

VICTORIA

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Auditor-General  
of Victoria

**SPECIAL REPORT No. 46**

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**PUBLIC HOUSING**  
**Responding to a**  
**fundamental community need**

AND

**LAW ENFORCEMENT**  
**ASSISTANCE PROGRAM**  
**Better information on crime**

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*Ordered by the Legislative Assembly to be printed*

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VICTORIAN GOVERNMENT PRINTER

ISSN 0818 5565  
ISBN 0 7306 9287 6

November 1996

The President  
The Speaker

Parliament House  
Melbourne Vic. 3002

Sir

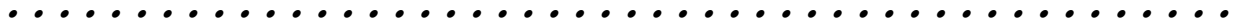
Under the provisions of section 15 and section 16 of the *Audit Act 1994*, I transmit the Auditor-General's Special Report No. 46, "*Public Housing: Responding to a fundamental community need*" and "*Law Enforcement Assistance Program: Better information on crime*".

Yours faithfully

C.A. BARAGWANATH  
*Auditor-General*

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# Foreword

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The delivery of housing assistance programs under successive Commonwealth-State Housing Agreements has, for over 50 years now, constituted a major function of government at national and State levels.

The Department of Human Services is Victoria's largest landlord having responsibility for the management of 69 200 public and community housing properties, with an aggregate value at 30 June 1996 of \$5 billion.

This Report focuses mainly on the Department's public housing responsibilities. It presents information on a range of issues relevant to the State's public housing services and provides an outline of major housing assistance reforms, and their potential ramifications, currently under discussion by the Australian and State Governments.

I hope the Report is viewed as useful and informative in dealing with such a significant government responsibility, from both the Department's management perspective and the Parliament's and community's viewpoint.

This Report also includes the results of a review, conducted under section 15 of the *Audit Act* 1994, of Victoria Police's Law Enforcement Assistance Program. The review has a key focus on strategic planning and management. The Force, and the Victorian taxpayer, will more fully realise the potential benefits of the substantial investment in this area once identified deficiencies are satisfactorily addressed.

C.A. BARAGWANATH  
*Auditor-General*

# Part 1

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## **PUBLIC HOUSING**

### **Responding to a fundamental community need**

Review conducted  
under the provisions of  
section 16 of the *Audit Act* 1994

# **Section 1.1**

## **Executive summary**



# Section 1.1.1

## Overall audit conclusion

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**1.1.1.1** Past mechanisms for determining distribution of funding to the States for public housing purposes under successive Commonwealth-State Housing Agreements have not focused on measuring the total community need for public housing assistance.

**1.1.1.2** In what audit regards as a pro-active management initiative, the Department of Human Services is in the preliminary stage of enhancing its procedures for identifying aggregate community need for housing assistance from government. In the meantime, its public housing waiting lists remain the principal means of assessing the quantum of expressed community demand for such assistance and for management decisions on the allocation of available housing to eligible households.

**1.1.1.3** The Department's waiting lists indicate that, at 30 June 1996, about 61 700 households were waiting to be allocated to public housing in Victoria, which represents an increase of 79 per cent over the last 10 years. The lists also show a continuing and significant gap between the level of expressed community demand and the available supply of public housing. At 30 June 1996, around 37 600 or 61 per cent of applicants had been waiting for allocation to public housing for periods longer than 2 years, with about half of this number waiting in excess of 4 years. These lengthening waiting times have prompted the Department to focus attention in recent years on households deemed to be in greatest need of assistance. However, with an increasing demand also for priority housing, a sizeable proportion of households in priority need are required to wait a considerable time, with about 38 per cent waiting for over 6 months at 30 June 1996.

**1.1.1.4** Between 1991-92 and 1995-96, the level of funding available to the Department for provision of housing assistance has declined by 14 per cent in real terms, due mainly to a reduction in funds available under the relevant Commonwealth-State Housing Agreement and lower levels of rentals received from public housing tenants.



**1.1.1.5** Against the background of a significant level of unmet community demand for assistance and falling levels of available funding, the quality of the Department's management of its 64 500 public housing properties becomes a factor directly influencing its overall effectiveness in terms of meeting the community's need for housing assistance. It was, therefore, very pleasing to find at the time of the audit that the Department was pursuing several management improvement strategies which collectively were designed to upgrade the soundness of its asset management procedures. The following asset management issues examined during the audit reinforced the importance of the Department's actions:

- The number of planned new housing properties in country areas was greater than assessed need in those areas, while a reverse situation applied in the outer metropolitan area of Melbourne;
- An increasing proportion of older housing stock with high maintenance requirements or needing major works. At 30 June 1996, 18 500 properties, or 29 per cent of the public housing asset portfolio, had been held for more than 30 years and required substantial upgrading or redevelopment;
- An accumulated backlog for the maintenance and upgrading of public housing of \$148 million and concerns in regard to the delivery of maintenance services;
- A substantial level of underutilised properties mainly due to a past requirement to fully apply the principle of *security of tenure* to public housing tenants;
- The significant resource implications to the Department from holding over 1 290 high-value properties, with individual values of between \$150 000 and \$350 000, of which 530 were underutilised; and
- A marked level of resources tied up in vacant land holdings accumulated over many years with a total of 2 250 parcels of land, valued by the Department at around \$78 million held at 30 June 1996 and around 350 parcels held for periods of longer than 20 years.

**1.1.1.6** At both national and departmental levels, the establishment of performance measurement frameworks for public housing is at an early stage. The Department has identified 3 strategic directions for public housing under its 1996-97 corporate plan and has compiled a range of performance indicators which it intends to use as the basis for development of its performance targets. In terms of client reaction to quality of service, the Department has completed some very useful early work with, on average, around two-thirds of public housing tenants expressing satisfaction with departmental services in a 1994 survey. It is also relevant to mention that the Department is currently examining several avenues with potential to enhance its rental management procedures.

**1.1.1.7** The wide range of review actions underway within the Department, as outlined in this Report, is indicative of the intensity of the attention currently directed by it to continuous improvement in its management of public housing services on behalf of the community. The Department deserves credit for its proactive approach in planning and pursuing these improvement initiatives. It recognises that the various improvement actions will need to be effectively integrated within a strategic management framework in order to provide a sound basis for performance monitoring and clear reporting of periodic results to the Parliament and community.

**1.1.1.8** Finally, it is appropriate for audit to refer to the major reform direction for public housing which was agreed by governments at national and State levels in April 1995. While this direction has been confirmed by the current Australian Government, it seems from published information that a fundamental shift is likely to occur in funding arrangements to the States for public housing assistance. The specific details of the reform direction are still under discussion by the Australian and State Governments. It is, therefore, not possible to definitively determine the potential management implications for the Department, however, given the dimension of the reform proposals, it is a logical consequence that several important financial and socio-economic ramifications, some of a long-term nature, will require early consideration in Victoria. It will also be important that the community is adequately informed of the details and implications of any changes ultimately made to the State's public housing arrangements.

**□ RESPONSE** by Secretary, Department of Human Services

*The Department agrees with the general thrust of the conclusion that there is a significant gap between community need, expressed demand and the level of assistance currently provided. As the Auditor-General notes significant steps have been taken to both quantify the level of community need and to identify and target assistance to those most in need.*

*In the analysis that supports this conclusion there are, however, 2 issues that need to be addressed:*

- First, the level of community need identified by the Department is based on an estimate of 86 000 private tenants who are unable to access affordable private rental accommodation, of which 15 000 or 17.5 per cent have a significant disability and require support; and*
- Second, while recognising the existence of unmet need, the Department's goal is not to fully meet this need, but rather, to maximise and effectively target the assistance it can provide within the resources allocated to it, through the Commonwealth - State Housing Agreement.*

*The Department agrees with the Auditor-General's conclusion on the importance of asset management to overall organisational effectiveness. As noted, a wide range of improvements have been made in this respect in recent years including changing organisational structure to clarify accountabilities for asset management, enhanced planning processes and improved performance indicators and reporting.*

*As noted by the Auditor-General a substantial proportion of the \$148 million of maintenance, represents work required to bring older housing up to current standards (e.g. fitting kitchens) and, therefore, represents a potential requirement for capital investment. A significant number of these higher cost properties will be targeted for sale or demolition as also noted in the Report.*

*The Department considers the threshold of \$150 000 for 'high-value properties' to be inappropriate. This threshold value of \$150 000 is only some 16 per cent above the Metropolitan median house price, reported by the Valuer-General, for the June Quarter 1996. The Department suggests that \$200 000 is a more appropriate threshold. The number of public housing properties valued above this threshold is currently 160, or 0.25 per cent of total stock.*

*The other specific issues identified by audit are noted and are being addressed as part of the implementation of the Department's overall asset management strategy for public housing.*

# Section 1.1.2

## Summary of major audit findings

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### Significant unmet community need for housing assistance

Page 27

- Over the years, governments at both national and State levels have not been in a position to determine the total need within the community for housing assistance.  
*Paras 1.4.7 to 1.4.13*
- At 30 June 1996, about 61 700 households were waiting to be allocated to public housing, an increase of 79 per cent over the last 10 years.  
*Paras 1.4.21 to 1.4.27*
- There has been a continuing and significant gap between the level of expressed demand by the community for public housing assistance and the available supply of public housing.  
*Paras 1.4.28 to 1.4.29*
- Between 1991-92 and 1995-96, the level of funding available to the Department of Human Services for provision of housing assistance has declined by 14 per cent in real terms.  
*Paras 1.4.30 to 1.4.37*
- At 30 June 1996, around 37 600 or 61 per cent of applicants had been waiting for allocation to public housing for periods longer than 2 years, with about half of this number waiting in excess of 4 years.  
*Paras 1.4.41 to 1.4.44*
- The Department has focused attention in recent years on households deemed to be in greatest need of assistance, however, with an increasing demand for priority housing, a sizeable proportion of persons in priority need are required to wait a considerable time, with 38 per cent waiting for over 6 months as at 30 June 1996.  
*Paras 1.4.46 to 1.4.50*

**Major proposed reforms to assistance arrangements**

- Over recent years, some significant reviews, particularly the *Industry Commission Inquiry into Public Housing, 1993*, have highlighted the need for major changes in the approach followed by governments for the delivery of housing assistance to the community.  
*Paras 1.5.4 to 1.5.7*
- Proposed reforms under consideration by the Australian and State Governments will, if ultimately implemented, have major significance on the delivery of housing assistance in terms of both the roles and responsibilities of respective governments and the form and level of assistance to the community.  
*Paras 1.5.8 to 1.5.14*
- Given the dimension of the proposed reforms, it is a logical consequence that many significant financial and socio-economic ramifications, several of a long-term nature, will require consideration in Victoria.  
*Paras 1.5.20 to 1.5.22*
- Adequate attention will need to be given to informing the community of the details and implications of any changes ultimately made to housing assistance arrangements.  
*Para 1.5.23*

**Management of public housing assets**

- The Department of Human Services is regarded as the State's largest landlord owning some 64 500 public housing properties and 4 700 community housing properties at 30 June 1996, with an aggregate value of around \$5 billion.  
*Paras 1.6.4 to 1.6.6*
- The Department has progressively introduced a number of management initiatives, some of which were at an early stage at the time of the audit, collectively aimed at enabling it to achieve maximum effectiveness in meeting the community's need for public housing.  
*Paras 1.6.10 to 1.6.11*
- At February 1996, the number of planned new housing properties in country areas exceeded assessed need in those areas while a reverse situation applied in the outer metropolitan area of Melbourne, a position which required attention by the Department.  
*Paras 1.6.14 to 1.6.23*
- The Department is currently faced with an increasing proportion of older stock with high ongoing maintenance requirements and, at 30 June 1996, around 18 500 public housing properties had been held for more than 30 years and were in need of substantial upgrading or redevelopment.  
*Paras 1.6.26 to 1.6.28*

- In December 1995, the Department of Human Services determined, from a program of property inspections, that it had an accumulated backlog for the maintenance and upgrading of public housing properties of \$148 million.

*Paras 1.6.29 to 1.6.32*
- The Department has commenced a number of actions which are aimed at achieving more efficient use of maintenance funds. It has also moved to address inefficiencies in the management of maintenance services which are carried out by private sector contractors.

*Paras 1.6.33 to 1.6.40*
- At 30 June 1996, around 19 000 properties or 32 per cent of total occupied public housing properties had potential for greater utilisation in that the number of bedrooms exceeded the requirements of the current household.

*Paras 1.6.42 to 1.6.44*
- Tightening of the application of the *security of tenure principle* should result in better matching of properties with household needs and free up some public housing to accommodate both priority and other applicants currently on waiting lists.

*Paras 1.6.45 to 1.6.49*
- The achievement of an occupancy rate for its housing properties of almost 96 per cent at 30 June 1996, represented a sound management performance by the Department.

*Paras 1.6.50 to 1.6.56*
- Potential for the Department to progressively achieve better outcomes, both socially and financially, from the resources currently consumed by its high-value properties (at 30 June 1996, 1 290 public housing properties had values of between \$150 000 and \$350 000, of which 530 were underutilised).

*Paras 1.6.57 to 1.6.62*
- The Department's asset records show that, at 30 June 1996, it owned a total of 2 250 parcels of vacant land, with a recorded value of \$78 million, of which around 15 per cent had been held for periods of longer than 20 years.

*Paras 1.6.63 to 1.6.72*
- Difficulties have been experienced by the Department in the disposal of land in country areas, with 20 per cent of country land offered for sale remaining unsold for periods longer than 2 years.

*Paras 1.6.69 to 1.6.70*
- It will be important that full communications are maintained with tenants on the progress of the Government's redevelopment strategy for high-rise towers.

*Paras 1.6.73 to 1.6.77*



**Performance management and other housing issues**

- While consensus has been reached on core national outcome measures, related performance targets are still to be negotiated between the Australian and State Governments.  
*Paras 1.7.16 to 1.7.19*
- Similar to the position with the national performance measurement framework, the Department of Human Services is at a preliminary stage in the formulation of performance indicators and targets for housing assistance.  
*Paras 1.7.20 to 1.7.23*
- The results of the Department's 1994 survey of public housing tenants indicated a creditable level of satisfaction expressed by tenants with departmental services.  
*Paras 1.7.24 to 1.7.31*
- Opportunities exist to enhance rental management arrangements and, in turn, increase the level of rental revenue collected by the Department.  
*Paras 1.7.32 to 1.7.36*
- The merit of pursuing an amnesty program in Victoria to encourage voluntary disclosure by tenants of any inaccuracies in information previously provided to the Department would, based on the advised New South Wales experience, warrant definite attention.  
*Paras 1.7.36*
- Formulation by the Department, in conjunction with other relevant agencies, of a crime prevention policy for its housing estates would provide a useful basis for further expansion of its current housing security strategies.  
*Paras 1.7.37 to 1.7.45*

# **Section 1.2**

## **Outline of government housing assistance**



**GOVERNMENT ARRANGEMENTS FOR HOUSING ASSISTANCE**

**1.2.1** Given that the availability of appropriate housing constitutes a basic need of the community, the delivery of housing assistance programs has, for many years, represented a major social welfare function of the Australian and State Governments.

**1.2.2** The Australian Government's involvement in housing assistance began in 1945 with the implementation of the first Commonwealth-State Housing Agreement to provide public housing "... for those who were in need of proper housing accommodation and who, for various reasons, did not desire or were unable to purchase their own homes".

**1.2.3** Following changes over the years to government funding arrangements, housing assistance is now almost exclusively targeted to low income households mainly through either:

- joint provision by the Australian and State Governments of public housing and other forms of assistance under periodic Commonwealth-State Housing Agreements; or
- rent assistance paid by the Commonwealth Department of Social Security, without any direct involvement of State Governments, to eligible persons in private rental accommodation.

**1.2.4** The Commonwealth *Housing Assistance Act* 1989 was the primary legislative basis for the delivery of government assistance for housing up to 30 June 1996. A Commonwealth-State Housing Agreement, covering a period of 10 years, was entered into by the Australian and State Governments under the legislation. The terms of the Agreement provided for the States to receive financial assistance from the Australian Government and to apply such assistance, together with their own financial contributions, for the provision of public housing and other forms of assistance.

**1.2.5** The primary principle of the 1989 Agreement was to "... ensure that every person in Australia has access to secure, adequate, and appropriate housing at a price within his or her capacity to pay by seeking to:

- alleviate housing related poverty; and
- ensure that housing assistance is, as far as possible, delivered equitably to persons resident in different forms of housing tenure".

**1.2.6** Within the framework of the Agreement, the Australian Government has traditionally provided capital funds on a per capita basis for the States to utilise in the acquisition, upgrade and maintenance of public housing stock. Funds have also been allocated to the States for other forms of assistance including home purchase and community housing.

**1.2.7** Through application of funding arrangements over the years, the Australian Government has estimated that, in total, the States have accumulated \$34 billion of public and community housing assets, placing housing authorities among Australia's largest enterprises. In Victoria, the asset portfolio comprises approximately 64 500 public housing properties and 4 700 community managed housing units with an aggregate value at 30 June 1996 of almost \$5 billion.

**NATURE OF HOUSING ASSISTANCE PROVIDED IN VICTORIA**

**1.2.8** Housing assistance provided to the Victorian community under joint Commonwealth-State funding arrangements comprises:

- *public housing* under which applicants satisfying relevant eligibility criteria are provided with housing owned by the State at a subsidised rate of rental;
- *community housing* in circumstances where properties owned by the State are managed by community groups, co-operatives and local government authorities, or the State supports the operations of properties owned by these bodies;
- a number of *home finance schemes* through which the State lends funds to eligible persons to buy their own properties on either a full or shared equity basis; and
- a *bond assistance scheme* under which an interest free loan is provided to low income households to meet the value of rental bonds paid to estate agents and landlords.

**1.2.9** The importance of the above forms of assistance to the community is illustrated by the information shown in Table 1.2A below which shows the magnitude of recipient households in Victoria at 30 June 1996 and of new recipients during 1995-96.

**TABLE 1.2A  
VICTORIAN HOUSEHOLDS IN RECEIPT OF  
COMMONWEALTH-STATE GOVERNMENT HOUSING  
ASSISTANCE**

<i>Type of assistance</i>	<i>Number of households</i>
Households assisted at 30 June 1996 -	
Public housing	61 000
Home finance	27 400
Community housing (a)	7 100
Bond assistance	87 000
New households assisted during 1995-96 -	
Bond assistance	25 400
Community housing (a)	15 800
Public rental housing	8 700
Home renovation service	2 511
Home finance	300

(a) Community housing is generally of a short-term nature.  
Source: Department of Human Services, Victoria.



**FUNDING APPLIED TO HOUSING ASSISTANCE**

**1.2.10** Total funding available for housing assistance programs in Victoria is derived from:

- the Australian and State Governments under Commonwealth-State Housing Agreements; and
- internally-generated funds progressively managed by the State and primarily in the form of rentals received from tenants in public housing, income generated from house and land sales, and home loan repayments.

**1.2.11** In 1995-96, total funding from these 2 sources amounted to \$786 million. The sources of funding for 1995-96 and the application of funds during the year are summarised in Table 1.2B.

**TABLE 1.2B**  
**RECEIPT AND APPLICATION OF HOUSING ASSISTANCE FUNDING, 1995-96**  
 (\$million)

<i>Funding received from -</i>		<i>Funding applied to -</i>	
<b>Government -</b>		<b>Public housing -</b>	
Australian	241	Operations	265
State	110	Acquisitions and improvements	209
Sub-total	351	Sub-total	474
<b>Internally-generated -</b>		<b>Home finance</b>	212
Net rental receipts (a)	197	<b>Community housing</b>	100
House and land sales	41		
Home finance	154		
Other	33		
Unexpended funds carried forward	10		
Sub-total	435		
<b>Total</b>	<b>786</b>	<b>Total</b>	<b>786</b>

(a) Net rental receipts comprises rents received from public housing tenants less rental subsidies provided to tenants and welfare organisations of \$170 million.

**1.2.12** The importance of public housing as a form of assistance is indicated by the fact that it represented \$474 million or 60 per cent of total funds applied during 1995-96.

**MANAGEMENT OF HOUSING ASSISTANCE IN VICTORIA**

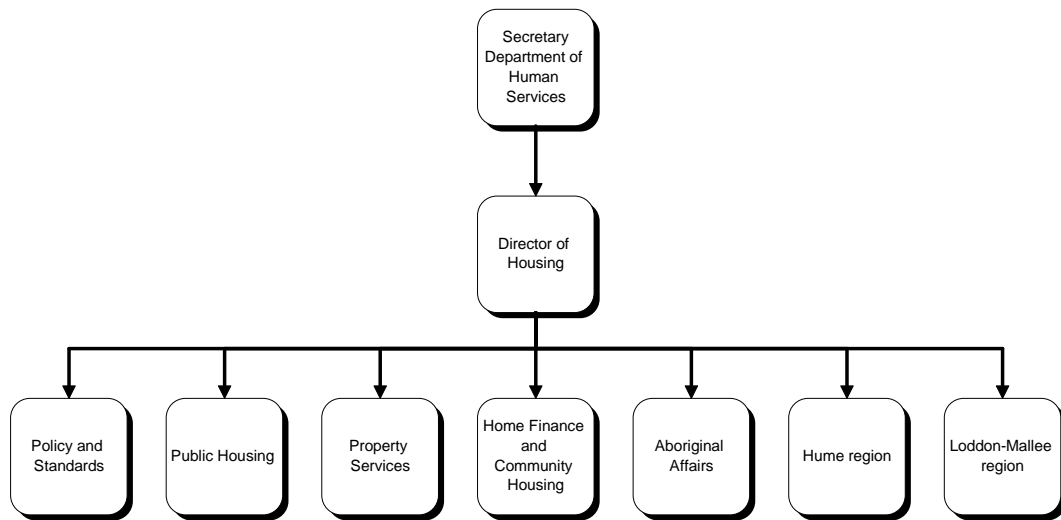
**1.2.13** Within Victoria, the *Housing Act* 1983, which generally complements the principles contained within Commonwealth-State Housing Agreements, is the primary legislation governing the provision of housing assistance in Victoria.



**1.2.14** Under machinery of government changes operative from April 1996, the Department of Human Services, through its Housing Division, became responsible for administration of the legislation and the management of public housing services in Victoria. Prior to April 1996, responsibility rested with the Office of Housing within the former Department of Planning and Development.

**1.2.15** The Department of Human Services has recently established the following organisation structure for the management and implementation of housing assistance programs.

**CHART 1.2C  
DEPARTMENT OF HUMAN SERVICES,  
ORGANISATION STRUCTURE FOR DELIVERY OF HOUSING ASSISTANCE**



**1.2.16** Key features of the organisation structure are:

- the position of Director of Housing which, under Victorian legislation, has overall responsibility for the delivery of housing services within the State;
- a Housing Division which manages the public housing component of the Department's activities including strategic tasks associated with asset management;
- Property Services Division which is responsible for the operational functions relating to public housing assets, including construction, redevelopment or disposal of housing properties; and
- the Home Finance and Community Housing Division for administering the home finance and community housing assistance functions.



**MAJOR GOVERNMENT REFORM PROPOSALS FOR PUBLIC HOUSING**

**1.2.17** It is relevant to mention that major reform proposals for public housing have recently been signalled by the Australian Government. The elements of these policy reforms envisage the elimination of capital funding to the States for acquisition, upgrade and construction of public housing, the provision of rental subsidies to both public and private housing tenants and an increased focus on the financial management of housing assets. The reform proposals are currently the subject of deliberation by the Australian and State Governments.

# **Section 1.3**

## **Conduct of the audit**

**AUDIT OBJECTIVES**

**1.3.1** The overall objective of the audit was to assess the extent to which strategic and operational processes in place within the Department of Human Services have contributed to the effective delivery of housing assistance services to Victorians in need, and the economic and efficient use of resources made available for the delivery of these services. In pursuit of this overall objective, the audit sought to give prominence to initiatives taken by the Department to improve both the quality and efficiency of housing services provided within the State.

**1.3.2** Specific attention was directed during the audit to determining whether:

- strategies and related procedures formulated by the Department in relation to housing assistance were consistent with government policies and the Commonwealth-State Housing Agreement;
- procedures were established to co-ordinate the allocation of available funding between the range of housing services provided;
- housing services offered by the Department were aimed at best meeting the needs of households within existing policy and resource restraints;
- suitable performance benchmarks were developed to periodically evaluate the effectiveness and efficiency of housing services; and
- adequate assessment was made of the eligibility of recipients of housing assistance.

**AUDIT SCOPE**

**Areas of examination**

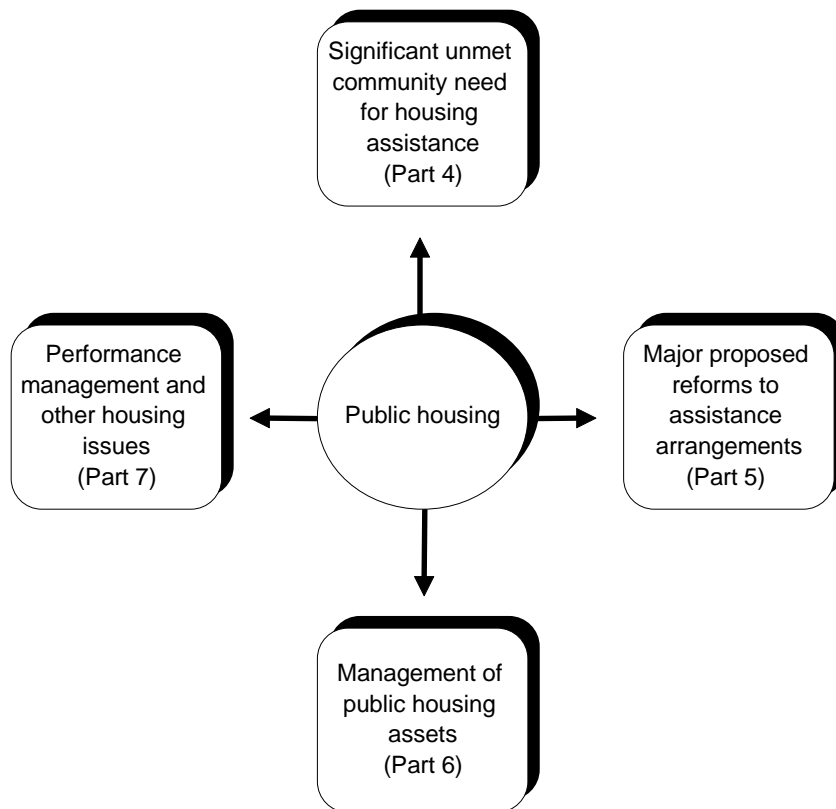
**1.3.3** The audit focused primarily on the Department of Human Services' role in the delivery of public housing services. It comprised examination of:

- relevant government policy and proposed policy reforms at the national level;
- the Department's strategic planning and management processes including its performance measurement framework;
- the allocation of public housing and management of waiting lists of applicant households; and
- management of the Department's public housing asset portfolio.



**1.3.4** In line with the objectives established for the audit, findings and other audit comments in this Report are set out within the following framework.

**CHART 1.3A  
FRAMEWORK FOR AUDIT FINDINGS AND RECOMMENDATIONS**



**1.3.5** The audit was performed in accordance with Australian Auditing Standards applicable to performance audits and, accordingly, included such tests and other procedures considered necessary in the circumstances.

**SPECIALIST ASSISTANCE**

**1.3.6** Specialist advice was provided to the audit team by Mr N. Day of the Centre for Program Evaluation, Faculty of Education, University of Melbourne. The advice covered the adequacy of the design and methodology of client surveys undertaken by the Department in 1994.





**IMPETUS FOR THE AUDIT**

**1.3.7** The importance of housing assistance to the Victorian community is illustrated by the significant number of households in the State in receipt of assistance through either subsidised public or community housing, or through the receipt of financial assistance to pursue home ownership or accommodation in the private rental market. Given this importance, it was considered desirable for a performance audit to examine the soundness of the State's management of the provision of housing services.

**1.3.8** The merit of a performance audit in the subject area was also reinforced by the magnitude of the financial contributions of around \$350 million each year made by the Australian and State Governments to housing assistance.

**1.3.9** In addition, a performance audit of housing assistance was endorsed by the Parliament's Public Accounts and Estimates Committee following consultation with the Committee by the Auditor-General on annual performance audit planning, as required by the *Audit Act 1994*.

**ASSISTANCE PROVIDED TO AUDIT**

**1.3.10** The management and staff of the Housing Division within the Department of Human Services provided significant support and assistance to audit.

**1.3.11** Assistance was also provided by a range of international and interstate housing authorities and community groups involved in activities related to housing assistance. Specific authorities and groups included:

- the *Victorian Council of Social Services*;
- *Chartered Institute of Housing*, Scotland;
- *Ministry of Housing*, New Zealand;
- *Housing*, New Zealand;
- *General Accounting Office* of the United States of America located in Washington;
- *Homeswest*, Western Australia; and
- *Department of Housing*, New South Wales.

**1.3.12** Reference was also made during the audit to the findings and recommendations of the Industry Commission in its November 1993 report on public housing.

**1.3.13** Audit wishes to acknowledge the contribution that the assistance from the above sources made to the preparation of material for this Report.

# **Section 1.4**

**Significant unmet  
community need for  
housing assistance**

## OVERVIEW

**1.4.1** Over the years, governments at both national and State levels have not been in a position to determine the totality of the community's need for housing assistance. In Victoria, an accurate assessment of demand for government housing assistance would be essential information for evaluating the overall effectiveness of assistance strategies and reaching decisions on areas for priority attention.

**1.4.2** As part of pro-active moves to more accurately identify aggregate community need, the Department of Human Services developed, in 1995, a resource allocation model which it considers is the most useful available method for estimating total housing need. By application of this model, the Department has, in a preliminary assessment, identified that around 86 000 households, not currently in public housing, are unable to access appropriate and affordable housing in the private rental market.

**1.4.3** Because the process of enhancing procedures for determining the community's need for housing assistance from government is at an early stage, waiting lists of applicant households, although having some shortcomings, remain the principal source of broad indications of the quantum of expressed demand for housing assistance. The Department's waiting lists show that, at 30 June 1996, about 61 700 households were waiting to be allocated to public housing, an increase of 79 per cent over the last 10 years. The lists also indicate a continuing significant gap between the level of expressed demand for and the available supply of public housing.

**1.4.4** Because of the gap between demand and supply, any reduction over time in the quantum of available funding for public housing would place further pressure on the Department's ability to meet such a critically important community need. In this regard, between 1991-92 and 1995-96, the level of funding available to the Department for provision of housing assistance has declined by 14 per cent in real terms.

**1.4.5** A consequence of a longstanding excess of demand for public housing over the supply of available properties has been extensive waiting times for applicants. At 30 June 1996, around 37 600 or 61 per cent of applicants had been waiting for allocation to public housing for periods longer than 2 years, with about half of this number waiting in excess of 4 years. Lengthening waiting times have prompted the Department to focus attention in recent years on households deemed to be in greatest need of assistance. However, with an increasing demand for priority housing, a sizeable proportion of persons in priority need are required to wait a considerable time, with 38 per cent waiting for over 6 months as at 30 June 1996.

**1.4.6** The reality of the circumstances described in this Section of the Report is that there is a continuing significant level of unmet community demand for government housing assistance.

## DETERMINING THE EXTENT OF COMMUNITY NEED FOR HOUSING ASSISTANCE

**1.4.7** The availability of an accurate assessment of the extent of the community's need for housing assistance is important to decision-making by the Department of Human Services in terms of strategic planning, management of housing asset portfolios and the formulation of recommendations to the Government on future housing policy direction. Such information would be necessary for determining the progressive impact of government assistance policies on meeting the overall need for assistance and for identifying areas for priority attention.

**1.4.8** For many years, there had been little action at either national or State levels to identify the total community need for housing assistance. Australian Government funding of assistance programs has been largely on a per capita basis and State housing authorities have relied on demand expressed for assistance, in forms such as waiting lists of applicants satisfying the Department's eligibility criteria (predominantly based on income levels) for public housing, as a means of assessing the level of requirements for assistance.

**1.4.9** As a result, there has generally been limited information available across Australia to determine the total need for assistance within the community and the effectiveness of housing assistance programs in responding to this need.

**1.4.10** To address this position, research has been undertaken over more recent years at both national and State levels aimed at defining and, in turn, obtaining a more accurate picture of the aggregate need for housing assistance.

**1.4.11** Since the mid-1980s, Victoria has been recognised at both a national and State level as a leader in assessing housing assistance needs for guiding its strategic planning and asset management programs. In this regard, needs assessments utilised by the State have progressively included:

- An approach titled *Warranted Needs Distribution*, introduced in the mid-1980s, which until recently was the prominent model utilised to indicate variances between the relative distribution of housing need by client group and regional area, and the corresponding availability of suitable capital resources, namely, public housing stock, in areas of need. This method of needs assessment has been used as a means of guiding decisions on the acquisition and disposal of public housing stock;
- *Regional Needs Assessments* whereby community-based groups were funded to produce assessments of housing needs within their particular area; and
- Use of a *Resource Allocation Model* which was developed by the Department in 1995 and represents the most recent approach to the identification of the need for housing assistance. The model assesses the ability of households to access the private rental market.



**1.4.12** The value of the 3 models used by the Department to identify the extent of need has been restricted by a number of factors including:

- a lack of up-to-date statistical data for use in the models such as income levels of individuals seeking assistance, changing characteristics of existing households in public housing and demographic trends necessary for proper strategic planning;
- information on specific needs groups, such as the homeless and physically and intellectually disabled, remains in the early stages of development;
- limited emphasis on important non-financial factors such as overcrowding, discrimination, housing quality and access to employment and services; and
- the focus of the models on determining the community's need for public housing with little consideration given to the extent of the need for other forms of assistance.

**1.4.13** In the past, complete information has not been available to ensure optimum decision-making on the allocation of resources for housing assistance.

## CURRENT LEVELS OF UNMET NEED IN THE COMMUNITY

**1.4.14** Against the background of the limitations outlined in the above paragraphs, the Department of Human Services considers that its resource allocation model constitutes the best currently available method to estimate total housing need.

**1.4.15** The aim of the model is to enhance the Department's needs-based planning for housing by:

- assisting in the prediction of the total number of households in need of support;
- determining the number of households in need already in public housing;
- identifying the shortfall in the public housing stock available to meet total need, including the requirements of special needs groups; and
- providing a basis for the allocation of resources across the various housing assistance products delivered by the Department.

**1.4.16** In pursuit of these aims, the Department has, since late 1995, concentrated on improving its knowledge of the need for assistance in 5 categories, namely, households or persons:

- requiring crisis accommodation;
- eligible for housing assistance within existing priority groups, including the homeless, victims of domestic violence, and those experiencing serious neighbour conflict, severe overcrowding or in urgent medical need;
- in need of modified housing including disabled and aged persons;
- referred to the Department by other welfare agencies; and
- satisfying general income eligibility criteria.



**1.4.17** In an October 1996 preliminary assessment, the Department identified a total of approximately 86 000 households in the above categories who are not currently in public housing and are unable to access appropriate and affordable accommodation in the private rental market (i.e. household income is insufficient to access other accommodation more suitable for the household or current rental as a proportion of the household's income is excessive).

**1.4.18** Many of the households included in the estimate may already be in receipt of other forms of housing assistance provided to those accommodated in the private rental market, particularly through the Australian Government's rental assistance scheme and the Department's bond assistance scheme.

**1.4.19** The Department recognises that the October 1996 figure is likely to be subject to variation in that it does not include those people in need who are not currently accessing accommodation in the private sector such as disabled persons in institutions, people in inappropriate owner-occupied housing or the homeless.

**1.4.20** **The preliminary assessment recently compiled by the Department, utilising its resource allocation model, provides an indication of the magnitude of unmet need within the community for housing assistance from government.**

**TRENDS IN THE LEVEL OF DEMAND FOR PUBLIC HOUSING FROM WAITING LISTS**

**1.4.21** With the increasing recent focus on its resource allocation model, the Department of Human Services is progressively placing less significance on waiting lists as a mechanism for measuring total need. However, waiting lists of applicants continue to be the Department's prime management tool for identifying the level of demand for public housing expressed by the community and for decisions on the allocation of applicants to available housing.

**1.4.22** The Department maintains computerised waiting lists in each of its 32 housing offices situated in 9 regions across the State. There are approximately 680 separate waiting lists stratified by stock type, property size and location.



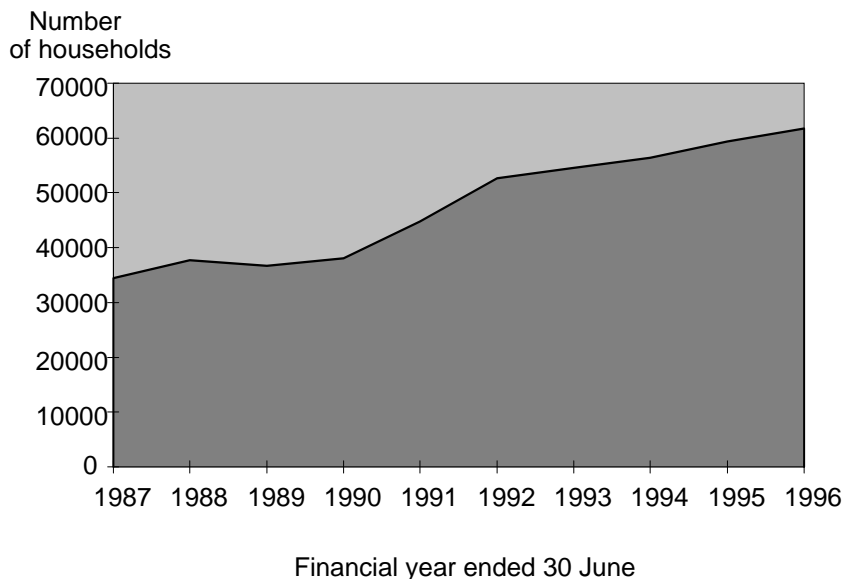
**1.4.23** A range of limitations exist in the usefulness of waiting lists as a means of identifying need such as:

- The level of recorded applicants who, due to changes in financial circumstances, are no longer in need of assistance, cannot be determined until the Department has undertaken a comprehensive analysis of waiting lists. (At the time of the audit, the Department had signalled its intention to survey applicants recorded on the waiting list as a means of establishing their continuing eligibility for public housing.);
- A proportion of households included on waiting lists represents existing public housing tenants awaiting transfer to other public housing accommodation more suitable to their current needs and, therefore, do not reflect expressions of new need for assistance;
- Certain members of the community may not register with the Department because of long indefinite waiting periods to be housed, an unawareness of the existence of the housing programs offered or a lack of desire to reside in public housing; and
- Special needs groups, such as Aboriginal and Torres Strait Islanders, the homeless, people with disabilities or newly arrived migrants, may require assistance but may not satisfy the general income eligibility criteria for public housing.

**1.4.24** The above limitations also impact on the value of waiting lists in identifying demand for public housing. Nevertheless, at this time, waiting lists remain the only source of information available to the Department (given the preliminary stage of its earlier described initiatives) to provide a broad indication of trends in the demand for public housing.

**1.4.25** Chart 1.4A illustrates the trends in the demand for public housing over the past 10 years based on information recorded on the Department's waiting lists.

**CHART 1.4A  
TRENDS IN THE DEMAND FOR PUBLIC HOUSING**





**1.4.26** The number of households waiting to be allocated public housing at 30 June 1996, around 61 700, represents an increase of 79 per cent from the equivalent position, around 34 500, in June 1987.

**1.4.27** Many factors have contributed to the increasing demand for public housing over time. In discussions by audit with the Department, it was agreed that these factors would include:

- a widening of eligibility criteria from September 1990 to enable single persons to access public housing;
- increases in unemployment levels, particularly the long-term unemployed, and resultant housing affordability problems experienced by affected individuals;
- the impact of demographic trends such as the ageing of the population and a growing number of single parent families;
- increasing numbers of persons with psychiatric and intellectual disabilities seeking access to affordable accommodation in the community under the State Government's deinstitutionalisation policies (which involve the closure of institutions and the provision of community-based services); and
- the attraction of improving standards of public housing and other perceived advantages over the private rental market such as greater certainty of ongoing occupancy and a higher level of rental subsidy.

**1.4.28** The annual increases in demand for public housing have continually exceeded the available supply of public housing. In the early 1990s, for every new household accommodated in public housing, between 2 and 3 additional households were added to the public housing waiting list.

**1.4.29** It can be seen that, based on data recorded on the waiting list, there has continued to be a significant gap between public housing assistance provided by the Government and the level of demand for assistance by the community.

## FALLING LEVELS OF AVAILABLE FUNDING

**1.4.30** When drawing attention to the continuing significant gap between demand for public housing and the supply of available properties, it is appropriate to recognise that the State Government is unlikely to ever be in a position, under the traditional funding arrangements, to place all applicant households in public housing.

**1.4.31** To illustrate this position, audit has calculated that to have housed all 1995-96 applicants would have required an additional 9 000 dwellings. Apart from the obvious timing factors, the extra funding needed during the year to construct or purchase these additional dwellings, based on an average cost of \$90 000 per property, would be in excess of \$800 million. This huge computed cost relates only to 1995-96 applicants and, in broad terms, would be about 7 times greater if all households waiting for public housing at 30 June 1996 were to be accommodated by the Department.

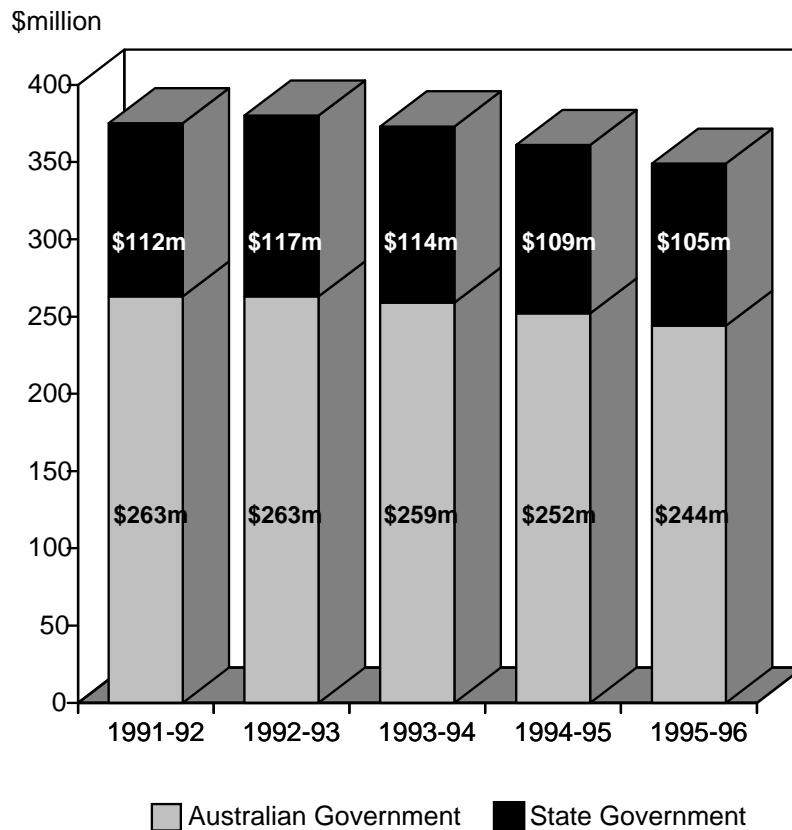


**1.4.32** Nevertheless, the existence of a significant and continuing gap between demand for, and supply of, public housing means that any reduction in real terms over time in the quantum of available funding would place further pressure on the Department's ability to meet such a critically important community need. In this regard, between 1991-92 and 1995-96, the level of funding available to the Department for provision of housing assistance declined by 14 per cent in real terms due mainly to a reduction in funds provided by the Australian and State Governments under the Commonwealth-State Housing Agreement and lower levels of rentals received from public housing tenants.

**Reduced levels of government funding**

**1.4.33** Chart 1.4B shows that, in real terms, funding under the Commonwealth-State Housing Agreement has declined by 7 per cent over the last 5 years from a total of \$375 million in 1991-92 to \$349 million in 1995-96.

**CHART 1.4B**  
**TRENDS IN GOVERNMENT FUNDING FOR HOUSING ASSISTANCE**  
 (In June 1996 dollars)



**1.4.34** Because of the specific conditions for matching funding set out in the relevant Commonwealth-State Housing Agreement, variations in Australian Government funding would be accompanied by similar movements in State funding unless the State Government decided to supplement its contributions in the event of a fall in overall funding.

## Lower revenue from rentals

**1.4.35** The Commonwealth-State Housing Agreement requires State housing authorities to fix rentals levied on public housing tenants with regard to the cost of providing housing and to the capacity of tenants to pay. In applying this principle, the Department:

- charges public housing tenants a market rental based on property valuations determined by the Valuer-General; and
- provides offsetting rental rebates to tenants to ensure that rental paid does not exceed 20 per cent of total household income up to a threshold level (currently \$349 per week) and, between 20 and 25 per cent for households earning income beyond this threshold level.

**1.4.36** In real terms, net rental revenue earned by the Department has fallen by approximately 2.6 per cent since a peak level in 1993-94. Table 1.4C illustrates the trend in rental revenue over the 5 year period to 30 June 1996.

**TABLE 1.4C**  
**PUBLIC HOUSING RENTAL, 1991-92 TO 1995-96**  
(in 30 June 1996 dollars)  
(\$million)

<i>Item</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>
Rental revenue	360	359	382	378	361
Rental rebates	165	164	186	185	170
<b>Net rental</b>	<b>195</b>	<b>195</b>	<b>196</b>	<b>193</b>	<b>191</b>

**1.4.37** In discussions with the Department on variations in the level of rental revenue, audit was advised that these variations were mainly due to reduced property valuations, since 1993-94, on which rental calculations are based.

## Allocation of funding between housing programs

**1.4.38** The level of funds available each year for public housing is also influenced by government decisions on the allocation of aggregate housing assistance funds across the State's 4 main housing programs, namely, public housing (maintenance and other operating costs), public housing (capital acquisitions and improvements), home finance assistance and community housing.

**1.4.39** While in real terms the proportion of total funds allocated for public housing purposes (operating and capital) for the 4 year period 1991-92 to 1994-95 averaged 66 per cent, it fell to 60 per cent in 1995-96, representing a reduction in that year of \$52 million. Audit was advised by the Department that the lower level of funds earmarked in 1995-96 for public housing reflected the State Government's policy decisions to:

- direct emphasis to the provision of assistance to home finance assistance schemes, including prudential support for the home ownership loans scheme and to increase funding to the shared home ownership scheme; and
- to support the expansion of the community housing program.

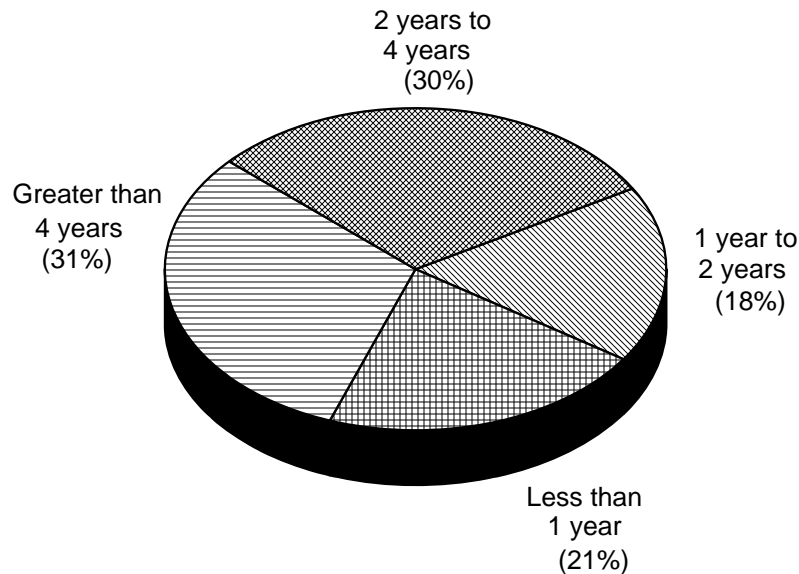
**1.4.40** Annual funding available for public housing can therefore be influenced by both movements in aggregate Commonwealth-State housing allocations and specific policy decisions reached by the State Government on the distribution of housing assistance funds across programs.

**IMPACT OF INCREASING DEMAND FOR PUBLIC HOUSING**

**1.4.41** The progressive impact of a longstanding excess of demand for public housing over the supply of available properties has been extensive waiting times for eligible households.

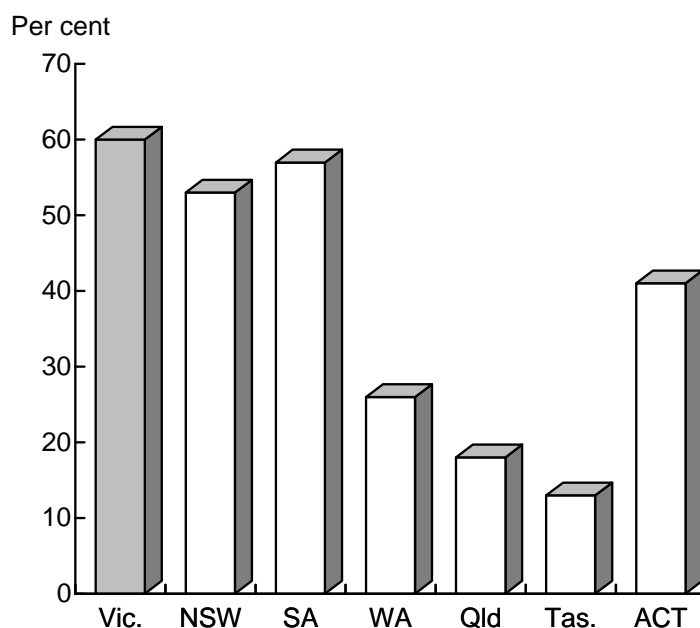
**1.4.42** At 30 June 1996, around 61 per cent of applicants (37 600) had been waiting for allocation to public housing for periods longer than 2 years. Of these applicants, about half have waited in excess of 4 years. Chart 1.4D provides relevant details.

**CHART 1.4D  
WAITING TIMES FOR PUBLIC HOUSING,  
AT 30 JUNE 1996**



**1.4.43** The situation concerning waiting times in Victoria relative to other States was addressed in a 1995 Report of the Industry Commission titled *Government Service Provision*. This report identified that, in 1994-95, the proportion of households waiting for public housing in excess of 2 years in Victoria was higher than all other States. Chart 1.4E illustrates this position.

**CHART 1.4E  
COMPARISON ACROSS STATES OF APPLICANTS  
WAITING LONGER THAN 2 YEARS FOR PUBLIC HOUSING, 1994-95**



**1.4.44** The State's response on this subject, as presented in the published report, included the following comments:

*"The proportion of households waiting for public housing longer than 2 years is higher in Victoria than all other States, although only marginally higher than in New South Wales and South Australia. Factors affecting this higher proportion are:*

- *"Changes in priority policy, placing greater emphasis on those with more immediate need, have increased waiting times for others on the waiting list;*
- *Victoria's policies allow greater choice of location, housing type and the number of offers made when compared with other States. Some households wait longer periods in order to obtain the housing of their specific choice; and*
- *Victoria has been less active than other States in culling waiting lists to remove households no longer waiting for public housing. Improved demand strategies are being developed".*

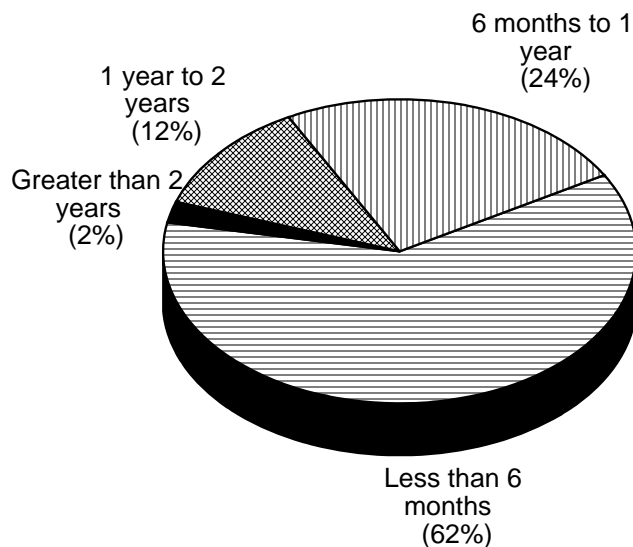
**1.4.45** Because of a fundamental realisation that the State has never been in a position to meet all expressed demand for public housing, the Department has not directed significant attention to the question of what could be regarded as a reasonable time before an eligible person is allocated housing. As a consequence, performance benchmarks on the matter have not been formulated.

**1.4.46** Given the inability to ever fully meet the demand for public housing, the Department has, over the last 3 years, placed specific emphasis on providing public housing to those considered to be in greatest need of assistance. To manage this focus, the Department has introduced special priority categories including the homeless, victims of domestic violence, and those experiencing serious neighbour conflict, severe overcrowding or in urgent medical need.

**1.4.47** In 1995-96, 2 920 priority cases were provided with public housing, representing 26 per cent of the total allocations to public housing for the year.

**1.4.48** As a consequence of the Department's emphasis on priority categories and an increasing awareness of such categories by both the community and departmental staff, the demand for priority housing has steadily increased over recent years from 445 applications in 1992-93 to 3 451 applications during 1995-96. The Department has calculated that, as a result of these circumstances, the average waiting time for priority cases allocated public housing in 1995-96 was 3.2 months. Notwithstanding this assessed average, a sizeable proportion of persons in priority need is required to await allocation of housing for a considerable time. In this regard, Chart 1.4F shows that 38 per cent of the 1 070 applicants on the priority waiting list at 30 June 1996 had been waiting for in excess of 6 months.

**CHART 1.4F  
NUMBER ON PRIORITY WAITING LIST BY LENGTH OF WAIT  
AT 30 JUNE 1996**



**1.4.49** The Department advised audit that it does not anticipate any significant improvement in the average waiting time for priority cases during 1996-97 particularly due to the length of time necessary to modify vacant properties for use by priority clients with disabilities.

**1.4.50** Given the length of elapsed time in meeting even the demand for priority cases, it becomes an almost automatic likelihood that the already significant waiting times for non-priority applicants will further increase.



**1.4.51** The inability of governments to meet the current demand for housing assistance is illustrative of a major concern for the future welfare of many in the community. The current progressive assessment of the full extent of need for housing assistance and the upward trend in demand for public housing are likely to place even further pressure on the future resources available to governments in striving to meet their aim of providing affordable and appropriate housing to the community.

**1.4.52** In summary, the continuing upward trends in unmet community demand for public housing presents a significant challenge to the Department to manage limited resources in a manner which achieves, over time, the best possible outcome in meeting the Government's social responsibility in this area.

□ **RESPONSE** by Secretary, Department of Human Services

*The Department is in general agreement with the findings concerning the increased need for housing assistance.*

*The Department expects that waiting times for public housing will on average reduce following the introduction of broadbanded priority waiting lists for public housing in January 1996 and broadbanded wait turn lists in November 1996. The average waiting time for priority housing is currently 3.2 months.*

# **Section 1.5**

**Major proposed  
reforms to assistance  
arrangements**

**OVERVIEW**

**1.5.1** A major reform direction for public housing was agreed by governments at national and State levels in April 1995. This direction has been confirmed by the current Australian Government. However, it seems that a fundamental shift will occur in funding arrangements for housing assistance. This shift is likely to involve elimination of capital funding to the States for acquisition, construction and upgrading of public housing stock, and a greater emphasis on directly subsidising both public and private housing tenants. Within this framework, the State's primary revenue source for public housing will be market rents paid by public housing tenants.

**1.5.2** While significant attention has been directed by the Australian and State Governments to establishing agreed transitional arrangements as the basis for longer-term reforms, many important financial and socio-economic ramifications from the reform proposals will require early consideration in Victoria.

**1.5.3** It will also be important that the community is adequately informed of the details and implications of any changes made to housing assistance arrangements.

**IMPETUS FOR REFORM OF HOUSING ASSISTANCE ARRANGEMENTS**

**1.5.4** Over recent years, some significant reviews, particularly the *Industry Commission Inquiry into public housing, 1993*, and in terms of competition principles, the *Hilmer Report on National Competition Policy, 1993*, have highlighted the need for major change in the approaches followed by governments to the delivery of housing assistance to the community.

**1.5.5** Major themes canvassed in the recent reviews on housing assistance have included:

- the importance for governments to shift the emphasis from maximising the quantity of publicly-owned housing stock to the achievement of required consumer outcomes such as the quality and appropriateness of housing;
- a lack of a clear delineation of roles and responsibilities between the Australian and State Governments with both levels of government involved in providing assistance in the form of subsidies for housing to low income households;
- inequity caused by the more generous assistance for persons in public housing, due mainly to the higher rental subsidies available to public housing tenants, compared with low income households accommodated in the private rental market;
- a continued reliance on public housing by current tenants even when they no longer satisfy eligibility criteria or require assistance;
- the requirement for clarification of the current broad, and at times conflicting, objectives of governments in providing housing assistance and for improving accountability and planning arrangements;

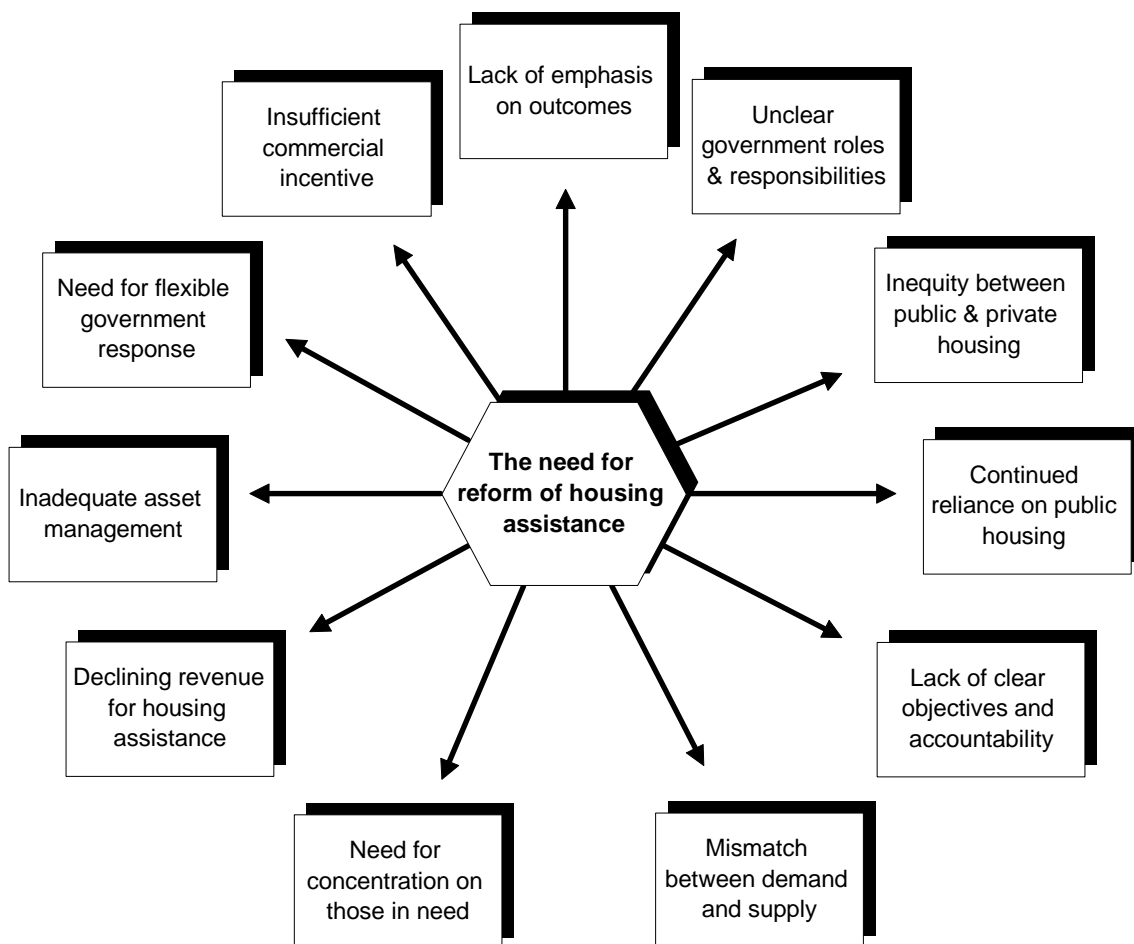




- the mismatch between the demand and supply of public housing in terms of quantity, type and location;
- a requirement for greater concentration on ensuring fair and efficient access to public housing for those in greatest need;
- declining revenues of State housing authorities;
- the importance of effective management of the investment in public housing and for such investment to be no longer constrained primarily by social objectives;
- a requirement for governments to be able to respond flexibly in providing housing assistance which is appropriate to the specific needs of their State; and
- the lack of transparency and commercial incentive in the system that inhibits the cost-effective delivery of public housing.

**1.5.6** Chart 1.5A summarises in diagrammatical form the various factors identified in the reviews which collectively reinforce the importance of reform to government housing assistance arrangements.

**CHART 1.5A**  
**HOUSING ASSISTANCE ARRANGEMENTS - THE IMPORTANCE OF REFORM**





**1.5.7** In its assessment of changes necessary to housing assistance arrangements, the Industry Commission concluded that, "... while there was substantial scope for improving the delivery of public housing and rental assistance, public housing remained the most cost-effective way to meet government objectives of ensuring appropriate and affordable housing".

**AUSTRALIAN GOVERNMENT'S ANNOUNCED AGENDA FOR REFORM**

**Status of reforms to housing assistance**

**1.5.8** In February 1994, the Council of Australian Governments (COAG) requested that Commonwealth and State Housing Ministers report on housing policy reforms that would be instrumental in addressing the issues identified in the Industry Commission's report.

**1.5.9** After subsequent negotiations, the following proposals were agreed by Housing Ministers and endorsed by COAG in April 1995:

- the Commonwealth accepting responsibility for housing subsidies and the affordability of housing; and
- the States taking responsibility for the management and delivery of public housing services.

**1.5.10** A 2 stage process, involving an interim framework between the Commonwealth and the States for short-term funding from 1 July 1996, and the implementation, as soon as possible, of fundamental longer-term reforms, was accepted by all parties.

**1.5.11** Following its election in March 1996, the new Australian Government confirmed that it would continue the reform process for the provision of housing assistance. However, it is clear, from the proposals that have been announced by the Australian Government to date, that there will be a fundamental shift in funding arrangements for housing assistance which are likely to involve the elimination of capital funding to the States for acquisition, construction and upgrading of public housing stock and a greater emphasis on directly subsidising both public and private housing tenants. In other words, the States may no longer be provided with capital funding but instead receive revenue primarily from the market rents paid by public housing tenants.

**1.5.12** Table 1.5B outlines the principles underpinning the reform direction as announced by the Australian Government.



**TABLE 1.5B  
FRAMEWORK OF PRINCIPLES  
FOR THE REFORM OF HOUSING ASSISTANCE**

- Better outcomes for clients and improved value for money for taxpayers.
- Clear delineation of roles and responsibilities entailing:
  - the Commonwealth discontinuing the payment of capital grants for public and community housing and accepting funding responsibility for income support;
  - a more equitable balance of assistance for low income private and public tenants is to be achieved; and
  - in respect of housing services and tenancy and property management, the States, Territories and private sector taking full responsibility.
- Clear definition of the role of public housing and the meeting of special needs.
- Clarification of future arrangements for home purchase assistance currently provided under the Commonwealth-State Housing Agreement.
- The Commonwealth would take responsibility for income support provision, including a more equitable balance of assistance for low income private and public tenants, taking account of:
  - the position of existing public tenants;
  - client characteristics; and
  - regional variations in rent.
- Agreement on the reforms will be contingent on an adjustment to financial assistance grants to satisfy the principle that the States will not gain financially at the expense of the Commonwealth and vice versa, having regard to the outcome for both the State sector as a whole and for individual States.

**1.5.13** More specific details of the nature of longer-term reforms and their implementation are scheduled for discussion by COAG in early 1997.

**1.5.14** The proposed reforms will, if ultimately implemented, have major significance on the delivery of housing assistance in terms of both the roles and responsibilities of respective governments and the form and level of assistance to the community.

**Transitional arrangements under the reform process**

**1.5.15** While the implementation of the reforms will occur over the longer-term, steps taken to date include the enactment of the Australian *Housing Assistance Act* 1996 and the finalisation of an agreement with the States to operate for 3 years from 1 July 1996.



**1.5.16** The Act represents an initial stage in the reform process and provides the basis for the delivery of housing assistance, the creation of agreements between the Commonwealth and States and the expenditure of States from their own resources on housing assistance. In comparison with previous legislation governing housing assistance, the Act places greater emphasis on:

- targeting assistance to those most in need; and
- making available a choice to the community between various forms of housing support and different providers of assistance.

**1.5.17** The agreement entered into by the Australian and State Governments in July 1996, under the legislation, incorporates transitional arrangements pending finalisation of the progressive reform of housing assistance. The agreement specifies financial allocations to the States for 1996-97 only. It formalises the agreement by all governments to the principles of the reform process encompassing:

- a nationally consistent approach to the assessment of housing needs;
- clear objectives and specific outcomes for the provision of housing assistance in accord with need;
- a framework for the accountability for, and transparency of, the costs and outcomes of assistance, including consistent financial reporting; and
- flexibility of assistance arrangements for States, in accordance with strategic directions for housing assistance, agreed bilaterally.

**1.5.18** The respective roles and responsibilities of Australian and State Governments in delivering assistance under the agreement are outlined in Table 1.5C.

**TABLE 1.5C  
DELIVERY OF HOUSING ASSISTANCE - ROLES AND RESPONSIBILITIES OF  
GOVERNMENTS**

<b><i>Australian Government</i></b>
<ul style="list-style-type: none"> <li>• Ensuring the agreement is part of a coherent overall housing policy.</li> <li>• Specifying the desired outcomes and strategic interests to achieve national objectives.</li> <li>• Reporting to the Australian Parliament on performance against agreed outcomes and targets.</li> </ul>
<b><i>State Governments</i></b>
<ul style="list-style-type: none"> <li>• Establishing priorities having regard to Commonwealth and State policy objectives.</li> <li>• Developing strategies and programs to deliver agreed outcomes.</li> <li>• Implementing appropriate strategies and programs.</li> <li>• Managing delivery of services.</li> <li>• Adopting consistent measures of operational efficiency as a basis for benchmarking services provided.</li> <li>• Reporting on a basis that enables performance assessment based on agreed performance indicators.</li> <li>• Developing a code of practice in relation to consumer rights and responsibilities.</li> </ul>



**1.5.19** It is clear that significant attention has been directed by the Australian and State Governments to establishing agreed transitional arrangements as the basis for the wider-ranging and longer-term reforms.

**POTENTIAL IMPACT ON HOUSING ASSISTANCE IN VICTORIA**

**Financial and socio-economic implications**

**1.5.20** It is difficult, at this early stage, to assess, in a definitive manner, the potential implications of the reforms on the delivery of housing assistance within the State. However, given the dimension of the proposed reforms, it is a logical consequence that many significant financial and socio-economic ramifications, several of a long-term nature, will require consideration in Victoria.

*Selection of newspaper headlines outlining community debate on proposed housing reforms.*

**1.5.21** From information examined by audit and discussions with departmental staff and the Victorian Council of Social Services (a peak body involved with the welfare of low income households), it is clear that the following issues will require attention at Australian and State Government levels as the details of the reform process are progressively formulated.



*Financial implications*

- Uncertainty as to the quantum of funding the State will receive from July 1997. In this regard, the Department of Human Services has, as an interim measure pending resolution of the future funding position, moved to defer many planned capital works which had been identified as necessary to address the expanding demand for public housing;
- The approach to be followed for funding of community service obligations currently provided by the Department;
- The impact of any removal of asset funding on the Department's recently established medium-term program targeted to progressively address the current backlog of maintenance and upgrading of properties estimated at around \$148 million for public housing stock; and
- The nature of contingency funding arrangements for any additional burden carried by the State over time if the intended level of participation by the private rental market, as an alternative form of housing for low income households, does not eventuate.

*Socio-economic implications*

- The impact on housing affordability for low income households if the level of rental assistance payments under revised arrangements is lower than current public housing rental subsidies;
- Restrictions in the choice of housing for low income households in terms of the type and location of properties in comparison with current opportunities provided under the public housing system;
- Difficulties experienced by special needs groups in accessing accommodation if common rental assistance payments are in place for all private and public housing tenants; and
- The capacity of the State to maintain its public housing properties to the current standard.

**1.5.22** In presenting the above points, audit does not wish to question the underlying rationale for the proposed reforms. As outlined in the earlier paragraphs, these reforms have been developed in response to the 1993 findings of the Industry Commission and are aimed at bringing about beneficial change to the delivery of housing assistance across Australia. **Irrespective of the merits or otherwise of the reforms, it is important that, as with any change process, the potential consequences be identified and considered at an early stage.**

**1.5.23** Apart from any other consideration, the significance of the reform proposals, which deal with a fundamental community need, reinforce the absolute importance of both the Australian and Victorian Governments ensuring that adequate attention is given to informing the community of the details and implications of any changes to housing assistance arrangements.



□ **RESPONSE** by Secretary, Department of Human Services

*The Department generally agrees with the findings concerning the proposed reforms to assistance arrangements but notes that the scope of change from the reform process is not yet clear and its impact on Victoria is therefore unknown.*

**Need for amendment of Victorian legislation**

**1.5.24** The major legislation administered by the Victorian Minister for Housing is the *Housing Act* 1983. The objectives of the Act generally reflect principles related to previous Commonwealth-State Housing Agreements and are therefore not relevant to the current agreement which became effective from 1 July 1996.

**1.5.25** Given the introduction of a new agreement, audit raised with the Department the desirability of early action which would bring the State's legislative framework in line with the principles underlying the revised assistance arrangements.

**1.5.26** The Department agreed that timely amendment to the legislation was important to its future planning and delivery of housing assistance services and that attention would be given to this matter.

# **Section 1.6**

## **Management of public housing assets**



## OVERVIEW

**1.6.1** The manner in which the Department of Human Services discharges its asset management responsibilities directly influences the level of its effectiveness in meeting the community's need for housing assistance. The significance of the Department's asset management functions is also illustrated by the magnitude of its housing asset portfolio, which comprised 69 200 houses with an aggregate value of \$5 billion at 30 June 1996.

**1.6.2** At the time of the audit, the Department was pursuing several management initiatives, some of which were at a very early stage, aimed at enhancing the quality of its management of public housing assets. A number of matters which were addressed by audit during the examination of asset management issues reinforced the importance of the Department's internal review actions and of early formulation of corrective strategies. These matters included:

- At February 1996, the number of planned new housing properties in country areas exceeded assessed need in those areas while a reverse situation applied in the outer metropolitan area of Melbourne;
- An increasing proportion of older housing stock with high maintenance requirements or needing major works. At 30 June 1996, 18 500 properties, or 29 per cent of the public housing portfolio, had been held by the State for more than 30 years and required substantial upgrading or redevelopment;
- An accumulated backlog for the maintenance and upgrading of public housing properties of \$148 million;
- Concerns in regard to the delivery of maintenance services including the performance of private sector maintenance contractors;
- Scope for more effective utilisation of properties in that, for 19 000 houses at 30 June 1996, the number of bedrooms exceeded the requirements of the current household. This position was mainly due to past application of the principle of *security of tenure* to public housing tenants;
- The significant implications to the Department from holding over 1 290 high-value public housing properties, with individual values of between \$150 000 and \$350 000, of which 530 were underutilised at 30 June 1996. Potential existed for the Department to progressively achieve better outcomes, both socially and financially, from the resources currently consumed by these properties; and
- A marked level of resources tied up in vacant land holdings accumulated over many years with a total of 2 250 parcels of vacant land, valued at around \$78 million, held at 30 June 1996 and around 350 parcels held for periods of longer than 20 years.

**1.6.3** The above points adversely impact, to varying degrees, on the Department's ability to channel scarce resources to those areas within the State having the greatest public housing need and, in turn, to minimise the current level of unmet community demand for public housing. It was therefore pleasing to find that the various asset management initiatives commenced by the Department were proceeding in a positive manner at the time of completion of the audit.

**MAGNITUDE AND IMPORTANCE  
OF ASSETS MANAGED BY THE DEPARTMENT**

**1.6.4** The significance of the State's investment in housing assets can be gleaned from the fact that, at 30 June 1996, the Department of Human Services owned 69 200 rental dwellings, for both public housing (64 500) and community housing (4 700), with a total value of around \$5 billion. The Department is regarded as the State's largest landlord.

**1.6.5** The profile of the Department's portfolio of housing assets is varied and includes high-rise flats (in excess of 8 storeys) and low-rise flats (up to 8 storeys), and separate and semi-detached houses. Table 1.6A outlines the composition of the housing asset portfolio at 30 June 1996.

**TABLE 1.6A  
HOUSING ASSET PORTFOLIO,  
AT 30 JUNE 1996**

<i>Type of dwelling</i>	<i>Public housing</i>	<i>Community housing</i>	<i>Total</i>
Separate houses	26 585	2 133	28 718
Semi-detached houses	2 995	130	3 125
Medium density housing	10 693	581	11 274
Low-rise flats	14 074	314	14 388
High-rise flats	7 786	1	7 787
Movable units	2 251	6	2 257
Other	138	1 493	1 631
<b>Total dwellings</b>	<b>64 522</b>	<b>4 658</b>	<b>69 180</b>

**1.6.6** The diverse nature of the portfolio can be mainly attributed to variations in public housing policies over the years such as:

- a slum reclamation program, from the 1950s to the early 1970s, during which time the then Housing Commission was given responsibility for replacement of existing housing within several inner urban areas through construction of low-rise flats in the initial years and high-rise developments from the 1960s; and
- a program of "spot purchases" of individual houses throughout the 1980s aimed at reducing the concentration of public housing in particular estates.



*Redeveloped medium-density public housing in North Fitzroy.*

**1.6.7** An *Asset Management Series*, published by the State Government in November 1995, provides guidance to public sector managers on the principles and practices of asset management. The publication defines asset management as "... *the process of guiding the acquisition, use and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life*".

**1.6.8** The above definition is particularly relevant to the Department's management environment given the longstanding and significant gap between the level of expressed demand by the community for public housing and the available supply of properties, as commented on in Section 4 of this Report.

**1.6.9** In this situation, the quality of the Department's asset management strategies can have a direct impact on the level of the State's unmet demand for public housing. In other words, a sound management approach for this key element of the Department's public housing responsibilities would be likely to assist in minimising the extent of the unmet demand.

**1.6.10** It is relevant to mention that the Department, through a process of pro-active reviews of its asset management procedures, which has gained momentum since mid-1995, has identified the following shortcomings in its past overall approach to the management of public housing assets:

- the absence of a centralised and co-ordinated asset management strategy resulting in capital investment decisions predominantly driven by regional stock plans;
- the focus of asset management policies in the 1980s on utilising available resources for stock acquisition to the detriment of maintaining the quality of existing stock;



- a lack of information on the condition of housing assets to enable informed decisions on their maintenance and disposal;
- insufficient financial assessment of investment proposals to achieve the most effective use of housing assistance resources; and
- inadequate information on the total cost of assets precluding informed assessment and evaluation of capital investment options.

**1.6.11** As a consequence, the Department has progressively introduced a number of management initiatives, some of which were at an early stage at the time of the audit, collectively aimed at enabling it to achieve maximum effectiveness in meeting the community's need for public housing. These initiatives include the creation of a separate "Asset Manager" function, which became fully operational in mid-1995, and has the objective of bringing a commercial perspective to the asset management role.

**1.6.12** Where appropriate, reference is made in later paragraphs of this Section to the Department's initiatives.

**1.6.13** **The importance of quality management of public housing assets by the Department is reinforced by the magnitude of the housing asset portfolio and the fact that it will directly influence the Department's effectiveness in meeting the community's need for housing assistance.**

□ **RESPONSE** by Secretary, Department of Human Services

*The Department agrees with these findings and will continue to place a high priority on developing and implementing initiatives to improve management of public housing assets.*

**ANALYSING THE NEED FOR PUBLIC HOUSING ASSETS**

**1.6.14** An orientation towards responding to the community's need for housing assistance is a principle which has been recognised in legislation and agreed to by the Australian and State Governments. By way of illustration:

- the State *Housing Act 1983* requires "... the distribution according to need for each type of tenure of Government housing financial assistance";
- the Commonwealth *Housing Assistance Act 1996* outlines a requirement for "... identifying needs for which provision of housing assistance is an appropriate response"; and
- the 1996 Commonwealth-State Housing Agreement states that the provision of assistance should be "responsive to the needs of consumers" and "priority of assistance will be given to those with the highest needs".



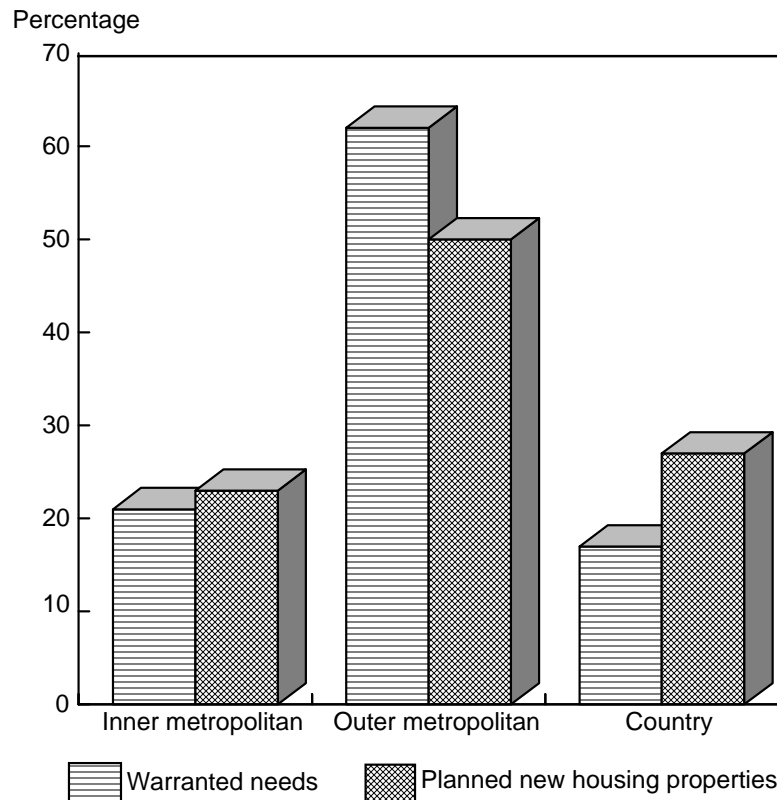
**1.6.15** The Department of Human Services' forward housing program documents by household group and region, the capital investment program to be undertaken over 3 financial years and encompasses the various categories of housing activity such as major construction projects, redevelopment of existing properties, land acquisitions and spot purchase of dwellings. The program is meant to be a rolling strategic document which is reviewed and updated each quarter in line with current priorities and available funding.

**1.6.16** The latest available quarterly update of the program at the time of the audit related to the position as at February 1996. Capital works identified in the program and planned to be commenced over the period 1995-96 to 1997-98 were estimated to involve expenditure of \$403 million total. In addition, the program indicated that capital works up to 30 June 1999 were expected to yield approximately 3 680 new public and community housing properties.

**1.6.17** The information recorded in the capital works program is based on the Department's *warranted needs distribution* method of needs assessment which, as mentioned in Section 4 of this Report, has been the principal means of guiding departmental decisions on the acquisition and disposal of housing stock.

**1.6.18** Audit compared the needs data for inner and outer metropolitan and country areas, as produced by the Department under its warranted needs distribution, with planned new housing properties arising from current capital works in those areas. Chart 1.6B shows this comparison as at February 1996.

**CHART 1.6B  
COMPARISON OF NEEDS UNDER THE WARRANTED NEEDS DISTRIBUTION APPROACH  
AND PLANNED NEW HOUSING PROPERTIES,  
FEBRUARY 1996**

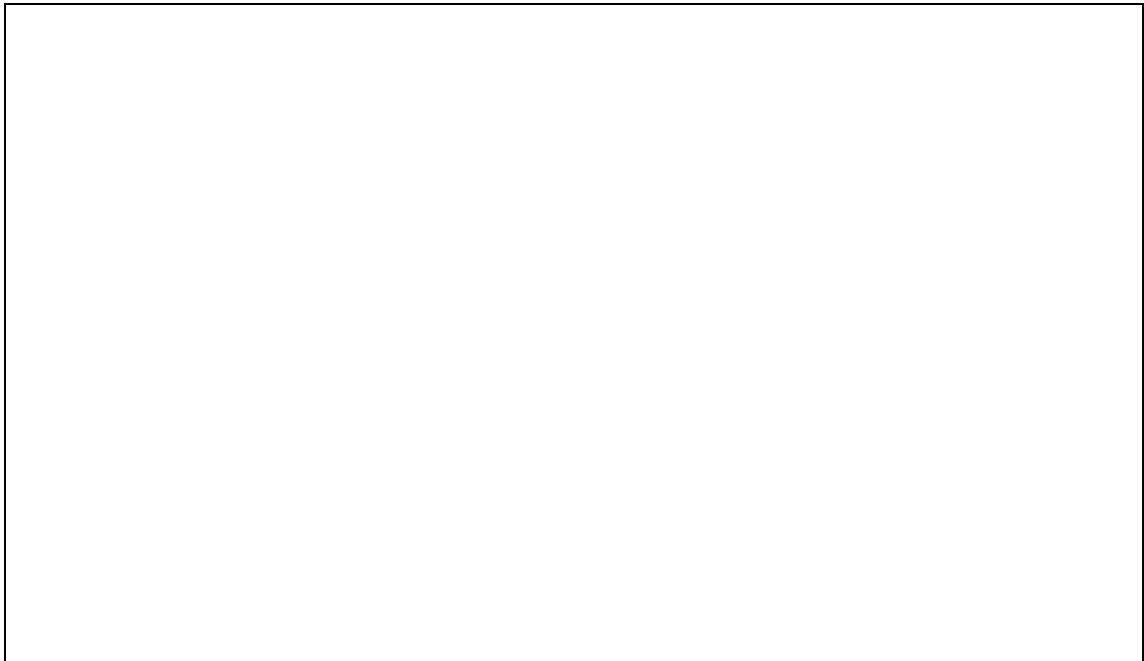




**1.6.19** The information presented in the above chart shows that approximately 27 per cent of new housing properties were planned in country areas whereas only around 17 per cent of the State's total assessed needs were identified in that area.

**1.6.20** In contrast to this situation, 50 per cent of new housing properties were planned for the outer metropolitan area while around 62 per cent of the State's total warranted needs related to that area.

**1.6.21** A clear illustration of the variation between planned building activity and assessed need in a country region was evident to audit in the case of the Latrobe Valley. Although that area has been identified by the Department as having relatively little community need for new housing assistance, a major redevelopment project, with an aggregate cost of \$18 million, is underway in the region. This project involves the demolition of existing family properties and their replacement with smaller units for use by their current elderly tenants. This strategy would be valid in an area with a definite assessment of ongoing need for assistance. However, with very little need assessed for the Latrobe Valley region, the strategy can only be viewed as enhancing the quality of housing for the affected tenants. Because these tenants are already accommodated in housing of a satisfactory standard at a time when applicant households are awaiting access to public housing in many areas of the State, audit considered that the allocation of funding for this project did not represent the direction of scarce resources to households in greatest need of assistance.



*Public housing property in the Latrobe Valley scheduled for demolition and replacement.*



*Property in the Latrobe Valley following redevelopment.*

**1.6.22** In discussions with the Department on this matter, audit was informed that this project may not have proceeded if it had been evaluated under the Department's newly developed *asset management model*. The introduction of this model was an initiative introduced by the Department early in 1996 under which greater consideration is given to the financial viability of prospective assets. Of relevance to the issue of viability, which would presumably have been examined under the new model, is the fact that the Department has held for many years significant levels of surplus land in the Latrobe Valley region, a matter discussed in a later paragraph.

**1.6.23** **Given the lack of alignment of planned capital activity with warranted need assessments in country areas, the Department should re-evaluate all current or planned capital works projects in those areas to ascertain whether any planned projects should be discontinued where further development of housing is currently not required. Such action would be necessary in order to confirm that its scarce resources are directed to providing assistance to households in greatest need.**



□ **RESPONSE** by Secretary, Department of Human Services

*The Department agrees with the need to better target capital investment and is continuing to address this issue in the implementation of its asset management strategy. All capital projects must now meet financial and needs criteria to proceed.*

*The Department considers, however, that considerable progress has been made in addressing the imbalance between capital investment patterns and the distribution of need. As a direct result of the needs-based planning approach adopted by the Department, the proportion of acquisitions directed to high need metropolitan areas has increased from 42 per cent in 1986 to 70.4 per cent currently and has been consistently above 70 per cent for the last decade.*

*It should also be noted that the capital program cannot be based solely on need, other determining factors include stock condition, stock replacement and the need for different stock types, e.g. older persons units.*

**PROPERTY MAINTENANCE**

**1.6.24** Because of the size and significance of its housing asset portfolio, the Department has the major responsibility of ensuring that its housing properties are maintained in a manner which preserves their value and provides a satisfactory standard of accommodation for tenants.

**1.6.25** For some years now, maintenance of public housing properties has been undertaken on behalf of the Department of Human Services by private sector contractors. The annual maintenance cost to the Department in 1995-96 was approximately \$50 million.

**Impact of past acquisition strategies of governments**

**1.6.26** Past strategies of governments have been at times geared towards acquiring targeted levels of additional properties within specific time frames in order to meet a growing demand for public housing. As a consequence of these strategies, rental stock increased by 25 100 properties (representing 39 per cent of current public housing stock) in the 10 year period to 30 June 1992. Since that time, the number of annual acquisitions has fallen substantially.

**1.6.27** While the concentration on increasing stock numbers was very beneficial in terms of providing additional public housing for the community, it was clear from discussions with the Department that little attention had been given in those earlier years to systematically addressing the cyclical maintenance requirements of an expanding public housing asset portfolio. The approach to maintenance in these years was essentially of an ad-hoc reactive nature rather than in the form of a structured response aimed at preventing any major deterioration in the condition of housing stock.



**1.6.28** The reality of the earlier management approaches has been that the Department is currently faced with an increasing proportion of older stock with high ongoing maintenance requirements and with some housing estates which have a pressing need for major works. By way of illustration, at 30 June 1996, around 29 per cent of the public housing portfolio (around 18 500 properties) had been held by the State for more than 30 years and was in need of substantial upgrading or redevelopment.

### Financial magnitude of maintenance obligations

**1.6.29** The Auditor-General's May 1993 *Report on Ministerial Portfolios* included the results of an audit examination of the maintenance of public housing. The findings of that audit identified:

- a failure by the then Department of Planning and Development to adopt a proactive preventative approach to the maintenance of public housing; and
- the lack of information on the physical condition of properties.

**1.6.30** In response to the audit recommendations, the Department commenced a physical inspection of properties in July 1994 to establish and record their condition. This exercise encompassed the inspection of 93 per cent of the Department's housing stock and was completed in December 1995.

**1.6.31** The inspection assessed the condition of each property on the basis of the extent of repair work necessary to bring the property to an acceptable standard. The main findings of the inspection were:

- Maintenance expenditure in excess of \$308 million will be required by the year 2000, including \$148 million representing an accumulated backlog for maintenance and upgrading of properties;
- A total of 3 264 properties were in such poor condition that, if retained by the Department, they will necessitate maintenance outlays of around \$218 million or 62 per cent of total anticipated maintenance expenditure up to the year 2000; and
- The presence of asbestos and lead-based paint in properties will require attention by the Department. Preliminary costs associated with the investigation, control and removal of these substances were estimated to be around \$24 million.

**1.6.32** The December 1995 report of the Department's inspection of properties confirmed the dimension of the financial consequences of the past lack of a strategic emphasis on preventative maintenance of housing properties. As the first major exercise of this nature, it also reinforced the absolute importance of regular assessments of property conditions as a basis for periodic scheduling of preventative maintenance and for ensuring that scarce resources available for maintenance are utilised with maximum efficiency.

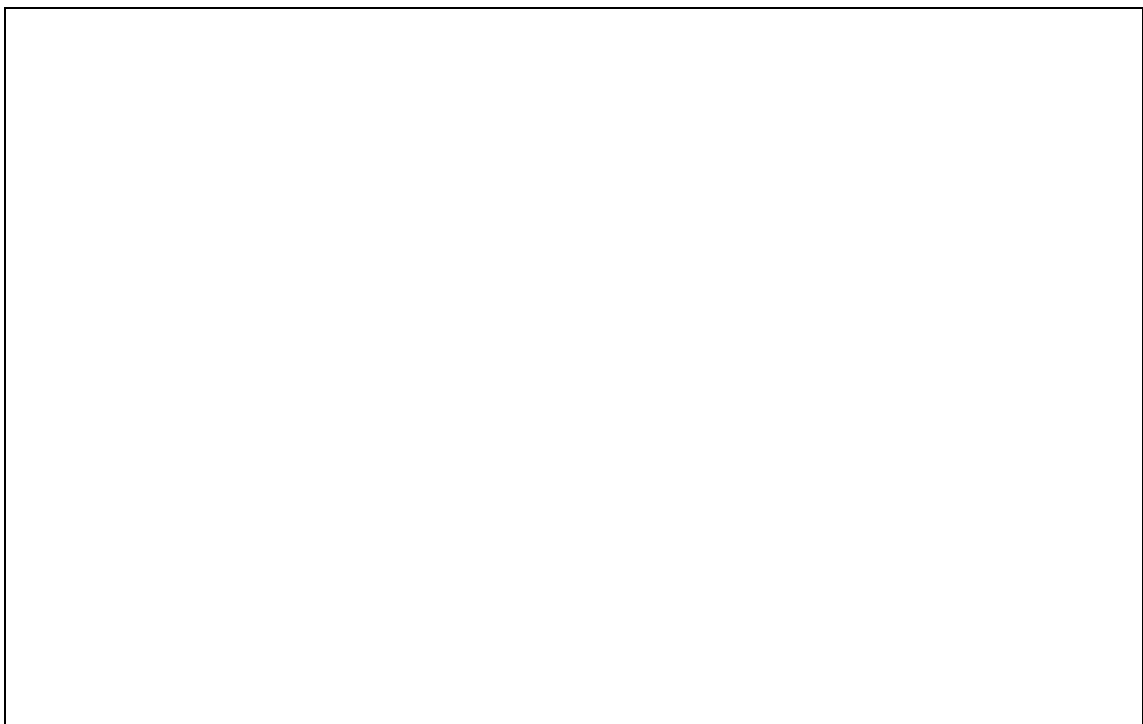


❑ **RESPONSE** by Secretary, Department of Human Services

*Refer to the previous comments on this issue in response to paragraph 1.1.1.5 of the Overall Audit Conclusion.*

*In relation to paragraph 1.6.31, it is the Department's policy to remove these items if they are found to be in an unstable condition. During the property condition audit any asbestos or lead based paint that was identified and not considered to be in a stable condition was referred for analysis by qualified assessors and appropriate action taken.*

*Where the condition of the asbestos or lead based paint is stable and therefore safe, removal is planned, on a rolling basis, during stock upgrade, or cyclical maintenance. The Department notes that the estimated cost of removal quoted in the report reflects the long-term cost of removing all asbestos and lead based paint.*



*Public housing property in poor condition and now to be demolished.*

**1.6.33** In discussions during the audit, the Department advised that, drawing on the information derived from its inspection of property conditions, it has taken the following initiatives:

- Identification of the potential to dispose of in excess of 700 properties during 1996-97 and a further 4 700 over the next 5 years. Such properties have been categorised as either located in areas of low community need for public housing or too costly to maintain or upgrade. The reduction in future projected maintenance costs to the year 2000 and the existing maintenance backlog of these plans would be \$82.1 million and \$57 million, respectively;

- A decision to confine the future upgrading element of maintenance activities to properties involving the needs of specific households, e.g. modification of properties for disabled tenants, with an assessed potential reduction of \$49 million in the maintenance backlog; and
- Development of a co-ordinated maintenance works program which is aimed at better targeting improvement and upgrade works to those properties to be retained in the longer-term.

**1.6.34** The early initiatives taken by the Department are positive and should, when fully implemented, lead to more efficient use of maintenance funds. It is critical that implementation of the planned actions is soundly monitored so that the Department can be progressively assured that there have been no adverse consequences, from disposing of properties, impacting on its ability to meet the community's need for public housing.

### Management strategies for maintenance

**1.6.35** In addition to the previously mentioned actions dealing with accumulated and future financial obligations for maintenance, the Department has, over recent years, introduced several changes to the delivery of its maintenance services. These changes have included:

- Progressive implementation from February 1995, of a *neighbourhood team* concept for managing the provision of services to public housing tenants. This concept facilitates a specific neighbourhood focus, by departmental employees, on household needs including maintenance issues. At 30 June 1996, 55 neighbourhood teams were operating across the State; and
- Utilisation, since March 1995, of a *head contractor* approach to the actual delivery of maintenance services under which a specific private sector contractor co-ordinates maintenance tasks undertaken by contractors in a particular geographical area. Under the previous arrangements, several private sector contractors performed maintenance services within each area without any overview by a controlling contractor.

**1.6.36** During the course of the audit, the Department advised that it had decided to commission an external consultancy, at a cost of \$81 000, to review the *"technical work practices in neighbourhood teams"*. It indicated that the consultancy had been prompted by a range of concerns with the operation of its revised maintenance arrangements including inefficient work practices adopted by some private maintenance contractors, increasing maintenance costs in a number of regions and the ability of regional housing officers to deal with the more technical aspects of maintenance.

**1.6.37** The report arising from the consultancy was finalised in March 1996 and its overall conclusion was that *"the nature and extent of organisational changes had placed considerable pressures upon regional housing staff generally in the provision of maintenance services"*. More specifically, it revealed that maintenance workloads had significantly exceeded original expectations to the extent that regional staff found it difficult to satisfactorily manage the full range of core tenancy services to housing clients.

**1.6.38** The detailed report did not provide specific examples of its principal findings and, as such, audit was not in a position to form a view on the overall



significance of the underlying issues or the level of incidence of inefficient work practices such as the extent of maintenance overbillings by private sector contractors. Discussions by audit with the consultant confirmed that quantification of such matters had not been undertaken during the consultancy. Nevertheless, the report did cite some of the reasons for unsatisfactory maintenance performance including:

- *"high staff turnover and attrition levels resulting from high maintenance workload;*
- *continued high maintenance workload through inefficient systems and intensive training demands of multi-skilling, reducing ability to perform core business;*
- *higher premiums from contractors across the State on reletting contracts to compensate for the administratively intensive and operationally expensive contractual arrangements;*
- *inadequate contractor performance criteria and control measures stipulated in the contract combined with insufficient pro-active surveillance 'permitted' considerable over-expenditure in some areas;*
- *dissatisfied tenants, resulting from contractors' reduced performance through lower motivation and keener commercialism in undertaking the maintenance work; and*
- *less efficient use of maintenance expenditure-less work done for a higher cost, leading to a long-term down-grading of stock condition."*

**1.6.39** At the time of finalisation of the audit, the Department had implemented a number of recommendations to improve maintenance performance and was considering further options put forward by its consultant to streamline maintenance arrangements. These options encompass various contract management structures and alternative staffing arrangements and focus primarily on performance and service management. More recently, the Department advised audit that it had re-engaged the consultant, at a cost of \$90 000, to assist in the piloting of certain of the suggested options.

**1.6.40** **In summary, action is currently underway within the Department to improve the management of maintenance services carried out in an outsourced environment. It is important that the Department draws heavily on the *Outsourcing and Contracting Management Guidelines* issued by the Department of Treasury and Finance as it further progresses its management improvement strategies in this area.**

**RESPONSE** by Secretary, Department of Human Services

*The Department agrees with this finding. At the time of finalisation of the audit the Department had implemented a number of recommendations to improve maintenance performance including the transfer of field service officers to neighbourhood teams, the establishment of a technical quality audit team and increased technical training. The Department is also considering implementation of a number of other recommendations to streamline maintenance service delivery.*



## IMPORTANCE OF MAXIMISING UTILISATION OF ASSETS

**1.6.41** In any asset management environment, it is important that maximum benefit is derived from the service potential of assets. As mentioned in an earlier paragraph within this Section, this principle is very relevant to the Department of Human Services' housing asset portfolio, given the significant excess of community demand over the State's supply of public housing properties.

### Underutilisation of properties

**1.6.42** Part of the Department's responsibility for achieving maximum utilisation of housing assets involves ensuring that, as far as possible, the type of public housing allocated to tenants matches the profile of the household (e.g. a single person allocated to accommodation in a one bedroom residence). In this regard, the Department has developed criteria to assist decisions on the allocation of properties to eligible households.

**1.6.43** Information compiled by audit as at 30 June 1996 identified that around 19 000 dwellings or 32 per cent of total occupied public housing properties had potential for greater utilisation in that the number of bedrooms exceeded the requirements of the current household. Table 1.6C provides the relevant details.

**TABLE 1.6C**  
**UTILISATION DETAILS AS AT JUNE 1996**  
(Numbers of occupied properties)

<i>Departmental household type</i>	<i>Utilisation in line with allocation criteria</i>	<i>Utilisation in excess of allocation criteria</i>	<i>Under-utilisation by 1 bedroom</i>	<i>Under-utilisation by greater than 1 bedroom</i>	<b>Total under-utilisation</b>	<i>Total occupied properties</i>
Youth	120	-	188	28	<b>216</b>	336
Singles	1 893	-	2 006	1 519	<b>3 525</b>	5 418
Family	21 059	1 023	4 580	655	<b>5 235</b>	27 317
Older persons	12 151	6	4 346	3 300	<b>7 646</b>	19 803
Group	3 727	152	2 339	73	<b>2 412</b>	6 291
<b>Total</b>	38 950	1 181	13 459	5 575	<b>19 034</b>	59 165
% of total properties	66%	2%	23%	9%	<b>32%</b>	100%

**1.6.44** A measure of the significance of the level of underutilisation can be derived from the fact that, if a perfect alignment of properties and households was present in all cases, in excess of 24 500 additional persons (assuming one bedroom per person) could be accommodated within public housing. In addition, based on a 1995 departmental assessment of the financial impact of underutilisation of \$600 per underutilised property, audit calculated that aggregate rental revenue forgone in respect of properties underutilised at 30 June 1996 would equate to around \$11.4 million.



**1.6.45** In discussions with the Department on its experiences over the years with the management of underutilised properties, audit was advised that the main constraints to achieving a greater degree of alignment of properties with households and thus improving utilisation of properties were:

- application by both Australian and State Governments of the principle of *security of tenure* for public housing tenants;
- geographic factors such as insufficient numbers of smaller sized properties in certain locations suitable for those households willing to transfer from residences currently in excess of their needs; and
- the cost-effectiveness of acquiring more suitably sized replacement properties particularly in country areas.

**1.6.46** The principle of security of tenure essentially means that households allocated to public housing are able to remain within the system irrespective of subsequent changes in their financial circumstances or housing needs. Traditionally, governments in Victoria have applied security of tenure in its broadest form in that households have been deemed to have the right to remain in their allocated property rather than in the public housing system as a whole.

**1.6.47** The Department has, in recent years, liaised with the Australian Government on the desirability of applying a stricter interpretation of the principle. In this regard, the most recent Commonwealth-State Housing Agreement, signed in July 1996, provides that security of tenure will now relate to geographical areas within the system of public housing and not to individual properties.

**1.6.48** With the stricter interpretation of the principle, the Department will clearly have greater flexibility in achieving better utilisation of properties through an ability to relocate households to housing equivalent to their needs within their existing geographical boundaries. The gradual consequential outcome should be an enhanced basis for decision-making by the Department on allocations involving both new and existing households and, in the process, a freeing-up of some public housing to accommodate both priority and other applicants currently on waiting lists.

**1.6.49** While special circumstances and transitional factors will impact on the rate of beneficial change, the Department has both the obligation and the challenge of applying the greater flexibility now available to achieve better matching of properties with household needs and more effectively meet the community's need for housing assistance.

□ **RESPONSE** by Secretary, Department of Human Services

*The Department recognises the need to improve the utilisation of public housing but considers that there are a number of important constraints on its ability to do this. First, some degree of underutilisation is unavoidable due to short-term changes in family circumstances. Second, underutilisation often reflects a particular need of the tenant, e.g. in allowing space for a carer or parental access to children. This type of need is expected to increase as the Department improves the targeting of allocations to higher need groups. Finally, it is often more cost-effective to leave a property underutilised than to use scarce capital funds to acquire a replacement property. This is particularly true in lower need country areas.*

*To reflect the impact of these factors, the Department changed the definition of underutilisation that is used for performance reporting purposes, on 1 July 1996, to include only properties with more than one bedroom underutilised. Currently, this represents 9.6 per cent of total stock.*

*The Department notes that the issue of security of tenure is being considered as part of the Australian Government's public housing reform process.*

## Level of vacant properties

**1.6.50** An important element of the Department's asset management responsibilities is to optimise property utilisation through minimising the level of properties vacant at any point in time. While, in the context of public housing, vacancies will occur during the changeover of tenants, properties unnecessarily vacant for long periods will adversely impact on the timely allocation of available housing to eligible households and contribute to forgone rental revenue.

**1.6.51** The Department's June 1996 Business Report for public housing outlined a high occupancy rate covering both public and community housing properties of 95.7 per cent at 30 June 1996. Given the size of the public housing asset portfolio and the dimension of the associated management functions, audit considered that the achievement of this level of occupancy by the Department was commendable.

**1.6.52** A total of 2 700 properties, or 4.3 per cent of all properties, were assessed as vacant at 30 June 1996. The Department classifies vacant properties in 3 categories. Details of these categories and the extent of vacant properties within each category at 30 June 1996 were:

- *"standard vacancies"* which are deemed to be properties available for immediate occupancy and thus should not, in normal circumstances, be vacant for extended periods (720 properties);
- properties vacant awaiting resolution of special circumstances such as *"hard to let"*, *"abandoned by tenants"*, *"under review"* or *"with no eligible applicants"* (230 properties); and
- vacant properties earmarked for *"upgrade, demolition, conversion, redevelopment or sale"* (1 750 properties).



**1.6.53** The Department utilises time targets in monitoring the length of time properties in the first 2 categories have remained vacant. To date, it has not adopted a similar approach for monitoring vacant properties in the third category. Because such properties constitute the bulk of vacancies and have been steadily increasing in recent years (by 60 per cent since December 1994), audit suggested to the Department that it would be desirable to extend its performance measurement framework to encompass this type of vacant property.

**1.6.54** Notwithstanding the sound management position at 30 June 1996 in terms of occupancy rate, the Department recognises that there is scope to further improve performance for this aspect of its operations. In this regard, audit examination of properties which had remained vacant for considerable periods of time identified:

- some properties abandoned by tenants vacant for greater than 26 weeks, awaiting statutory inspection by the Office of Fair Trading, indicating a need for greater coordination between the Department and that Office;
- properties under review vacant for up to an average of 15 weeks with immediate rental revenue forgone implications; and
- properties within country areas vacant for periods of between 2 and 5 years due partly to difficulties associated with disposal of properties in remote locations.

**1.6.55** At the time of the audit, the Department was considering the nature of action to be taken to address the above concerns.

**1.6.56** **The achievement of an occupancy rate for its housing properties of almost 96 per cent, the position at 30 June 1996, represents a sound management performance by the Department. It recognises that, through further continuous improvement activities, it can attain an even more impressive occupancy level.**

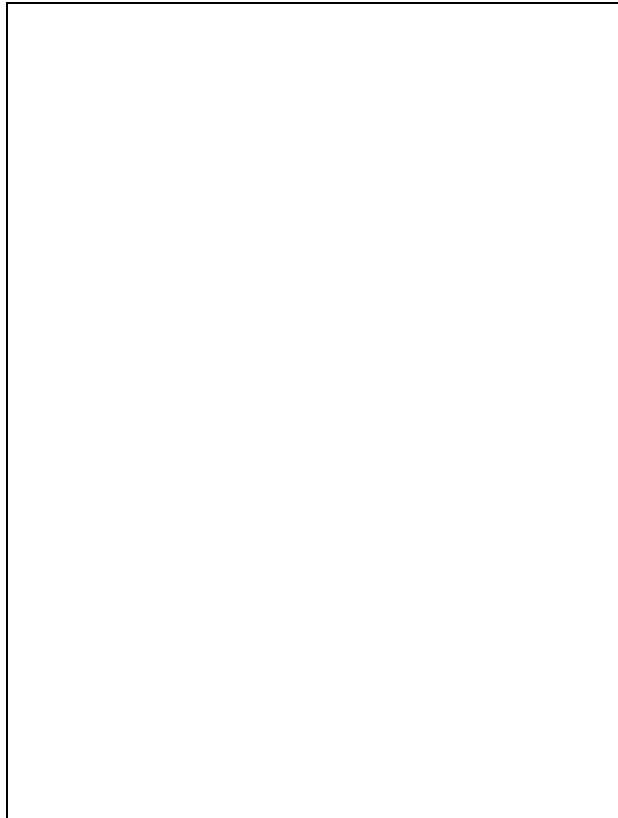
### **Analysis of high-value properties**

**1.6.57** The progressive impact of past decisions by governments on acquisition of properties for use as public housing has been that the housing asset portfolio now includes in excess of 1 290 high-value properties. These properties had a collective value at 30 June 1996 of \$227 million and individual values of between \$150 000 and \$350 000.

**1.6.58** A significant feature of these high-value properties is that they involve substantial ongoing costs to the Department in that:

- The Department is required to provide rental rebates (the difference between market-based rentals and tenants' assessed capacity to pay) in respect of these properties of an average of \$130 per week which is more than double the average subsidy of \$55 per week relating to the total public housing system. Total cost of the rebates on these high-value properties was approximately \$8.3 million in 1995-96; and
- The properties attract higher holding expenses such as rates and maintenance.





*High-value public housing property in an inner suburb of Melbourne.*

**1.6.59** The financial implications to the Department of high-value properties were exacerbated by the fact that, at 30 June 1996, 530 or 41 per cent of these properties were underutilised. Audit was advised by the Department that, in most instances, this situation had arisen from past application of the security of tenure principle.

**1.6.60** It became clear to audit during the course of the examination in this area that the magnitude of the opportunity cost arising from high-value properties required specific attention by the Department. It was also apparent that the additional flexibility expected to be available to the Department from the more stringent interpretation of the security of tenure principle effective from 1 July 1996 (as discussed in an earlier paragraph), needed to be applied to its full extent to properties within the high-value category.

**1.6.61** It was therefore pleasing to find that the Department, through its asset manager, has recently commenced a review of high-value properties.

**1.6.62** The significance of the costs associated with high-value public housing properties reinforces the importance of early finalisation of the Department's recently commenced review and of timely formulation of management strategies aimed at achieving better outcomes, both socially and financially, from the resources currently consumed by these properties.



□ **RESPONSE** by Secretary, Department of Human Services

*The Department considers the data on "high-value properties" to be inappropriate. The threshold value of \$150 000 used is only 16 per cent above the metropolitan median house price, reported by the Valuer-General, for the June quarter 1996. The Department suggests that \$200 000 is a more appropriate threshold. The number of public housing properties valued above this threshold is currently 160 or 0.25 per cent of total stock.*

**Management of vacant land holdings**

**1.6.63** As a consequence of past land acquisition decisions by governments, generally in order to be able to respond to potential public housing estate developments, the Department has accumulated substantial land holdings. According to the Department's asset management information system, at 30 June 1996, it owned a total of 2 250 parcels of vacant land with a value in excess of \$78 million. The system indicates that 1 182 parcels were held in country areas, 955 parcels in the outer metropolitan area and 113 in the inner metropolitan area.

**1.6.64** Information relating to the Department's vacant land holdings constitutes an important basis for ongoing decision-making on opportunities for expanding the availability of public housing properties to meet identified needs in particular areas and for identifying parcels of land suitable for sale in order to generate the necessary financial resources to be applied for other public housing purposes. It follows therefore that the Department should always be in a position to be confident that its land holdings are accurately recorded in the asset management information system.

**1.6.65** At the time of the audit examination of the Department's asset records, it became clear that there were a number of deficiencies in relation to the information on vacant land holdings recorded in the system. In this regard, the Department was in the early stages, as part of its asset manager function, of assessing the soundness of the land database and had identified instances where:

- land, which had been disposed of, still recorded as owned by the Department;
- land under development but recorded as vacant; and
- information concerning several parcels of land duplicated in the records.

**1.6.66** In addition, audit found that it was very difficult to accurately assess the duration of time for which individual parcels of land had been held as, for approximately half of the land entries, no information on the timing of acquisition had been recorded. However, from those acquisition details recorded, it was identified that around 15 per cent of vacant land at June 1996 had been held for periods of longer than 20 years.

**1.6.67** Against a background of growing community demand for public housing and scarcity of financial resources, the retention of such extensive holdings of vacant land for protracted periods of time is difficult to justify. In addition, this situation is indicative of a lack of ongoing assessment of the justification to retain land and, in turn, of alternative opportunities with potential to achieve more effective use of resources in responding to public housing needs across the State.

**1.6.68** As part of a very recent initiative involving the introduction in September 1996 of a *stock management plan*, the Department has identified the management of vacant land as a priority issue. A key strategy under the plan is to progressively dispose of all land which has no development scheduled in the next 2 years.

**1.6.69** The extent to which the Department can meet this strategy will be influenced by its ability to sell large tracts of land, accumulated over many years, particularly those located in certain country areas of Victoria. In this regard, 20 per cent of country properties currently offered for sale by the Department have remained unsold for periods longer than 2 years.

**1.6.70** Disposal of surplus land is of particular concern in the Latrobe Valley region of the State where the Department currently owns approximately 430 separate parcels of land comprising almost 20 per cent of its total vacant land holdings. The vacant land held in the Latrobe Valley was valued at over \$5.8 million at 30 June 1996, compared with its original cost of \$7.4 million. While 190 land holdings were still for sale at 30 June 1996, the Department indicated that because of economic conditions in the area, there is little likelihood that all remaining sales will be realised in the foreseeable future. Audit was also advised that approaches have been made by the Department to various local agencies and authorities regarding their possible utilisation of the properties. However, to date, there has been only limited response to these approaches by the Department.

**1.6.71** **The circumstances confronting the Department in relation to the past build-up of vacant land are of some significance as they restrict the Department's ability to channel resources to areas within the State having the greatest public housing need. These circumstances reinforce the merit of the Department's current initiatives in this area and for timely resolution of problem areas. The ultimate aim should be to place the Department in a position under which maximum management attention is directed to meeting the State's public housing needs in the most effective manner. Retention of large parcels of land over many decades would not, in audit opinion, be consistent with such an aim.**

**1.6.72** As it proceeds through its revision of management practices relating to vacant land, it will be important for the Department to ensure that the quality and accuracy of information recorded in the asset management information system are of a standard which is suitable for proper decision-making.

**□ RESPONSE** by Secretary, Department of Human Services

*The issue of vacant land identified by audit is noted and is being addressed as part of the implementation of the Department's overall asset management strategy for public housing.*

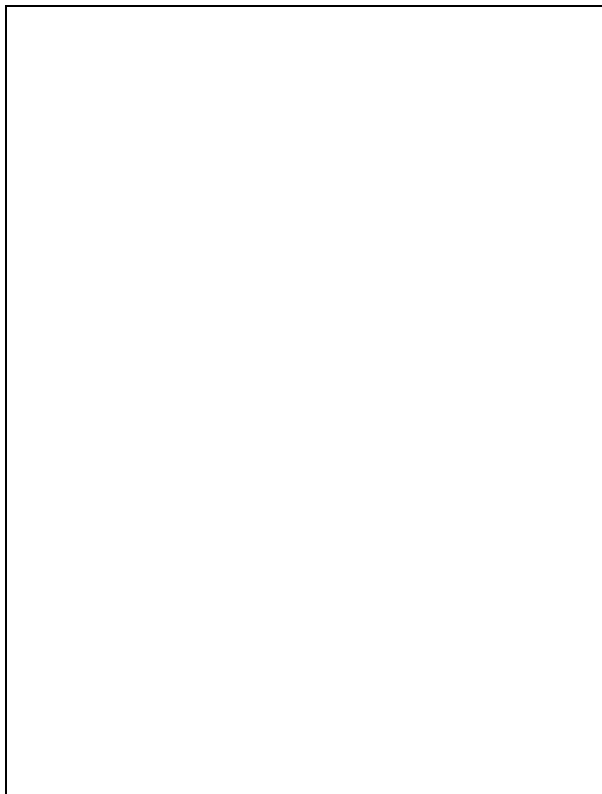
**Redevelopment of high-rise public housing**

**1.6.73** As identified in the earlier Table 6A, the Department's housing asset portfolio at 30 June 1996 comprised around 7 800 high-rise flats. These flats, valued at about \$600 million, are located within 45 high-rise towers in the inner metropolitan area and represent approximately 46 per cent of that area's public housing properties.

**1.6.74** In a March 1996 media release, the Government signalled its intention to prepare a strategy *"for redeveloping the high-rise stock over the next 20 years"*. The release also mentioned that within the next 4 years *"at least one of Melbourne's high-rise public housing towers will be demolished"*.

**1.6.75** As an initial step under the Government's announced redevelopment strategy, the Minister, in August 1996, endorsed the engagement of consultants to undertake an in-depth review of all aspects of high-rise towers to establish a basis for formulation of the strategy.

**1.6.76** For some years the Department has been involved in the ongoing upgrade of high-rise flats including conversion of flats to one bedroom units predominantly to meet the needs of older persons. Outlays on these activities of \$3.6 million have been planned for 1996-97.



*High-rise housing complex in South Melbourne.*

**1.6.77** The Department recognises that decisions on future planned works in its high-rise towers will need to take into account the findings of the consultancy review relating to the Government's broader redevelopment strategy. In discussions on the matter, audit stressed the importance of the Department also ensuring that full communications with affected tenants are maintained on the progress of the redevelopment and any emerging implications for tenants.

**RESPONSE** by Secretary, Department of Human Services

*The Department agrees with this finding and notes that government policy on this issue includes a commitment to consult with residents.*

### Disposal of commercial property

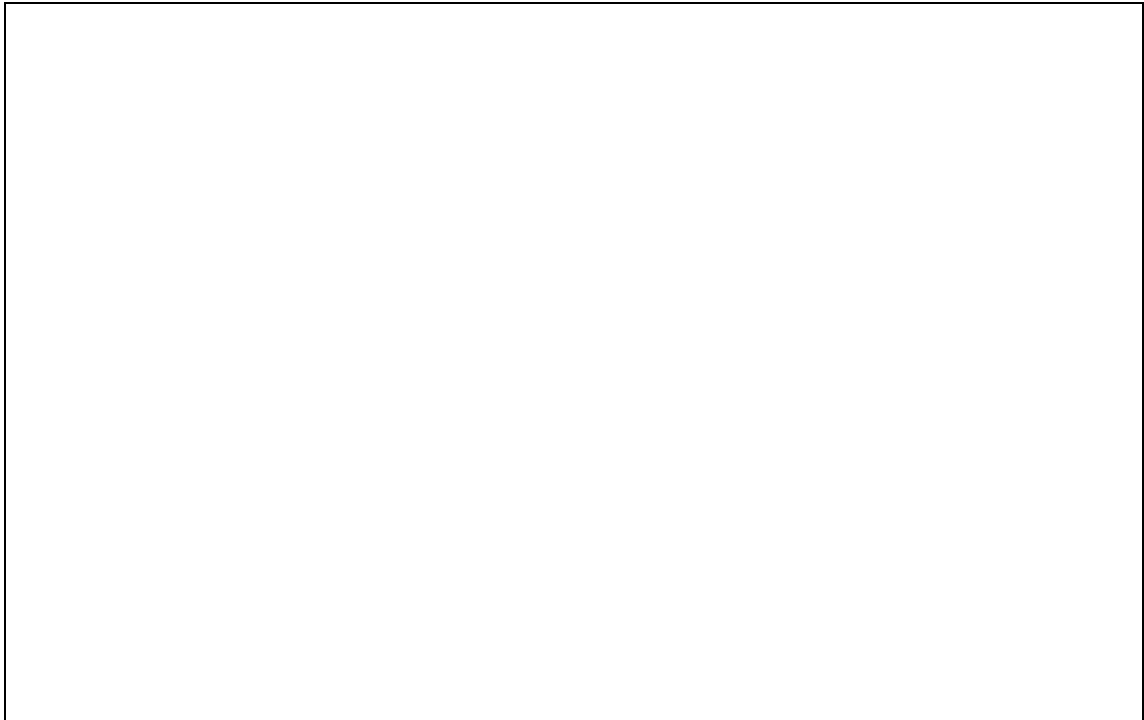
**1.6.78** Since 1974, the State has held 65 commercial properties as part of its public housing portfolio. These properties are located within the Emerald Hill precinct in South Melbourne and were purchased under an agreement between the State and Australian Governments as part of a joint exercise to preserve the existing buildings.

**1.6.79** Over the years, the 65 properties have been leased as commercial premises and 18 residences located above certain of the properties have been used for public housing. During the 1980s, the Department completed major restoration works for the properties.

**1.6.80** The Department has been considering for some time now the feasibility of sale of all commercial properties and, following ongoing liaison with the Australian Government, reached agreement to proceed with its intended action.

**1.6.81** In May 1995, the then Minister approved the staged sale of the properties on the basis that the proceeds from sale would be used to provide 200 additional public housing opportunities. Arrangements were subsequently made for 27 properties to be sold by auction in December 1995, with the remaining 38 scheduled for sale in early 1997.

**1.6.82** Although the Department's management arrangements for the December 1995 sale, including advertising services provided by an engaged estate agent, centred on all 27 properties, a block of 10 properties was withdrawn by direction of the Government shortly before the planned auction. The reason for this action, as outlined in departmental documentation, was to provide secure tenancy to the Victorian Tapestry Workshop, a company involved in the production and marketing of tapestries and which has received annual arts funding from the State Government of around \$207 000. The Workshop has leased 3 of the commercial properties in the withdrawn block for over 20 years.



*Commercial property withdrawn from sale in South Melbourne.*

**1.6.83** Proceeds arising from the sale of the other 17 properties in December 1995 amounted to \$3.1 million.

**1.6.84** Audit was informed by the Department that matters relating to the retention or otherwise of the block of 10 commercial properties withheld from sale were under continuing investigation by the Government.

# **Section 1.7**

**Performance  
management and  
other housing issues**



**OVERVIEW**

**1.7.1** The development of a national performance measurement framework for housing assistance is currently at a very early stage. The transitional arrangements for delivery of housing assistance by the States, under the current Commonwealth-State Housing Agreement, identify 9 core outcome measures for use by all State housing authorities. While consensus has been reached on these measures, related performance targets are still to be negotiated by the Australian and State Governments.

**1.7.2** Similar to the position with the national performance measurement framework, the Department of Human Services is at a preliminary stage in the formulation of performance indicators and targets for its housing services. However, in relation to the satisfaction of tenants, a 1994 survey of tenants conducted by the Department identified that, on average, around two-thirds of tenants were satisfied with departmental housing services.

**1.7.3** Several avenues, which to varying degrees are outside the direct control of the Department, offer opportunities to enhance rental management arrangements and, in turn, potential for increasing the level of rental revenue.

**1.7.4** The Department has not yet considered the desirability of introducing an amnesty program to encourage voluntary disclosure by tenants of any inaccuracies in information previously provided by them in relation to declared income levels or changes in household circumstances. In this regard, the merit of pursuing an amnesty program in Victoria would, based on advice received by audit on the experience in New South Wales with such a program, warrant definite attention by the Department.

**1.7.5** Finally, formulation by the Department, in conjunction with other relevant agencies, of a crime prevention policy for its housing estates would provide a useful basis for further expansion of its current strategies in this area.

**STRATEGIC PLANNING PROCESSES**

**Commonwealth-State management framework**

**1.7.6** Over the years, Commonwealth-State Housing Agreements have provided a standard framework for planning by the States and monitoring and evaluation by the Australian Government with the purpose of providing assurance that the direction of housing assistance remained in accordance with national priorities and objectives. Key elements of this high-level strategic management framework have included:

- the preparation and annual updating of a 3 year housing assistance plan detailing the States' response to agreed national housing assistance objectives, strategic directions and related key issues and challenges;





- establishment of a Commonwealth-State Advisory Committee to provide advice on priorities, strategies and targets for consideration in the development of the plan and community consultation processes; and
- a requirement to report annually on achievements against the previous year's strategies, performance indicators and targets.

**1.7.7** The transitional arrangements under the current Commonwealth-State Housing Agreement, effective from 1 July 1996, include a requirement for preparation of a joint strategic plan in respect of 1996-97 only. The plan for Victoria was finalised in September 1996 and presents an outline of the agreed strategic directions for the provision of housing assistance within the State and the related allocation of Australian Government funding for the year. In recognition of the proposed housing reforms to be implemented beyond June 1997, strategic directions identified in the plan for the provision of housing assistance were:

- better targeting of assistance to high priority client groups;
- improving the asset base to ensure a long term ability to provide assistance; and
- the provision of sound support strategies for financial, organisational and business systems.

**1.7.8** The strategic directions for 1996-97 agreed with the Australian Government constituted an important source of information for formulation of planning strategies relating to the provision of public housing services for the year at the State level.

### **Departmental strategic planning for public housing**

**1.7.9** From and inclusive of 1995-96, the Department of Human Services determined to develop an annual corporate plan for its housing functions in addition to the existing practice of preparation of an annual business plan for these functions.

**1.7.10** At the time of preparation of this Report, the Department's 1996-97 corporate and business plans were still in draft form although audit was advised that no further changes to the draft documents were envisaged. The Department indicated that matters relating to the proposed national reforms and its own major restructuring under April 1996 machinery of government changes had impacted on the timely completion of the plans.



**1.7.11** The strategic directions for 1996-97 covering public housing activities, as set out in the draft corporate plan, are as follows.

**TABLE 1.7A  
STRATEGIC DIRECTIONS FOR 1996-97 AND INITIATIVES TAKEN BY THE DEPARTMENT  
IN RELATION TO PUBLIC HOUSING**

<p><i>Strategic direction: <b>Targeting assistance to those most in need</b></i></p> <p><i>Initiatives:</i></p> <ul style="list-style-type: none"> <li>• Development of the resource allocation model, based upon the ability of households to access the private rental market, to systematically and comprehensively identify those "most in need".</li> <li>• Identification and preliminary assessment of priority market segments and the preliminary quantification of their need for housing assistance.</li> <li>• Ongoing review and updating of allocation, eligibility, priority and rental subsidy policies and procedures focusing upon assisting those most in need.</li> </ul> <p><i>Strategic direction: <b>Improving the asset base</b></i></p> <p><i>Initiatives:</i></p> <ul style="list-style-type: none"> <li>• Creation of the position of asset manager to strategically manage the housing asset portfolio.</li> <li>• Development of a stock management plan outlining principles and strategies for management of the Department's public housing assets.</li> <li>• Implementation of an asset management model to facilitate assessment of various options based upon financial analysis and established investment criteria.</li> <li>• Inspection of 93 per cent of the Department's housing assets to ascertain property condition in order to better target maintenance programs and assist in future decision-making on housing assets.</li> </ul> <p><i>Strategic direction: <b>Increasing efficiency and effectiveness</b></i></p> <p><i>Initiatives:</i></p> <ul style="list-style-type: none"> <li>• Development of a business systems strategy to manage future information technology requirements.</li> <li>• Implementation of the neighbourhood team concept of operations to improve services to housing tenants.</li> <li>• Development of customer service standards, contact surveys and the completion of a survey of the level of customer satisfaction during 1994.</li> </ul>
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**1.7.12** As can be seen from the above details, the various improvement initiatives embarked on by the Department during 1995 and 1996, many of which have been referred to in relevant Sections of this Report, reflect its recognition of the necessity to focus its limited public housing resources upon those within the community most in need, as well as ensuring that the housing assets are utilised to their maximum extent in providing assistance.

**1.7.13** The draft plans were considered by audit to provide a comprehensive outline of the key public housing issues and challenges facing the Department during 1996-97. Audit suggested to the Department that the plans be formally adopted as representing the official corporate focus for the year without any further delay.



□ **RESPONSE** by Secretary, Department of Human Services

*The Department has made major advances in improving the quality of its strategic and business planning processes for public housing over recent years. The Housing Services Business Plan is a high quality and comprehensive document that outlines key issues and challenges and strategic directions for the next 3 years. The Plan provides a focus for resource allocation decisions and underpins individual performance planning.*

*The Department considers that its approach to planning has been instrumental in delivering a number of important outcomes in public housing assistance. This includes:*

- *the implementation of neighbourhood teams, leading to improved client service;*
- *improving business efficiency by lowering administrative costs to best practice benchmarks;*
- *separation of tenancy, asset management and property management functions to provide greater financial transparency and improved business efficiency;*
- *significant retirement of debt with an associated reduction in interest payments; and*
- *the effective implementation of policy changes, such as broadbanding of waiting lists, that target assistance to those who most need it.*

**PERFORMANCE MANAGEMENT  
FRAMEWORK FOR HOUSING ASSISTANCE**

**1.7.14** An important prerequisite for sound strategic management is the development of a performance management framework suitable for monitoring and measuring actual performance against corporate objectives.

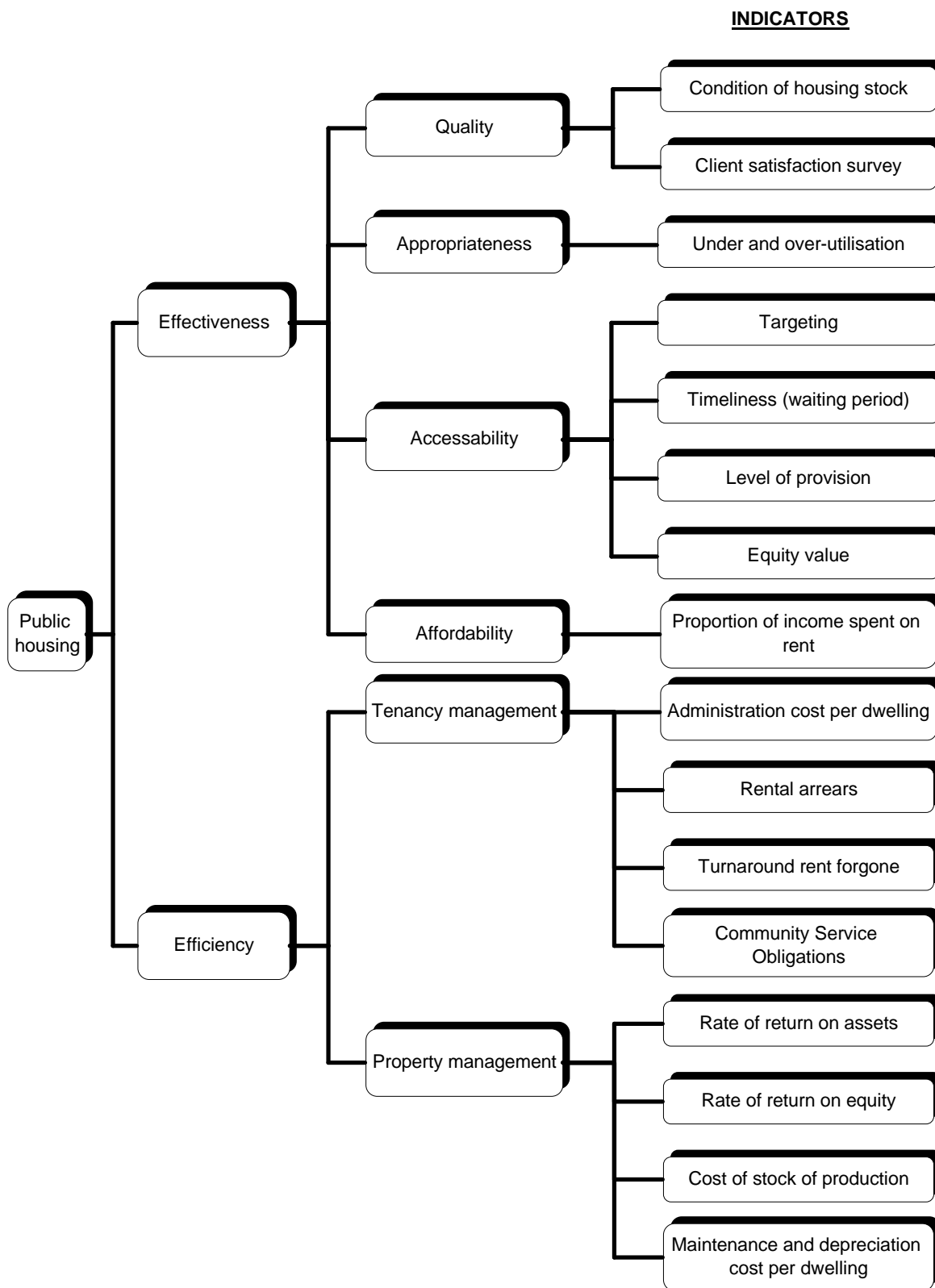
**1.7.15** Within the Department of Human Services, performance measurement for housing assistance involves 3 levels, namely:

- performance against the annual indicators and targets agreed with the Australian Government;
- measures established to monitor performance against strategic directions embodied in the Department's draft corporate plan for its housing functions; and
- periodic performance reports compiled by line management covering specific operational activities relating to housing assistance.

**Early progress on national performance indicators**

**1.7.16** The development of performance indicators, suitable for comparison on a national basis, for a range of services provided by governments, including public housing, was given impetus by the Industry Commission in October 1995 in its *Report on Government Service Provision*. That report incorporated a preliminary framework of indicators for each of the addressed services. Chart 1.7B shows the framework developed by the Commission for public housing.

**CHART 1.7B  
PRELIMINARY FRAMEWORK OF INDICATORS FOR PUBLIC HOUSING**



Source: Industry Commission, *Report on Government Service Provision*, October 1995.



**1.7.17** The national performance measurement framework established by the Commission is at the preliminary stage and is likely to provide the opportunity for the Department to work with other States and the Commission in further developing meaningful performance indicators, particularly in terms of quality of service and measuring the effectiveness of outcomes for people requiring public housing.

**1.7.18** Since publication of the Industry Commission's report, specific consideration of performance measurement issues for public housing has also occurred at national and State levels. In this regard, and as mentioned in Part 5 of this Report, the current Commonwealth-State Housing Agreement, effective from 1 July 1996, incorporates transitional arrangements for the delivery of housing assistance pending finalisation of the reform process. In terms of performance measurement information, the agreement includes the following "9 core outcome measures" to be achieved by all State housing authorities:

- *total amount of assistance provided;*
- *targeting of assistance to those in need;*
- *affordability of the assistance provided;*
- *standard of rental housing provided;*
- *levels of overcrowding and under-use of rental housing;*
- *consumer satisfaction;*
- *timeliness of assistance;*
- *efficient use of assets; and*
- *value of assets.*

**1.7.19** While consensus has been reached on the above outcome measures, related performance targets are still to be negotiated between the Australian and State Governments. It can be seen, therefore, that the formulation of a national performance measurement framework for public housing is currently at a very early stage.

### **Initial approach to performance measurement within the Department**

**1.7.20** Consistent with the national approach to performance measurement, the Department is currently in the early stages of developing a performance measurement framework for its housing assistance responsibilities. Its early work has centred mainly on compilation of 2 sets of performance indicators. One set relates to strategic directions within its draft 1996-97 corporate plan and the other is being progressively developed for use in periodic performance reports prepared by line management covering specific operational activities relating to housing assistance. Tables 1.7B and 1.7C provide details of the 2 sets of performance indicators.

**TABLE 1.7B**  
**DRAFT 1996-97 CORPORATE PLAN - PERFORMANCE INDICATORS**

<p><b>Public rental</b></p> <ul style="list-style-type: none"> <li>• Total allocations during year</li> <li>• Tenancies at year-end</li> <li>• Waiting list at year-end</li> </ul> <p><b>Stock management</b></p> <ul style="list-style-type: none"> <li>• Total rental stock at year-end</li> <li>• Public rental stock acquired during year</li> <li>• Community managed stock acquired during year</li> <li>• Community managed stock at end of year</li> </ul> <p><b>Community housing</b></p> <ul style="list-style-type: none"> <li>• Total allocations during year</li> <li>• Total occupancies at year-end</li> </ul>	<p><b>Efficiency and productivity</b></p> <ul style="list-style-type: none"> <li>• Level of assets (\$million)</li> <li>• Return on assets (percentage)</li> <li>• Administration cost per rental unit / loan</li> <li>• Total housing debt</li> <li>• Number of staff</li> <li>• Level of deficit (\$million)</li> </ul> <p><b>Assistance to private renters</b></p> <ul style="list-style-type: none"> <li>• Rental bonds issued</li> <li>• Housing Establishment Fund - number assisted</li> </ul> <p><b>Home finance</b></p> <ul style="list-style-type: none"> <li>• Loans issued during the year</li> <li>• Total loans at year-end</li> <li>• Loans restructured during year</li> <li>• Home advisory program inspections</li> <li>• Self-build completions during the year</li> </ul>
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**TABLE 1.7C**  
**PERIODIC PERFORMANCE REPORTS - INDICATORS UNDER DEVELOPMENT**

<p><b>Effectiveness measures</b></p> <ul style="list-style-type: none"> <li>• New priority households assisted</li> <li>• Proportion of need met</li> <li>• Total registered waiting list</li> <li>• Average waiting time (months):             <ul style="list-style-type: none"> <li>• priority allocations</li> <li>• other allocations</li> </ul> </li> <li>• Proportion of tenant income spent on rent</li> <li>• Clients satisfied with housing assistance</li> <li>• Rent collected compared with rent raised</li> <li>• Turnaround rent forgone</li> </ul> <p><b>Efficiency measures</b></p> <ul style="list-style-type: none"> <li>• Expenditure as a proportion of households assisted:             <ul style="list-style-type: none"> <li>• capital</li> <li>• recurrent</li> <li>• administrative costs</li> </ul> </li> <li>• Acquisition cost per dwelling</li> <li>• Average net present value of units produced</li> <li>• Costs per dwelling:             <ul style="list-style-type: none"> <li>• maintenance</li> <li>• depreciation</li> </ul> </li> </ul>	<p><b>Input measures</b></p> <ul style="list-style-type: none"> <li>• Comparison of expenditure with budget</li> <li>• Number of public housing staff</li> <li>• Financial measures</li> <li>• Operating revenue</li> <li>• Profit/Loss (net cost of services)</li> <li>• Equity</li> <li>• Debt</li> <li>• Interest rate</li> </ul> <p><b>Output measures</b></p> <ul style="list-style-type: none"> <li>• New households assisted during period</li> <li>• Total households assisted at end of period</li> <li>• Total rebates/subsidies provided</li> <li>• Funds provided as grants</li> <li>• Total households provided with advice</li> </ul> <p><b>Return on investment</b></p> <ul style="list-style-type: none"> <li>• Return on assets (after subsidies)</li> <li>• Return on equity (after subsidies)</li> <li>• Internal rate of return</li> <li>• Net present value - asset management plan</li> </ul>
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**1.7.21** The Department's action in commencing development of a performance measurement framework for its housing responsibilities is positive. It recognises that a substantial amount of work, e.g. formulation of specific performance targets, still needs to be done in this area. It is hopeful of having in place, after progressive defining during 1996-97 of performance indicators and early experience in their application, a basis for performance measurement and reporting to the Parliament, which can be adopted for the 1997-98 financial year.

**1.7.22** Audit conveyed the following suggestions to the Department for its consideration as it moved to further develop the performance measurement framework:

- At this early stage, the performance reporting format reflects a departmental-wide position in that performance information has not yet been segmented according to the various housing assistance programs such as public housing, home purchase assistance, community housing and Aboriginal housing. The grouping of information based on programs in addition to summary information would enhance the overall presentation of data; and
- In order to derive maximum benefit from the performance measurement impetus at the national level, the Department's development process could be specifically integrated with the earlier mentioned 9 core outcome measures which have been incorporated in the 1996 Commonwealth-State Housing Agreement. Currently, not all 9 measures are addressed in the Department's framework.

**1.7.23** **Similar to the position with the national performance measurement framework, the Department is at a preliminary stage in the formulation of performance indicators and targets for housing assistance.**

□ **RESPONSE** by Secretary, Department of Human Services

*The Department is in general agreement with findings concerning the performance measurement framework. As the Auditor-General notes, considerable progress has been made in improving performance targeting. The Department's performance measurement framework for public housing now includes all agreed national indicators.*

*The Department recognises that it faces a major task to put in place comprehensive reporting against these indicators. A project has recently commenced to improve the Department's Housing Management Information System. This will improve reporting on indicators included in the performance measurement framework and reporting required for effective oversight of regional service delivery.*

**Satisfaction of public housing tenants with departmental services**

**1.7.24** Both the national and departmental performance measurement frameworks identify client satisfaction as a key outcome measure.

**1.7.25** To its credit, the Department has been proactive in gathering information on client satisfaction. In 1994, it conducted a Statewide client satisfaction survey which comprised 2 elements, namely, a survey conducted by departmental staff of public housing tenants located in the outer metropolitan area, and the engagement of a market research organisation to survey tenants in the remaining inner metropolitan and country areas.

**1.7.26** The results of the above exercise showed that, on average, around two-thirds of tenants expressed satisfaction with the Department's overall performance in relation to the following attributes:

- *location of tenant's home in relation to services;*
- *design of tenant's home internally;*
- *design of tenant's home externally;*
- *overall quality of tenant's home;*
- *physical security of tenant's home;*
- *security of tenant's estate;*
- *security patrols;*
- *public lighting on the estate;*
- *way rental arrears are dealt with;*
- *convenience of paying rent;*
- *maintenance services;*
- *information provided by housing offices;*
- *cleaning; and*
- *overall services provided by the area office.*

**1.7.27** Specialist advice provided to audit in relation to the design and methodology of the survey undertaken by the Department indicated that the *"client satisfaction surveys appear to have been well conducted ... The analysis appears to be comprehensive and accurate"*.

**1.7.28** The specialist advice to audit also indicated that there may exist *"pockets of considerable dissatisfaction, and that a small group of people could possibly have multiple causes of intense dissatisfaction. It is unlikely that this type of concentrated dissatisfaction would be revealed by the type of analysis reported in this report"*.

**1.7.29** In discussions with the Department, audit suggested that further detailed analysis of the survey data would facilitate the identification of any specific tenant groups who may be considerably dissatisfied with departmental services. Such action would provide the Department with information on those areas in the State to which improvement strategies could be specifically targeted. This information would also assist the Department in the conduct of future client satisfaction surveys.





**1.7.30** From a national perspective, it is of interest to mention that the Australian Government is currently undertaking, in conjunction with State housing authorities, a national survey involving a small sample of public housing tenants to assist in establishing an initial performance target for the outcome measure dealing with "consumer satisfaction". Audit was advised by the Department that the results of this survey are expected to be available in late 1996.

**1.7.31** The results of the Department's 1994 survey of public housing tenants indicated a creditable level of satisfaction expressed by tenants with departmental services. With the benefit of its experience in this exercise and the resultant data, it is well placed to periodically assess the level of satisfaction of its public housing tenants in line with the emerging national performance measurement framework.

**MANAGEMENT OF RENTAL REVENUE AND REBATES**

**1.7.32** As outlined in Section 4 of this Report, the Commonwealth-State Housing Agreement requires State housing authorities to fix rentals levied on public housing tenants with regard to the cost of providing housing and to the capacity of tenants to pay. In applying this principle, the Department of Human Services:

- charges public housing tenants a market rental based on property valuations determined by the Valuer-General; and
- provides offsetting rental rebates to tenants to ensure that rental paid does not exceed 20 per cent of total household income up to a threshold level (currently \$349 per week), and between 20 and 25 per cent for households earning income beyond this threshold level.

**1.7.33** At 30 June 1996, around 90 per cent of public housing tenants were in receipt of rental rebates. For 1995-96, net rental revenue of the Department totalled \$191 million (gross rental revenue of \$361 million less rental rebates of \$170 million).

**1.7.34** The following matters were addressed during the audit examination of the Department's management of rental revenue and rebates:

- Against a background of falling levels of funding available for public housing, the Department, early in 1996, examined the financial consequences of increasing the maximum proportion of total household income payable as rent by eligible tenants. In this regard, 4 of the 7 other Australian States and Territories apply a maximum level of 25 per cent of income. Also, the Government's March 1996 Housing Policy signalled a "guarantee that public tenants will not be required to spend more than 25 per cent of their income on rent", thus providing future potential for setting a higher proportion of household income paid as rent by tenants. Calculations carried out by the Department indicate that the application of an income ceiling of 25 per cent would lead to an annual increase in rental revenue of approximately \$40 million.



- Since 1991-92, the level of rental arrears has remained constant at just over \$9 million. Of the amount of \$9.3 million in arrears at 30 June 1996, the Department had determined that \$5.1 million was unlikely to be recovered. In an attempt to enhance the collection procedures, the Department, in 1994, offered all tenants the opportunity to have rental payments directly debited against either their bank accounts or payments from the Commonwealth Department of Social Security. This offer was extended in 1995 to encompass rental arrears. To 30 September 1996, only 30 per cent of tenants had elected to utilise this option. The Department advised audit that it has explored with the Australian Government the possibility of making the direct debiting of rentals a compulsory requirement for all public housing tenants. However, to date, it has not been successful in obtaining approval for such action.
- The Department faces difficulty in ensuring the accuracy of rental rebates provided to tenants in that much reliance is placed on tenants' honesty in declaring income levels or changes in household circumstances such as additional occupants. In addition, while tenants found to be deliberately supplying inaccurate information are levied with adjusted rentals, an effective deterrent such as eviction is generally not pursued as the taking of legal action is, in most instances, not considered to be a cost-effective option. The Department has not yet considered the desirability of introducing an amnesty program to encourage voluntary disclosure by tenants of any inaccuracies in information previously provided to the Department. Such a move was taken by the New South Wales Housing Authority in March 1996. That Authority advised audit that the action was considered to be highly effective with additional annual rental revenue attributable to the measure estimated to be \$15 million.
- Under departmental policy, rebate recipients in high risk categories, which include all recipients other than aged and invalid pensioners, are required to be subject to annual reviews by departmental staff as a means of confirming continuing eligibility to receive their current level of rental rebate. At the time of audit examination, 3 400 departmental reviews of such tenants, or 11 per cent of total high risk tenants, were up to 12 months behind schedule.
- Several assessments of rental management procedures undertaken within the Department have identified a range of shortcomings in documentation held to support tenants' income levels used for calculation of rental rebates.

**1.7.35** The final 2 matters identified above relate directly to management procedures within the Department and require early corrective action.

**1.7.36** The 3 earlier points are, to varying degrees, outside the direct control of the Department but offer opportunities to enhance rental management arrangements and, in turn, potential for increasing the level of rental revenue collected by the Department. The merit of pursuing an amnesty program in Victoria would, based on the advised New South Wales experience, warrant definite attention.



□ **RESPONSE** by Secretary, Department of Human Services

*Maximisation of rental revenue is a key objective for the Department and a number of major initiatives have been introduced, or are being planned, to further this goal. This includes introduction of direct debit, electronic transfer of data from the Commonwealth Department of Social Security and ongoing contact and automatic rebate reviews.*

*The Commonwealth's reform agenda has created uncertainty about both the nature and scope of State involvement in rebate administration.*

*Audit findings on the administration of rebates and opportunities for improvement are noted.*

*Planned actions to address these issues are:*

- *a review of options to simplify the Department's rental rebate policy;*
- *significant information system enhancements to automate data entry and calculation and improve performance reporting;*
- *incorporation of enhanced service standards and performance indicators for rebate administration in internal service agreements with the Department's regions;*
- *training to improve file management; and*
- *consideration of options for legislative change to introduce greater penalties for rebate fraud.*

*The Department will review the effectiveness of the NSW amnesty program, however, it should be noted that unlike Victoria, NSW does not have annual income assessments for tenants on statutory incomes. NSW relies on the tenants to advise of income changes. It is for this reason that the amnesty was undertaken in NSW.*

**SECURITY ARRANGEMENTS**

**1.7.37** Under the provisions of the *Residential Tenancies Act 1980*, the Department of Human Services has the responsibility as a landlord to provide a secure and safe environment for its housing tenants.

**1.7.38** The Department has introduced a number of security measures to assist in the provision of a secure environment for tenants who reside in public housing estates. These measures include regular patrols by private security contractors, the installation of security cameras, the locating of the Department's housing offices directly adjacent to the ground entrance of high-rise flats, the arrangement of gardening services to ensure progressive clearance of trees and shrubs, and the installation of public lighting systems.

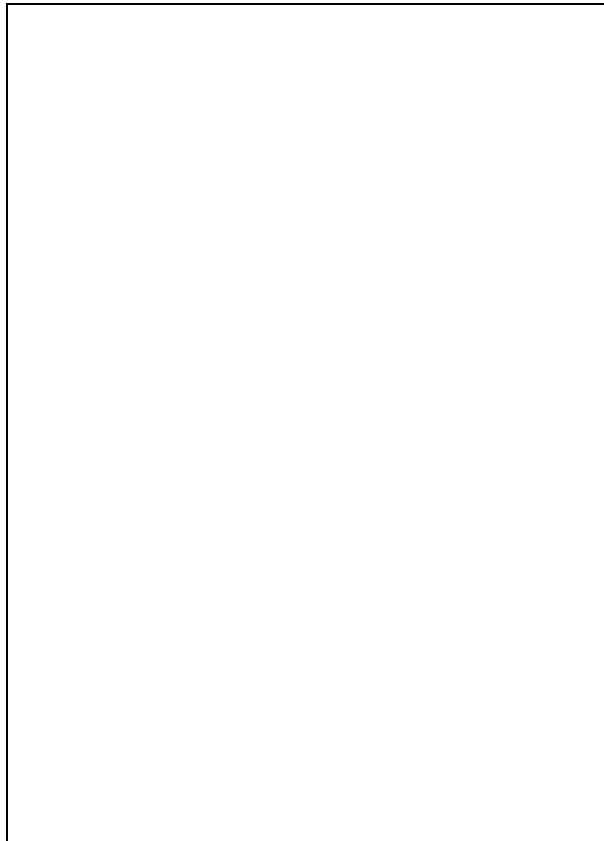
**1.7.39** The cost to the Department of providing security services and related expenses for its public housing estates during 1995-96 was \$9.5 million.

**1.7.40** In response to increasing safety and security concerns from tenants residing in 3 particular housing estates, the Department commissioned, during October 1995, a review of the security arrangements at those locations. The review identified several specific security concerns of tenants including inadequate public lighting, an increasing level of youth crime and a need for clarification of the role of security patrols.



**1.7.41** Further to this review, the Department recently undertook "*a review and existing condition report of security systems*" at 3 high-rise housing estates. The report issued in August 1996, disclosed that some specialised security equipment, e.g. alarm and monitoring systems, surveillance and intercom facilities, were either in need of urgent repair or required significant upgrading.

**1.7.42** At the time of finalisation of the audit, the Department was considering the nature of action to be taken on the above findings.



*Damaged intercom system at entrance to high-rise housing estate.*

**1.7.43** During discussions with departmental housing officers and tenant support workers, audit was advised that similar security concerns to those identified in the above reviews applied to other housing estates of the Department. It became evident to audit that there would be merit in the Department extending its security review activity to other estates in order to gain an overall Statewide perspective on the security position for public housing estates. Apart from making available more complete information on the subject, such action would assist the Department in prioritising security enhancement strategies.



**1.7.44** On a matter related to security, the Department does not currently have in place a specific crime prevention policy for its housing estates, although regular liaison on security matters occurs with relevant agencies including Victoria Police. A study of housing and crime in Scotland, titled *Managing Crime - Findings from a Survey of Scottish Housing Initiatives* conducted by Glasgow University in July 1995, explored the role of housing agencies in tackling crime in residential areas and outlined the following recommendations for the management of housing crime in Scotland:

- *"... housing organisations should endeavour to undertake a crime or security audit in order to gauge the extent and type of crime within their areas of operation.*
- *housing authorities should develop crime prevention policies. These will provide a benchmark for practice and facilitate the co-ordination and targeting of crime prevention activities.*
- *housing service liaison arrangements need to be formalised and increase in number ... crime liaison arrangements need to be strengthened in relation to Crime Prevention Panels, the Education Service, Youth Agencies and Health Services.*
- *when undertaking design-led initiatives, and rehabilitation or new build projects, housing organisations should consult crime prevention experts.*
- *housing organisations should operate with a system for monitoring and evaluating crime prevention initiatives.*
- *housing organisations should take more account of the costs of crime to their operation. This should include monitoring the costs of criminal damage perpetrated against housing stock and agency offices, and the costs of crime prevention initiatives."*

**1.7.45** **Audit suggested to the Department that the formulation, in conjunction with other relevant agencies, of a crime prevention policy for its housing estates along the lines of the Scottish study would provide a useful basis for further expansion of its current strategies in this area.**

**RESPONSE** by Secretary, Department of Human Services

*The Department will review the overseas material referred to by audit and assess its applicability to Victoria.*

**FIRE PROTECTION AND PREVENTION**

**1.7.46** Under the combined requirements of the *Emergency Management Act 1996*, the Government's *State Disaster Plan*, the responsibility of the Department of Human Services in relation to fire protection and prevention for public housing includes:

- promotion of public tenant awareness of safe practices and emergency procedures;
- planning and/or implementation of safety and warning systems in public housing in compliance with statutory and regulatory requirements for fire protection; and
- development, publication and ongoing assessment of building standards.



**1.7.47** The Department manages its compliance with the above requirements through such actions as fire hazard and risk analysis of housing properties, tenant and staff training and education programs, and liaison with other emergency response agencies throughout the State.

**1.7.48** In mid-1996, departmental concerns regarding the lack of central information held by it on fire prevention and protection equipment within properties, prompted the commissioning of a review involving external consultants in August 1996. The purpose of this review was to determine the existence and nature of fire protection equipment within housing properties and to ensure that maintenance contracts for such equipment were in place.

**1.7.49** The consultancy was recently completed and found that the Department was adhering to the fire protection requirements established within the *Building Code of Australia 1990* and the *Victorian Building Regulations*. It also found that over 90 per cent of properties with fire fighting equipment were covered by maintenance agreements.

**1.7.50** The consultancy did, however, identify a number of avenues for enhancing the management of fire protection and prevention in housing estates including:

- a need to centralise the administration of fire fighting equipment servicing agreements and establish a central Statewide fire services database;
- installation of more appropriate fire protection equipment in particular properties, e.g. fire blankets in lieu of fire extinguishers for elderly tenants;
- greater tenant education of emergency evacuation procedures ; and
- development of more effective monitoring and maintenance procedures which can address the regular destruction or removal of fire service equipment in high-rise flats.

**1.7.51** The Department advised audit that it had commenced action in response to the above findings.

# Part 2

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## **LAW ENFORCEMENT ASSISTANCE PROGRAM**

### **Better information on crime**

Review conducted  
under the provisions of  
section 15 of the *Audit Act* 1994

# **Section 2.1**

## **Executive Summary**



# Section 2.1.1

## Summary of major audit findings

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### BACKGROUND

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- The Law Enforcement Assistance Program (LEAP) is a computer-based crime information system, and is the culmination of developmental activity which commenced in 1985.  
*Paras 2.2.1 to 2.2.4*
- The LEAP system is conceptually sound and offers significant potential benefits for policing in Victoria by improving police productivity, through the replacement of inefficient and untimely paper-based systems for processing crime information.  
*Paras 2.2.8 to 2.2.10*

### REVIEWS OF THE LEAP SYSTEM

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- A number of critical problems associated with the implementation and use of the LEAP system continue to undermine the realisation of the system's full potential. These problems have been identified and reaffirmed by various internal reviews of LEAP over a lengthy period and include matters related to training, user friendliness of the system, number of computer terminals, usage levels of LEAP, data integrity and inefficient data entry practices.  
*Paras 2.3.1 to 2.3.11 and Paras 2.7.1 to 2.7.5*

### STRATEGIC PLANNING AND MANAGEMENT

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- Deficiencies in the Force's strategic planning and management of the LEAP system reveal that LEAP has continued to develop without clear direction and proper management control.  
*Paras 2.4.1 to 2.4.13 and Paras 2.7.1 to 2.7.5*
- At the date of audit, which was over 4 years after the decision was taken to implement the LEAP system, system objectives had not been approved by Force Command.  
*Paras 2.4.3 and 2.7.1*



<b>COST OF LEAP</b>	<b>Page 117</b>
<ul style="list-style-type: none"><li>Audit estimates that the cost of the development, implementation and first full financial year of operation of the LEAP system amounted to approximately \$50 million.</li></ul>	<i>Paras 2.5.2 to 2.5.12</i>

<b>SOFTWARE LICENCE AND DEVELOPMENT AGREEMENT</b>	<b>Page 123</b>
<ul style="list-style-type: none"><li>The Force does not have ownership of the computer software which drives the LEAP system, but does have a non-transferable and non-exclusive licence to use the software in perpetuity. The licence cost the Force \$2.2 million and has locked it into using the one external contractor for software support activities</li></ul>	<i>Paras 2.6.1 to 2.6.4</i>

# **Section 2.2**

# **Background**

## INTRODUCTION

**2.2.1** The Law Enforcement Assistance Program (LEAP) provides the cornerstone of the Victorian Police Force's operational information systems. LEAP is a computer-based crime information system which provides all levels of police members with access to information on crime, including offenders, wanted persons and stolen property. It was envisaged that information within the LEAP system would also be used for management decision-making purposes, such as resource deployment and crime control support.

**2.2.2** The LEAP system has revolutionised the Victorian method of crime information recording and reporting. Members are now required to telephone or facsimile crime report details to a centralised data entry bureau (the Bureau) for input into the LEAP database. This approach contrasts with the former decentralised paper-based approach maintained at individual police stations and Criminal Investigation Branch offices. This fundamental change has resulted in more timely and comprehensive crime information being widely available across the Force. The LEAP system also provides for each policing district to operate a District Information Support Centre for the more efficient collection, analysis and dissemination of crime information within the district.

**2.2.3** The LEAP system is the culmination of developmental activity commenced in 1985, which included lengthy trials in 2 police districts. During April 1992, Force Command approved the implementation of the LEAP system in all districts by March 1993. Although this target was met, at the date of audit, 101 of the State's 330 police stations did not have a computer connection to the system.

**2.2.4** The computer software which runs the LEAP system has undergone substantial development and further enhancement, such as the implementation and development of new modules and reports, which is still ongoing up to the present day.

## OBJECTIVES AND SCOPE OF THE AUDIT REVIEW

**2.2.5** Following on from concerns raised over the valuation of fixed assets, including computerised systems, during my Office's 1994-95 financial audit of the Victoria Police, a review was undertaken of the LEAP project with special regard to:

- strategic planning and management of the LEAP system; and
- management information and analysis.

**2.2.6** The audit review examined the ongoing development of the LEAP system, usage and user friendliness, data integrity, cost and training.

**2.2.7** This audit report has been prepared for the Parliament in accordance with section 15 of the *Audit Act* 1994.

**BENEFITS OF THE LEAP SYSTEM**

**2.2.8** The audit review found that the LEAP system has the potential to realise, or has realised, substantial benefits for Victoria by improving police productivity. These benefits include accessibility by members to crime-related information across the State, with information generally available throughout the State within 24 hours of the crime report. The integration of previously separate databases and the replacement of fragmented manual crime information recording systems has aided investigations and enabled more timely crime report production. The LEAP system provides members with the facility to search locally or statewide on recently reported crime and enables extensive linking of data (such as names, locations, firearms and vehicles) for investigatory purposes.

**2.2.9** A case management facility provides supervisors with a mechanism to monitor and manage each crime incident reported and can assist with resource allocation decisions. The LEAP system assists both member and community safety by providing information in an accessible and complete form on individuals, location and events of significance.

**2.2.10** The creation, within the LEAP system, of District Information Support Centres has created a focal point for improved crime pattern and trend analysis. Further, the LEAP system provides a foundation for the strategic development of further computerised operational systems, such as an offender processing system.

## **Section 2.3**

# **Reviews of the LEAP system**

**INTERNAL REVIEWS OF THE LEAP SYSTEM**

**2.3.1** The LEAP system as a whole, and its many component parts individually, has been subjected to numerous internal reviews over a lengthy period, using both internal resources and external consultants. These reviews have identified and reaffirmed a number of key common issues. Some of the principal findings of the individual reviews were:

**March 1992 - The LEAP All District Implementation Plan**

**2.3.2** The critical importance of training, if the LEAP system was to be successfully implemented in all police districts by the planned date of 1 March 1993, was recognised in the above document.

**August 1993 - Interim Report of the LEAP Evaluation Project Team**

**2.3.3** Concerns related to training and data integrity raised in the above report included:

- after the initial round of LEAP training, members did not understand the LEAP forms and how to use the system;
- additional training proposed covers only half the users of the LEAP system and does not address other areas of the Force such as specialist groups or management;
- a relatively high rate of errors in source data;
- staff at the Bureau fix as many of the problems in reports as they can without recourse to the reporting member, necessitating staff undertaking a range of fixes - from second guessing what the member should have reported to actually ringing the complainant direct; and
- members in the field do not realise they are making errors and management has not been made aware of the true situation. District Commanders argue that only 3 per cent of the reports are in error as this is the percentage of reports returned by the Bureau for further attention.

**September 1993 - All District Implementation Progress Report**

**2.3.4** This report described data integrity as a problem in that:

- 30 per cent of incident reports contained errors;
- only 3 to 8 per cent of incident reports were returned to the originating member for correction with Bureau staff correcting the remaining reports; and
- the introduction of the LEAP system was making visible a range of unacceptable data collection practices that had existed for many years.

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**August 1994 - Information Management Strategic Plan**

**2.3.5** In 1994, the Force issued the above document which, among other things, identified various proposals for improving the quality of data contained in the LEAP system. In particular, the Plan proposed that:

- the present completion of LEAP forms by members and the faxing of the forms to the Bureau for data entry and submission to the LEAP database should be discontinued; and
- incident/event data should be entered only once, directly into the database by the members at the counter, in the field via a remote data entry terminal or wherever the customer service transaction occurs.

**2.3.6** The Plan estimated that the potential benefits from the redevelopment of the data entry processes was of the order of \$3 million a year. In addition, potential benefits of approximately \$4.5 million a year were forecast from improved productivity arising from simplified data entry and inquiry facilities arising from improved user friendliness.

**December 1994 - Final Report of the LEAP Evaluation Project Team**

**2.3.7** The findings of the above report included:

- Many of the problems members have experienced with the system are the result of inadequate training. This has led to a general unfavourable opinion of the system from the earliest stage of the Statewide implementation. The Team's continuing concerns centred on the large numbers of members yet to receive the introductory 6 hours of training and the absence of a plan to address the training needs of management, supervisors and specialist areas of the Force;
- A relatively high rate of source data errors associated with the system (as was highlighted in the 1993 Interim Report) were identified with around 50 per cent of all reports entered into the system having errors, with approximately 33 per cent of these errors described as "major" errors. These figures were verified by an independent consultant in February 1994; and
- Concerns were expressed over the capability of the system to adequately deliver management information for resource deployment and decision-making, and the user friendliness and integrity of data within the system.

**December 1995 and January 1996 - Internal audit reports**

**2.3.8** These reports identified training-related matters which required resolution. In addition, a high error rate in LEAP forms sampled and a low level of understanding of the system regarding the proper preparation of incident reports by members within a single police district were also identified.

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## VICTORIAN AUDITOR-GENERAL'S OFFICE SURVEY OF OPERATIONAL MEMBERS, 1996

**2.3.9** To enable audit to determine Force members' current understanding and use of the LEAP system, a survey of operational members was conducted. The survey, which formed an integral and key element of the audit review process, sought members' responses and views on several matters related to the LEAP system, some of which had been commented on adversely in the above reports, namely, the quality and quantity of training received, acceptance and use of the system by police personnel, data integrity and user friendliness.

**2.3.10** A total of 500 operational members of the Force, drawn from across the State and covering all policing districts, key operational policing squads and all levels up to and including chief superintendent, were surveyed. The response rate was approximately 60 per cent. Detailed summaries of the responses have been provided by audit to the Force.

### Audit survey findings

**2.3.11** The audit survey established that a number of the concerns previously referred to in the internal reviews still existed. While 80 per cent of operational members who responded believe that the LEAP system is an effective tool that assists policing, audit found that a substantial proportion echoed concerns in respect of training, data integrity, user friendliness, and usage of the system and management information. The survey revealed that:

- 79 per cent of respondents believe that training had been insufficient and 67 per cent of sergeants and above expressed reservations on their ability to advise their subordinates on how to use the system;
- A significant number of operational members believed that training activities had failed to provide them with key skills or knowledge, such as an understanding of the system's benefits and capabilities, the completion of relevant forms, an awareness of available reports and the use of the LEAP system for inquiry and investigative purposes;
- 86 per cent felt they would benefit from further training;
- 35 per cent did not believe that information contained on the LEAP system was accurate and reliable;
- 42 per cent believed that the LEAP system was not easy to navigate;
- 23 per cent had never, or rarely, logged-on to a LEAP terminal, although usage levels at the constable and senior constable level were significantly higher than at the sergeant and above range;
- 42 per cent of sergeants and above indicated that they had never, or rarely, used a LEAP terminal;



- 70 per cent believed that an insufficient number of computer terminals hindered their ability to fully utilise the LEAP system; and
- While a significant proportion of operational members believe the LEAP system provides useful information, the acknowledgment, by 39 per cent of respondents, that local databases are still maintained suggests a significant degree of dissatisfaction with crime information available from the LEAP system. A key attribute and strength of the LEAP system is the central recording of all factual crime information and its availability to all members Statewide.

□ **RESPONSE** provided by Chief Commissioner of Police

*Victoria Police, while accepting aspects of the audit of the Law Enforcement Assistance Program (LEAP), takes the view that the Victorian Auditor-General's Office (VAGO) places too much emphasis upon the findings of the survey of members and that all issues have not been considered within appropriate contextual frameworks. The Force is pleased that the audit has affirmed the immediate and strategic significance of the system as well as the substantial benefits that it offers both now and in the future in providing an effective policing tool. The LEAP system has enabled the Victoria Police to better manage its crime related information as a strategic resource and has improved police and public safety by alerting operational police members to important information.*

*In respect to the issues raised, the Force acknowledges the need to address them and where possible have already commenced appropriate programs. The Force operates, however, within a very dynamic environment. Addressing the issues raised can only be undertaken within this context and within the constraints of available funding and resources as well as operational priorities. It should also not be forgotten that the successful implementation of the LEAP system was the largest undertaking of its kind by the Force, the system is still working and achieving desired outcomes, and provides the foundation upon which to move forward and continue improving. To completely realise LEAP's full potential, and to move forward with any speed will require additional funding. Without such funding, the Force must prioritise these initiatives within existing constraints.*

*Survey findings are based on the perceptions of surveyed members' requirements to access the corporate database and although important, does not necessarily equate with the Force view given funding and resource constraints and operational commitments.*

*In general, the survey indicates the following key issues:*

*Training insufficient*

*The audit has highlighted a need for additional LEAP training. This is also recognised by the Force. The Training Department provides ongoing basic LEAP training and is developing advanced and specialist training. A review of LEAP's Strategic Training Plan has been initiated and will be completed this year. The Force is committed to addressing the shortfall in LEAP training, but must satisfy training needs within funding and resource constraints and operational commitments.*

□ **RESPONSE** provided by Chief Commissioner of Police - continued

Forms are difficult to use

*At the same time that LEAP was introduced the Force aligned with the collection of national statistics which required new recording methodologies. The capture of larger amounts of specific data was required in a newly structured format which in turn allowed comprehensive statistical and crime analysis. Recognising that members were encountering some difficulty in compiling forms, changes were made. The Force is currently undertaking a full data capture review which will include forms.*

*Each form in itself is simple to use, the difficulties lie in determining which particular forms should be collated for any one incident. The resolution of this problem is an issue requiring enhanced training. Minor improvements to individual forms to further improve forms usage have been undertaken.*

Data Integrity

*Early reviews of LEAP and data entry operations have become historical references on LEAP data quality. The results of these reviews may not be applicable today as data quality improvement has been an ongoing concern and many data improvement initiatives have been put in place. Preliminary results of a recent review of 375 forms received at CDEB sampled over an eight day period revealed that across all form and data fields 96.3% of fields contained valid data and that 50% of reports reached CDEB within 4 hours of the report being taken, 75% within 8 hours, and 87% within 24 hours. There are a number of procedures to ensure the quality of information is of a high standard. These include checking of LEAP reports by Sub-Officers prior to faxing to the Central Data Entry Bureau (CDEB); monitoring crime reports meeting Crime Screening criteria by CIB Divisions; validation of information by CDEB staff; validation of data items through LEAP programming logic (which is extensive); and integrity checking by Statistical Services Division.*

*CDEB data entry operators correct minor errors. Critical errors requiring clarification or decision are referred immediately and directly to members by the operators. In the case of missing forms or major errors chasers are sent to the reporting member and the O/C of the station. An initiative to accurately measure error rates is being undertaken at the CDEB with the development of an error data base.*

*There are a number of coordinated Data Quality Improvement Projects underway which include Management reports from CDEB to provide feedback to District Commanders; the Corporate Policy and Review Data Quality Project; a review of data standards; links to Justice Department initiatives to improve data flow; a Data Quality project to improve the quality of names and business names; and improvements to the data available to operational members on "whereabouts desired" and "warning flags".*

User Friendliness

*Lack of member confidence in using the system is directly linked to the perception of lack of user friendliness. This is a training issue.*

*It must also be noted that the equipment required for proposed more user friendly Graphical User Interface (GUI) screens and functions was not available at the time of implementation and is presently only available at very few sites.*



□ **RESPONSE** provided by Chief Commissioner of Police - continued

System Usage

*A general lack of computer equipment at the local site is also highlighted by the survey and has always been an issue for Victoria Police, but is dependant on available funding.*

*The impression given by the VAGO report is that LEAP is significantly under used. In fact, system statistics show that LEAP is used approximately 250% more than its predecessor system.*

Management Information

*The audit identified concerns in relation to under utilisation of LEAP as a management and investigatory tool. It is important to understand that these functions are performed in each police district by the District Information Support Centres (DISC). They use validated LEAP data which has been copied into a separate database to facilitate this analysis. Specialised software is applied to provide district crime trend management information and investigatory reports. Executive information is also derived from LEAP data and influences state wide crime initiatives such as Operations CABOOL and RUBY.*



*A Victoria Police member taking a crime report for input into the LEAP system.*

## **Section 2.4**

# **Strategic planning and management**

**STRATEGIC PLANNING AND MANAGEMENT**

**2.4.1** The strategic planning and management processes set in train by Force Command for the development, implementation and operation of the LEAP system was critical for effective, efficient and economical outcomes in crime information collection and processing within Victoria. Key elements of the management framework and processes established by Force Command included a project sponsor at Deputy Commissioner level, a project team, extensive trials at selected policing districts, extensive users groups, the involvement of the Information Technology Steering Committee (whose role was later assumed by the Information Management Board and more recently assumed by the LEAP Project Steering Committee) and the LEAP Evaluation Project Team (the Evaluation Team).

**2.4.2** Despite this extensive management framework, audit found that there were fundamental business issues which had not been adequately managed, details of which are set out below.

**System objectives**

**2.4.3** The Evaluation Team in its 1994 report found that specific objectives for the LEAP system had not been formally documented. The absence of clear objectives for the LEAP system were also commented on in the December 1995 Internal Audit report. While the Evaluation Team did draft system objectives in 1994, some 2.5 years after approval was given for the implementation of the LEAP system, audit found that objectives are yet to be adopted by Force Command. In audit opinion, Force Command should have clearly established at the outset what it required of the LEAP system, in the form of measurable objectives, prior to approving its implementation. Further, these objectives, and companion benefits, should have been clearly communicated to operational members and their achievement clearly measured and managed.

**Cost-benefit analysis**

**2.4.4** Another of the many key considerations associated with the approval of new information systems is the clear establishment of both the projected benefits and costs. Without a full assessment of the estimated cost, against which to contrast projected benefits, management is not in a strong position to make decisions over new systems. The Force's Information Management Strategic Plan (1994) noted however that: *"The Law Enforcement Assistance Program (LEAP) was introduced by diverting funds from other Force priorities, and without any clear identification of the costs associated with supporting the system and its infrastructure, or any real quantification of the proposed benefits from the system"*.

**2.4.5** Concerns over the absence of LEAP project cost information, including information on whether LEAP-related projects were on time and on budget, were raised as early as the June 1992 meeting of the Information Technology Steering Committee. These concerns, with the exception of some reporting of certain individual cost items (such as mainframe costs), were not adequately addressed for the project as a whole in reports to subsequent meetings of the Information Technology Steering Committee, Information Management Board or Force Command.



**2.4.6** Costing information prepared on the LEAP system tended to focus on selected direct costs only, excluding, for example, almost all salary and related costs. Furthermore, reports of progressive total direct expenditure to date were not prepared. Salaries, in particular, seems to have been treated as a free resource, however, salary and related costs are a major cost of the implementation and operation of the LEAP system.

**2.4.7** An overall cost budget for the LEAP system, either on a direct cash cost or full cost basis, was not prepared and, therefore, there was no reporting against and analysis of actual costs of the system. Consequently, a key performance target had not been set.

**Performance management/indicators**

**2.4.8** The 1994 Report of the Evaluation Team stated, *"There are still few if any meaningful indicators to test the effectiveness and efficiency of LEAP"*. Audit also noted that the Force's Information Management Strategic Plan, which was issued after the Force approved the implementation of the LEAP system, sets out the need for regular reporting (to the Information Management Board) on performance standards, compared with that forecast when information systems are approved for implementation.

**2.4.9** The results of a review by audit of the minutes of the Information Technology Steering Committee and the Information Management Board were consistent with the findings of the Evaluation Team in that there was no evidence of regular performance-based monitoring of the LEAP system by comparing set performance indicators against pre-determined targets. LEAP-related performance indicators may be monitored in differing areas of the Force but, if so, they have not been routinely reported to the responsible steering committee or board.

**LEAP management plan**

**2.4.10** The framework adopted for the implementation of the LEAP system did not include a consolidated management plan which clearly identified key strategies to achieve desired outcomes. A co-ordinated management plan would have assigned responsibilities for each strategy to the differing areas within the Force and created a framework within which progressive consolidated reporting against those strategies, with performance indicators and targets, could occur.

**2.4.11** Ongoing management of the LEAP system, excluding its implementation and the work of the Evaluation Team, has tended to centre on progress or status reports of individual projects or activities, without linking to overall LEAP goals and related strategies. Furthermore, these status-type reports, which seek to provide an update on LEAP-related activities within the Force, do not report against set targets or against pre-determined time frames.

**2.4.12** As a consequence of an absence of an overall goal or objective, companion strategies to achieve that overall goal and related performance indicators and targets, within a co-ordinated strategic planning and reporting framework, the LEAP system has developed, and will continue to develop without clear direction and proper management control.

Information Management Strategic Plan (1994) - Implementation Plan

**2.4.13** The Information Management Strategic Plan provided for the development of an implementation plan after the Force had reviewed the priority of each information system project. At the time of preparation of this Report, the development of the implementation plan was underway. The required strategic planning and reporting framework for LEAP, as alluded to by audit in sections 2.4.3 to 2.4.12, should form part of the implementation plan.

□ **RESPONSE** provided by Chief Commissioner of Police

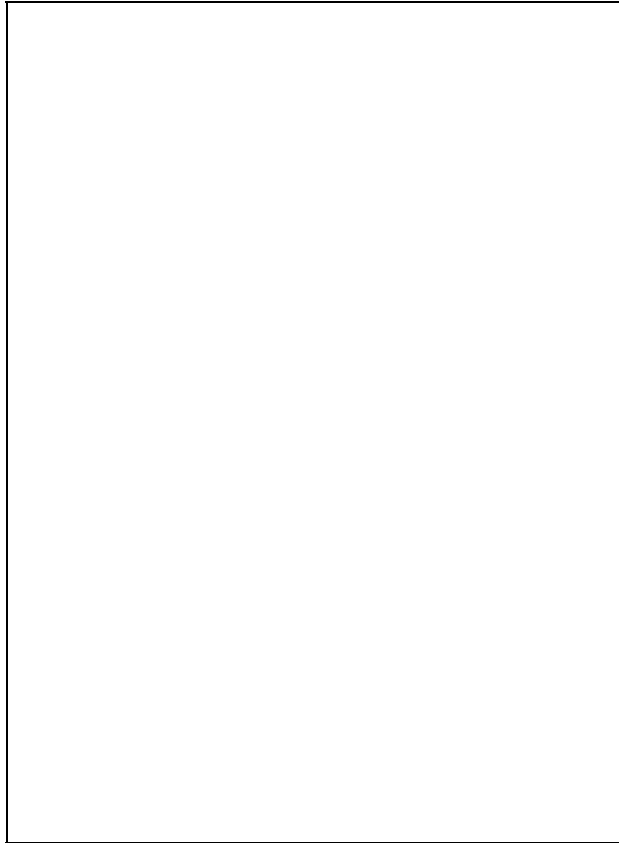
*The Force agrees that the LEAP system requires an **updated** overall goal, objectives, strategies and performance indicators which should be the basis for management reporting. However, we also believe that the original design, development and implementation of the LEAP system was based on a very detailed set of system user requirements (POSSE Evaluation and LEAP/PATROL Integration Design Specifications) together with clear statements of proposed system benefits ("A" District Evaluation). Because of this we strongly disagree with VAGO claims that LEAP was implemented without clear measurable objectives.*

*The development and approval of a strategic plan for LEAP is a priority issue for the Information Management Board (IMB) subject to the development of an overall Implementation Plan for the Information Management Strategic Plan.*

*Development of objectives for the LEAP system is dependant on a future vision for Force IT systems. LEAP cannot develop long term objectives in isolation to an overall Force vision which will emerge with the development of the Information Management Strategic Plan (Implementation Plan). The LEAP Management Unit have prepared a "Future Directions" document for LEAP to address current concerns and position the system to move forward. The team has been working to achieve objectives in line with this direction. These objectives are set in annual business plans and progress is reported to the LEAP Sponsor, the LEAP Steering Committee and the relevant budget centres.*

*The LEAP Steering Committee is a high level (Command) group which has been put in place by the LEAP Sponsor (Deputy Commissioner Operations) to make decisions and give directions regarding LEAP on a day to day basis.*





*A Victoria Police member using the radio network to make an inquiry on the LEAP system.*

## **Section 2.5**

### **Cost of the LEAP system**

**COST OF THE LEAP SYSTEM**

**2.5.1** The LEAP Evaluation Project Team (Evaluation Team) found that the cost of the LEAP system development and maintenance represents a considerable investment by the people of Victoria and that no significant financial savings are associated with the system.

**Development and operational costs**

**2.5.2** The Evaluation Team prepared a detailed analysis of the cost of the development, implementation and ongoing operation of the system to June 1994, which it estimated at \$69.2 million. Force Command did not accept the costing methodology used by the Evaluation Team and has instead relied on a lower cost estimate of \$21.5 million prepared by the Force's Corporate Resources Department. However, audit estimates that the cost of the development, implementation and first full financial year of operation (to June 1994) of the LEAP system amounted to approximately \$50 million.

**2.5.3** In audit opinion, the estimate of \$21.5 million fails to take into account significant costs such as oncosts and overheads (\$14 million), salary costs associated with the Communications and Information Technology Department (\$6.8 million), additional crime information processing costs (\$2.2 million), training costs (\$2.2 million) and other miscellaneous costs (\$4.2 million).

**□ RESPONSE provided by Chief Commissioner of Police**

*The Auditor-General's report states that Corporate Resources estimated the development and operational costs of LEAP at \$21.5 million. These figures were provided on the basis of **additional cash expenditure incurred** when trialing and implementing L.E.A.P. It did not include costs that would still be incurred had LEAP not proceeded eg. accommodation, corporate support salaries, non cash items, return on assets etc.*

**2.5.4** Details on these additional costs are set out below.

**Oncosts and overheads**

**2.5.5** Oncosts and overheads include salary and non-salary related costs arising from long service leave, payroll tax, superannuation, WorkCover, administration and operating expenses, depreciation, accommodation, return on assets and overheads (primarily corporate support salaries) and, where appropriate, an allowance for the cost of annual leave and sick leave.



**2.5.6** The inclusion of oncosts and overheads as part of the cost of the LEAP system is consistent with the approach used by the Force in its 1993 internal User Pays Policy for the services of the Communications and Information Technology Department, the calculation of the cost of information technology services in its Information Management Strategic Plan and the methodology used for the recoup of salaries and wages in relation to sporting and entertainment events. Oncosts and overheads have been calculated by audit in accordance with guidelines issued by the then Department of the Treasury and have been included as a percentage loading on all estimated salary costs (both members and non-members).

**□ RESPONSE** provided by Chief Commissioner of Police

*The Auditor-General has adopted the approach of using oncosts and overheads in determining the costs of LEAP. It is not appropriate to use the on cost and overhead % approach (except direct overheads - payroll tax, superannuation and Workcover) in determining the cost to Victoria Police of developing and implementing LEAP.*

*The table of on costs referred to in the report is designed to be used when setting fees and charges for external users of Government services. Some examples were given, such as the user pays system. In that instance oncosts were used in order to generate additional cash for one part of Victoria Police in order to purchase radios for the Force, and was an approved method of achieving a priority when that particular initiative was introduced.*

*The approach adopted by audit overstates direct additional expenditure incurred by the Force for the LEAP system. These indirect costs would have been incurred had LEAP not been introduced.*

**Salary costs of the Communications and Information Technology Department**

**2.5.7** An estimate of the salary costs of the Communications and Information Technology Department personnel involved in the development, implementation and support of the LEAP system has been included on the basis that they are a direct cost. Furthermore, had those resources not been engaged on this activity they could have been applied to some other purpose.

**□ RESPONSE** provided by Chief Commissioner of Police

*The Auditor-General has included CITD staffing support estimated at \$6.8 million as part of LEAP development and implementation. It appears this was sourced from costs used in the C.I.T.D. outsourcing project. The C.I.T.D. outsourcing project is comparing Victoria Police costs with a private provider, and it is appropriate to use both direct and indirect costs when undertaking this exercise. As indicated above, it is not appropriate when determining additional expenditure associated with LEAP.*

*In addition, the \$6.8 million also appears to include data entry staff. The cost of LEAP data entry has been included in Corporate Resources figures, as well as expenditure on staff associated with the project as determined by C.I.T.D. in their budget structures.*

*It is the Force's view that costs associated with Help Desk staff and computer coordinators who answer questions are part of normal operations and should not be included in development and implementation costs.*

**□ ADDITIONAL COMMENT BY AUDIT**

*The audit estimate of CITD costs represents the cost of CITD staff involved in the development, implementation and support of the LEAP system; it does not include data entry staff.*

**Additional crime information processing costs**

**2.5.8** These costs mainly comprise those related to the operation of the District Information Support Centres (DISC), which provide a computer-based crime information service to each police district, after taking into account the estimated savings in member time following the cessation of manual crime information collation and indexing activities.

**2.5.9** The inclusion of such costs has been made on the basis of a review of the Force's *Annual Report, 1992-93*, the approved LEAP All-District Implementation Plan, the internal Executive Instruction and the *Victorian Police Gazette*, all of which indicate that DISC offices were established as part of the LEAP system to replace the former manual crime collator system. As such, they are regarded by audit as an integral cost associated with the operation of the system.

**□ RESPONSE provided by Chief Commissioner of Police**

*The establishment of District Information Support Centres replaced the system of collators. If the costs of the D.I.S.C. function is included, it should be offset by the cost of the collators that were replaced. It should also be recognised that although the LEAP Project was the catalyst and vehicle for the implementation of DISC Offices, a substantial proportion of their function is not directly LEAP related.*

**□ ADDITIONAL COMMENT BY AUDIT**

*The audit estimate of additional crime information processing costs takes into account savings arising from the replacement of collators by the LEAP system.*

**LEAP training costs**

**2.5.10** The salary costs of members while undertaking LEAP training have also been included in the cost estimate on the basis that they are clearly a direct cost of the system, in the form of lost operational member time.

**□ RESPONSE provided by Chief Commissioner of Police**

*The training figure of \$2.2 million includes trainer and attendee salaries plus oncosts. These costs are not additional costs to the budget, and these salaries would be incurred whether training was provided for LEAP or any other application.*

*While it could be argued that while such trainers and attendees could have been employed elsewhere, the fact is the training commitment of the Force is dynamic, and it was a question of adjusting priorities. Training is a continuing and ongoing activity in the Force. An example of the dynamic nature of the organisation and its training needs is highlighted by Project BEACON, which for a period of 6 months took priority over all other in house training, including LEAP training. It is disappointing that this environmental constraint on Force training was not acknowledged in the VAGO report.*

**Other miscellaneous costs**

**2.5.11** Additional LEAP specific costs, not fully reflected in the Corporate Resources Department's estimates, include mainframe maintenance costs, software licensing costs and communication line costs.

**RESPONSE** provided by Chief Commissioner of Police

*The figure provided by Corporate Resources of \$21.5 million includes estimates of data lines, mainframe maintenance and software license fees.*

**Overall opinion on the cost of the LEAP system**

**2.5.12** In audit opinion, the exclusion of the above additional costs has resulted in Force Command making decisions on the development and operation of LEAP without full appreciation of the costs involved.

**RESPONSE** provided by the Chief Commissioner of Police

*During the years of developing and implementing LEAP, Victoria Police did not exceed its budget. Victoria Police met both its service objectives and budget targets.*

*Victoria Police agree that LEAP represents a considerable investment to the people of Victoria but strongly disagrees that there are no significant financial savings associated with the system. It is important to note that both the VAGO and LEAP Evaluation reports avoided the difficult costing issue of putting a dollar value on the intangible benefits of LEAP which everybody agrees are substantial. LEAP was principally put in place to deliver these intangible benefits. LEAP delivered its objectives but no value was placed on them.*

*The Victoria Police do not agree with the costing methodology used in the VAGO report which estimates a total cost of approximately \$50M for the development, implementation and first year of operation.*

*The DIRECT costs incurred in trialing and the implementation of the LEAP project from 1989/90 up to and including the 1993/94 financial year have been estimated at \$21.5 million.*

*The project was a Departmental priority and was funded within the Force's established allocation.*

*Retrospective costing of LEAP is a subjective area on which agreement may never be reached. There is little to gain by continuing this debate. The most important issue arising from this is that an approved costing methodology is put in place that all parties agree to, and is appropriate to the question being asked and the aim of the costing exercise is clearly defined at the outset.*

## **Section 2.6**

### **Software Licence and Development Agreement**

**SOFTWARE LICENCE AND DEVELOPMENT AGREEMENT**

**2.6.1** The computer software used to run the LEAP system was developed by customising and modifying a US Law Enforcement software package.

**2.6.2** The Force entered into a Software Licence and Development Agreement with the software owner in July 1992 whereby it gained a non-transferable and non-exclusive licence to use the software in perpetuity. The cost of the licence was \$2.2 million.

**2.6.3** The Agreement sets out the terms of the licence and regulates further modifications and developments required by the Force. A key element of the Agreement provides that the owner retains intellectual property rights and, therefore, ownership of the subsequent modifications that have been made by the Force. The Agreement poses a number of business issues for the Force, including:

- the Force does not have ownership of the software which drives its critical operational system, a system in which it has invested \$50 million dollars and which the Force will continue to invest in;
- it expressly prohibits the Force from commercially exploiting any programs or other items resulting from the exercise of its rights under the Agreement, including the software itself;
- it prohibits the Force from reverse engineering or functionally cloning the software;
- it has locked the Force into using the one external contractor for software support activities; and
- it provides for termination under certain exceptional conditions with extremely serious consequences for the Force.

**2.6.4** At the time of preparing this Report, the Force was attempting to purchase the ownership rights to the software.

**□ RESPONSE provided by Chief Commissioner of Police**

*Victoria Police do not own the intellectual property rights to the Licensed Program but have a licence to use the program in perpetuity.*

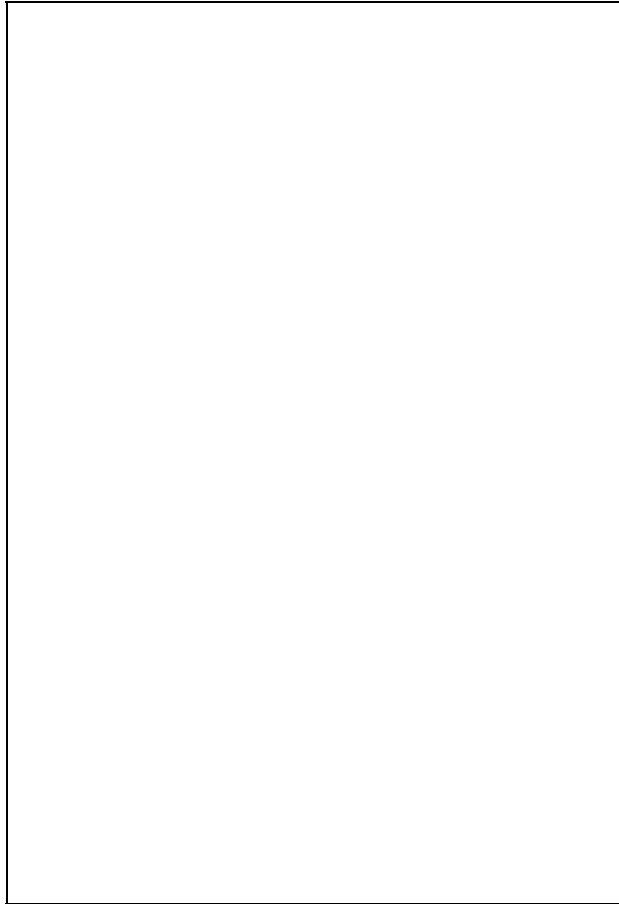
*The Force regards this non ownership as a risk, specifically in relation to the intellectual ownership of future developments, issues surrounding confidentiality and possible breaches of existing contracts.*

*In 1994 the Force sought clarification on its position in respect to the present contractual arrangements from the Victorian Government Solicitors Office. An opinion indicated that the Victoria Police should consider the purchase of the software licence.*

*During 1995 the Force made written approaches to GTE GIS to purchase the ownership of the LEAP software. In response GTE GIS proposed a new Software Licence Agreement which was found not to meet the needs of the Victoria Police.*

*The Force is continuing to pursue negotiations to achieve a more constructive outcome.*





*An operator at the Victoria Police Communications Centre responds to a request for information from the LEAP system.*

# **Section 2.7**

## **Conclusion**

## CONCLUSION

**2.7.1** The audit review has concluded that the LEAP system is conceptually sound and offers significant potential benefits for policing in Victoria. However, matters raised in this Report concerning the strategic planning and management of the LEAP system indicates that the system has continued to develop without clear direction and proper management control. In this context it is disturbing to note that some 2.5 years after Force Command approved the implementation of this system an internal review concluded that, "... *an extensive review of documentation relating to the LEAP program revealed that specific objectives for the LEAP system had not been formally documented*" and "... *a clear statement of the objectives of LEAP were hard to define as they were never documented*". At the date of audit, system objectives had not been approved by Force Command.

**2.7.2** The failure to fully record the costs associated with the LEAP system, which audit estimates is of the order of \$50 million, is a further indication that the system has been developed without clear direction and appropriate management control.

**2.7.3** While the LEAP system has the potential to produce substantial benefits in police productivity by replacing inefficient and untimely paper-based systems for processing crime information, a number of critical problems associated with the implementation and use of the system continue to undermine the realisation of the system's full potential.

**2.7.4** Such problems include:

- significant proportions of operational members had not received an appropriate level of training on the use of the LEAP system and, therefore, lack an understanding of its benefits and capabilities;
- concerns over user friendliness of the system;
- an insufficient number of LEAP computer terminals, with currently 101 of the State's 330 police stations not having a computer connection;
- low level usage of LEAP as an investigatory and managerial tool; and
- concerns over the integrity of data and continuation of inefficient data entry practices.

**2.7.5** A number of these problems have been identified and reaffirmed by various internal reviews of the LEAP system over a lengthy period, and until these substantial issues have been satisfactorily addressed and user confidence in the system established, the Force will not have fully realised its investment.



□ **RESPONSE** provided by Chief Commissioner of Police

*The strategic direction of Force IT systems is presently being developed under the Information Management Strategic Plan (Implementation Plan). LEAP is an important operational system which will continue to evolve as part of the coordinated plan to implement integrated policing and justice systems.*

*A number of critical problems identified in the audit report will be addressed to ensure the full realisation of the Force systems. Work has been underway for some time to address critical problems listed in the conclusion of the audit report:*

*LEAP training*

*Additional training is being introduced at recruit, sergeant and investigator training courses.*

*The LEAP Steering Committee has been briefed and supports additional force wide training.*

*A user manual is being developed. Improved policy and procedures are also being developed.*

*The LEAP Management Unit actively assists in training development and specific training needs.*

*User friendliness*

*Additional training will assist members to understand the present system functionality. The development of a graphical front end to the system will be considered as part of the Information Management Strategic Plan (Implementation Plan), but this in itself may do little to change "user friendliness". This is dependant on the appropriate technical infrastructure being in place.*

*Insufficient terminals*

*The Force has done what it can within a limited budget to make the system available however there are plans in place to extend that availability across the board subject to the availability of funds.*

*The implementation of LEAP saw all police stations provided with on line access to LEAP with the exception of 101 one man stations. Nevertheless processes were put in place to ensure that such stations were able to access the LEAP database through their station clusters. These stations will be connected under the Federal Government Firearms Project in the near future.*

*Low level usage*

*Understanding through training will improve members use of the system as an investigatory and managerial tool.*

*Data Integrity*

*Data quality has improved through enhancements, and will continue with the implementation of future enhancements to the system and projects designed to address specific problems.*



□ *RESPONSE provided by Chief Commissioner of Police - continued*

*Inefficient data entry practices*

*The Force will examine the collection and entry of data as part of Project Standard which will review how policing services are delivered and the associated business practices. Direct data entry of crime reports into the LEAP system is dependant on the availability of infrastructure and other projects such as Mobile Data Terminals and a Computer Aided Dispatch/LEAP interface.*

*The Force agrees with the audit conclusion that LEAP is conceptually sound and offers significant potential benefits for policing in Victoria.*

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