 6,885,000	32	\$ 9,885,000
Midwest/Gascoyne	10	\$ 3,500,000	81	\$ 25,348,000	91	\$ 28,848,000
Pilbara	4	\$ 2,200,000	55	\$ 17,212,000	59	\$ 19,412,000
Kimberley	4	\$ 2,200,000	103	\$ 32,233,000	107	\$ 34,433,000
Total	609	\$116,010,000	1,714	\$536,376,000	2,323	\$652,386,000

Below is a summary by Region for the 400 GROH units. A full list of properties under the Royalties for Regions stimulus program (by town) is at **Attachment 2**.

REGIONAL SUMMARY

REGION	NUMBER	%
Great Southern	23	6%
South West	8	2%
Goldfields	28	7%
Mid West	22	6%
Pilbara	136	34%
Kimberley	127	32%
Wheatbelt	56	14%
Total	400	

The map at **Attachment 1** provides a consolidated breakdown of GROH and social housing units by region.

Page 12**Question:**

Is there any change to timelines or when you expect to deliver the further redevelopment of Brownlie Towers?

Answer:

The timelines have not changed. The physical redevelopment of the site will commence following the conclusion of the master planning and statutory any approval process, which is expected to be in late August 2009. The completion time is estimated at 12 to 18 months after that date.

Question:

You mentioned growth in the past four years of \$1.6 million to \$3.6 million in rental receipts. What impact is that having on your budget for bond assistance? Is it placing increased pressures on your budget?

Answer:

The value of bond and rent-in-advance loans offered to assist low-income private renters has increased from \$4.1M in 2006-07 to a budgeted \$10m in 2008-09.

The Department makes no direct budgeting connection between rental receipts and the budget for bond assistance.

Page 13**Question:**

I am actually trying to find out what the pressures on Keystart are. For instance, I think we have seen a drop of two per cent in the Reserve Bank lending rate in this year alone. Have you seen a commensurate drop in the cost of your funds of two per cent, or has it gone down by only one per cent? How much has the cost of accessing funds fallen in that time?

Answer:

There is always a lag between a reduction in the RBA cash rate and the resetting or maturing of debt funding instruments. However, Keystart has been fortunate in that its cost of funds have almost matched the 4% reduction in cash rate. Borrowers have received 3.75% of that reduction.

Page 14**Question:**

Could you go over the past four years of capital contributions? I do not know whether you break the figures up for the construction of housing and the purchase of land. Which area's divisions did the money go to; whether it was GROH, Aboriginal housing or social housing? How many houses were built as a result of that additional capital injection? Also can you provide the locations?

Answer:

State Capital Contributions over the past 4 years:

	2005/06 \$m	2006/07 \$m	2007/08 \$m	2008/09 \$m
GROH				20.000
Equity for stock growth to contain the waiting list			40.400	58.600
Annual State Equity Contribution (social housing)	15.000	15.000	15.000	15.000
Social Housing spot purchase program			25.000	25.000
Mental Health Strategy Stage 1			12.000	12.000
Ocean View Lodge			9.300	
Crisis accommodation acquisitions			3.000	
Dwellings for Corrective Services			0.825	
Social Housing construction				30.000
"A Place to call Home" Program				0.577
Total	15.000	15.000	108.850	161.177

The figures above reflect State capital contributions only; State funds contributed under Commonwealth agreements are not shown.

With regard to the query about how many houses were built each year, capital contributions form part of a rolling construction program consisting of both completions and commencements in any given financial year. For example, total construction costs for these years were \$155m (05/06), \$204m (06/07), \$238m (07/08) and the budget for 08/09 is \$252m. Over these years the Authority completed on average 922 dwellings per annum. This increased to 984 in 07/08.

Yours sincerely

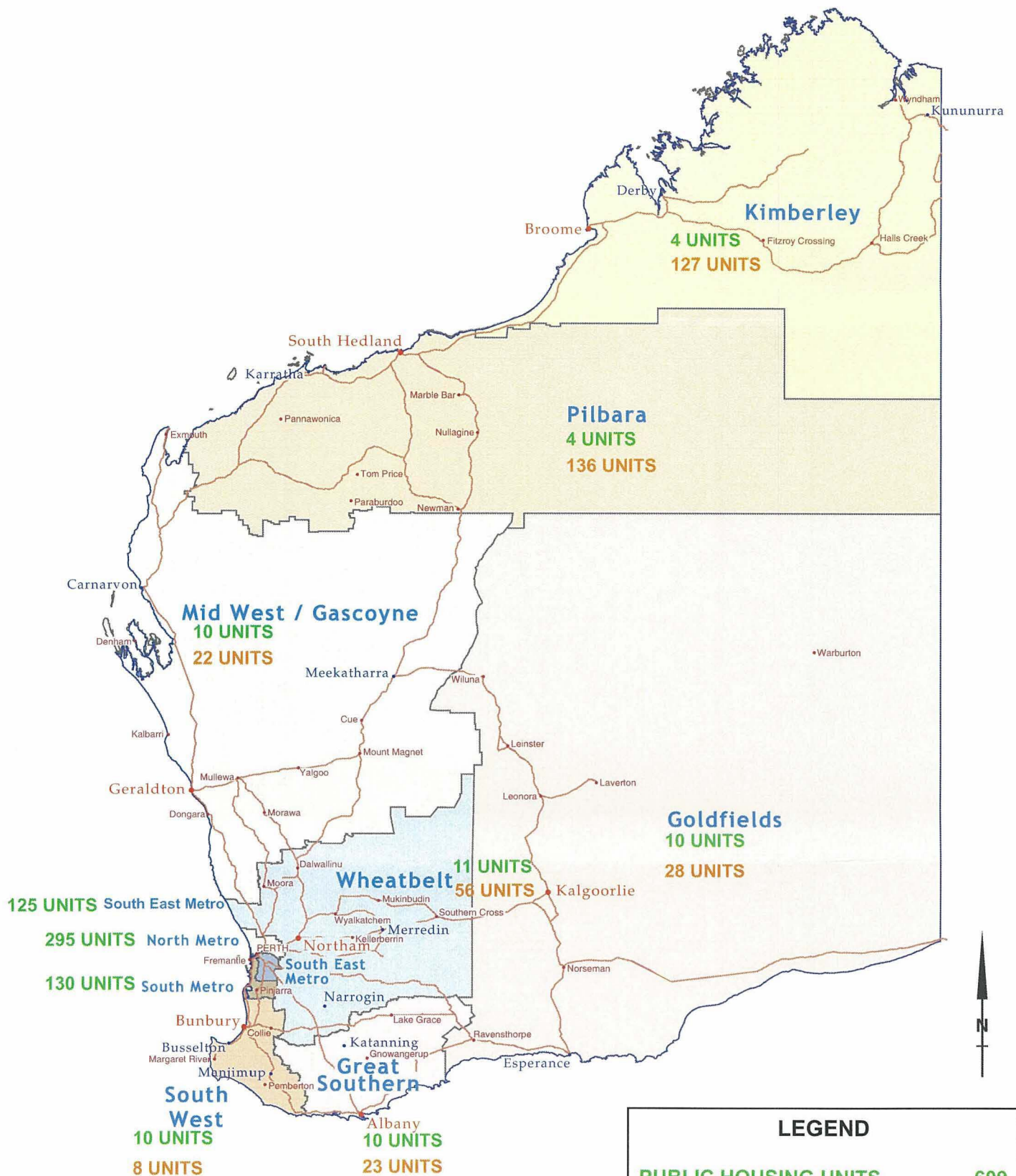


GRAHAME SEARLE
DIRECTOR GENERAL

6 May 2009

Department of Housing

STATE GOVERNMENT STIMULUS PACKAGE



LEGEND	
PUBLIC HOUSING UNITS	609
GROH UNITS	400
TOTAL	1009



Government of Western Australia
Department of Housing

INDICATIVE GROH HOUSING CONSTRUCTION STIMULUS PACKAGE

GROH 400 PROGRAM

CURRENT AS AT 2 APRIL 2009

NOTE: There will be further adjustments to this program subject to the changing requirements of Government agencies.

BEACON	1
BEVERLEY	2
BODDINGTON	2
BROOME	22
BRUCE ROCK	4
CALINGIRI	2
CAPE ARID	1
CAPE LE GRAND	1
CARNARVON	7
CORRIGIN	2
CRANBROOK	4
CUNDERDIN	4
DENHAM	3
DERBY	41
DOWERIN	2
DUMBLEYUNG	1
ENEABBA	1
EXMOUTH	2
FITZROY CROSSING	17
GNOWANGERUP	2
GOOMALLING	2
GRASS PATCH	1
HALLS CREEK	11
KALANNIE	2
KARIJINI	7
KARRATHA	35
KATANNING	1
KELLERBERRIN	1
KOJONUP	3
KUKERIN	1
KUNUNURRA	24
LAKE GRACE	2
LAVERTON	10
LEONORA	1
MANJIMUP	5
MECKERING	1
MEEKATHARRA	2
MOORA	6

MORAWA	2
MOUNT BARKER	2
MOUNT MAGNET	2
MULLEWA	1
NARROGIN	7
NEWMAN	21
NORSEMAN	4
PEMBERTON	1
PINGELLY	3
PINGRUP	2
PORONGURUP	1
PORT HEDLAND	31
ROEBOURNE	12
SCADDAN	1
SOUTH HEDLAND	2
SOUTHERN CROSS	3
TAMMIN	1
THREE SPRINGS	2
TJUNTJUNTJARA	1
TOM PRICE	26
TWO PEOPLES BAY	1
WAGIN	4
WALPOLE	2
WANARN	1
WARAKURNA	1
WARBURTON	3
WELLSTEAD	2
WICKEPIN	1
WICKHAM	2
WILLIAMS	3
WILUNA	3
WYNDHAM	13
YERECOA	2
YORK	1
TOTAL	400