

**2017**

**THE LEGISLATIVE ASSEMBLY FOR  
THE AUSTRALIAN CAPITAL TERRITORY**

**Government Response to Auditor-General's Report No 7/2017 Public Housing  
Renewal Program**

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# **Government Response: Auditor-General's Report No. 7/2017 – Public Housing Renewal Program**

## **Introduction**

The Auditor-General's Report on the public housing renewal program was tabled in the Legislative Assembly on 27 June 2017.

The ACT Government notes the overall conclusions of the Auditor-General's Report which state that the governance and administrative arrangements for the public housing renewal program are sound, with the program being effectively managed by the Public Housing Renewal Taskforce, and with tenants' relocation needs and preferences being effectively recognised and managed by Housing ACT.

The ACT Government notes the other overall conclusions and key findings in the Auditor-General's Report and has already responded to a number of these matters in a statement which has been included in the Auditor-General's Report.

As noted in this statement, the development of revenue estimates is complex and, as with all models based on assumptions, there are risks, both positive and negative, associated with achieving the forecast revenue from the sale of multi-unit properties and the identification and delivery of replacement public housing dwellings by 30 June 2019. There are a range of mitigation measures being implemented to manage these risks and to maximise sales revenue in the context of the Government's overall policy settings. The Taskforce has made refinements to the June 2017 version of the economic model for the public housing renewal program to adjust the revenue estimates and remove potential heritage or Territory Plan Variation impacts consistent with the Auditor-General's Report.

The ACT Government's position on the three recommendations in the Auditor-General's Report is outlined below.

## **Government Position on Recommendations/Findings**

### **Recommendation 1**

The Chief Minister, Treasury and Economic Development Directorate should identify and report how benefits outlined in the *Program Plan – Public Housing Renewal Program* are being managed, tracked and monitored.

### **Government Position**

Agreed.

The ACT Government acknowledges that while benefits of the public housing renewal program have been listed in the Program Plan – Public Housing Renewal Program, these have not all been quantified or tracked. The Public Housing Renewal Taskforce will investigate options to improve the measurement and monitoring of benefits. This may require professional expertise to convert some

intangible benefits into measurable items and to develop a strategy for the effective monitoring and reporting of these benefits over a longer time period.

## **Recommendation 2**

The Public Housing Renewal Taskforce should remove the residual value of public housing properties from its financial model cash flows and report these values separately.

### Government Position

Not agreed.

The ACT Government notes that the ACT Audit Office considers residual values should be balance sheet items that should not be included in the financial modelling. The ACT Government considers that in this case the use of residual values as cash inflows was appropriate. In the financial modelling for the public housing renewal program, the ACT Government has estimated what the values of the public housing buildings will be after 40 years has passed. These residual values have been included in the economic model as cash inflows rather than being listed separately as asset values. This was based on better practice guidance material on asset management from the Australian National Audit Office. The ACT Government referenced this in the statement provided back to the ACT Audit Office, noting that residual values are commonly used as an estimate of the cash inflow at the end of the evaluation period, as highlighted in the Australian National Audit Office's *Better Practice Guide on the Strategic and Operational Management of Assets by Public Sector Entities*<sup>1</sup> which on page 79 states 'cash inflows are incremental income streams for each of the options expected to be generated...Additionally, they should include the release of capital generally through a sale (residual value)'.

The Public Housing Renewal Taskforce and Treasury will consider the advice from the Auditor-General in further refining the economic model for the public housing renewal program, however will continue to capitalise residual asset values in order to support the comparison between the 'renew' and 'retain' scenarios in the financial model. Not including residual values of the public housing assets as cash inputs would ignore a financial benefit associated with each option. This therefore would not present an accurate reflection of the value that would be available at that point in time. As noted in the Performance Audit Report, this issue does not make a significant difference to the results of the financial analysis.

## **Recommendation 3**

The Public Housing Renewal Taskforce, for the purpose of ongoing monitoring and decision making, should fully and precisely document the assumptions underpinning the financial model, including the basis on which inputs derived from the financial model are to be calculated.

### Government Position

Agreed.

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<sup>1</sup> Australian National Audit Office, September 2010, [https://www.anao.gov.au/sites/g/files/net616/f/2011\\_Strategic\\_and\\_operational\\_management\\_of\\_assets\\_by\\_public\\_sector\\_entities.pdf](https://www.anao.gov.au/sites/g/files/net616/f/2011_Strategic_and_operational_management_of_assets_by_public_sector_entities.pdf), accessed 15 June 2017

The ACT Government considers that all assumptions used in the development of the economic model for the public housing renewal program have been documented by the Public Housing Renewal Taskforce, however given this recommendation, it will review the presentation of this information and ensure that it is presented as clearly and comprehensively as possible. The ACT Government also notes that the calculations used in the economic model are complex and will seek to simplify and clarify the information for future reference. The Public Housing Renewal Taskforce will work with Treasury to develop a document which addresses this recommendation of the Performance Audit Report.