

Appendix A: Submissions and comments

We have consulted with Homes Victoria and DTF and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses received

Agency	Page
DFFH	A-2
DTF	A-7

Response provided by the Secretary, DFFH



Secretary

Department of Families, Fairness and Housing

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VAGO Ref. 34818 24

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31,35 Collins Street
Melbourne VIC 3000

Dear Andrew,

Proposed Report – Planning Social Housing

Thank you for your letter of 17 May 2024 enclosing the proposed report for the *Planning Social Housing* performance audit. The Department of Families, Fairness and Housing (DFFH) is committed to ensuring all Victorians have stable, affordable and appropriate housing, and acknowledges the audit's focus on our role in managing the state's social housing portfolio and delivering the Big Housing Build (BHB), the state's largest investment in social and affordable housing projects to date.

DFFH accepts the four recommendations outlined within the report and has prepared responses to each recommendation which are enclosed within the action plan for your consideration. Actions against a number of these recommendations are well progressed.

It is important to note that Homes Victoria has a full suite of strategic and operational measures in place that are aligned to the delivery of the outcomes of the Portfolio Strategy. This includes annual housing commencement and completion profiles beyond the five years of the strategy (down to the specific site level in most instances) including consideration for housing stock that will be coming offline as part of redevelopments.

Homes Victoria also has detailed targets for the various programs including Big Housing Build, Regional Housing Fund and Public Housing Renewal Program that are overseen by central agencies through rigorous governance structures. This is in addition to annual measures including those detailed in the budget papers.

Further work is underway to expand longer term specific, measurable portfolio-wide targets to guide longer-term program target setting and delivery. These will be aligned to related government policy such as the emerging *Plan for Victoria*.

As the '*Plan for Victoria*' will guide long term housing development and growth across the state, it will be necessary to ensure that social and affordable housing targets are informed and aligned with the Government's strategic intentions and growth targets for housing in



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Response provided by the Secretary, DFFH – continued

each LGA to ensure provision of social and affordable housing keeps pace with broader housing growth. Homes Victoria will be involved in briefing Government on these matters and will progress the development of housing growth targets for each Local Government Area (LGA), incorporating evidence-based targets for social and affordable housing.

The use of Homes Victoria's portfolio optimisation model (POM) will be embedded to support the reporting and development of new targets which will underpin briefings to government.

With respect to the proposed report's commentary regarding *Identifying where to build future homes* and the identification of specific LGAs in Homes Victoria's POM, it is important to note that forecast demand is not the only criteria used to determine future investment priorities. A range of factors, such as the needs of particular cohorts, including priority cohorts and those experiencing complex disadvantage, are used to inform priorities for investment.

The five LGAs identified as having the greatest demand by 2036 should also not be assumed to be the priorities for future portfolio investment and will continue to be assessed through established Homes Victoria processes.

DFFH will continue to use all levers to increase social and affordable housing supply and ensure a sustainable social and affordable housing sector.

DFFH acknowledges the challenges underpinning the sustainable operation of public housing, and has placed significant emphasis on uplifting financial management, governance and reporting. Work is underway to prepare a 'report back' to government on the financial sustainability of Homes Victoria, including funding and operational requirements to meet government's existing housing policy commitments and options to improve the sustainability of the public housing sector more broadly.

DFFH has appreciated the engagement with your office throughout the audit and would like to thank you for the opportunity to comment on the final report.

Yours sincerely



Peta McCammon
Secretary
Department of Families, Fairness and Housing

30/05/2024

Attachment:

1. DFFH Action Plan



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Response provided by the Secretary, DFFH – *continued*

cc:

Kerry Lowe, Director, Enterprise & Portfolio Governance, Homes Victoria

Steve Vlahos, Chief Risk and Audit Officer, Executive Services

Andy Jin, Senior Project Officer, VAGO Liaison and Audit



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Department of Families, Fairness and Housing action plan to address recommendations from Planning Social Housing

No.	VAGO recommendation	Acceptance	DFFH Action	Due Date
1	Develop and report on specific, measurable targets for its objectives in its Social and Affordable Housing Portfolio Strategy: 2024–29	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Accepted.</p> <p>Finalise Supply and Delivery Plan to include specific, measurable targets to direct future investment where practical, incorporating the forecast impact on the supply of Homes Victoria's current investment program.</p> <p>Utilise data and insights to establish evidence based social and affordable housing targets at a local government level.</p> <p>Expand target oversight and governance framework for regular reporting on progress of delivery against endorsed targets.</p>	Mid 2025
2	Brief the government on options for the future growth of the social housing portfolio	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>Accepted.</p> <p>Continue to brief government on options for consideration based on different levels of investment and the resulting social housing supply across different programmatic responses within the Housing Statement targets.</p> <p>Input to briefing government on options for the future growth of social and affordable housing through contribution to the development of 'Plan for Victoria'.</p>	Mid 2025

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3	<p>Develop a procedure to make sure staff consider data from its portfolio optimisation model to inform all future site selection and project development decisions</p>	<p> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle </p>	<p>Accepted. Enhance current procedures to ensure staff consider data from the portfolio optimisation model to inform all future site selection and project development decisions including consolidated pipeline of sites.</p>	End 2025
4	<p>Report back to the government by the end of 2024 on plans to improve its financial sustainability as an organisation and the public housing sector more broadly, including:</p> <ul style="list-style-type: none"> • outlining the funding and operational requirements to meet the government's existing housing policy commitments • undertaking detailed modelling to understand the cost of different potential projects • timelines for implementing actions to improve the sustainability of public housing 	<p> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle </p>	<p>Accepted Prepare a 'report back' to government on the financial sustainability of Homes Victoria, including funding and operational requirements to meet government's existing housing policy commitments and options to improve the sustainability of public housing.</p>	End 2024

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Mr Andrew Greaves
Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000



Dear Auditor-General

PROPOSED REPORT – PLANNING SOCIAL HOUSING

Thank you for your letter dated 17 May 2024 providing the opportunity to comment on the proposed report on Planning Social Housing.

The Department of Treasury and Finance is comfortable with the findings in the proposed report. I appreciate your work and the work of your office in delivering the proposed report.

I note that the proposed report includes a reference to depreciation as part of the calculation to determine a \$275 million annual funding shortfall to replace end of life public housing assets. While depreciation is one method of determining the shortfall, I consider measuring actual cost, asset condition and timing information would provide a better basis to inform Government of the cost of replacing these assets.

Thank you for the opportunity to comment.

Yours sincerely



Chris Barrett
Secretary

29 May 2024

CC: Performance Audit

