



State Housing Commission

2003-2004
Annual Report



Department of Housing and Works
Government of Western Australia

Statement of Compliance

STATE HOUSING COMMISSION

**HON NICK GRIFFITHS LLB MLC
MINISTER FOR HOUSING AND WORKS; RACING AND GAMING;
GOVERNMENT ENTERPRISES; LAND INFORMATION**

In accordance with Section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation for Parliament the annual report of the State Housing Commission for the year ending 30 June 2004.

The report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985 and incorporates special reporting requirements imposed on the State Housing Commission by the Public Sector Management Act 1994, Disability Services Act 1993, Equal Opportunity Act 1984, the Electoral Act 1907, the Public Interest Disclosure Act 2003 and the State Records Act 2000.



**I F TAYLOR
CHAIRMAN**



**G L JOYCE
DIRECTOR GENERAL**

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About the State Housing Commission

The State Housing Commission ("the Commission") is a Western Australian Statutory Authority, constituted under the *Housing Act 1980*. The Commission is one of the entities within the Department of Housing and Works.

The Commission's powers and functions derive from the *Housing Act 1980* and its operations are supported by the Department of Housing and Works. The Department brings together:

- the housing services formerly provided under *Housing Act 1980*, the *Government Employees Housing Act 1964* and the *Country Housing Act 1998*; with
- the state capital works and maintenance services provided under the *Public Works Act 1902*.

The State Housing Commission's functions include:

- Aboriginal Housing
- Keystart Home Loan Scheme
- Landstart, a land development and sales agency
- Homeswest – Public Rental Housing
- Bond Assistance
- Community Housing
- Policy and planning

Key Statistics 2003-04

The Commission has a total of 39,247 housing properties encompassing:

- 35,038 rental properties;
- 1,752 units in joint venture projects with supporting organisations;
- 1,182 properties built in remote areas for Aboriginal people;
- 828 properties for other community housing groups; and
- 447 properties for crisis accommodation

In addition, there are a further 119 resident-funded joint venture properties, which appear on the State Housing Commission's asset register, effectively resulting in 39,366 properties.

The Commission assists low to moderate income Western Australians to purchase their own homes through a home loan portfolio of 19,653 loans, which includes shared-equity in 2,498 properties. There are a further 18,744 customers currently paying off bond loans, which have enabled them to enter the private rental market.

Our Mission

Responding to the hopes of all Western Australians for their housing and construction needs.

Our Vision

Leading in the provision of housing services and development of a built environment which contributes to:

- supportive, vibrant and sustainable communities;
- a robust economy;
- strong regional development; and
- the natural environment

for the benefit of all Western Australians.

Our Role

To provide housing for Western Australians who cannot otherwise afford their own homes by arranging affordable home finance, rental housing and land.

The Commission also builds homes, develops land and undertakes joint venture projects with other housing providers.

Its programs are aimed at low-income homebuyers and renters, disadvantaged groups and people with special housing needs.

Director General's Overview

This year has been very successful for the organisation and it shows the benefit of having all of the elements of affordable housing under one roof.

During the year Keystart has undergone significant change so that its policies and procedures are pitched at financing those people into home ownership who would otherwise be in private or public rental. Similarly Landstart, primarily through its joint ventures with the private sector, has ensured an adequate supply of serviced land for those seeking home ownership.

In addition the redevelopment and sale of established properties through the New Living programme has provided many opportunities for people of limited means to break into home ownership.

A large building programme for the rental function combined with a high level of bond assistance for those people seeking private sector rental has completed the picture and ensured that most West Australians are well housed.

The organisation's strength is its people and I pay tribute to their hard work in a tough year. I acknowledge the strong leadership of the Minister for Housing and Works, the Hon Nick Griffiths, who has let the organisation get on with the job and to the Chairman of the State Housing Commission, Ian Taylor and his Commissioners, who have been so supportive of myself and Executive Directors and backed the organisation in its many different roles.

Western Australians are well housed and the department must take credit for the role it has played.

The Year in Review

- The Commission approved 4,183 home loans totalling \$421.4 million
- 104 Homeswest rental tenants achieved first home ownership through the GoodStart Scheme.
- The Access Loan Scheme for people with disabilities assisted 32 families into home ownership.
- The Aboriginal Home Ownership Scheme enabled 27 families to purchase their first homes.
- A total of \$65.4 million was spent on maintenance and improvements to rental properties.
- The Bond Assistance Scheme approved a total of 14,128 loans totalling \$5.8 million.
- A total of 3966 units of accommodation were provided under the four Community Housing Programs.
- The Aboriginal Housing and Infrastructure Council Strategic Plan was developed, with a vision of providing all Aboriginal and Torres Strait Islander Western Australians with equitable access to quality housing and services.
- A total of 1,034 new units were commenced and 1,016 units completed at a cost of \$143.1 million.
- Reurbishment of 913 established units was commenced and 813 units completed, totalling \$26.7 million.
- Under the Homeswest General Rental Program, 892 new dwellings were commenced and 857 completed.
- 236 dwellings were spot purchased for the Commission's combined Homeswest General Rental, Aboriginal Housing and Community Housing Programs.
- Land sales during the year generated revenue of \$44.7 million.
- Under the Rental Sales Scheme, 86 rental properties worth nearly \$10.8 million were sold to tenants.
- 382 residential dwellings were refurbished under the New Living Program, at a total cost of \$18.5 million. 427 dwellings were sold, yielding income of \$48.5 million.
- The latest Commonwealth-State Housing Agreement was signed in July 2003 and will run for five years until 30 June 2008.
- Expenditure on land acquisition was \$24.5 million.
- 22 vacant lots were sold under the Landstart Redevelopment Program, earning revenue in excess of \$2.1 million. Most of these sales took place in the Perth suburb of Willagee.
- Joint ventures sold a total of 1,825 lots yielding revenue of \$85.5 million. A total of \$59.6 million was expended in the purchase of 1,701 lots.

The Executive

GREG JOYCE BA LLB BJuris

Director General (General Manager State Housing Commission)

Greg Joyce joined the Commission in 1973. He was appointed General Manager in 1992 and became Director General of the Department of Housing and Works in July 2001. He maintains his position of General Manager, State Housing Commission under the *Housing Act 1980*.

BOB THOMAS Dip Pub Admin

General Manager Housing and Facilities Management

Bob Thomas joined the Commission in 1966 and has extensive experience in public housing, particularly in regional operations, community housing, asset management and property/tenancy management. He was appointed to his current position in 1999.

KERRY FIJAC BCom CPA

Executive Director Regional Services

Kerry Fijac joined the Commission in 1989 after working as auditor in several other Government agencies. She held managerial posts in the Financial Services Directorate and the Landstart Business Unit before being appointed to her present position in 1999.

PETER GOW BE BA Grad Dip Bus MIE (Aust)

Executive Director Office of Policy and Planning

Peter Gow joined the Department of Housing and Works in July 2001, as a result of the Government's Machinery of Government changes. He has occupied senior positions in Government agencies, including the former Public Works Department, Building Management Authority and Department of Contract and Management Services. His role in Policy and Planning includes the direction and management of the Commission's housing and building industry policy development, the Building Code of Australia and Corporate Development. Peter Gow is a member of the Australian Building Codes Board, AHURI (Australian Housing Urban Research Institute Board), Housing Ministers' Advisory Committee, and the National Steering Committee for the Year of the Built Environment.

DANNY FORD Dip Teach BSW

Executive Director Aboriginal Housing and Infrastructure Unit

Danny Ford joined the Department of Housing and Works in April 2003. He has previously worked for the Department for Community Development where he occupied senior positions including Executive Director Aboriginal Strategy and Coordination. He has worked in country and metropolitan areas and comes to the Department with extensive background and experience in social work, program and policy development, funding and procurement, and management.

IAN JOHNSTON BEc Dip Teach

Executive Director Commercial Operations

Ian Johnston joined the Department of Housing and Works in July 2001, as a result of the Government's Machinery of Government changes. He has occupied senior positions in Government agencies, including the Ministry of the Premier and Cabinet and the Treasury Department. His role in Commercial Operations includes the direction and management of the Department's entire land function, and controlling housing and works procurement. Ian Johnston is a member of the Landstart Board and a director of various joint venture companies.

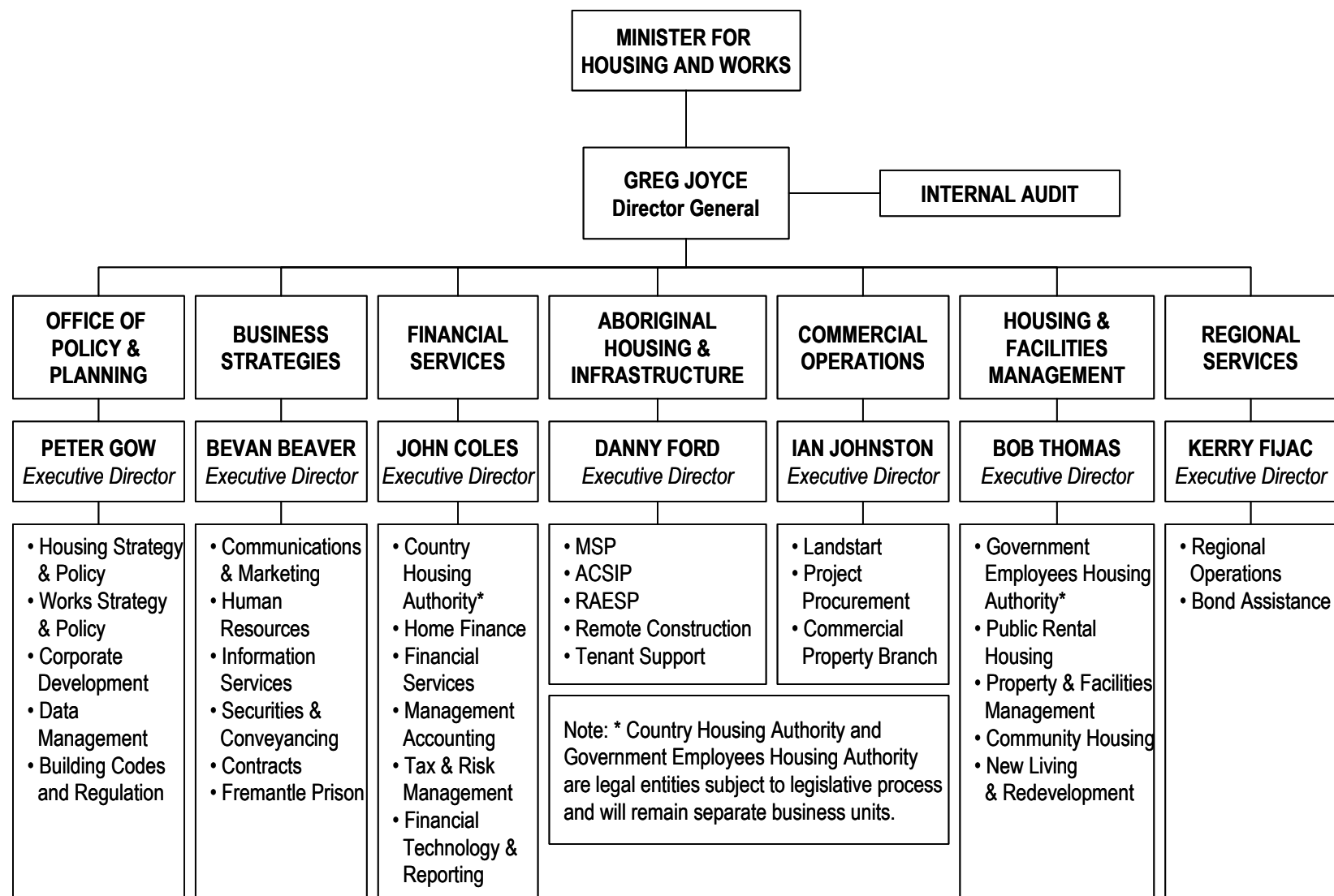
BEVAN BEAVER Dip Pub Admin***Executive Director Business Strategies***

Bevan Beaver joined the Commission in 1966. He has extensive experience in public housing and a wide understanding of rental operation, home ownership activities and corporate matters. He was appointed Director Corporate Services in 1993, and in 1999 became Executive Director Business Strategies.

JOHN COLES MBA (Fin) Grad Dip Bus***Executive Director Financial Services***

John Coles has been with the Commission since 1986 and was re-appointed to his present position in 1999. His extensive public service career includes appointments in State Treasury, the Department of Industrial Development and the Public Service Board as well as the Commission.

Organisational Structure



Review of Operations

Goal 1: People and Communities

“To enhance the quality of life and wellbeing of all people throughout Western Australia”

Home Loans

The State Housing Commission through Keystart assists West Australians to achieve their dream of Home Ownership through low deposit, affordable home ownership schemes.

The Schemes include the Keystart Scheme, shared equity schemes to assist low-income earners such as the Goodstart Scheme for Homeswest Rental tenants and applicants, the Access Scheme for people with disabilities and the Aboriginal Homeownership Scheme. The Commission also has the Restart Scheme to assist private sector borrowers who risk losing their home as a result of a short-term drop in income.

Keystart Home Loan Scheme

The scheme has had a successful year. Key statistics include:

- the approval of 4,183 loans totalling \$521.4 million.
- a total of 2,816 loans were provided for first homeowners.
- \$316.8 million was provided for the purchase of 2,905 established homes during the year.
- \$204.6 million approved for new construction represented by 1,278 new building starts, supporting more jobs for West Australians.
- The Keystart Safety Net mechanism continues to be well received by families experiencing short-term financial difficulties with 84 families assisted during the year.

Other Loan Schemes

- During the year the GoodStart Scheme assisted 104 of the Commission's rental tenants and applicants for rental, into home ownership.
- The Commission's Access Loan Scheme for people with disabilities assisted 32 families this year and since inception the scheme has helped 495 families.
- The Aboriginal Home Ownership Scheme enabled 27 families to make the transition from rental to home ownership during the year, bringing the total to 422 families who have been given assistance since the beginning of this scheme.
- The Restart Scheme assists families experiencing short-term financial difficulties with their private home loan. During the year eight families were able to refinance their loans and a further 56 families were able to access home loan counselling services during difficult periods.

During the year Keystart made significant policy changes so that more West Australians could be assisted into home ownership. These included the removal of the 2.8 times maximum loan to income ratio, while the maximum Debt Servicing Ratios were retained to ensure affordability.

The maximum property limit for purchases was lifted to \$400,000 to accommodate the significant increases in property values. Maximum loan and income limits were also raised to align with the new property limits.

Funding for the loan component of the Access and Aboriginal Schemes is now through the Keystart funding source. This provides the benefit of more funds being available to assist these special groups.

To ensure customers have access to Keystart home loan schemes in the metropolitan and country areas Keystart expanded its broker network service through the appointment of additional brokers. Currently Keystart has a network of over 1,100 brokers. The use of the broker network has seen better representation particularly in the regional areas. Keystart has also appointed in house mobile lenders for those customers wishing to deal directly with Keystart.

Home Ownership Outputs 2004-05

The continued growth of the property market, the continued use of mortgage originators and the appointment of in house mobile lenders combined with changes to Keystart eligibility criteria in 2003-04 are all expected to provide a favourable outlook for the Commission's home ownership programs in 2004-05.

During 2004-05, the Commission is expected to assist in excess of 4,700 families across its home ownership schemes, of which Keystart is the largest, with loans expecting to total \$530 million.

The GoodStart Scheme is expected to assist a further 100 families, the Access Scheme 45 families and the Aboriginal Scheme 45 families.

The Restart Scheme will continue to be available to assist families who have private sector home finance and who may experience difficulties with their loan.

Rental Housing

The State Housing Commission, through Homeswest, provides rental accommodation, rental subsidies and various structured programs for thousands of families on low to moderate incomes. Rental Housing manages 35,038 properties, of the 39,366 properties in the total housing portfolio, throughout the state. An extensive regional network including three metropolitan and seven country regional offices and 16 branch offices support the day-to-day management of these tenancies.

Maintenance

Maintenance is carried out regularly on all Homeswest rental properties, either on a day-to-day basis, when the property is vacated or through its refurbishment programs.

A total of \$65.4 million was spent on maintenance and improvements to rental properties during the year. This included:

- \$20.2 million on day-to-day maintenance;
- \$9.3 million on maintenance of vacated properties;
- an extra \$5 million in recurrent funding that was spent mainly on property refurbishment and improvements and planned and programmed maintenance.

- \$10.6 million on refurbishments and improvements such as heating, ceiling fans, disability fittings and fencing;
- \$7.1 million on planned maintenance including internal and external painting;
- \$3.7 million on maintaining the grounds and gardens at housing complexes; and
- \$14.5 million on refurbishing properties for retention under the New Living Program.

In addition, Homeswest spent \$4.1 million to renew or replace damaged items through insurance funding, compared to \$4.5 million in 2002-03. Much of this cost was associated with damage from severe storm activity, vandalism and theft.

The refurbishment of rental properties continued with 252 commencements which does not include refurbishments undertaken as part of the New Living Program.

Mainstream Rental

An ongoing review of Homeswest Rental Policy continued in 2003-04. Changes implemented during 2003-04 included:

- a new priority interview proforma to obtain a more detailed and comprehensive understanding of the applicant's immediate housing needs and their available housing options;
- changes to the Allocation Policy relating to the allocation of two bedroom properties to Seniors;
- the Appeals Policy was reviewed in consultation with non-Government stakeholders, leading to several changes in process and policy;
- a policy was introduced for the Income Confirmation Scheme with Centrelink;
- smoke alarm policy was introduced into the Maintenance Policy;
- development and introduction of a definition of fair, wear and tear for the assessment of tenant liability.

The Commission undertook a range of initiatives, including:

- The Supported Housing Assistance Program received a major funding boost in 2003-04 with an additional \$0.5 million allocated to the program finalising the contribution from the Government's response to the State Homelessness Taskforce Report. The increased funding allowed the program to expand to several other towns including Narrogin, Halls Creek, Esperance and Meekatharra.
- RUAH Services commenced the provision of SHAP support to clients assisted via the Homeless Helpline.
- Protocols between the Commission and the Department for Community Development for the provision of support to metropolitan families facing eviction were reviewed with some improvements made to the referral process.
- The Commission responded to an examination from the Office of the Auditor General in relation to the Commission's day to day, vacated, planned and programmed maintenance programs.
- The Commission awarded a tender for the provision of handheld system for mobile property inspection and data collection that will improve the property inspection and maintenance planning process.

- The Regional Refurbishment Program saw 183 completions at a cost of \$3.5 million. The program aims to refurbish and improve the amenity of older properties not located in New Living areas.
- The collocation of Housing and Works' office accommodation was achieved in Kalgoorlie, Karratha and Esperance.
- To improve security and safety the Commission completed an upgrade of the Cannington office and office reception areas and access to Fremantle, Busselton and Derby offices.
- The Commission continued to make a positive contribution to inter-agency initiatives through senior officer representation on: the Gordon Enquiry Implementation Taskforce; the Homelessness Strategy Monitoring Committee; the Early Years Taskforce; the Stronger Families Reference Group; the Family and Domestic Violence Co-ordinating Committee; and the WA Drug and Alcohol Strategy Senior Officers Group.
- The Homeless Helpline received 1,643 contacts and assisted 1,292 families into housing.
- The Bond Assistance Scheme provided 14,128 bond loans amounting to \$5.8 million.

The Commission will commence a four year Regional Upgrade Strategy that will see the replacement of 800 properties and the refurbishment of a further 200 properties in Regional Western Australia. The replacement and refurbishment of properties will be undertaken in close consultation with the community.

The Commission will amalgamate its Housing and Works' single-purpose offices in Kununurra, Albany and Geraldton.

The Commission will commence a trial of the personal digital assistants aimed at improving the annual inspection and maintenance identification processes.

The Supported Housing Assistance Program will be extended to Derby and Northam.

A budget of \$4.85 million has been allocated under the Refurbishments Program for the refurbishment of 194 properties across the State.

Bond Assistance

The Commission's Bond Assistance scheme was established in 1985 to help people on low incomes gain access to the private rental market. The scheme provides interest-free loans to eligible applicants for the bond required by real estate agents and private landlords.

Low-income private sector renters are able to access bond loans in the form of an interest free loan to be paid-off in regular instalments (average \$15 per fortnight) over a two-year period. Approval for additional ingoing fees may be granted on a discretionary basis to those at risk of homelessness. Arrangement can be made to have payments deducted directly from Centrelink payments.

Applicants may visit any Department of Housing and Work's office to apply for a bond loan. Approval is granted immediately and no appointment is necessary. However, to qualify for a bond loan, applicants must meet public housing income and asset limits and must be over 16 years of age. Bond applicants in remote and north-west areas receive a 40 per cent higher level of Bond Assistance to cater for the higher cost of private rental housing.

The scheme remains popular with customers and the private real estate industry and included:

- A total of 14,128 loans valued at \$5.8 million were approved.
- Customers made loan repayments in excess of \$5.5 million.
- 68 per cent of loan repayments (\$3.5 million) were made through direct deduction from the Centrelink payments of loan customers.
- As at 30 June 2004 there were 18,744 bond applicants paying off bond loans valued at \$4.4 million.

Ingoing Fees (Rent in Advance and Letting Fee)

As part of the Commission's commitment to reducing homelessness, ingoing fees were provided during the year to applicants on an as-needs basis, with the approval of the Regional Manager or the Bond Assistance Manager. Ingoing fees can include the rent in advance or letting fee component. Applicants were assessed as capable of undertaking a private rental lease and were either rough sleepers or at risk of becoming homeless with no other accommodation options available.

As at 30 June 2004, 240 customers had been assisted with a total of \$177,642 comprising:

- bond assistance loans to the value of \$112,074;
- rent in advance to the value of \$52,778; and
- letting fees to the value of \$12,790.

Ingoing fees are added to the Bond Loan obtained by the customer.

Appeals

The Homeswest Appeals Mechanism is a three-tier process that provides an avenue for customers to appeal an adverse decision. All decisions adverse to the customer are automatically reviewed by another Homeswest officer not involved in the original decision-making process. The Regional Appeals Committee hears unresolved decisions which may be taken up with the Public Housing Review Panel should they remain unresolved.

There was a decrease in the total number of appeals lodged with the Regional Appeals Committee. A total of 1,868 appeals were lodged which represented a decrease of 11.6 per cent over the total of 2,114 lodged in 2002-03.

The Regional Appeals Committee determined 1,508 appeals of which:

Decision	2003-04		2002-03	
	No. Appeals	%	No. Appeals	%
In favour of appellant	454	30.1	551	35.0
Dismissed	640	42.4	721	45.8
Partially upheld	246	16.3	219	13.9

Note: Of the 1,508 appeals, 168 or 11.2 per cent were adjourned.

The Public Housing Review Panel determined 223 appeals of which:

- 52 or 23.3 per cent were upheld;
- 134 or 60.1 per cent were dismissed;
- 1 or 0.5 per cent was partially upheld; and
- 36 or 16.1 per cent were resolved prior to the hearing.

Five appeal matters were ineligible for consideration by the Panel. During the year, appeals to the Public Housing review Panel decreased by 22.8 per cent from 289 to 223.

Pricing Policy – Rent

Rent charged to tenants is determined from time to time by the Commission and approved by the Minister for Housing and Works under Section 30 of the *Housing Act 1980*. Each State Housing Commission property is allotted a market rent based on information provided by the Valuer General's Office.

Tenants are required to pay no more than 25 per cent of assessable household income in rent. Tenants who are unable to pay the full market rent receive a rental concession. Tenants who receive a rental concession and were in occupation before 12 July 1997, pay 23 per cent of their assessable household income in rent, and those who moved in after that date pay 25 per cent.

Community Housing

Community Housing encompasses rental accommodation managed by non-profit community organisations, Housing Associations and local Governments. It provides tenants with an alternative to renting in the public or private rental market. Community housing offers tenants security of tenure, links to local community supports and an opportunity to participate in the design, location and management of their accommodation.

Community housing programs cater for a range of customer groups including families, singles, seniors, indigenous people, members of the public from culturally and linguistically diverse backgrounds, people with disabilities and those with special support needs. Applicants seeking housing assistance must meet the eligibility criteria for public housing accommodation.

The State Housing Commission manages four distinct community housing programs:

- Joint Venture Housing Program;
- Community Disability Housing Program;
- Community Housing Program; and
- Crisis Accommodation Program.

Community groups involved in the management of this accommodation include church and welfare organisations, local Governments, aged care providers, Housing Associations and cooperatives.

The Community Housing Strategic Plan for 2003-08 has been approved and implementation has commenced.

A total of 3,966 units of accommodation have been provided across Western Australia under the community housing programs, including:

- 1,752 under the Joint Venture Housing Program;
- 939 under the Community Disability Housing Program;
- 828 under the Community Housing Program; and
- 447 under the Crisis Accommodation Program.

Joint Venture Housing Program

Sixty-eight units were completed during the year, which included the following joint venture housing projects:

Metropolitan

- Four units for seniors in Bullsbrook as the final stage of a three stage development of 12 units
- Two units for migrant families in Beechboro
- One unit for people with disabilities in Hilton
- Ten units in stage II of a complex for people with disabilities in Shenton Park

Country

- Six units for families in Laverton
- Four units for seniors in Carnamah
- Four units for families in Brookton
- Six units for families and seniors in Wagin
- Three units for seniors in Ravensthorpe
- Three units for singles and families in Kojonup and
- Two units each in Lake Grace, Wickiepin, Yalgoo, Gnowangerup and Sandstone

Community Disability Housing Program

Eighty units were completed this year, of which 49 units were procured through the Commission's construction and spot purchase program and 31 units were regional properties. In addition, three units were re-allocated during the year. The following Community Housing Program projects were completed:

Metropolitan

- Two units for people with physical disabilities in Brentwood
- Two units for people with intellectual disabilities in Balga
- Eight units for people with intellectual disabilities in Subiaco

Country

- Two units for people with psychological disabilities in Albany
- Four units for people with psychological disability in Mandurah
- Two units for people with psychological disabilities in Bunbury
- One unit for people with intellectual disabilities in Geraldton

Community Housing Program

Forty units were completed and three units were re-allocated under the Community Housing Program. The following projects were completed during the year:

Metropolitan

- Seven units for people with disabilities in Kenwick
- One three bedroom house for people with disabilities in Como
- One three bedroom house for single people in Hamilton Hill

Country

- Six units for people with disabilities in Mandurah
- Nine units for people on low incomes in Albany
- One four bedroom house for families in Mandurah

Crisis Accommodation Program

Twenty-three units were completed and six units were re-allocated as part of the Crisis Accommodation Program. The following projects were completed during the year:

Metropolitan

- A major upgrade and the construction of two medium term accommodation units for homeless youth in Victoria Park
- Three units for families in crisis in Carlisle
- Two units for families in crisis in Balga and
- One unit each in Hamilton Hill and Spearwood for homeless youth

Country

- One four bedroom house for families in crisis in Albany

Proposed metropolitan and country developments for 2004-05 include:

Metropolitan

- Completion of 21 units for seniors in Warnbro
- Six units for families in housing crisis in Bentley
- 10 units for students in Bassendean
- Five units for singles in Glendalough
- Seven units for people with disabilities in Mt Lawley
- 17 units for people escaping domestic violence in Highgate
- 14 units for people with disabilities in Woodbridge
- 12 units for people with disabilities in Shenton Park
- Seven resident funded units for seniors in Innaloo

Country

- Four units for families in Mandurah
- Eight units for seniors in Margaret River

- Eight units for seniors in Mandurah
- Twenty-four resident funded units for seniors in Busselton

In total, the projected commencements for 2004-05 are:

- Community Housing Program – 20 units;
- Crisis Accommodation Program – 46 units;
- Joint Venture Housing Program – 90 units; and
- Community Disability Housing Program – 125 units.

The introduction of the Western Australian Community Housing conference culminating in Inaugural Western Australian Community Housing Awards for Excellence will be held in Perth in December 2004.

Aboriginal Housing and Infrastructure

The Commission provides a range of mainstream services for Aboriginal people, including:

- public and community rental housing;
- home loan assistance, including a targeted Aboriginal home loan scheme;
- bond assistance to enable people to access private rental housing; and
- a range of counselling and support services.

In addition, the Commission provides an extensive range of Aboriginal-specific services, mainly targeted to Aboriginal communities and town reserves. These services include:

- new houses, major upgrades and refurbishments;
- essential services (power, water and sewerage), maintenance and repairs to all major communities;
- other community infrastructure capital works;
- assistance and support for community housing management, governance and administration;
- Aboriginal training, employment and business opportunities; and
- tenancy support and advocacy programs.

The Commission's policies and programs continue to be guided by the *Agreement for the Provision of Housing and Infrastructure for Aboriginal and Torres Strait Islander People in Western Australia July 2002 – June 2007* (the Indigenous Housing Agreement).

The Indigenous Housing Agreement was formed between the Commonwealth, the State and the Aboriginal and Torres Strait Islander Commission in order to coordinate delivery of housing and infrastructure to Aboriginal people.

Under the Agreement, a ministerial advisory council was established in March 2003. Known as the Aboriginal Housing and Infrastructure Council, it has responsibility for strategic planning and policy and for overseeing the implementation of the Agreement.

Given that there is uncertainty over the current Indigenous Housing Agreement it is anticipated that the fundamental benefits of the Agreement will be retained in future arrangements. These benefits include:

- pooled funding;
- centralised program management and administration;
- regional Aboriginal involvement in needs-based planning;
- Aboriginal representation in strategic policy and planning; and
- accountability to the Aboriginal community.

The activities of Aboriginal Housing and Infrastructure are underpinned by the *Building a Better Future: Indigenous Housing to 2010* document.

This document was adopted at the Commonwealth-State Housing Ministers' Conference in May 2001. It sets out the principles, objectives and implementation strategies for achieving substantial and enduring improvement in Aboriginal housing outcomes over the next decade.

The statement informed the development of a comprehensive Aboriginal Housing and Infrastructure Strategic Plan 2003-07 during the year. This plan is one of the main drivers of the Directorate's work programs and new initiatives.

The Aboriginal Housing and Infrastructure Council will continue to work on strategic policy issues, including the need to consolidate Commonwealth and State policy positions on community housing and infrastructure provision, sustainability and viability issues.

The Commission will continue to operate within the framework of the Aboriginal Housing and Infrastructure Strategic Plan 2003-07. The Directorate will focus its program priorities in accordance with the priorities identified in the Regional Housing and Infrastructure Plans.

Strategic Plan 2003-07

A key initiative in 2003-04 was the development of the Aboriginal Housing and Infrastructure Council Strategic Plan. Based on the *Building a Better Future: Indigenous Housing to 2010* statement, the Strategic Plan provides a population and housing profile of Western Australia's Aboriginal people.

It refers to the continuing disadvantages faced by Aboriginal people in accessing home ownership and private rental housing, and their high levels of dependency on government housing programs.

The Strategic Plan has a simple vision: that all Aboriginal and Torres Strait Islander Western Australians will have equitable access to quality housing and services.

The core objectives of the Plan are to:

- investigate the institutional reforms necessary to optimise the delivery of housing and infrastructure services to Aboriginal and Torres Strait Islander people in Western Australia;

- provide sustainable housing and infrastructure to Aboriginal and Torres Strait Islander people in Western Australia;
- develop the capacity and skills of Aboriginal and Torres Strait Islander communities, organisations and people in housing and infrastructure;
- improve and increase access to safe and healthy housing and living environments across all housing tenures; and
- strengthen the planning and coordination of housing and infrastructure services.

New initiatives envisaged under the Plan to be initiated 2004-05 include:

- an electrical and plumbing essential maintenance services program for remote communities;
- a private rental housing access program;
- the roll-out of the in-home practical support program; and
- the introduction of a home ownership incentive scheme for public rental housing tenants.

Goals and strategies for Aboriginal housing will be further entrenched in State Government policy via the Housing Strategy Western Australia.

Priority will be placed on implementing the Aboriginal Housing and Infrastructure Council Strategic Plan, developed in 2003-04. Key initiatives for the coming year will be:

- research, innovation, development and evaluation in relation to new and innovative ways of attracting funding and progressing housing and infrastructure activities in Aboriginal communities;
- pilot programs aimed at improving access of Aboriginal people to the private rental market;
- engagement of a consultant to investigate and develop a range of models for regional service delivery of housing and infrastructure programs, in conjunction with Aboriginal and Torres Strait Islander Services; and
- investigation and development of subsidy models for housing management and repairs/maintenance in communities.

Indigenous Housing Agreement

Under the Indigenous Housing Agreement, the Aboriginal Housing and Infrastructure Directorate managed Aboriginal housing and infrastructure programs in Western Australia during 2003-04. The Aboriginal Housing and Infrastructure Council provided strategic direction to the Directorate.

Fund pooling continued throughout 2003-04. Existing contractual obligations for a number of programs were due to expire on 30 June 2004. Full pooling of funds will occur in 2004-05.

Regional Councils of the Aboriginal and Torres Strait Islander Commission are responsible for providing a Regional Housing and Infrastructure Plan based on documented need in their respective regions. Each Plan identifies housing and infrastructure projects to be undertaken in each region on a priority basis.

Standing Committee on Indigenous Housing and National Indigenous Housing Information Implementation Committee

Commonwealth, State and Territory Housing Ministers established the Standing Committee on Indigenous Housing in May 2001. The Committee's role is to manage the implementation of recommendations contained in the *Building a Better Future: Indigenous Housing to 2010* statement.

Through the Standing Committee on Indigenous Housing and also the National Indigenous Housing Information Implementation Committee, Western Australia has actively participated in the following working groups:

- the Indigenous Homelessness Working Group;
- the Multi-Measure Needs-Based Funding Formula, developed to inform on Aboriginal housing needs and appropriate resource allocation; and
- the National Skills Development Strategy, to ensure that progress is made in employing skilled workers in the housing sector.

Community Construction and Essential Services Program

The pooling of Commonwealth and State construction programs has led to a significant increase in the number and variety of projects commenced. Construction commenced in 2003-004 on a total of 38 properties funded by the Aboriginal and Torres Strait Islander Commission and the State Housing Commission.

During the year the construction of 64 houses was completed. The housing construction program included the development of innovative transportable housing designs developed for the very remote Western Desert communities of Kunawarritji and Parngurr and the town based community of Parnpajinya. The Parnpajinya project also included: flood mitigation works; new underground power; water and wastewater reticulation; sealing of internal roads; and connection to the town water supply.

The Remote Area Essential Service Program provides programmed maintenance to power water and waste water services in Aboriginal communities. It also provides four-weekly water testing and a break-down repair service. The Program has been expanded from 71 to 78 communities with total expenditure of \$9.2 million.

Other capital works and maintenance works projects have included:

- continuation of the Bunuba housing construction project, with the Bunuba Aboriginal Corporation contracted to undertake the works;
- commencement of community-based housing construction projects at Karalundi and the Ngaanyatjarra Lands;
- upgrade of the airstrip at Kupartiya;
- construction of workshops, community laundries and kitchens; and
- major upgrades to 142 dwellings and essential maintenance to a further 65 dwellings with a total expenditure of \$8.1 million.

The essential maintenance works were successfully managed through the Indigenous Housing Management System.

During 2004-05, a further 190 houses in remote Aboriginal communities will be constructed across the state. The Commission will continue to implement policy initiatives to encourage community employment and training opportunities within construction projects. Wherever possible, the Commission will foster the employment of Aboriginal apprentices.

The Remote Areas Essential Services Program which provides an essential repair and maintenance service for power, water and wastewater infrastructure to remote Aboriginal communities in Western Australia. The Remote Areas Essential Services Program will be expanded through the integration of essential services capital works projects that previously were delivered through several other programs.

The integration will provide a better-coordinated program and alleviate some of the difficulties encountered in the past in relation to commissioning and transferring management of essential service infrastructure.

The contract for the As Constructed Survey Program, which manages and updates a database of as constructed drawings of all Aboriginal communities in Western Australia, will be tendered in 2004-05. As part of the tender process, opportunities to enhance the program, in order to improve community access to the data, will be examined.

A housing maintenance service for plumbing and electrical repairs will be piloted in a number of communities currently serviced through the As Constructed Survey Program.

The Town Reserves Regularisation Program was implemented in 23 communities, involving upgrades to essential and municipal services and the preparation of community layout plans.

The Town Reserve Regularisation Program intends to achieve the following objectives:

- establish easements over essential services and gazettal of roads as required at six town reserve communities in the East Kimberley;
- assess water, wastewater and power reticulation to eleven town reserve communities in the East and West Kimberley and commence upgrades as required;
- complete community layout plans for six town reserve communities in the West Kimberley and eight town reserves in the Pilbara/Gascoyne;
- commence road upgrades at two East Kimberley town reserves and one town reserve located in the Perth metropolitan area; and
- undertake emergency repairs to town reserve essential service infrastructure to 45 town reserves on a needs basis.

Sustainability and Development Program

The Sustainability and Development Program aims to improve the capacity, governance, sustainability and management of Aboriginal community housing organisations and communities throughout Western Australia. The Program's activities in 2003-04 included:

- assistance to Aboriginal housing organisations and communities in employing key administration personnel to assist Community Councils in the day-to-day running of the community;
- provision of operational support and assistance in the development of housing management plans;
- implementation of the National Skills Development Strategy for Indigenous Community Housing Management and link training opportunities;

- increased involvement of local government authorities in delivering municipal services to Aboriginal communities to a standard compatible to that of other similarly-sized mainstream communities and towns;
- establishment of a comprehensive recruitment and workplace relations service for remote Aboriginal communities in Western Australia;
- creation of 45 employment opportunities in Aboriginal communities throughout the state including Housing Officer, CEO, Community Development Officer and Coordinator positions;
- allocation of Community Housing Operational Support funding to 12 Aboriginal housing organisations; and
- implementation of the Indigenous Housing Management System, a personal computer-based housing management tool that will assist communities to manage their houses and related assets.

In 2004-05 the Sustainability and Development Program will:

- continue to provide housing management funding support for housing officers and additional administrative funding, while assisting communities to develop and improve housing management policies and procedures;
- continue the roll-out of the Indigenous Housing Management System and provide ongoing user training and support;
- assist TAFE in developing and delivering the Certificate IV in Social Housing training package to remote Aboriginal communities and town-based Aboriginal housing organisations;
- establish a comprehensive recruitment and workplace relations service for remote Aboriginal communities and organisations in Western Australia;
- participate with the Department of Local Government and Regional Development Strategic Direction Framework and support projects to increase local government involvement in the delivery of municipal services; and
- promote the preferential tendering policy and strategies that encourage and support the development of Aboriginal businesses and enterprises by providing additional price advantages in addition to "Buy Local": considerations.

Indigenous Housing Management System

The Sustainability and Development Program will provide ongoing training and support to Indigenous Housing Management System users.

The final version of the System (2.10) is now available to Aboriginal communities and Aboriginal housing organisations in Western Australia. Six installations were completed in 2003-04. More installations will be completed in the 2004-05 financial year.

The Indigenous Housing Management System, specifically designed for use by Aboriginal communities throughout Western Australia, will be further implemented following successful trials during 2003-04.

Urban Construction

Thirty-five accommodation units in urban and rural areas were procured at a cost of \$4.9 million under the urban construction program. Minor works and improvements were made to Aboriginal housing properties with a total expenditure of \$1.68 million.

During 2004-05, the proposed urban building program of 43 units is estimated to cost approximately \$6.4 million. Minor works, refurbishments and improvements are estimated to cost approximately \$1.6 million.

The Commission is committed to a four-year statewide stock replacement and refurbishment program commencing in 2004-05. The program will target properties over 30 years old in regional and remote town locations. It will be largely focused on the South West, Southern and Wheatbelt regions. Of the 43 units for 2004-05, 25 will be stock replacements.

Aboriginal Tenants' Support Service

The aim of the Aboriginal Tenants' Support Service is to provide culturally appropriate support and information to Aboriginal tenants or prospective tenants in regional areas of Western Australia. The Service assists them to obtain housing, understand their tenant rights and responsibilities and maintain tenancy.

The Aboriginal Tenants' Support Service has operated in a number of regional areas.

- Port Hedland – the Port Hedland Regional Aboriginal Corporation.
- Wyndham – the Joorok Ngarni Aboriginal Corporation.
- Bunbury – the South West Aboriginal Medical Service.
- Albany and Narrogin – the Southern Aboriginal Corporation.
- Carnarvon – the Kuwinywardu Aboriginal Regional Unit.

The Service was reviewed in 2003-04. A steering committee has been formed to oversee the implementation of the recommendations.

Funding will continue for the existing sponsor organisations up to 31 December 2004. A needs analysis will be conducted to determine the priority locations in which the Service will operate from 1 January 2005.

In-Home Practical Support Program

The In-home Practical Support Program service is based on the old "Homemaker Program" that used to operate in the 1970s and early 1980s by the Department for Community Welfare. It currently operates in the Perth suburb of Queens Park. Negotiations have commenced with the Parnpajinya Community, Bidyadanga Community and the four town-based communities in Halls Creek. In 2004-05 the services will be extended to other areas in the State.

Families using the service will develop their knowledge, skills and confidence to effectively manage a home and maintain a healthy family life. The program will cover all aspects including budgeting, home skills and meeting tenancy obligations.

Housing Procurement

The Commission manages an extensive housing procurement program in order to provide suitable public rental accommodation throughout the state. While the majority of dwellings are constructed, some existing dwellings are also purchased to cover housing shortages in particular areas.

In addition, the Commission refurbishes existing properties and converts bed-sitter style accommodation into one and two-bedroom units to improve the amenity level and extend the useful life of dwellings.

The Commission, as part of its combined Homeswest general rental, Aboriginal Housing and Community Housing programs, procured new properties through construction and spot purchase and undertook refurbishment and bed-sitter conversions on existing properties with a total of 1,977 units being commenced and 1,869 units completed at a cost of \$172.9 million.

The total value of housing procurement during 2003-04 was as follows:

- New properties procured through construction and spot purchase
A total of 1034 units were commenced and 1016 units completed at a cost of \$143.1 million.
- Refurbishment of existing properties
Nine hundred and thirteen units were commenced and 813 units completed at a total expenditure of \$26.7 million.
- Bed-sitter conversions and minor works on existing properties
Thirty units were commenced and 40 units completed at a total expenditure, including minor works, of \$3.1 million.

Homeswest General Rental Program

Eight hundred and ninety-two new dwellings were commenced and 857 were completed. Of the 892 units commenced:

- 262 units or 29 per cent were for seniors;
- 487 or 55 per cent were for family accommodation; and
- 143 or 16 per cent were for one and two-bedroom households for people aged 18 to 54 years.

Some of the notable projects which commenced during the year included:

- Goderich Street, East Perth ("Nevada Shirts" site) – 69 family, seniors & single persons units
- Nicholson Road, Shenton Park (purchase of "Shenton Village") – 66 seniors units
- Caffrey Place, Hamilton Hill – 22 family & single persons units
- Mainsail Terrace, Yangebup – 15 seniors units
- Paris Road, Australind – 15 family & single persons units
- Peel Terrace, Busselton – 18 seniors units

Aboriginal Housing Programs

Seventy-three new dwellings were commenced and 96 were completed in the metropolitan area, country towns and remote communities. In addition, the refurbishment of 142 units commenced and 108 units were completed.

Community Housing Programs

Sixty-nine new dwellings were commenced and 63 were completed. In addition, the refurbishment of one unit commenced and four units were completed.

Spot Purchase Program

The Spot Purchase program enables the Commission to acquire properties, as an alternative to constructing new dwellings. The program operates for a number of reasons.

- There may be a shortage of available land in an area.
- In some areas, there is a need to distribute the Commission's ownership more evenly through the community.
- The program can facilitate the acquisition of individual units in apartment complexes close to the city, particularly for the Community Disability Housing Program.
- The program can assist in preparing for future needs in areas of high demand, by the acquisition of properties with eventual redevelopment potential.
- The program can assist in meeting immediate housing need for people in crisis.

A total of 236 dwellings were spot purchased for the Commission's combined Homeswest general rental (199), Aboriginal Housing (5) and Community Housing (32) programs across the state at a total cost of \$43.0 million. Of this total expenditure, \$36.4 million was funded through the Homeswest general rental program.

Twenty-five of the 199 properties in the Homeswest general rental program were spot purchased for customers accessing the Community Disability Housing Program.

Stock Replacement Program

The Stock Replacement Program replaces aging stock in small country towns, to the benefit of the Commission's residents and the local community. Since much of the original public housing stock in country towns was built for families, this program also enables the Commission to deliver more appropriate housing for seniors and one and two-person households.

Under the Stock Replacement Program, 46 dwellings were commenced in the towns of Brookton, Denmark, Katanning, Kojonup, Kondinin, Narrogin, Pingelly, Wagin, Manjimup, Dowerin, Kellerberrin, Mount Magnet, Derby, Kununurra and Wyndham.

Mobility Units

A total of 72 purpose-built mobility units commenced construction and a further 71 were completed for tenants with disabilities in the Homeswest general rental and Aboriginal housing programs.

Community Disability Housing Program

In the Community Disability Housing Program, which is part of the Homeswest general rental program, 60 dwellings were commenced and 49 were completed through new construction and spot purchase.

Joint Venture Housing Program

Projects under the Joint Venture Housing Program (referred to as Joint Charity Projects in the financial statements) are undertaken with non-profit organisations, local authorities and church groups to provide additional housing options in local communities.

As part of the Joint Venture Housing Program, which falls under the Homeswest general rental program, 33 dwellings were commenced and 68 were completed. Notable Joint Venture projects commenced included four units in Goomalling with the Shire of Goomalling, six units in Laverton with Burnna Yurrul Aboriginal Corp and nine units in Port Denison with the Shire of Irwin.

Resident-Funded Joint Venture Program

The Resident-Funded Joint Venture Program, which is part of the Homeswest general rental program, provides an alternative home ownership opportunity, enabling seniors to move to more appropriate housing, while at the same time providing them with more disposable income for day-to-day living expenses.

Many seniors own and live in family accommodation, and while the asset is valuable, it no longer meets the needs of the resident, and is costly to maintain. Seniors are therefore more likely to be on a low income and can be described as “asset-rich and income-poor”.

In 2003-04 six units were completed at Innaloo with Retirees WA.

Minor Works

The Commission performed minor works upgrades of selected rental properties for a total of \$2.5 million (excluding Aboriginal housing upgrades). During the year 27 bed-sitter units were converted into 19 one-bedroom units in Bassendean and Yokine.

Roebourne Enhancement Program

The Commission continued the Roebourne Enhancement Program, which began the previous financial year, to remove asbestos and refurbish houses in the town. During the year, four units were completed.

Industry Consultation

To achieve its objective of providing low-cost, high-quality rental accommodation, the Commission enters into regular consultation with housing industry groups such as the Housing Industry Association and the Master Builders' Association, and professional associations such as the Royal Australian Institute of Architects.

Effective project management of housing procurement relies on the private sector providing efficient, high-quality services. The Commission continually seeks to improve its housing designs and housing amenity by asking for customer feedback on completed projects.

Safety Audits

The Commission continues its commitment to safety in the workplace by funding the Master Builders' Association to carry out safety audits on Homeswest construction sites across the Perth metropolitan area.

Plan for 2004-05

The Commission plans to construct, purchase or refurbish 2,223 housing units including:

- 929 general rental units, including 200 units for stock replacement;
- 70 units for the Community Disability Housing Program;

- 59 joint venture units with charitable and church groups;
- 31 resident funded joint venture units;
- 233 Aboriginal Housing units, including 25 units for stock replacement;
- 66 units for the Community Housing and Crisis Accommodation Programs;
- 829 refurbishments of existing dwellings; and
- six bed-sitter conversions.

A significant number of dwellings will continue to be purpose-built to assist people with disabilities.

Redevelopment will again feature prominently, as will construction on land made available through the New Living Program.

Construction and spot purchase activities across all programs will cost \$178.9 million to commence 1,388 units and complete 1,346 units of new accommodation.

In the minor works program, \$3.4 million has been allocated for upgrade works to existing properties at locations such as Highgate, Mosman Park and Claremont.

Through the General and New Living refurbishment programs, 665 units will commence and 671 will be completed and six one-bedroom units will be converted from bed-sitter units at a total cost of \$25.2 million. In addition, refurbishment will commence on 162 units and 174 units will be completed through the Aboriginal Housing Program and the Roebourne Enhancement Program.

As part of the Community Housing and Crisis Accommodation Programs, the refurbishment of two units will be commenced in 2004-05 and it is anticipated that two units will be completed.

Land Sales

The State Housing Commission sells land from the development of its broad hectare land holdings and through redevelopment and infill sources. Land sales generating revenue of \$44.7 million took place in a number of locations in the metropolitan area, as well as in the country areas of Bunbury, Albany and Broome. The Commission achieved significant returns at Dianella (\$17.4 million), North Beach (\$6.2 million) and Banksia Grove (\$2.9 million). Sales were also made to the Western Australian Planning Commission in North Fremantle (\$3.0 million), Karrinyup (\$1.3 million), Kenwick (\$1.1 million) and Bibra Lake and for the Kwinana Railway Land (\$3.7 million).

Revenue during 2004-05 of \$46.8 million is expected. It is anticipated that Dianella (\$14 million), Banksia Grove (\$11.3 million), Kwinana (\$4.9 million) and Mirrabooka (\$3.8 million) will be the main revenue sources for the year.

Rental Sales Scheme

The Rental Sales Scheme is open to eligible State Housing Commission tenants who are interested in purchasing their rental properties. Under this scheme, purchasers are eligible for a grant of up to \$3,000 in assistance for stamp duty and settlement costs. Purchasers are also eligible for a discount in recognition of capital improvements undertaken by the tenant.

The Rental Sales Scheme achieved better than expected income from the sale of properties. During the year, 86 rental properties worth nearly \$10.8 million were sold to tenants under

the Scheme. In addition, 43 vacant ex-rental properties that were considered surplus to requirements were sold for more than \$3.4 million.

It is envisaged that during 2004-05 the Rental Sales Scheme will sell 86 properties for \$8.8 million to tenants and 15 vacant properties to the public for \$1.2 million.

The New Living Program

The New Living Program is an urban renewal initiative aimed at redeveloping older public housing estates to create more attractive living environments, to reduce the Commission's rental presence and to encourage home ownership.

New Living projects are of varying size and complexity, but generally involve the refurbishment of the Commission's dwellings for sale or retention; the beautification and enhancement of infrastructure in the area (streetscape improvements, upgrading of parks and provision of entry statements); community participation; and in some instances, a land development component for the creation of new lots for sale to the public.

There are now seven New Living projects underway in metropolitan Perth and a further eight in country areas.

The seven metropolitan projects (covering 13 suburbs) include the "New North" (Balga, Girrawheen, Koondoola and Westminster); Bentley; Coolbellup; Langford; Eastern Horizons (Midland, Midvale, Swanview and Koongamia); Queens Park and Southwell (Hamilton Hill). It should be noted that projects in Lockridge and Karawara have already been completed. Projects in Kwinana (Calista, Orelia, Parmelia and Medina) and Armadale are winding down and are effectively completed.

There are also eight country projects. These projects include Spencer Park/Mt Lockyer (Albany); Carey Park and Withers (Bunbury); Collie; Nulsen (Esperance); South Kalgoorlie; Geraldton (Rangeway, Spalding, Utaarra and Waggrakine (Geraldton); Carnarvon (South Carnarvon, Brockman and Morgan Town); and South Hedland.

During the year 382 residential dwellings were refurbished at a cost of \$18.5 million and 427 were sold, providing income of \$48.6 million. The sales market during the year proved to be extremely buoyant and better than anticipated sale prices were achieved. In addition, 508 properties were refurbished for retention as rental housing at a cost of \$14.5 million. In addition, 180 vacant lots of land were sold throughout the state, earning \$11.9 million in income. Some \$6.8 million was also spent during the year on land development to produce 91 vacant lots and infrastructure enhancements including the upgrading of parks, streetscapes and provision of entry statements.

New projects were initiated in Bentley, Queens Park and Southwell (Hamilton Hill). The focus of activity in Bentley is on the refurbishment of the 300-unit "Brownlie Towers" complex, which is to be kept for public rental housing. Over 50 units have already been completely renovated to date.

During the year Peet & Company Ltd. was appointed as project managers for the Queens Park New Living project. The Commission owns 338 dwellings in Queens Park with 268 of these located within the precinct known as "Maniana". These dwellings will be demolished and the resultant land subdivided and sold to the general public.

The Satterley Property Group was appointed to project manage the Southwell (Hamilton Hill) New Living project. The Commission owns 315 dwellings in Southwell that will be refurbished for sale or retention. During the year the program was also expanded in

Geraldton to include the localities of Spalding, Utakarra and Waggrakine. Similarly, the project in Carnarvon was expanded to include the localities of Brockman and Morgan Town.

Another significant year of activity is anticipated for the New Living program during 2004-05. It is estimated that 448 dwellings will be refurbished for sale under the program at a cost of \$22.7 million. In addition, 477 dwellings have been earmarked for refurbishment and retention as rental housing at a cost of \$20.4 million. It is expected 428 dwellings will be sold for \$46.9 million. A further 89 lots will be developed including infrastructure at a cost of \$6.7 million and 148 lots will be sold for approximately \$10.6 million.

In the metropolitan area, major project activity is forecast in the "New North", Coolbellup and "Eastern Horizons" projects. The refurbishment of the 300-unit "Brownlie Towers" complex in Bentley will also be progressed in earnest. Some 115 units have been earmarked for internal refurbishment and it is planned to complete the external refurbishment of this complex.

Planning for the area surrounding Brownlie Towers has commenced. The proposal is to increase the total current number of dwellings/lots from approximately 240 (170 Commission-owned, 70 privately-owned) to over 320.

The redevelopment of this area will see the refurbishment of existing dwellings, as well as the creation of a number of new vacant lots for sale and group sites for new construction. The timing of this redevelopment will be dependent upon the relocation of the Commission's tenants and planning processes, but works should commence in the latter part of the financial year.

Projects in Queens Park and Southwell (Hamilton Hill) will also gather momentum during 2004-05. The Langford New Living project is scheduled for finalisation by the end of December 2004. In the country, new projects will be initiated in West Narrogin and Northam.

Support Operations

Housing Strategy WA

In September 2001 Cabinet endorsed the development of a Housing Strategy WA as part of the Government's suite of strategic policies. The strategy is exploring the State's capacity to continue providing quality, affordable housing over the next 30 years. The process takes a systematic approach to the housing market, looking at supply and demand, market failure and intervention across a number of themes and sub-markets.

During 2003-04, the Office of Policy and Planning finalised a range of research and background papers and undertook preliminary consultation with various Government and industry bodies. A synthesis of the emerging trends has been undertaken and a number of draft responses developed.

The draft responses require action from a variety of State Government agencies across portfolios. The draft strategy will be presented for endorsement by Cabinet and then progress to the public consultation period during the second half of 2004, with an aim to finalise the strategy and begin implementation in November 2004.

Commonwealth-State Housing Agreement

The Commonwealth-State Housing Agreement provides Commonwealth and State funding for public housing. The latest agreement was signed by housing ministers in July 2003 and will run for five years until 30 June 2008.

The new housing agreement represents a further reduction in funding committed to public housing sector by the Commonwealth Government. Grants from the Commonwealth were reduced by \$8.7 million compared to the previous year, largely as a result of the Commonwealth's withdrawal of compensation to the states and territories for the adverse impact of the goods and services tax on public housing.

Although Commonwealth grants under the Agreement will be indexed from year two of the Agreement for the first time, the efficiency dividend of one per cent per annum will continue to be applied. A new feature of the agreement is that five per cent of base funding (\$3.5 million in 2003-04 for Western Australia) will be dependent on timely reporting and adequate performance, particularly in two key areas:

- reducing work force disincentives for public tenants; and
- increasing the amount of private investment in public housing.

The 1999 housing agreement introduced the concept of bilateral housing agreements. These bilateral agreements set out how funding under the multilateral housing agreement will be used to address housing needs in the State. The bilateral agreement for the 2003 Commonwealth-State Housing Agreement has been through a long and complicated process, with the involvement of central agencies in Canberra in agreeing the final form of the bilateral agreement.

Western Australia's bilateral housing agreement was signed by the Commonwealth Minister in June 2004 and is effective until June 2008.

The Housing Industry Forecasting Group

Western Australia's housing market has a number of defining features compared with the rest of the country. The Housing Industry Forecasting Group was established in August 2000 to research, forecast and disseminate information to government and industry on the state's unique housing industry.

The Group released its fourth round of reporting in 2003-04. This report comprised a main report in October 2003 that presented the outlook for 2003-04 and 2004-05. As part of the cyclical process, an interim report was released in May 2004 to update the current forecasts in light of changing economic conditions.

The Group, chaired by Warwick Hemsley, Managing Director of Peet & Company Ltd, has representation from the peak economic, housing and land development bodies as well as key government agencies. The work of the Group is gaining recognition for its specialised local industry intelligence.

The Group continues to address the task of forecasting the short-term outlook in a volatile environment which is now being driven by an array of global and national events. These external influences are having a major impact on consumer sentiment and contributing to the current preference for investment in bricks and mortar rather than stocks and shares.

Housing Advisory Committee

The Housing Advisory Committee provides advice to the Minister for Housing and Works on all housing matters. The Committee's membership is drawn from across the housing sector, including the non-government sector, the residential construction industry and relevant government departments. The Office of Policy and Planning provides secretariat services to the Committee.

The committee has three standing committees.

- Access and Equity: to consider issues for people wishing to access housing across all tenures.
- Community, Affordable and Sustainable Housing: focussing on the supply of affordable and sustainable housing.
- Homeswest Operational: to review existing and new operational housing policy for public housing in Western Australia.

Shelter WA continues to provide secretariat services to the standing committees.

During 2003-04, the Housing Advisory Committee was chaired by the Minister for Housing and Works.

National Housing Research

In 2003-04 the Commission contributed \$98,000 to the Australian Housing and Urban Research Institute for housing and housing-related research projects. The Commonwealth and other states and territories also contribute to the Institute's total funding of \$2.5 million.

Since 2000, the Institute has funded more than 100 housing research projects. It has published numerous final reports, as well as research and policy bulletins that summarise the key findings and policy implications of completed research projects. All reports are available on the Institute's website at www.ahuri.edu.au.

In October 2003, the Director General commenced a two-year term on the Institute's board. Western Australia joined Tasmania in representing the research interests of the states and territories on the board.

The Commission has continued to provide input to the formulation of the research priorities during the past year and is a member of several user groups for Institute research projects.

The Executive Director of the Office of Policy and Planning is a member of the board of management of the Housing and Urban Research Institute Western Australia. The Housing and Urban Research Institute is responsible for overseeing the direction and development of the Australian Housing and Urban Research Institute research centre in Western Australia.

Our People

Human Resource Management

The Department of Housing and Works had 1,062 staff at 30 June 2004, of which 873 were employed by the State Housing Commission. The Department's dedicated staff are drawn from a diversity of backgrounds with the skills and personal attributes to respond to housing and construction needs throughout the State.

The following table indicates staff numbers for the Commission, including staff provided for the Government Employees Housing Authority and the Country Housing Authority.

Employees	2003-04	2002-03
Permanent		
Full-time	737	743
Part-time	49	98
Contract		
Full-time	67	58
Part-time	6	8
Casual	0	0
Trainee	14	14
Other	0	2
Total Employees	873	923

Staff Induction

The Department's Induction Policy has been reviewed resulting in an extension of the Orientation Program for new employees from one to two days with the second day being devoted to EEO awareness training.

The online staff induction program was significantly updated during 2003-04 to better reflect the current structure and incorporate the following Public Sector standards and ethical codes that staff are required to be conversant in:

- Code of Conduct;
- Public Sector Standards in Human Resource Management;
- Public Sector Code of Ethics; and
- Trade Practices Compliance.

This is in addition to the package providing a wealth of information about the Department's structure, governance and internal policies. Staff have found the Induction package a valuable information resource whilst managers find it a vital tool for introducing new recruits to the Department's working culture.

Performance Management

During the latter part of 2003, the Department was one of four agencies that participated in the Office of the Public Sector Standards Commissioner's thematic review of the Public Sector Standard in Performance Management. The review found that the Department did not consistently meet the requirements of the Standard and recommended changes to the Department's Performance Management System. These recommendations have now been implemented.

Communications and Marketing

The Communications and Marketing unit is responsible for all internal and external communications. Its primary aim is to distribute relevant information to key stakeholders to support the Commission's mission and the objectives of the strategic plan.

During 2003-04 the unit was involved in several major projects including:

- ongoing management of the new Commission's badging and corporate branding;
- a review of all publications;
- ongoing management of the Commission's website content;
- implementation of a new content management project for websites;

- launch and promotion of new Keystart brokers;
- project management of all advertising and sponsorship on behalf of Landstart and Keystart;
- ongoing community consultation in relation to major projects and initiatives; and
- response to media inquiries, production of press releases and speeches for the Commission and the Minister and management of events around the state.

Obligatory Reporting

Disability Services

During the year significant achievements were realised in the delivery of housing services and programs for people with a range of disabilities.

- The new policy and Disability Service Plan complement and build on and support previous commitments in delivering customised housing solutions for people with disabilities, and identifies and responds to the challenges facing the Department.
- New initiatives include the introduction of visitable design features to enable wheelchair access to future newly constructed Homeswest dwellings, unless the site and/or location are unsuitable.

Housing solutions

- Completion of a purpose built seven-unit cluster development for residents with a range of disabilities, including wheelchair users. The “cluster concept” provides discrete street frontage for some, while the remaining units through careful planning achieve privacy and promotes a sense of security.
- Maximising resources also saw the redevelopment of a site in Subiaco which with innovative planning, ongoing consultation and the joining-up of agencies, has achieved eight purpose built units that will be home for local residents, who will be supported by their families.
- Individualised family housing options (for families with a family member with a disability), continued to provide appropriately designed housing located in metro and country areas.
- Re-development and upgrades of existing properties, particularly for people with disabilities, leaving more institutionalised accommodation provided positive housing outcomes. This saw construction of a purpose built home to accommodate four adult women who relocated from an older style hostel setting.

Disability Services Plan

The Commission is committed to providing access to its housing and customer services across all its programs. It does so in keeping with the Disabilities Services Plan to ensure that people with disabilities have the same access and opportunity as others.

State capital works and maintenance functions will report separately. They are committed to the principles of ensuring that the five key outcomes outlined below are addressed. They are to be addressed within the areas of tendering processes, access audits of leased buildings and raising awareness of accessibility issues with its customers.

The Five Disability Services Plan Outcomes

1. Existing services are adapted to meet the needs of people with disabilities.

With its commitment to providing appropriate services for people with disabilities, the Commission continues to monitor and deliver appropriate services and outcomes.

The Commission has introduced “visitable” design features to newly constructed dwellings. From the 2004-05 financial year, all new mainstream housing will be designed to a “visitable” standard, unless the site and/or location are unsuitable. Visitable design enables residents and their visitors who are wheelchair users to access the home.

2. Improved access to the Commission’s offices.

This is an ongoing review process across all departmental offices, to ensure buildings are accessible for staff and the Commission’s customers.

3. Providing information about Commission’s facilities and services in formats that enhance communication with people with disabilities.

This commitment has resulted in improvements in the Commission’s brochure, *Housing Options for People with Disabilities*. Other similar literature will be reviewed on an ongoing basis. Information in alternative formats is also available upon request.

4. Providing opportunities for people with disabilities to participate in public consultations, grievance mechanisms and decision-making processes.

The Commission provides opportunities for people with disabilities to be represented on various committees and convenes consultation opportunities for stakeholders and consumers on specific policy and program initiatives. A consumer with a disability was a representative of the Steering Committee that oversaw the review of the Commission’s Strategic Housing Policy for People with Disabilities and the development of the new Disability Services Plan.

5. Delivering information and services by staff who are aware of and understand the needs of people with disabilities

Disability Awareness raising education sessions were conducted for staff in a number of metropolitan and country regions during the year. These sessions covered awareness-raising of a range of disabilities, including mental health.

Professional presenters deliver appropriate information to enhance a working knowledge of disability, from a personal and a customer service delivery focus.

As part of this commitment, the Commission engages professional occupational therapy services to ensure that its housing design is appropriate to its customers’ needs. The service also provides guidance to the Commission’s staff in assessing the housing needs of people with a range of disabilities, in relation to the construction of purpose-built homes and modification works to existing homes.

Cultural Diversity and Language Services

Many of the Commission's customers are from culturally and linguistically diverse and indigenous backgrounds. The Commission aims to ensure that language is not a barrier to these people.

The metropolitan regional offices have on-site interpreter services, including telephone interpreter service available on a needs basis. Telephone interpreter services are also available to country regions and customers with hearing impairments.

The Commission provides staff with training on cultural awareness and has a Cultural Services Policy. All letterheads have information in 17 languages on the reverse, advising customers of the interpreter/translation service.

Youth Outcomes

The Commission continued to work in partnership with Anglicare, Fremantle Community Youth Services and the Rockingham Youth Accommodation Program to provide housing support for young people. The Commission provides housing for a range of youth schemes, and the Department for Community Development provides funding for the management services. The schemes supported by the Commission include:

- Youth Externally Supported Housing;
- Fremantle Regional Externally Supported Housing;
- Rockingham Youth External Accommodation Program; and
- Broome Youth Accommodation Service¹.

¹ Administered by the Nirrumbuk Aboriginal Corporation.

Goal 2: The Economy

“To develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth.”

Land acquisition and strategic planning

The Commission actively acquires land and progresses planning approvals to assist in the delivery of affordable residential land, including the provision of sites to meet its housing construction programs.

Overall, actual expenditure on land acquisitions this year was \$24.5 million, compared with the budget allocation of \$30.7 million. The variance is as a result of delays in transacting prospective acquisitions with various Government Departments and private vendors including joint venture partners. The Commission acquired a total of 20 group housing development sites 13 in the Perth region and 7 in country regional centres. Approximately 76 single residential allotments were purchased, 57 in the Perth Region and 19 in country centres.

The Commission acquires single residential, grouped housing lots and broad hectare land to meet immediate and longer-term housing needs. Broadhectare² sites comprising about 6.7ha were acquired in Brookdale and Langford.

Land use planning projects, which have been subject to formulation over the past year, include broad hectare sites at Henley Brook (Albion Town), Kiara, Forrestdale, Swan View and West Stratton.

A revised structure plan for Albion, covering the Commission's holding (148 hectares) and other private owners, has been prepared as the basis for progressing with rezoning. Similarly a preferred development plan for Kiara (14 hectares) is intended to re-institute the rezoning process.

The Forrestdale project relates to a site of 27 hectares with a focus on devising a comprehensive approach to sustainable land development. A preliminary concept plan is to be the subject of further analysis through an inter-agency committee with the aim of proceeding with a demonstration project.

Sites at Swan View (four hectares) and West Stratton (60 hectares) have been the subject of initial concept planning including consultation with stakeholders.

In a redevelopment context, work has continued on a master plan to guide improvements to the Brownlie Towers precinct in Bentley. The Commission has worked cooperatively with the Town of Victoria Park to reach agreement on the future use and management of the Hillview site in East Victoria Park. The “Shenton Village” complex in Shenton Park consisting of 66 units was acquired for aged persons accommodation.

Over the past year, discussions continued with various government agencies in respect to the purchase of strategically located land which is surplus to the original purpose. The Commission acquired sites in established areas offering potential for approximately 130

² Broadhectare land is previously unsubdivided land typically in excess of one hectare.

dwellings from agencies such as the Police, Education, the Subiaco Redevelopment Authority, and the Public Asset Rationalisation Committee. In addition, the Commission has acquired two properties in the Stirling precinct of central Perth, which offers potential for around 150 units.

A budget of approximately \$34.3 million is planned in 2004-05 to target specific sites in the metropolitan area and regional centres.

Land Development

The Commission continued the in-house development of broadhectare holdings to: assist in the supply of lots for the construction of rental housing; a continual supply of affordable land, with an emphasis on first homebuyers; and a revenue stream to fund the Commission's social programs.

The Commission undertook residential development at Banksia Grove, Dianella and Mirrabooka, and a small project at Waikiki. A total of \$6.9 million was expended for a yield of 132 lots.

The 2004-05 program has a budget for development expenditure of \$16.8 million, with major activity at Dianella (\$2.8 million), Armadale (\$2.1 million), Kwinana (\$2.6 million), Mirrabooka (\$1.4 million), and Banksia Grove (\$3.12 million), for a total yield of 422 lots.

Landstart Redevelopment Program

Landstart's Redevelopment Program involves the rationalisation of aging public housing stock in areas close to existing services and where the zoning allows for subdivision. These conditions create opportunities for the Commission in the form of new construction and available land on which private homebuyers can build.

Established suburbs with existing infrastructure are an attractive option for private and public housing. Redevelopment enhances the potential yield of housing and creates new and innovative solutions to streetscapes.

Opportunities for redevelopment during 2003-04 were limited. This was primarily due to a policy shift away from disposing of well-located properties close to amenities and established infrastructure, and a move toward securing sites with redevelopment potential for the construction program.

Despite the above, 22 vacant lots were sold under the program during the year, providing revenue in excess of \$2.1 million. The focus of activity was in the suburb of Willagee where demand was strong. Eleven lots were sold in Willagee, generating \$1.6 million.

A further 22 residential dwellings were also sold in "as is" condition in areas such as Ashfield, Beachlands (Geraldton), Cloverdale, Doubleview, Hilton, Innaloo and Willagee. The sale of these sites, most of which had development potential, provided revenue of \$4.6 million.

During the year, 33 lots (55 DUES³) were developed to provide land for the Commission's rental construction program as well as for sale to private buyers at a cost of \$0.8 million.

³ Dwelling Unit Equivalents (DUES) relates to the potential yield for the construction of a dwelling in accordance to its zoning, for example, a duplex site equals 2 DUES.

Subdued redevelopment activity is likely during 2004-05 in Willagee, Hilton, Doubleview and Innaloo projects. One hundred and twenty three DUES are anticipated for development at a cost of \$1.6 million. It is expected that 52 lots will be sold under the program during the year with revenue anticipated to be \$7.2 million the focus of activity being the progression of Stage 7 in Willagee (61 lots).

It is expected that 25 new lots will be created for the rental construction program. In addition, 10 residential properties worth an estimated \$1.5 million will be sold in "as is" condition in Como, Hilton and Beachlands (Geraldton).

Joint Ventures

The joint venture method is now a tried and tested feature of the Commission's development mechanism, and is the focus of Landstart's development and marketing program. Ten joint ventures are currently operating.

The joint ventures enable the Commission to access the innovative presentation and marketing strengths of the private sector and partnerships for sharing the risk in major developments.

The joint venture method also reduces the demands on the Commission's cash flow, releasing funds for other activities.

A wide range of products are made available to the consumer, particularly in the larger joint venture projects. The Ellenbrook, Brighton, Clarkson and Dalyellup projects produce cottage, traditional, dress circle and country style lots suitable for the first homebuyer, young families and "empty nesters".

Joint ventures sold a total of 1,825 lots yielding in revenue of \$85.5 million. A total of \$59.6 million was expended for a yield of 1,701 lots.

The Commission will seek submissions for joint venture development of the balance of Landstart holdings at Banksia Grove and Brookdale in 2004-05. Plans are underway for longer-term projects at Albion Town (Henley Brook), Golden Bay and Amarillo.

Landstart plans a development program of 2469 lots at a cost of \$46.2 million through the joint venture program and forecasts sales of 2164 for \$87.6 million. It is anticipated that 116 lots will be created and allocated to future State Housing Commission construction programmes.

Brighton

The Brighton joint venture at Butler between Landstart and The Butler Land Company is expected to yield over 6000 lots.

Located approximately 40km north of the Perth CBD on 680 hectares between the beach and the Mitchell Freeway reserve. Brighton will have an ultimate population of 28,000 permanent residents and provide employment for around 15,000 people.

2003-04 has seen strong growth and sales in Brighton, with over 515 sales achieving income of \$22.0 million. Expenditure for the year was \$17 million yielding 517 lots.

2004-05 will see a further 701 lots produced at a cost of \$22.9 million, with anticipated revenue of \$29.3 million from the sale of 599 lots.

Beeliar

Landstart entered into a joint venture with Beeliar Partnership Pty Ltd for the development and sale of the remainder of its landholdings at Beeliar.

The land is within 22 kilometres from the Perth CBD on Beeliar Drive in the City of Cockburn. It has a capacity to yield approximately 860 lots.

The new joint venture development has been renamed Meve, and is adjacent to an existing primary school, close to major shopping centres and public transport. The objective of current planning is to create a sense of community around a café and community centre, complete with boardwalks and a central lake, whilst future planning provides for the inclusion of a village centre site.

As part of the community development the “East Beeliar” Community Centre, was opened during the year, and will be used by a number of community and sporting groups in the area. Meve at Beeliar was also the winner of the Judges Award in the Annual Urban Development Institute of Australia Awards for its community involvement and development in the estate.

2003-04 was a successful sales year, with 166 for the financial year with revenue of \$5.9 million.

2004-05 will see the development and release of stages six, seven and eight, resulting in a further 126 lots. Income is anticipated to be \$5.9 from 131 expected lot sales.

Clarkson

“Somerly” at Clarkson proposes a safe, pleasant and convenient environment with ready access to local community facilities and services. The project was officially launched by the Hon Nick Griffiths in March 2004.

Located 34 kilometres from the Perth CBD, to the north of Neerabup Road, Somerly is a joint venture between Landstart and Urban Pacific Limited. The Venture commenced in June 2002 and lots were released in November 2002.

Somerly comprises 162 hectares of source land, which will be serviced by the Clarkson Railway Station in October 2004 making Somerly the first transit-oriented development in the North-West corridor. The estate is ideally located for services between the train station to the east and the Ocean Keys Regional Shopping Centre to the west.

With over 350 lots already sold, the Clarkson Joint Venture is well under way. A highlight was the main public open space off Ocean Springs Boulevard, incorporating a permanent water feature.

Revenue for 2003-04 was \$1.3 million from 79 sales and 87 lot yields.

It is anticipated that 445 lots will yield in 2004-05 with 338 sales and revenue of \$8.0 million.

Albany (Woodrise)

The Heath Development Company and Landstart undertook a joint venture for the development of a 15.5 hectare site on the corner of Angove and Ulster Roads, Albany.

This project has produced around 190 residential lots and is located about three kilometres from the centre of Albany and close to most services.

The design features regularly shaped lots and pockets of open space and is on a north-facing slope.

The majority of development was completed in 2003-04 with 32 sales for the year achieving \$0.4million in revenue.

With development completed in 2004-05, the focus will shift to marketing the remaining lots. Income is anticipated to be \$0.5 million from the sale of 45 lots.

Seacrest (Wandina)

Seacrest comprises over 153 hectares of land in the southern approach to Geraldton within the Shire of Greenough. It will eventually yield over 1,600 lots and will provide for striking ocean views as well as lots overlooking the Moresby Ranges to the east.

Local developer Springdale Holdings Pty Ltd and Landstart are participating in the joint venture development of this land.

The estate is attractively landscaped with ornamental lakes near the entry and a boulevard leading up to the escarpment with ocean views. For the first time in Geraldton, each lot is being cabled for modern technology, providing residents with online access to free-to-air TV stations, Internet services, security services and remote phone calls at local prices. Eventually this infrastructure will give them the opportunity to access educational, shopping, recreational and other on-line facilities.

Seacrest enjoyed over 72 sales in 2003-04, with income of \$2.0million.

In 2004-05 revenue is anticipated to be \$2.3million from the sale of 39 lots at Seacrest. Development expenditure is anticipated to be \$1.1 million yielding 73 lots.

Quinns (Brighton Beachside Estate)

The joint venture development between Landstart and Heath Development at Brighton Beachside is approximately 36 kilometres north of Perth City via the Mitchell Freeway and 12 kilometres from Joondalup Centre. The nearest point of the estate to the beach is 500 metres.

The estate has the potential to yield approximately 340 lots and shares technology with the adjoining Brighton estate, including cabling for the Internet and television. The average lot size is 550 square metres.

2003-04 recorded 43 sales at Quinns, with income of \$3.1 million.

2004-05 forecasts the remaining 108 lots to be developed at a cost of \$4.5 million. These will consist of approximately half traditional and half cottage lots, offering the buying public a good choice of design and price range. Revenue is anticipated to be \$13.3 million from 141 sales.

Dalyellup

Dalyellup Beach Development is a joint venture between landowners Homeswest and developers Home Satterley Dalyellup Pty Ltd. The joint venture commenced in 1999 and uses the natural landform to create villages that are separated by linear parks, providing a unique blend of bushland and coastal precincts.

The 660-hectare coastal strip is located west of the Bussell Highway at Dalyellup, south of Bunbury. Dalyellup Beach incorporates over 130 hectares of coastal reserve, 50 hectares of tuart forest and 11 hectares of foreshore reserve.

Block sizes range from: cottage, averaging 500 square metres; to park and lakeside; to prestigious ocean side lots averaging 650 square metres. To date approximately 900 lots have been released for sale with an estimated 3300 lots to be released over the life of the development.

Dalyellup has won 11 awards to date, with the most recent being a national finalist in the 2003 Urban Development Institute of Australia Awards - Masterplanned Community category. Dalyellup continues to be recognised for its standard of development.

Sales have been strong in Dalyellup, creating the need to bring forward lot production in the estate to cater for the ongoing demand. There were 279 lot sales in 2003-04 achieving income of \$11.1 million with expenditure of \$8.8 million yielding 222 lots.

It is anticipated that 2004-05 will yield 328 lots at a cost of \$9.1 million. Revenue is expected to achieve \$11.7 million from 246 sales.

Ellenbrook

The Joint Venture at Ellenbrook will ultimately consist of seven unique villages, surrounding a town centre. Each village will offer a different architectural style and provide a variety of homesite options.

Lots sizes range from 348 to 3,000 square metres, at prices of \$68,000 to \$127,000. 18 per cent of purchasers in Ellenbrook are existing residents who have experienced the benefits of living in a superior subdivision. These residents are selling their original homes and re-investing within the development to take advantage of increased property prices and to build a more substantial dwelling while retaining their links to the community.

Ellenbrook's fifth village, named Charlotte's Vineyard, combines formal planting, public art and streetscapes amongst natural bushland. It offers a choice of homesites, ranging from the compact cottage to larger country homesites.

The central focus of the village is a seven-hectare centrepiece of picturesque parkland and conservation area. The second Government primary school in Ellenbrook has been opened near the lake in Charlotte's Vineyard.

Ellenbrook developed 606 lots with expenditure of \$27.9 million in 2003-04 whilst achieving 605 sales with revenue of \$35.4 million.

In 2004-05 anticipated revenue is \$14.6 million from 430 lot sales with expenditure of \$8.6 million yielding 430 lots.

Wellard

The Village at Wellard is a 2,700 lot residential estate that is being developed around the future Wellard train station. It will include 50 hectares of public open space, schools, civic facilities and commercial opportunities. There will be a mixture of residential lots available, from cottage lots to larger traditional-sized lots, together with architect-designed apartments and townhouses.

The development is the southern corridor's first greenfields transit-orientated development. The Village at Wellard is unlike anything else in Perth's southern corridor; a development that combines modern facilities and conveniences with world's best environmental practices.

It will have the convenience of a modern bus station and a state-of-the-art train station in the Village Centre. The Village Centre will be a vibrant and inviting pedestrian environment with a mix of street level retail and entertainment facilities, including shops, restaurants, alfresco

dining, offices and residential living. Homes within the Village at Wellard will be located within a convenient 10-minute walk of the train station.

Wellard's 320-hectare project commenced civil works during the year, with sales expected to commence in 2004-05. Stage 1 comprises 47 lots and includes traditional home sites ranging between 493 square metres to 732 square metres and cottage lot sites ranging 370 square metres to 458 square metres. Many lots will benefit from their proximity to the proposed primary school, private kindergarten-Year 12 site, district recreation oval and The Village.

In 2004-05 sales are anticipated to be 195 achieving income of \$1.9 million with development yielding 230 lots. Planned earthworks for the construction of the Town Centre and for the railway line are expected to begin during the year.

Conveyancing Fees

The Securities Branch remained on budget to collect the estimated annual revenue for Conveyancing Fees. As at end of June 2004 the Branch collected \$1.7 million.

Based on income projections for 2004-05, the Branch envisages that it will achieve a similar outcome, subject to the housing market generating similar levels of activity as 2003-04.

Loan Interest Rates

Pursuant to Section 42 of the *Housing Act 1980*, the Commission may, by determination approved by the Minister and published in the Government Gazette, fix a standard rate of interest to apply to all loans.

The interest rate is determined by the Commission's cost of funds, the level of borrower concessions provided across the various home loan schemes and the effective home loan lending rate charged by the financial institutions once all added costs are taken into account.

The maximum home loan rate charged by the Commission is currently 6.99 per cent per annum. The rate was published in the Government Gazette on 23 December 2003.

Goal 3: The Environment

“To ensure that Western Australia has an environment in which resources are managed, developed and used sustainably, biological diversity is preserved and habitats protected.”

Sustainability

Sustainability is meeting the needs of current and future generations through integration of environmental protection, social advancement and economic prosperity.

The State Labor Government released its State Sustainability Strategy in September 2003. The State Housing Commission was actively involved in the process of developing the Strategy and is currently in the process of implementing its recommendations through a series of initiatives. The development and implementation of these initiatives is being coordinated through an Executive Standing Committee.

Sustainable land model, Forrestdale

The Commission, through its land development arm (Landstart) is heading an inter-agency steering committee to plan and develop a sustainable land settlement model at Forrestdale, 19kms south of the Perth. The project is founded on the assumption that the design and servicing of cities and a sustainable future for ourselves and future generations is intimately related.

Sustainable house, Broome

The Commission has begun construction work on a sustainable house in Broome; with completion scheduled for August 2004. Once occupied, the house will be monitored jointly by the Commission and the Sustainable Energy Development Office to measure its energy and water consumption under normal operational conditions.

Visitable design

The Commission has introduced a policy to enable the majority of Homeswest dwellings (subject to site suitability) to be designed to visitable standard. Visitable design is housing designed in such a way that people with a disability can visit. This policy will be implemented during 2004 and will greatly increase the capacity of the Commission to assist people with disabilities – both residents and visitors.

Reversed brick veneer construction

The Commission is introducing a new initiative to meet the recent and possible future amendments of the Building Code of Australia on energy efficiency standards by designing a group of houses with a reversed brick veneer construction. This type of construction is considered more energy efficient than standard double brick construction because of its insulation properties and the benefit of the mass of the internal clay bricks. A group of six family houses in Innaloo has been chosen for the project and construction is planned to commence in 2004.

Solar Smart brochures

The Commission's Keystart division has implemented a joint initiative with SEDO to distribute Solar Smart brochures to Keystart approved borrowers who wish to install a solar hot water unit. Keystart provides finance for the purchase of the solar hot water system.

GreenSmart loan

Keystart has developed a new product, the GreenSmart Loan. Keystart will provide an increase of \$1,000 in the loan amount to borrowers who construct a property complying with HIA GreenSmart criteria. The increased loan is in addition to normal limits but is subject to the loan not exceeding 100 per cent of the property value. The GreenSmart Loan to equity ratio is 100 per cent (compared to a normal Keystart loan to equity ratio of 98 per cent).

Sustainability newsletter

An in-house sustainability newsletter is published on a monthly basis for distribution to all staff. The newsletter's purpose is to keep all staff informed about sustainability issues, innovations and ideas, and upcoming events, seminars and workshops.

Obligatory Reporting**Waste Paper Recycling**

The Commission uses Paper Recycling Industries for waste paper removal. This Common Use Contract is for the removal of office waste paper and cardboard for recycling. The Contractor is able to collect all grades of paper and cardboard. The collection and destruction of confidential material is not included in this contract because there is generally a cost involved. The contract is due to expire on 1 May 2005.

Energy Smart Government Policy

In accordance with the Energy Smart Government Policy, the Department has committed to achieving a 12 per cent reduction in non-transport related energy use by 2006-07.

Energy Smart Government Policy	2003-04	2002-03
Energy Consumption (MJ)	679,179	391,455,014
Energy Cost (\$)	21,147	2,754,472
Greenhouse Gas Emissions (tonnes of CO ₂)	173,603	100,056
Performance Indicators		
MJ / m ²	633	286,554
MJ / FTE	778	352,980

Note: Refers to Hay Street and Broome offices only.

Goal 4: The Regions

“To ensure that regional Western Australia is strong and vibrant.”

Regional Western Australia consists of one-third of Australia's land area yet its half a million people represent only 2.7 per cent of Australia's and only 27 per cent of the State's population⁴.

Regional Western Australia refers to all areas of Western Australia outside the Perth Metropolitan area. The Commission has a strong presence in regional Western Australia with offices in the Great Southern, South West, Central/Goldfields, Midwest/Gascoyne, Pilbara, Kimberley and the Wheatbelt areas.

The Commission provides assistance to regional Western Australians through a number of programs, including:

- Keystart Scheme;
- Goodstart Scheme;
- Access Loan Scheme for people with disabilities;
- Aboriginal Home Ownership Scheme;
- Restart Scheme;
- Rental Housing through Homeswest;
- Supported Housing Assistance Program;
- New Living;
- Joint Venture Programs;
- Community Housing Programs;
- Crisis Accommodation Program;
- Community Disability Housing Program; and
- Repair and maintenance service to remote Aboriginal communities.

The Commission undertakes a number of Joint Venture land development programs for the development of regional sites for future residential housing. These developments include:

- The development of a 15.5 hectare site in Albany with the Heath Development Company. The results of this project will be the development of 190 residential lots.
- Seacrest (Wandina) near Geraldton will see the development of 1,600 residential lots on a 153 hectare site.
- Dalyellup south of Bunbury, on 660 hectares of coastal strip, will provide in excess of 4,000 residential lots.

The New Living program involves eight projects in regional Western Australia to redevelop and enhance older housing estates in regional centres. These projects include Spencer

⁴ Australian Bureau of Statistics, 2001 Census Data.

Park/Mt Lockyer (Albany); Carey Park and Withers (Bunbury); Collie; Nulsen (Esperance); South Kalgoorlie; Geraldton (Rangeway, Spalding, Utaarra and Waggrakine (Geraldton); Carnarvon (South Carnarvon, Brockman and Morgan Town); and South Hedland.

Through its mainstream rental program, the Commission provides rental accommodation, rental subsidies and various structured programs for families on low to moderate incomes. The Commission provides rental subsidies to 28,085 families totalling to a weekly subsidy of \$1.7 million. The various regional offices undertake the day-to-day management of regional mainstream rental properties.

The Commission carries out maintenance and refurbishment of rental properties on a regular basis. Maintenance occurs on an as needs basis, either on a day-to-day basis, when the property is vacated or thorough the refurbishment program. These refurbishments do not include those as part of the New Living Program.

Goal 5: Governance

“To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.”

Board of Commissioners

The Board of Commissioners comprises seven members, with six drawn from the community and the General Manager of the State Housing Commission as an *ex officio* member. The Board is accountable to the Minister for Housing and Works and is supported by the Department of Housing and Works' executive staff. Board members have special skills and differing backgrounds, and provide best practice governance.

Composition of the Board

Ian Taylor

Chairman

Ian Taylor is the Chairman of the Landstart Board and a member of the Keystart Board of the State Housing Commission. He is also the Chairperson of the Regional Development Council and a former Deputy Premier of Western Australia.

David Coates

Deputy Chairman

David Coates is a partner in accounting firm Deloitte Touche Tohmatsu and has extensive experience in the financial reconstruction of major companies, including several in the property and building sectors.

Peter Yu

Commissioner

Peter Yu is a Yawuru man from Broome. He is currently Chair of the Aboriginal Housing Infrastructure Council in WA. Mr Yu has worked in an advocacy role on behalf of Aboriginal interests in the Kimberley area and other parts of Western Australia for most of his career.

Dr Ann Zubrick

Commissioner

Dr Ann Zubrick is a Director of AAAJ Consulting Group and an educationalist with special interests in education, community and service planning. She chairs the Council of Methodist Ladies' College and is a member of several boards including Therapy Focus, which provides therapy services to school-aged children with disabilities.

Mike Bonney

Commissioner

Mike Bonney is a licensed finance broker and consultant. He has provided management services to many cooperative housing societies in WA. Mr Bonney is a former National President of the Australian Cooperative Housing Society Association and a former Chairman of the Inner City Youth Service.

John Gherardi BSc, BEcons, DipTheol**Commissioner**

John Gherardi has had a long-standing involvement in social housing policy and has been associated with the Commission through various consultative bodies and program committees. He has been involved in the provision of community housing for many years, and is Director of City Housing. Mr Gherardi is Chief Executive of Ruah Community Services and a Director of the WA Council of Social Services.

Greg Joyce BA, LLB, Bjuris**Director General (General Manager State Housing Commission)**

Greg Joyce joined Homeswest in 1973. He was appointed General Manager in 1992 and became Director General of the Department of Housing and Works in July 2001. He maintains his position of General Manager, State Housing Commission under the *Housing Act 1980*.

Board Governance

The Board of Commissioners is accountable for the performance of the State Housing Commission as required under the *Housing Act 1980*, and is responsible for its overall corporate governance.

The Board formulates strategic direction, establishes policies, sets the budget and programs and monitors achievements against agreed targets and outcomes, subject to the control and direction of the Minister for Housing and Works.

Written reports on the Commission's activities and financial statements are provided to the Board each month.

The Board members are appointed on the recommendation of the Minister for Housing and Works for a period of up to three years. Commissioners are bound by the provisions of the *Statutory Corporations (Liability of Directors) Act 1996*. In addition, the Board has adopted for itself and members of other Boards associated with the Commission, the Code of Conduct of the Australian Institute of Company Directors.

Remuneration for Board members is: Chairman \$48,300 plus expenses, Deputy Chair \$26,500 and Members \$19,320. In addition, members are reimbursed for justifiable expenses incurred in carrying out their responsibilities. There are more details in the Financial Statements.

In 2003-04 there were ten Board meetings. Attendance is shown below.

Board Member	Position	No. Meetings 2003-04	Max. Possible Attended
Ian Taylor	Chairman	10	10
David Coates	Deputy Chairman	8	10
Peter Yu	Commissioner	9	10
Dr Ann Zubrick	Commissioner	8	10
Mike Bonney	Commissioner	9	10
John Gherardi	Commissioner	10	10
Greg Joyce	Director General	10	10

Audit Committee

The Audit Committee met three times during the year.

Member	Position	No. of Meetings 2003-04	Max. Possible Attended
David Coates	Chairman	3	3
Ian Taylor	Independent Member	2	3
Greg Joyce	Director General	3	3

Internal Audit Function

In accordance with the requirements of the Financial Administration and Audit Act 1985, the Management Review and Audit Branch (which incorporates internal audit services) operates as an independent appraisal activity. The branch provides management with consulting activity to ensure that activities are carried out effectively and efficiently in accordance with sound business practices and all legal requirements. The branch also assists the Board of Commissioners with their corporate governance responsibilities.

A comprehensive Strategic Audit Plan, which addresses key business risks and focuses on reviewing the efficiency and effectiveness of operations of the organisation, is reviewed annually.

By direction of the Audit Committee, the function also provides assistance to the Board in implementing desired risk management strategies, and continues to significantly support the risk management framework.

Landstart Advisory Board

The State Housing Commission Board appoints the Landstart Board after consultation with the Minister. The Landstart Board comprises of five members and met six times during the year.

Member	Position	No. of Meetings 2003-04	Max. Possible Attended
Ian Taylor	Chairman	6	6
Lloyd Guthrey	Member	6	6
William Griffith	Member	6	6
Greg Joyce	Member	5	6
Ian Johnston	Member	6	6

The Landstart Board meets to consider all aspects of Landstart's functions including acquisition, development and sale of land, provision of land for rental construction, joint venture land developments and the financial and functional management of the land asset. Decisions on major acquisition and sales are referred to the State Housing Commission Board.

A joint venture board and/or meetings of directors of a management company provide governance of joint venture projects. Both participants are equally represented on joint venture boards and committees, which meet monthly or bi-monthly according to the progress and size of the project.

Keystart Advisory Board

The Keystart Board has seven members appointed by the State Housing Commission Board after consultation with the Minister. The Keystart Board met eleven times during the year.

Member	Position	No. of Meetings 2003-04	Max. Possible Attended
Lloyd Guthrey	Chairman	11	11
Greg Joyce	Director	9	11
Ian Taylor	Director	10	11
Mike Bonney	Director	10	11
David Butler	Director	11	11
Raymond Chadwick	Director	8	11
John Coles	Director	11	11

Aboriginal Housing and Infrastructure Council

The Aboriginal Housing and Infrastructure Council met six times, and consolidated its position as the principal source of advice on policies and strategies to improve housing outcomes for Aboriginal people in Western Australia.

The Aboriginal Housing and Infrastructure Council met six times during the year.

Member	Position	No. of Meetings 2003-04	Max. Possible Attended
Peter Yu	Chairperson	6	6
Barbara Henry	State Representative	5	6
Sue Wyatt	State Representative	3	6
Darren Farmer	ATSIC Representative	4	6
Barry Taylor	ATSIC Representative	4	6
Charlie Wright ¹	ATSIC Representative	1	1
George Hamilton ²	ATSIC Representative	2	5
George Hayden	ATSIC Representative	4	6
Danny Ford	Executive Director AHID	6	6

¹ Mr Charlie Wright resigned from the Aboriginal Housing and Infrastructure Council in August 2003.

² Mr George Hamilton was appointed in October 2003 and replaced Mr Charlie Wright.

Delegation of Authority

Under the *Housing Act 1980*, in most circumstances, authority to undertake transactions is conferred on the Minister for Housing and Works and/or the Board of Commissioners.

Section 13 of the Act, however, provides that the Board can with the consent of the Minister, delegate by an instrument in writing, any of its powers and functions under the Act, to an officer of the State Housing Commission. Generally, these delegations are always subject to Board and Ministerial budget and program approval (and other requirements) on a tri-annual basis. An appropriate delegation regime framework was developed, and a comprehensive Register created to demonstrate those formal delegations. The original Register was developed in 1993 in consultations with the Crown Solicitors Office.

Performance Reporting

The Balanced Scorecard provides management and the Board of Commissioners with a comprehensive overview of organisational performance. The scorecard not only includes measures of financial performance, but complements these with operational measures on customer satisfaction, internal processes and the Commission's human resources.

The mission, objectives, guiding principles and strategies identified in the Strategic Plan have specific measures identified which are represented by the four key result areas of the Balanced Scorecard. The four key results areas are:

- Sustainability, which reflects the Commission's ability to remain solvent and capable of delivering housing assistance in the future;
- Customer Service, which measures the degree to which the Commission is responsive to customer needs for housing assistance;
- Internal Processes, which measure the efficiency of the Commission's internal processes to deliver housing assistance; and
- Learning and Growth, which measure the Commission's ability to learn and adapt to change and implement new initiatives.

The Commission continues to participate in a Balanced Scorecard industry group managed by Curtin University of Technology which exists to share ideas and information on Balanced Scorecard methodology used in the private and public sectors.

Compliance with Legislation

The State Housing Commission is required to comply with a range of Commonwealth and State Legislation.

Commonwealth Legislation

- *Housing Assistance Act 1996*
- *Privacy Act 1998*
- *Corporations Law*
- *Disability Discrimination Act 1992*
- *Trade Practices Act 1974*

State Legislation

- *Housing Act 1980*
- *State Supply Commission Act 1991*
- *Financial Administration and Audit Act 1985*
- *Residential Tenancies Act 1987*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *Equal Opportunity Act 1984*
- *Government Employees Superannuation Act 1987*
- *Occupational Health, Wealth and Safety Act 1987*
- *Workers' Compensation and Rehabilitation Act 1981*

- *Industrial Relations Act 1979*
- *Industrial Relations Amendment Act 1993*
- *Minimum Conditions of Employment Act 1993*
- *Freedom of Information Act 1992*
- *Environmental Protection Act 1986*
- *Statutory Corporations (Liability of Directors) Act 1996*
- *Fair Trading Act 1987*
- *Consumer Credit (Western Australia) Act 1996*
- *Transfer of Land Act 1893*
- *Valuation of Land Act 1978*
- *Land Administration Act 1997*
- *Local Government Act 1995*
- *Water Corporation Act 1995*
- *Public Works Act 1902*
- *Town Planning and Development Act 1928*
- *Metropolitan Region Scheme Act 1959*
- *Aboriginal Heritage Act 1972*
- *Native Title (State provisions) Act 1999*
- *Swan Valley Planning Act 1995*
- *State Title Planning Act 1995*
- *Heritage of Western Australia Act 1990*

Note: The above legislation is not intended to be a comprehensive list of all written laws with which the Commission is required to comply

Obligatory Reporting

Advertising and Sponsorship

In accordance with section 175ZE of the Electoral Act 1907, the Commission has incurred the following expenditure in relation to advertising and market research organisations:

Advertising and Market Research	2003-04
Advertising Agencies	
Bowtell Clarke & Yole	\$196,171.01
Market Research Organisations	Nil
Polling Organisations	Nil
Direct Mail Organisations	Nil
Media Organisations	
Marketforce	\$207,494.73
Media Decisions	\$373,883.86
Total	\$581,378.59
Total Advertising and Market Research	\$777,549.60

Information Statement

The Freedom of Information Act 1992, which came into effect on 1 November 1993, created a general right of access to documents held by state and local government agencies. The Act requires agencies to make available details about the kind of information they hold and enables persons to ensure that personal information held by government agencies about them is "accurate, complete, up to date and not misleading".

It is the aim of the Commission to make information available promptly, for the least possible cost, and wherever possible documents will be provided outside the Freedom of Information process.

Freedom of Information Applications for 2003-04

As at the end of June 2004, 103 valid applications were received during the year. Of these, 80 sought access to personal information and 23 sought access to non-personal information. A more comprehensive breakdown of this agency's statistics is provided in the Information Commissioner of Western Australia's Annual Report - www.foi.wa.gov.au.

Disclosure of Pecuniary Interest

Except as mentioned below, senior officers do not have an interest in any existing or proposed contracts made with the organisation.

All Commissioners abide by the Code of Conduct of the Australian Institute of Company Directors in respect of conflict of interest.

Specifically, one Commissioner declared pecuniary interests in firms that have business dealings with the Commission or companies owned by the Commission.

Commissioner John Gherardi is a Director of the Perth Inner City Housing Association, which is involved in the provision of housing to low-income earners using funds allocated under the Commission's Community Housing Programs. He is also the Chief Executive Officer of Daughters of Charity Services (WA), trading as Ruah Community Services, which provides support to tenants housed under the Commission's Crisis Accommodation Program.

Where conflicts arise, Commissioners have no involvement whatsoever in the Board process.

Statement of Compliance with State Records Act 2000

In the administration of the State Housing Commission, operating as part of the Department of Housing and Works, I have complied with the *State Records Act 2000*.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal checks to satisfy myself that the statement made above is correct.

The evidence to attest compliance for the reporting period are:

- Recordkeeping system last evaluated on..... October 2003
- Recordkeeping training program last conducted on..... To be developed
- Effectiveness and efficiency of recordkeeping training program
last evaluated on To be developed
- Recordkeeping training program included in new employee
induction program..... To be developed



G L JOYCE
DIRECTOR GENERAL

Statement of Compliance with Public Interest Disclosure Act 2003

In the administration of the State Housing Commission, operating as part of the Department of Housing and Works, I have complied with my obligations under the *Public Interest Disclosure Act 2003* by the appointment of a PID Officer and the publishing of internal procedures relating to the Department's obligations under the Act.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal checks to satisfy myself that the statement made above is correct.

During the reporting period no public interest disclosures were received.



G L JOYCE
DIRECTOR GENERAL

Statement of Compliance with Public Sector Standards and Codes

In the administration of the State Housing Commission, operating as part of the Department of Housing and Works, I have complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the Department of Housing and Works' Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal checks to satisfy myself that the statement made above is correct.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

- | | |
|---|---|
| • Number lodged..... | 2 |
| • Number of breaches found, including details of multiple breaches per application..... | 0 |
| • Number still under review..... | 0 |



G L JOYCE
DIRECTOR GENERAL

Tables

Housing Industry Awards

The Commission's construction projects, which won or were finalists for the awards were:

Housing Industry Association Awards

2003 Kitchens & Bathroom Awards

FINALIST	Best Special Needs Bathroom Project of the Year - Anderson Street, Glendalough
WINNER	Best Special Needs Kitchen Project of the Year - Anderson Street, Glendalough

2003 South West Housing Awards

WINNER	Specialised Accommodation Project of the Year - joint winner with BG Grieve Builder - Leschenault Parade, Australind
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2003 Mid West Housing Awards

FINALIST	Medium Density Project of the Year - Carter Street, Three Springs
FINALIST	Medium Density Project of the Year - Fitzgerald Street, Geraldton
WINNER	Medium Density Project of the Year - Stroud Street, Beachlands (Geraldton)

2003 Perth Housing Awards

WINNER	Medium Density Up to \$150,000 per dwelling - joint winner with Perum Building & Construction - Station Street, Bassendean
FINALIST	Medium Density Up to \$150,000 per dwelling - joint winner with Scaffidi Developments - Herbert Street, Doubleview
FINALIST	Medium Density Up to \$150,000 per dwelling - joint winner with BGC Construction - Royal Palm Drive, Warnbro

2004 Kitchens & Bathroom Awards

FINALIST	Most Accessible Bathroom Project - Spencer Street, Yokine
WINNER	Most Accessible Kitchen Project of the Year - Spencer Street, Yokine

Master Builders Awards

Kalgoorlie/Esperance Region – August 2003

WINNER Unit Development (Over \$100,000) - Sime Building and Construction - 17 Foy Street, Esperance

Great Southern Region – October 2003

FINALIST Contract Homes \$125-\$150,000 - Jaxon Construction - 24 Burville Street, Spencer Park (Albany)
FINALIST Group Dwellings Under \$500,000 - Centreline Construction - 2 Kingston Court, Denmark
FINALIST Group Dwellings Over \$500,000 - Jaxon Constructions - 77A & B Katoomba Road & 76 Minor Road, McKail (Albany)

Metropolitan Housing Excellence Awards – March 2004

WINNER Contract Homes Under \$90,000 - BGC Construction - Royal Palm Drive, Warnbro
FINALISTS Contract Homes Under \$90,000,
Perum Building & Construction - Lakewook Cove, Kenwick
BGC Construction - Safety Bay Road, Shoalwater
Scaffidi Developments - Herbert Street, Doubleview
FINALIST Category 2 - \$90,000-\$120,000 - BG Grieve Builder - Congdon Avenue, Pinjarra

South West Region – May 2004

FINALIST Group Dwellings Under \$500,000
Letto Developments - 5 Little Street, Bunbury
BG Grieves - 53 Devonshire Street, Withers (Bunbury)
FINALIST Group Dwellings \$500,000 - \$1Million - Majkic and Company - 89 Dorset Street, Busselton
WINNER Group Dwellings Over \$1Million - Perum Building & Construction - Goldsmith Street, Bunbury

Kimberley Region – June 2004

WINNER Multi Residential Housing Developments Up to \$1,000,000 - Kimberley Green Constructions - Lots 767 & 310 Barringtonia Avenue, Kununurra

2003-04 CONSTRUCTION, SPOT PURCHASE, REFURBISHMENT AND BEDSITTER CONVERSION PROGRAMS

Program	Commencements	Completions	Expenditure (\$M)	Carryover Completions	Carryover Expenditure (\$M)
CONSTRUCTION AND SPOT PURCHASE PROGRAMS					
State Housing Rental Program					
Constructed (Rental)	661	585			
Purchased (Rental)	198	198			
Constructed (Joint Venture)	32	67			
Purchased (Joint Venture)	1	1			
Constructed (Resident-Funded Joint Venture)	0	6			
Program Total	892	857	120.333	923	73.815
Aboriginal Housing Urban Program					
Constructed (Rental)	30	27			
Purchased (Rental)	5	5			
Program Total	35	32	4.931	29	4.717
Aboriginal Housing Communities Program					
Constructed (Commission)	30	32	5.504	24	4.508
Constructed (ATSIC)	8	32	3.342	3	0.251
Program Total	38	64	8.846	27	4.759
Community Housing Programs					
Community Housing Program	44	40	4.572	28	2.600
Crisis Accommodation Program	25	23	4.382	9	0.800
Program Total	69	63	8.954	37	3.400
Subtotal	1,034	1,016	143.064	1,016	86.691

Program	Commencements	Completions	Expenditure (\$M)	Carryover Completions	Carryover Expenditure (\$M)
REFURBISHMENT AND BEDSITTER CONVERSION PROGRAMS					
State Housing Rental Program					
Refurbishments	252	210	4.799	42	0.276
Bedsitter Conversions	19	19	2.523	0	3.962
Program Total	271	229	7.322	42	4.238
New Living Program (Retained Properties)					
Refurbishments	518	487	13.884	167	3.990
Bedsitter Conversions	11	21	0.618	0	0.000
Program Total	529	508	14.502	167	3.990
Aboriginal Housing Communities Program					
Refurbishments	142	108	7.509	60	0.000
Program Total	142	108	7.509	60	0.000
Roeburne Enhancement Program					
Refurbishments	0	4	0.398	1	0.049
Program Total	0	4	0.398	1	0.049
Community Housing Programs					
Community Housing Program	0	1	0.051	0	0.000
Crisis Accommodation Program	1	3	0.051	1	0.057
Program Total	1	4	0.102	1	0.057
Subtotal	943	853	29.833	271	8.334
Total	1,977	1,869	172.897	1,287	95.025

Outcome: Housing eligible Western Australians

HOME LOANS OUTPUTS 2003-04

Quantity & Cost

	Actual 2003-04	Target 2003-04	Explanation for variance
Keystart - Number of loans approved - Value of loans approved (Includes 141 Goodstart, AHOS, Access loans at a value of \$11.7M).	4,183 \$521.4M	5,000 \$533.5M	The value of Keystart approvals was in line with target, however the number of loans approved was less than anticipated due to the increased property prices having an adverse affect on first homeowner affordability.
GoodStart - Number of equity purchases - Value of equity purchases (104 loans amounting to \$8.7M included in Keystart numbers).	104 \$3.5M	60 \$2.1M	The increase in Goodstart approvals is due to an increase in the marketing of the scheme.
Aboriginal Home Ownership Scheme - Number of loans approved - Value of loans approved (Includes 17 loans amounting to \$1.1M funded by Keystart since February 2004.	27 \$2.5M	48 \$3.5M	The lower number of approvals was due to increased property prices having an adverse affect on affordability.
Access Home Loan Scheme - Number of loans approved - Value of loans approved (Includes 20 loans amounting to \$1.9M funded by Keystart since December 2003).	32 \$2.9M	54 \$3.4M	The lower number of approvals was due to increased property prices having an adverse affect on affordability.

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Operating Costs per Current Loan Account - Nominal	\$4,292	\$5,054	\$5,580	\$4,392	\$4,859	\$5,047
Operating Costs per Current Loan Account - Real	\$4,292	\$4,938	\$5,171	\$3,963	\$4,266	\$4,342
<i>For further information refer to Efficiency Performance Indicator 2.</i>						

Timeliness

There is no waiting list for home loans.

Quality

Customer Satisfaction – Keystart Home Loan Scheme

An independent market research agency has undertaken the Customer Satisfaction Survey for the Keystart Home Loan Scheme in 2003-04.

The satisfaction results below are the percentage of respondents giving a rating of 5, 6 and 7 on the 7-point satisfaction scale where a score of 1 indicates complete dissatisfaction and a score of 7 indicates complete satisfaction.

Percentage of Keystart Customers Satisfied		
	2004	2001
<i>Overall Satisfaction with Service</i>	90%	89%
<i>Satisfaction with the Approval Process</i>	90%	91%
<i>Satisfaction with Aspects of Service</i>		
- Speak Clearly	94%	91%
- Shown Respect	93%	87%
- Accuracy of Communications	87%	85%
- Individual Needs	87%	81%
- Efficiency of Queries	85%	79%

In 2003-04, 90 per cent of customers were satisfied with the overall service for Keystart loans compared to 89 per cent in 2000-01. The majority of customers were very satisfied with Keystart, both at an overall level and on specific aspects of the service provided.

Modifications to the Keystart model in August 2002 resulted in loans originating through brokers and the Central Lending Unit. Keystart sought to measure the satisfaction of their customers, following these changes. Three focus groups were conducted with Keystart customers to gauge current satisfaction levels. The customer satisfaction survey consisted of telephone interviews with 206 sample respondents. A sample of 206 corresponds to an accuracy of $\pm 6.8\%$ at the 95% confidence level.

Outcome: Housing eligible Western Australians

RENTAL HOUSING OUTPUTS 2003-04

Quantity & Cost

	Actual 2003-04	Target 2003-04	Explanation for variance
Homeswest Rental Program			
Commencements	892	760	The program was increased during the year to further reduce the demand on the Commission's waiting list.
Completions	857	925	A general shortage of materials and labour in the building industry has led to delayed starts and slow progress on most contracts. As a result, projects are taking longer to complete.
Expenditure	\$ 120.333M	\$ 96.479M	The budget was increased in order to fund the additional units.
Homeswest Refurbishment			
Commencements			
- General	252	120	During the year, additional funds were allocated to the General program, which allowed more properties to be refurbished.
- New Living	518	483	New Living commencements exceeded the target due to the early start of the Brownlie Towers project in Bentley, which was brought forward from 2004-05.
Completions			
- General	210	120	New Living completions decreased due to delays in a number of projects at Hamilton Hill, Langford, Midland/Midvale and Coolbellup. This was partially offset by the Brownlie Towers project being brought forward.
- New Living	487	497	

	Actual 2003-04	Target 2003-04	Explanation for variance
Expenditure - General - New Living	\$ 4.799M \$ 13.884M	\$ 2.920M \$ 15.088M	<p>During the year, additional funds were allocated for refurbishment in the General program.</p> <p>The New Living program was under budget due to delays in a number of projects at Hamilton Hill, Langford, Midland/Midvale and Coolbellup.</p>
Homeswest Bedsitter Conversions (<i>General units yielded from the Minor Works program</i>) Commencements - General - New Living Completions - General - New Living	 19 11 19 21	 15 0 15 4	<p>In the General program, the commencements and completions increased due to the cancellation of three small projects in Busselton and Carnarvon, which were not feasible, and replacement with a larger project in Yokine.</p> <p>The commencements and completions in the New Living program increased due to two complexes in Armadale and Langford becoming available for conversion that were not originally expected. The completions also increased due to a project in the "New North" area, which carried over from 2002-03.</p>
Expenditure (Total Minor Works quoted for General) - General - New Living	 \$ 2.523M \$ 0.618M	 \$ 3.398M \$ 0.000M	<p>The underspending in the General program was due to a major upgrade project at a complex in Mosman Park, where tenders were called but the only tender received was non-conforming so the project was deferred to 2004-05.</p> <p>The overspending in the New Living program was due to the inclusion of new projects in Armadale and Langford and a project in the "New North" area, which carried over from 2002-03.</p>

	Actual 2003-04	Target 2003-04	Explanation for variance
Aboriginal Housing Urban Program			
Commencements	35	34	The variance was not significant.
Completions	32	35	The commencement of a number of projects was delayed due to untimely supply of land, which in turn has delayed the completion until the next financial year.
Expenditure	\$4.931M	\$10.189M	\$5M was reallocated to other capital works programs at the first budget review.
Aboriginal Housing Remote Communities Program			
Commencements	30 8*	78 0*	The variance between actual and target commencements and completions was due to funding discussions regarding the Housing Agreement between ATSIC and the Commission.
Completions	32 32*	53 27*	
Expenditure	\$5.504 M \$3.342 M*	\$13.172 M \$3.254 M*	<p>The variance is indicative of these discussions.</p> <ul style="list-style-type: none"> Denotes additional units funded by ATSIC and developed for Aboriginal communities.
Aboriginal Housing Remote Communities Refurbishment Program <i>(units yielded from the Maintenance Program)</i>			
Commencements	142	120	A larger number of upgrades were identified in the Regional Housing and Infrastructure Plans than were originally estimated.
Completions	108	130	However, many of these upgrades were identified later than originally expected, which has delayed the completion to the next financial year.

	Actual 2003-04	Target 2003-04	Explanation for variance
Expenditure	\$7.509 M	\$7.780 M	Expenditure variance was not significant.
Roebourne Enhancement Refurbishment Program			
Commencements	0	20	Due to difficulties experienced with the current contract, it was decided that no new contracts would be commenced until these current issues were resolved and the works completed. Expenditure includes demolitions and works yet to be completed.
Completions	4	27	
Expenditure	\$0.398 M	\$0.500 M	
Community Housing Program (CHP)			
Commencements	44	39	The program was increased at the first budget review.
	0*	1*	Proposed upgrade was delayed while scope of works was finalised.
Completions	40	37	Three units were completed ahead of schedule.
	1*	2*	Proposed upgrade was delayed while scope of works was finalised.
Expenditure	\$4.623 M	\$4.063 M	Expenditure was over budget due to the unplanned transfer of a unit complex in Gosnells from Joint Venture to CHP as the original joint venture arrangement did not proceed.
			* Denotes upgrade of existing units.

	Actual 2003-04	Target 2003-04	Explanation for variance
Crisis Accommodation Program (CAP)			
Commencements	25	37	Land has been identified for the remaining 10 units and these projects, which are at various stages of design, will now commence in 2004-05. In addition, 2 spot purchases will now settle in July.
	1*	2*	Due to delays in developing the scope of works, the project is now expected to commence early 2004-05.
Completions	23	30	Completions have decreased due to delays in locating suitable sites so that a number of projects will now complete in 2004-05. In addition, 2 spot purchases will now settle in July.
	3*	7*	The upgrade program was reduced to 5 units at the review. In addition, one unit was delayed while issues with the strata manager were resolved and another did not proceed as development approval was declined.
Expenditure	\$4.433 M	\$3.645 M	Expenditure was over budget due to the acquisition of a 7unit group housing complex in advance of the 2004-05 approved program.
			* Denotes upgrade of existing units.

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Operating Costs per Rental Property - Nominal	\$5,484	\$6,199	\$6,392	\$6,581	\$6,699	\$7,211
Operating Costs per Rental Property - Real	\$5,484	\$6,058	\$5,923	\$5,938	\$5,881	\$6,204
<i>For further information refer to Efficiency Performance Indicator 1.</i>						

Timeliness

	1999-00	2000-01/	2001-02	2002-03	2003-04
Rental Waiting Times*					
Average	57 weeks	62 weeks	63 weeks	62 weeks	
Median	25 weeks	31 weeks	31 weeks	33 weeks	
% Housed within 1 Year	64%	60%	60%	60%	

*Includes Priority Waiting Times.

Quality

National comparison of overall customer satisfaction across all States and Territories in relation to rental tenants

An independent market research agency has undertaken the National Social Housing Survey (NSHS) for Public Housing, which measures satisfaction of tenants across all states and territories in relation to the product and service delivery in 2003.

Over two-thirds (68 per cent) of WA tenants are satisfied with the overall service provided by the State Housing Commission. Of these, 27 per cent were very satisfied with the service provided to them over the last 12 months. A further 41 per cent were satisfied. The total satisfied is 68 per cent. Almost one-fifth (15 per cent) were dissatisfied (equivalent to the national average), including 6 per cent who are very dissatisfied. One-in-ten (9 per cent) are neither satisfied nor dissatisfied and 7 per cent do not know or did not answer this question. Since 1996, there has been no statistically significant change in overall satisfaction.

A majority are satisfied with service from the state housing authorities in all states and territories. WA's satisfaction level is equivalent to the national average.

2003 Overall Satisfaction	Satisfied⁵	Dissatisfied⁴
Western Australia	68	15
New South Wales	67	24
Victoria	63	16
Queensland	74	9
South Australia	74	12
Tasmania	70	14
Australian Capital Territory	59	21
Northern Territory	68	15
National	68	17

The NSHS is a self-completion mail-back survey of randomly selected public housing tenants. The response rate for Western Australia was 48 per cent (523 responded out of a total of 1,101). The 2003 sample includes 9,003 tenants nationally out of a total of 17,759 representing an overall response rate of 53 per cent. Sampling error of $\pm 1\%$ at the 95% confidence level. (Sampling error is the error that arises because not every single member of the population was included in the survey).

⁵ Responses given for somewhat satisfied and very satisfied.

Outcome: Housing eligible Western Australians

LAND OUTPUTS 2003-04

Quantity & Cost

	Actual 2003-04	Target 2003-04	Explanation for variance
Land Development			
Broadhectare			
- Lots developed	132	230	The variance in expenditure and yields is due to delays commencing development works for projects at Mirrabooka and Banksia Grove.
- Expenditure	\$6.899M	\$7.410M	
 New Living (Estates Improvement)			
- Lots developed	91	198	The variance in expenditure is caused by delays to projects at Coolbellup, Langford, Midland/ Midvale, Balga / Girrawheen / Koondoola/Westminster and South Kalgoorlie. The project at Carey Park (Bunbury) had difficulties obtaining suitable properties for sale.
- Expenditure (incl infrastructure)	\$6.808M	\$9.912M	
 Redevelopment			
- Dwelling Unit Equivalents developed	55	407	The variance in expenditure and yields is due to difficulties identifying suitable properties for redevelopment given regional housing requirements and delays to the Willagee project. In addition, the size, number and scope of redevelopment projects has diminished and a number are now in the mature phase.
- Expenditure	\$0.764M	\$4.853M	
 Joint Venture			
- Lots developed	1,701	1,995	The variance in expenditure is due to projects at Beeliar, Dalyellup and Ellenbrook increasing land development to meet market demand. In addition, there was an unexpected requirement to bring to account trading activity resulting from the termination of the Bunbury joint venture. This is counter balanced by projects at Butler and Quinns having reduced expenditure due to planning and construction delays.
- Expenditure	\$59.628M	\$43.984M	

	Actual 2003-04	Target 2003-04	Explanation for variance
Land Sales			
Broadhectare & Redevelopment	325	339	The variance in income is due to the sale of several large sites for regional open space and the Perth to Mandurah railway. In addition, the sale of land from projects at Dianella, North Beach, Waikiki and South Hedland realised higher prices in a buoyant market. The number of sales from projects at Mirrabooka, Banksia Grove and Willagee were lower than expected due to delays commencing development works.
- Lots sold	\$46.868M	\$41.378M	
- Income (proceeds)			
 New Living (Estates Improvement)			The variance in income is due to delays to projects at Langford, Queens Park and Coolbellup.
- Lots sold	180	249	
- Income (proceeds)	\$11.889M	\$15.405M	
 Joint Venture			The variance in income is due to Beeliar, Dalyellup and Ellenbrook achieving a greater number of sales and higher prices in a buoyant market. In addition, there was an unexpected requirement to bring to account trading activity resulting from the termination of the Bunbury joint venture. This is counter balanced by delays to projects at Butler, Clarkson and Quinns resulting in less sales for the year.
- Lots sold	1,825	1,999	
- Income (proceeds)	\$85.506M	\$83.064M	

	Actual 2003-04	Target 2003-04	Explanation for variance
Rental Property Sales			
New Living	427 \$48.567M	486 \$46.831M	The variance in the number of sales is due to project delays at Hamilton Hill, Langford, South Kalgoorlie and Midland/Midvale and South Kalgoorlie. In addition, projects at Coolbellup and Carey Park (Bunbury) had difficulties obtaining suitable properties for sale. The reduction in sales was counter balanced by higher property prices realised in a buoyant market.
Rental Sales Scheme	86 \$10.758M	91 \$10.920M	The variance was not significant.
Vacant Property	43 \$3.366M	24 \$1.320M	The variance in sales and income was due to buoyant market conditions.
Redevelopment Properties	22 \$4.565M	40 \$7.450M	The variance in income is due to difficulties obtaining suitable properties for sale.
Refurbishment	\$33.009M	\$35.641M	The variance in expenditure is due to delays to projects at Coolbellup, Hamilton Hill, Langford, Midland/Midvale and South Kalgoorlie. The project at Carey Park (Bunbury) had difficulties obtaining suitable properties for refurbishment.

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Operating Costs per Lot Developed						
- Nominal	\$15,487 \$15,487	\$13,999 \$13,680	\$13,941 \$12,920	\$10,595 \$9,560	\$8,772 \$7,701	\$8,708 \$7,492
- Real						
<i>For further information refer to Efficiency Performance Indicator 3.</i>						

Timeliness

There is no waiting list for land sold. All land is sold by private treaty, public tender or through auctions and timing is based on demand and market conditions. Land development programs are adapted to meet market conditions.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

THE STATE HOUSING COMMISSION PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of The State Housing Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2004.

Scope

The Commission's Role

The Commission is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

D D R PEARSON
AUDITOR GENERAL
August 30, 2004

CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of The State Housing Commission, and fairly represent the performance of The State Housing Commission and its subsidiary for the financial year ended 30 June 2004.



**I F TAYLOR
CHAIRMAN**



**G L JOYCE
BOARD MEMBER
DIRECTOR GENERAL**

27 AUGUST 2004

Performance Indicators 2003-04

Outcome: Housing eligible Western Australians

The State Housing Commission (the Commission) provides eligible Western Australians with a range of housing options. The three main forms of housing assistance are rental housing, home loans and land. Eligibility for rental housing and home loans is determined by assessable income limits and other eligibility criteria. The opportunity to purchase Commission land, priced in the low-to-medium price bracket is available to all Western Australians.

It is a key strategy of the Commission to ease the pressure on the waiting list for public housing by offering low-to-moderate income earners the opportunity to purchase their own home, either through the purchase of a low-to-medium priced housing lot or through a home loan. In addition, the Commission makes available loans to cover the cost of security bonds in order that income-eligible applicants can access housing in the private rental market.

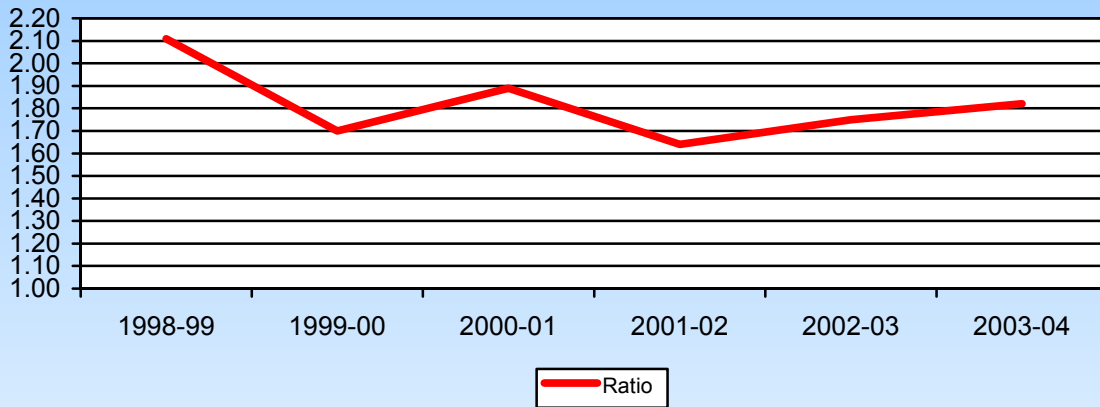
Effectiveness Indicator 1

The extent to which the State Housing Commission is responsive to the housing needs of eligible Western Australians.

This indicator measures the Commission's capacity to respond to the demand as expressed by the waiting list for public housing. The ratio of the total number of units of housing assistance provided each year, to the number on the waiting list at the 30th of June of the previous year, is an indicator of the Commission's capacity to respond to expressed demand for housing assistance from low income Western Australians. The higher the ratio, the greater the capacity to offer assistance.

The ratio indicating the capacity to offer assistance has increased from 1.75 to 1.82. There has been a decrease in the total number of housing assistances from the previous year. This decrease has been offset by a reduction in waiting list numbers. After a surge in demand for bond loans driven by a change in the levels of assistance, bond loan numbers have returned to the normal rate of approvals seen in previous years. Land sales of blocks in the lower end of the market decreased due to significant land price escalation in the land market during the financial year. This was offset by an increase in loans, which was attributable to the increased marketing of the Keystart Scheme and policy changes providing greater access to home loans.

**Ratio of the Number of Units of Housing Assistance per annum
to the Number on the Waiting List at the start of the reporting
period**



	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Total housing assistances *	26,671	24,308	24,356	25,314	24,896	23,659
Public rental waiting list @ June previous financial year	12,625	14,326	12,879	15,456	14,194	12,981
Ratio	2.11	1.70	1.89	1.64	1.75	1.82

* For 2003-04 total units of housing assistance comprised:

- Number of public rental occupations 4,683
- Number of bond assistance loans approved 14,128
- Number of home loans approved 4,205
- Number of land sales <\$76,000[#] (1998-99 – 2000-01= <\$60,000; 2001-02= <\$65,000; 2002-03 <\$75,000) 643

[#] These figures represent lots priced at the lower end of the market. Land sales <\$76,000 is based upon the lower quartile benchmark of all land sales in Perth. Source: REIWA.

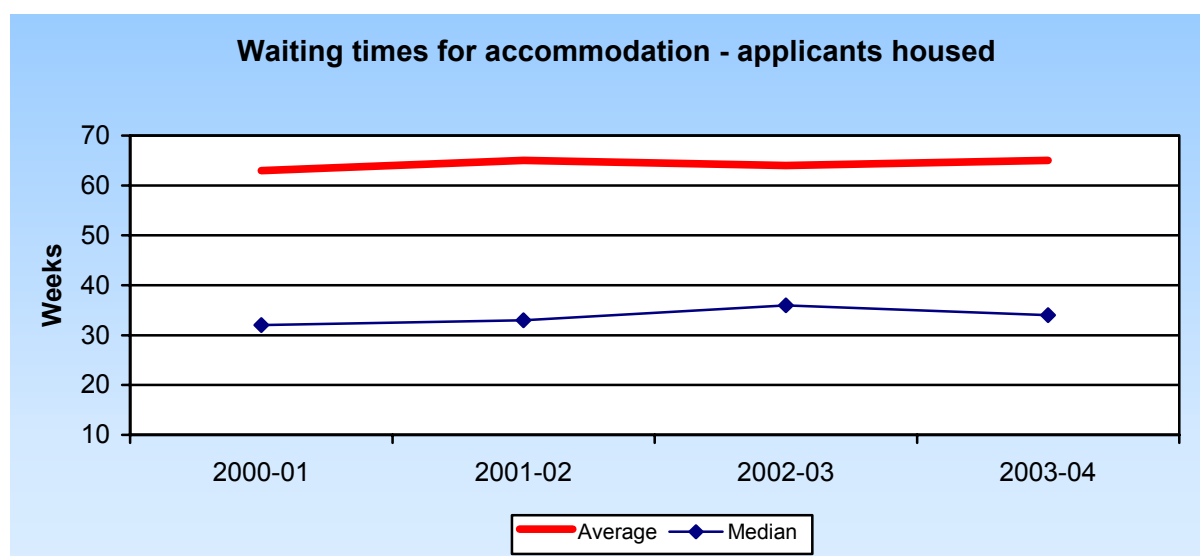
Effectiveness Indicator 2

Waiting times for accommodation – applicants housed

Waiting time for accommodation measures the extent to which public rental housing provision is responding to the needs of eligible rental applicants. Waiting time is defined as the difference between the time when the customer applied and when they were housed. The indicator is an average of the waiting times of all applicants housed during the year.

It demonstrates the Commission's capacity to respond to demand on the waiting list. The shorter the waiting time the greater the capacity to meet demand.

The waiting times have not shown significant variation over the last four years. The median decreased to 34 weeks from 36 weeks in 2002-03. Over half (59 per cent) of the people were housed within one year, consistent with the past three years. The percentage housed after more than three years increased slightly to 14 per cent continuing the targeting of long term applicants by the Commission. This is in line with the revised Government commitment in 1998, which sought to reduce the time an applicants waits for an offer of accommodation to less than three years.



	2000-01	2001-02	2002-03	2003-04
Average	63 weeks	65 weeks	64 weeks	65 weeks
Median	32 weeks	33 weeks	36 weeks	34 weeks
% housed within 1 month	25%	22%	22%	20%
% housed within 1 year	60%	57%	59%	59%
% housed after more than 3 years	12%	15%	13%	14%

Efficiency Indicators:

The Commission provides three major outputs: rental housing, home loans and residential land.

Output 1: Rental Housing

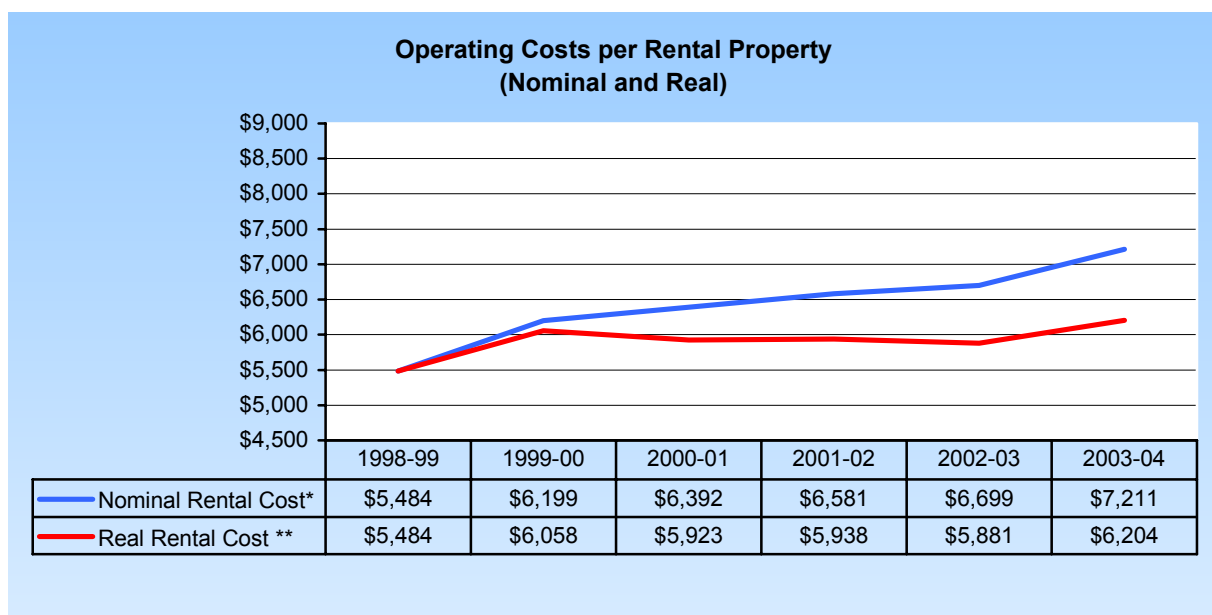
Rental housing is delivered in a cost efficient manner.

Efficiency Indicator 1

Operating Cost per Rental Property

It measures the cost efficiency of rental housing and is calculated by dividing total cost of output by the total number of rental properties.

The operating cost per rental property has increased over the 2003-04 financial year to \$7,211. This was mainly due to a \$5 million increase to the maintenance program and an increase in New Living expenses.



* Nominal refers to the face value of the money.

** Real refers to the value of money adjusted for inflation (Consumer Price Index – All Groups Perth):
Cost per rental property has been adjusted to 1998-99 prices.

Output 2: Home Loans

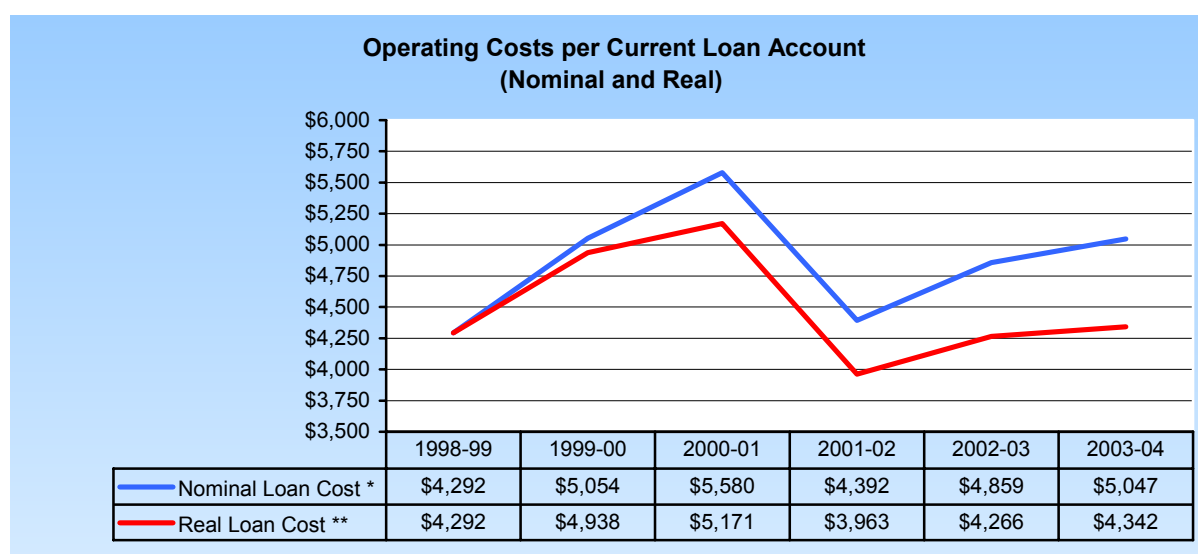
Home loans are delivered in a cost efficient manner

Efficiency Indicator 2

Operating Cost per Current Loan Account

Cost per current loan account measures the cost efficiency in home ownership products and services. It is calculated by dividing total cost of output by the total number of loans (Keystart and total other loan products).

The operating cost per current loan account, which includes interest on loan borrowings, has increased over the 2003-04 financial year to \$5,047 due to a small increase in costs from the upfront broker fees and commissions paid on new loans approved during the financial year.



* Nominal refers to the face value of the money.

** Real refers to the value of money adjusted for inflation (Consumer Price Index – All Groups Perth):
Cost per loan has been adjusted to 1998-99 prices.

Output 3: Land

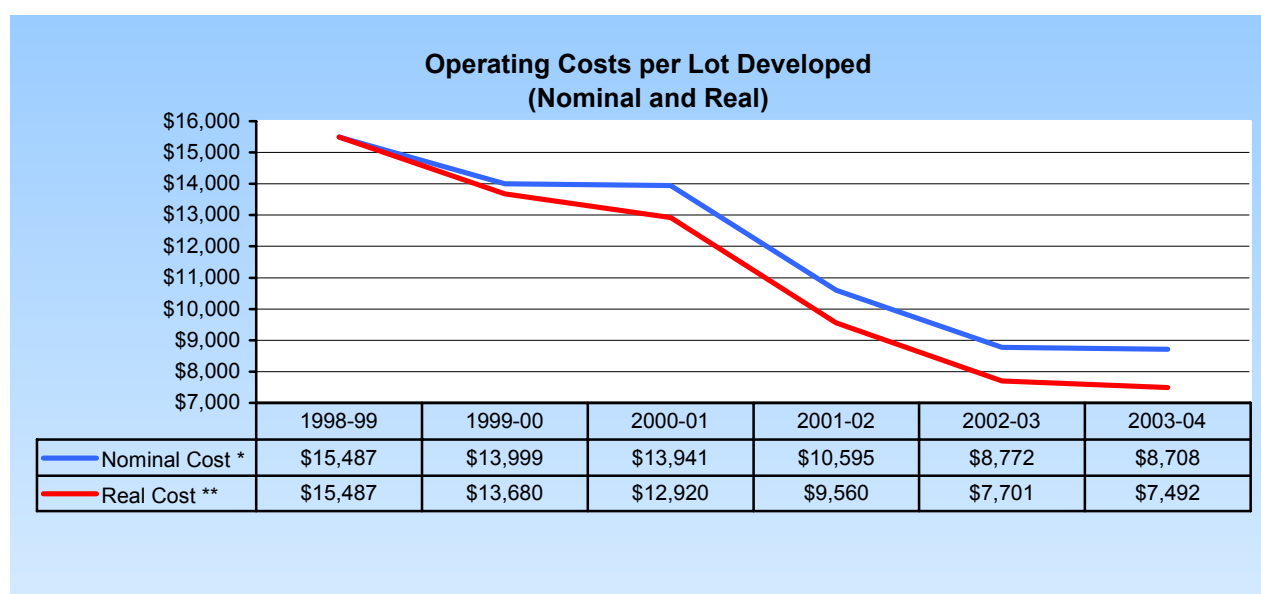
Housing lots are delivered in a cost efficient manner

Efficiency Indicator 3

Operating Cost per Lot Developed

This indicator measures the efficiency of the land output. It is calculated by dividing total cost of output by the number of lots developed for sale.

The operating cost per lot developed has decreased over the 2003-04 financial year to \$8,708 as a consequence of decreased borrowing costs and a reduction in administration and employee expenses.



* Nominal refers to the face value of the money.

** Real refers to the value of money adjusted for inflation (Consumer Price Index – All Groups Perth)
Cost per lot developed has been adjusted to 1998-99 prices.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

THE STATE HOUSING COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Audit Opinion

In my opinion,

- (i) the controls exercised by The State Housing Commission provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission and the consolidated entity at June 30, 2004 and their financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows of the Commission and the consolidated entity, and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
August 30, 2004

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of The State Housing Commission and the accompanying consolidated financial statements have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985, from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June, 2004 and the financial position as at 30 June, 2004.


At the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



I TAYLOR
CHAIRMAN



G JOYCE
BOARD MEMBER
DIRECTOR GENERAL



J. MULLEN
PRINCIPAL ACCOUNTING OFFICER

AUGUST 27, 2004

**THE STATE HOUSING COMMISSION
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTE	Consolidated June-2004 \$000	June-2003 \$000	S.H.C June-2004 \$000	June-2003 \$000
REVENUE					
Revenues from ordinary activities					
Revenues from operating activities					
Rental revenue	3	128,019	123,730	128,019	123,730
Interest revenue	4	107,718	108,716	82,743	69,953
Trading Profit	5	55,380	35,851	55,380	35,851
Commonwealth grants and contributions	6	124,299	120,786	124,299	120,786
Revenues from non-operating activities					
Developers contributions		1,056	1,657	1,056	1,657
Proceeds on disposal of non-current assets	7	86,903	78,656	86,903	78,656
Other revenues from ordinary activities	8	10,549	7,107	6,440	5,233
Total revenues from ordinary activities		513,924	476,503	484,840	435,866
EXPENSES					
Expenses from ordinary activities					
Community support expense	9	37,688	38,627	37,688	38,627
Depreciation & amortisation expense	10	48,154	46,216	45,889	44,169
Borrowing costs expense	11	106,968	107,691	110,809	97,435
Administration & employee expenses	12	52,464	54,297	50,217	50,535
Rental expenses	13	99,161	90,081	99,497	90,660
New Living expenses	13	36,039	34,442	36,039	34,442
Costs on disposal of non-current assets	7	75,475	74,378	75,475	74,378
Other expenses from ordinary activities	14	30,929	29,821	15,645	16,294
Total expenses from ordinary activities		486,878	475,553	471,259	446,540
Profit/(Loss) from ordinary activities before grants and subsidies from State Government		27,046	950	13,581	(10,674)
Grants and subsidies from State Government	6	26,874	19,669	26,874	19,669
NET PROFIT	2(i)	53,920	20,619	40,455	8,995
Net increase in asset revaluation reserve	32	304,148	194,947	304,148	194,947
Total revenues, expenses and valuation adjustments recognised directly in equity		304,148	194,947	304,148	194,947
Total changes in equity other than those resulting from transactions with WA State Government as owners		358,068	215,566	344,603	203,942

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

**THE STATE HOUSING COMMISSION
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	NOTE	Consolidated June-2004 \$000	June-2003 \$000	S.H.C June-2004 \$000	June-2003 \$000
Current Assets					
Cash assets	15	116,679	93,772	103,505	79,770
Restricted cash assets	16	17,154	10,707	17,154	10,707
Receivables	17	31,553	31,994	31,571	31,654
Inventories	18	25,914	24,733	25,914	24,733
Other financial assets	19	155,000	15,820	-	-
Other assets	20	2,468	2,430	9,456	10,042
Total Current Assets		348,768	179,456	187,600	156,906
Non-Current Assets					
Other financial assets	19	1,484,967	1,510,824	1,524,232	1,402,550
Rental properties	21	3,634,891	3,322,706	3,634,891	3,322,706
Community housing properties	22	230,612	208,537	230,612	208,537
Shared equity properties	23	101,809	102,822	101,809	102,822
Other properties	24	23,600	23,991	23,600	23,991
Plant & equipment	25	3,899	3,448	3,315	3,115
Buildings under construction		61,626	54,821	61,626	54,821
Receivables	17	1,886	-	1,886	-
Inventories	18	308,415	296,762	308,415	296,762
Other assets	27	4,867	6,209	1,603	2,331
Total Non-Current Assets		5,856,572	5,530,120	5,891,989	5,417,635
Total Assets		6,205,340	5,709,576	6,079,589	5,574,541
Current Liabilities					
Interest-bearing liabilities	28	21,364	21,913	21,364	21,913
Payables	29	25,140	27,260	25,140	34,078
Other liabilities	30	24,119	23,965	20,874	21,153
Provisions	31	14,568	8,764	14,568	8,764
Total Current Liabilities		85,191	81,902	81,946	85,908
Non-Current Liabilities					
Interest-bearing liabilities	28	2,182,564	2,061,876	2,182,564	2,041,876
Payables	29	1,377	834	1,377	834
Other liabilities	30	1,000	-	11,000	-
Provisions	31	39,894	43,218	39,894	43,218
Total Non-Current Liabilities		2,224,835	2,105,928	2,234,835	2,085,928
Total Liabilities		2,310,026	2,187,830	2,316,781	2,171,836
NET ASSETS	2(ii)	3,895,314	3,521,746	3,762,808	3,402,705
Equity					
Reserves	32	2,548,149	2,244,103	2,547,017	2,242,869
Contributed Equity	33	51,660	36,160	51,660	36,160
Retained profits	34	1,295,505	1,241,483	1,164,131	1,123,676
TOTAL EQUITY		3,895,314	3,521,746	3,762,808	3,402,705

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**THE STATE HOUSING COMMISSION
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTE	Consolidated June-2004 \$000	June-2003 \$000	S.H.C June-2004 \$000	June-2003 \$000
CASHFLOWS FROM OPERATING ACTIVITIES					
Receipts					
Commonwealth grants and contributions		124,299	120,786	124,299	120,786
Rental receipts		130,040	124,502	130,040	124,502
Interest received		108,154	108,712	83,760	69,600
Inventory receipts on sales		136,188	89,948	136,188	89,948
Other receipts		1,001	5,251	7,854	8,582
GST receipts on sales		5,135	2,168	5,135	2,168
GST receipts from taxation authority		1,038	3,419	1,038	3,419
Developers contributions		1,056	1,657	1,056	1,657
Payments					
Administration & employment costs		(68,487)	(68,369)	(52,220)	(52,845)
Interest paid to					
Commonwealth government		(25,254)	(25,732)	(25,254)	(25,732)
WA Treasury Corporation		(82,201)	(70,590)	(85,256)	(70,590)
Other interest & finance charges paid		(486)	(13,393)	(486)	(502)
Purchase and Development of Land		(98,904)	(71,245)	(98,904)	(71,245)
GST payments on purchases		(7,700)	(6,147)	(7,700)	(6,147)
GST payments to taxation authority		(2,936)	(1,083)	(2,936)	(1,083)
New Living payments		(36,039)	(34,442)	(36,039)	(34,442)
Rental property payments		(102,598)	(93,631)	(102,934)	(94,111)
Other Payments		(48,407)	(52,430)	(55,224)	(55,630)
Net cash provided by/(used in) operating activities	35	33,899	19,381	22,417	8,335
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from the sale of property, plant & equipment		79,805	77,097	79,805	77,097
Payments for purchase of property, plant & equipment	36	(145,212)	(127,834)	(144,213)	(125,099)
Home purchase receipts		532,607	519,535	42,954	36,252
Home purchase advances		(500,849)	(375,207)	(9,065)	(9,810)
Other investing receipts		20,037	140,068	30,037	140,068
Other investing payments		-	-	(6,715,000)	(2,880,000)
Net cash provided by/(used in) investing activities		(13,612)	233,659	(6,715,482)	(2,761,492)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings					
WA Treasury Corporation		160,000	285,000	6,715,000	2,880,000
Other non-government sources		-	965,000	-	-
Repayment of borrowings from					
WA Treasury Corporation		(28,125)	(148,400)	(28,125)	(148,400)
Commonwealth government		(11,736)	(11,378)	(11,736)	(11,378)
Other non-government sources		(20,000)	(1,368,331)	-	-
Net cash provided by/(used in) financing activities		100,139	(278,109)	6,675,139	2,720,222
CASH FLOWS FROM STATE GOVERNMENT					
Owners Contribution		15,500	15,000	15,500	15,000
Proceeds from grants		26,874	19,669	26,874	19,669
Net cash provided by State Government		42,374	34,669	42,374	34,669
Net increase/(decrease) in cash held		162,800	9,600	24,448	1,734
Cash assets at the beginning of the financial year		117,889	108,289	88,067	86,333
Cash assets at the end of the financial year	37	280,689	117,889	112,515	88,067

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by The State Housing Commission (operating within The Department of Housing and Works), the Keystart Housing Scheme Trust and the Homeswest Loan Scheme Trust are stated in order to assist in a general understanding of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the previous year.

GENERAL STATEMENT

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AAS), Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities which, as noted, are measured at fair value.

(a) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity, being The State Housing Commission (the parent entity) and its controlled entities as defined in accordance with AAS 24 "Consolidated Financial Reports" and modified by Treasurer's Instruction 1105. A list of controlled entities appears in note 18. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Commission obtains control and until such time as the Commission ceases to control such entities. In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Legal form of Controlled Entities

- (i) The Keystart Housing Scheme includes a trust and company structure set up to enable funds to be raised from financial markets at competitive rates and on lent to Keystart borrowers for the purchasing of owner occupied homes.

The structure comprises of:

-The Keystart Housing Scheme Trust established by a Deed of Trust in the State of Western Australia, dated 5 April 1989 with Keystart Loans Ltd (a special purpose nominal capital company) as trustee and The State Housing Commission is the sole beneficiary of the trust. Scheme Managers Pty Ltd (an external private sector company) has been appointed as Scheme Manager.

- Keystart Support Trust - A special purpose trust used to provide financial support to the Scheme if required. The State Housing Commission is the sole beneficiary of this trust.

- Keystart Bonds Ltd - A special purpose nominal capital company being the Issuer with Oakvale Capital Ltd as treasury advisor.

- Keystart Support Pty Ltd - A special purpose nominal capital company as trustee of the support trust. The scheme manager is Scheme Managers Pty Ltd.

- Keystart Support (Subsidiary) Pty Ltd - A special purpose nominal capital company created to assist Keystart Support P/L in its obligations.

All of these Keystart trusts and companies have been established in the State of Western Australia.

The financial transactions for these entities have no effect on the net profit of The State Housing Commission. The State Housing Commission provides a support arrangement to the structure through the Support Trust.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Legal form of Controlled Entities (continued)

- (ii) Homeswest Loan Scheme Trust - A special purpose Trust established by a Trust Deed dated 19 September 1995 to operate as an agent for The State Housing Commission's home loan schemes. In its capacity as agent, the Trust receives advances for the purpose of providing mortgages to Western Australians. The State Housing Commission is the sole beneficiary of the Trust, and Keystart Loans Ltd is the trustee of the Trust.

(c) Ownership Interest

The State Housing Commission is the instigator of the Keystart Housing Scheme and has effective control over the whole structure either directly or indirectly through various Agreements which constitute the structure and to which it is a party. The Board of Directors of the Keystart group of companies comprise four Directors from The State Housing Commission, one Director from the Western Australian Treasury Corporation and two Directors from the private sector.

The ownership interest held by The State Housing Commission in the Companies is as follows:

Keystart Bonds Ltd : 100% of the total shareholding

Keystart Loans Ltd : 100% of the total shareholding

Keystart Support Pty Ltd : 100% of the total shareholding

Keystart Support (Subsidiary) Pty Ltd: 100% of the total shareholding

The State Housing Commission is obligated to the Scheme in that it has given various representations and obligations to the extent that it will meet cash shortfalls and losses from the Scheme to investors or other creditors. Funding for Keystart is now through The State Housing Commission with no borrowings outstanding through Keystart Bonds Ltd. The State Housing Commission's obligations are contained in a Support Agreement to the various participants of the Scheme. No subsidies were required for the 2003/2004 financial year, as the Trust achieved an increase in retained earnings of \$ 13,465 M (refer to note 19 (b)).

(d) Revaluation of non - current assets

The Commission values certain non - current assets which subsequent to initial recognition, have been valued on the fair value basis in accordance with AASB1041 (5.1). Additions to non - current physical assets since valuation are measured at cost and are considered to represent fair value.

For properties that are shown at valuation, independent valuations are provided by the Valuer General, G. Fenner AAPI, B Bus (Val) on an annual basis. The valuations are as at July 1 in the previous year. The basis of valuations is primarily integrity three assessments (external property inspection) . The Valuer General has valued land and dwellings at fair value. The fair value approach considers the value a given asset is likely to realise, assuming it was sold on the open market following a reasonable selling period.

(e) Rental Properties

Rental Properties are shown at fair valuation in the financial statements. Increments have been taken to the asset revaluation reserve, decrements have been offset against previous increments relating to this asset class. Independent valuations are provided by the Valuer General, G. Fenner AAPI, B Bus (Val) on an annual basis. The valuations are as at July 1 in the previous year. The basis of valuations is primarily integrity three assessments (external property inspection) . The Valuer General has valued land and dwellings at fair value. Properties less than one year old are measured at construction cost, which is considered to represent fair value, plus land at fair value.

(f) Community Housing

Community Housing Properties includes properties acquired under the Commonwealth programs of Crisis Accommodation and Community Housing, and are shown at fair valuation in the financial statements. Increments have been taken to the asset revaluation reserve, decrements have been offset against previous increments relating to this asset class. Independent valuations are provided by the Valuer General, G. Fenner AAPI, B Bus (Val) on an annual basis. The valuations are as at July 1 in the previous year . The basis of valuations is primarily integrity three assessments (external property inspection) . The Valuer General has valued land and dwellings at fair value. Properties less than one year old are measured at construction cost, which is considered to represent fair value, plus land at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

The State Housing Commission has entered into a number of operating lease arrangements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(h) Shared Equity Properties

Shared Equity Properties represents the equity in dwellings constructed or purchased under the Shared Equity Loan Scheme. Under the scheme The State Housing Commission and the purchaser are co-owners of the properties constructed or purchased as Tenants in Common with the purchaser having total occupation of the dwelling. The State Housing Commission's share of equity in these properties is shown at fair value in the financial statements. Increments have been taken to the asset revaluation reserve, decrements have been offset against previous increments relating to this asset class. Independent valuations are provided by the Valuer General, G. Fenner AAPI, B Bus (Val) on an annual basis. The valuations are as at July 1 in the previous year. The basis of valuations is primarily integrity three assessments (external property inspection). The Valuer General has valued land and dwellings at fair value.

(i) Other Properties

Includes offices and commercial properties which are owned or are leased from various organisations and individuals. Properties are shown at fair value in the financial statements. Increments have been taken to the asset revaluation reserve, decrements have been offset against previous increments relating to this asset class. Independent valuations are provided by the Valuer General, G. Fenner AAPI, B Bus (Val) on an annual basis. The valuations are as at July 1 in the previous year. The basis of valuations is primarily integrity three assessments (external property inspection). The Valuer General has valued land and buildings at fair value.

(j) Joint Venture Land

Joint Venture Land represents the Commission's equity in Joint Venture land development projects. Development costs represent the agreed proportion of development costs expended plus capitalised costs. Land owned by The State Housing Commission is shown at cost plus capitalised costs.

Interests in joint venture operations have been incorporated in the financial statements by including the Commission's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories. Details of the Commission's interests are set out in note 18.

(k) Buildings under construction

Buildings under construction is recorded at cost which includes all costs directly related to specific constructions plus capitalised administration charges incurred in connection with these activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are represented by new dwellings and land held at cost, which is less than the net realisable value. Cost includes the cost of acquisition/development and other capitalised costs. After development is completed, other holding charges are expensed as incurred.

Non -Current Land consists of both broad hectare and developed lots, excluding lots available for external sale, which are valued at acquisition cost plus capitalised costs. Developed lots on which dwellings are subsequently constructed by The State Housing Commission are transferred to the stock of Rental Properties at fair value as determined by the Valuer General at the date of practical completion. The difference between this valuation and the cost of the land transferred to Rental Properties represents a revaluation increment which is brought to account as an increase in the Asset Revaluation Reserve.

(m) Depreciation and Amortisation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation for The State Housing Commission assets is calculated on a straight line basis, using rates which are reviewed annually.

Depreciation for Keystart plant and equipment is calculated using the reducing balance method. The variance in methods is not considered to be of a material nature.

The cost of improvements to or on leased rental properties and offices are amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

Major Depreciation Rates are:	2004	2003
Rental Properties	2%	2%
Community Housing Properties	2%	2%
Shared Equity Properties	3%	3%
Other Properties		
- Commercial Properties	2%	2%
- Office Properties	5%	5%
Plant & Equipment	10% - 36%	10% - 36%
Other Assets		
- Joint Charity Properties	2%	2%
- Computing Software	20% - 24%	20% - 24%

(n) Other Assets

(i) Joint Charity Projects

Joint Charity Projects are represented by the capital contribution made by The State Housing Commission to a joint arrangement which provides alternative methods of securing appropriate rental housing for eligible people. The capital contribution is amortised over a period of 50 years on a straight line basis. The State Housing Commission receives service potential from the assets with the operational revenue and outgoings being conferred to the Joint Charity Partner as the Project Manager. Cash contributions from Joint Charity Partners are disclosed as Developers Contributions in the Statement of Financial Performance.

(ii) Computing Software and Development

Costs, associated with the acquisition and development of computer systems and software are amortised from the commencement of live production of the system. Development costs are deferred to future periods to the extent that future benefits are expected beyond any reasonable doubt to be equal or exceed those costs. Deferred costs are amortised from the commencement of live production of the system on a straight line basis over the period of their expected benefit.

(iii) Capital Establishment and Development

Establishment and development costs for the Keystart structure having a future economic benefit are capitalised and amortised on a straight line basis, over periods during which benefits are expected to be received. This is taken as being five years. Premiums paid on financial instruments are capitalised and amortised on a straight line basis, over the term of the financial instrument.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Rental Property Revenue and Rental Subsidy

(i) Rental Property Revenue

The State Housing Commission charges rents in accordance with section 30 of the Housing Act. The basis for the amount of rent to be charged is determined from market rent information received from the Valuer General and due consideration to regional rental markets. Rental property revenue represents the potential rental revenue calculated using this format less vacancies and concessions granted throughout the year.

(ii) Rental Subsidy

The State Housing Commission's adopted policy is that no tenant will be required to pay more than 25% of household assessable income in the form of rent, with the majority of tenants paying between 23% and 25%. Rental subsidy represents the difference between market rents and the actual amount of rent charged to tenants.

(p) Revenue Recognition

(i) Revenue from land inventory and property sales is recognised when the contract for sale becomes unconditional.

(ii) Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when The State Housing Commission obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt. Contributions are recognised at their fair value.

(q) Insurance

In accordance with Treasurer's Instructions 812 the Commission maintains an appropriate level of insurance cover over all insurable risks.

A comprehensive review of the Commission's insurances was undertaken during 2003/2004. The insurance program continues to be a combination of insurance policies provided by commercial insurance providers and the Western Australian Government's RiskCover fund.

As per Treasurer's Instructions 825, Insurance is complimented by a comprehensive approach to Risk Management and prudent management policies and practices.

(r) Employee Benefits

(i) Annual Leave

This benefit is recognised at the reporting date in respect of employees' services up to that date and is measured at the nominal amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AASB 1028 "Employee Benefits".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee Entitlements (continued)

(iii) Superannuation

Staff may contribute to the Pension Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. All of these schemes are administered by the Government Employees Superannuation Board.

The pension scheme and the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme, are provided for at reporting date. Cash is set aside to fund the liability. The State Housing Commission's Superannuation liability was \$33.937M at reporting date, of which \$20.700M had been set aside in cash and \$13.237M had been used internally within The State Housing Commission Land programme.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 6.10 of AASB1028 (being the employers share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Commission. Accordingly, deriving the information for the Commission is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

(iv) Employee Benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses. Notes 12 and 31.

(s) Accrued Salaries

Accrued salaries (refer note 30) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Commission considers the carrying amount approximates net fair value.

(t) Provision for Doubtful Debts

The State Housing Commission: The provision represents 65% of vacated rental property debts; 15% of current debt and 75% of prior debt on the current account; 40% of overdue Bond Debt ; 0.25% of home loan balance and 100% of general debtors over 12 months old. The calculation of the provision is based on the composition of the debtors accounts, the debt recovery performance of The State Housing Commission and the performance of the external mercantile agent.

Keystart: Keystart has adopted the methodology of calculating the provision as recommended by the Australian Financial Institutions Commission. The calculation consists of three components:

- (i) Specific Provision - The specific provision is based on a review of all loans and an assessment of the potential bad debt exposure of each loan.
- (ii) Statutory Provision - The statutory provision is based on a formula as specified in the AFIC Prudential Standards contingent upon the length of time the repayments are in arrears.
- (iii) General Provision - A general provision of 0.50% of loan account balances under four years old and 0.25% of loan account balances over four years old is provided for in the interest of prudent accounting practice.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Rental Expenses

Expenses incurred relating to The State Housing Commission's owned or leased rental properties are accounted for in the Rental Expenses line of the Statement of Financial Performance. These expenses which directly relate to the Rental program include maintenance, rates, insurance expenses and renovations and improvements.

(v) New Living Expenses

Expenses incurred relating to The State Housing Commission's owned rental properties involved in the New Living Program are accounted for in the New Living Expenses line of the Statement of Financial Performance. These expenses include renovations and improvements and infrastructure costs.

(w) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

(x) Rounding

All amounts have been rounded to the nearest thousand dollars.

(y) Segment Information

The State Housing Commission operates in the one geographical location in the State of Western Australia. The Commission's operations are divided into three specific programs. These are:

Rental Operations which is for the provision of access to affordable rental accommodation for low to moderate income Western Australians;

Loans which is the provision of realistic home ownership opportunities for low to moderate income Western Australians provided by the State Housing Commission and through its Keystart Housing Scheme;

Land operations which is for the provision of low to medium priced subdivided land for sale.

(z) Development Levies

A Provision for fencing and landscaping on individual lots sold and community projects associated with first homebuyers incentives to purchase State Housing Commission land. The provision represents the estimated liability for future claims by the purchasers.

(aa) Financial Instruments

The Financial Instrument note (note 45) has further accounting policy disclosure.

(ab) Capitalisation policy

The cost of non-current assets constructed by the commission includes the cost of all materials used in construction, direct labour costs on the project incurred during construction and an appropriate proportion of overheads.

2 (i). SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE

June 2004				
RENTAL \$000	LOANS \$000	LAND \$000	ELIMINATION \$000	TOTAL \$000
127,348	44	627	-	128,019
917	106,793	8	-	107,718
-	-	55,380	-	55,380
(8)	-	3,047	(3,039)	-
124,299	-	-	-	124,299
1,056	-	-	-	1,056
67,146	19,747	10	-	86,903
2,005	7,684	1,196	(336)	10,549
322,763	134,268	60,268	(3,375)	513,924
37,518	170	-	-	37,688
43,817	4,103	234	-	48,154
23,843	72,782	10,343	-	106,968
43,540	4,404	4,520	-	52,464
99,323	4	170	(336)	99,161
36,039	-	-	-	36,039
58,841	16,621	13	-	75,475
10,779	18,183	1,967	-	30,929
353,700	116,267	17,247	(336)	486,878
(30,937)	18,001	43,021	(3,039)	27,046
26,874	-	-	-	26,874
(4,063)	18,001	43,021	(3,039)	53,920
55,000	(55,000)	-	-	-
50,937	(36,999)	43,021	(3,039)	53,920
125,642	76,747	14,594	-	216,983

CONSOLIDATED**REVENUE****Revenues from ordinary activities**

Revenues from operating activities

Rental revenue	3	123,237	40	453	-	123,730
Interest revenue	4	618	108,044	54	-	108,716
Trading Profit	5	-	-	35,851	-	35,851
Intersegment sales		3		2,675	(2,678)	-
Commonwealth grants and contributions	6	115,886	4,900	-	-	120,786

Revenues from non-operating activities

Developers contributions		1,657	-	-	-	1,657
Proceeds on the disposal of assets	7	63,991	15,379	(714)	-	78,656
Other revenues from ordinary activities	8	945	4,891	1,850	(579)	7,107
Total revenues from ordinary activities		306,337	133,254	40,169	(3,257)	476,503

EXPENSES**Expenses from ordinary activities**

Community support expense	9	38,598	29	-	-	38,627
Depreciation & amortisation expense	10	41,970	4,002	244	-	46,216
Borrowing costs expense	11	20,066	76,528	11,097	-	107,691
Administration & employee expenses	12	43,052	6,142	5,103	-	54,297
Rental expenses	13	90,434	2	224	(579)	90,081
New Living expenses	13	34,442	-	-	-	34,442
Costs on the disposal of assets	7	61,105	13,885	(612)	-	74,378
Other expenses from ordinary activities	14	10,987	16,801	2,033	-	29,821
Total expenses from ordinary activities		340,654	117,389	18,089	(579)	475,553

Profit/(loss) from ordinary activities before

grants and subsidies from government

Grants from government

Profit/(loss) from ordinary activities after

grants and subsidies from government

Intersegment transfers

NET PROFIT/(LOSS)Non-Cash expenses other than Depreciation
and amortisation

June 2003				
RENTAL \$000	LOANS \$000	LAND \$000	ELIMINATION \$000	TOTAL \$000
123,237	40	453	-	123,730
618	108,044	54	-	108,716
-	-	35,851	-	35,851
3		2,675	(2,678)	-
115,886	4,900	-	-	120,786
1,657	-	-	-	1,657
63,991	15,379	(714)	-	78,656
945	4,891	1,850	(579)	7,107
306,337	133,254	40,169	(3,257)	476,503
38,598	29	-	-	38,627
41,970	4,002	244	-	46,216
20,066	76,528	11,097	-	107,691
43,052	6,142	5,103	-	54,297
90,434	2	224	(579)	90,081
34,442	-	-	-	34,442
61,105	13,885	(612)	-	74,378
10,987	16,801	2,033	-	29,821
340,654	117,389	18,089	(579)	475,553
(34,317)	15,865	22,080	(2,678)	950
19,669	-	-	-	19,669
(14,648)	15,865	22,080	(2,678)	20,619
2,535	-	(2,535)	-	-
(12,113)	15,865	19,545	(2,678)	20,619
124,883	66,423	14,647	-	205,953

2 (i). SEGMENTED STATEMENT OF FINANCIAL PERFORMANCE (continued)

June 2004					
RENTAL \$000	LOANS \$000	LAND \$000	ELIMINATION \$000	TOTAL \$000	
127,348	44	627	-	128,019	
917	81,818	8	-	82,743	
-	-	55,380	-	55,380	
(8)	-	3,047	(3,039)	-	
124,299	-	-	-	124,299	
1,056	-	-	-	1,056	
67,146	19,747	10	-	86,903	
2,005	3,239	1,196	-	6,440	
322,763	104,848	60,268	(3,039)	484,840	

37,518	170	-	-	37,688	
43,817	1,838	234	-	45,889	
23,843	76,623	10,343	-	110,809	
43,540	2,157	4,520	-	50,217	
99,323	4	170	-	99,497	
36,039	-	-	-	36,039	
58,841	16,621	13	-	75,475	
10,779	2,899	1,967	-	15,645	
353,700	100,312	17,247	-	471,259	
(30,937)	4,536	43,021	(3,039)	13,581	
26,874	-	-	-	26,874	
(4,063)	4,536	43,021	(3,039)	40,455	
55,000	(55,000)	-	-	-	
50,937	(50,464)	43,021	(3,039)	40,455	

125,642	76,747	14,594	-	216,983	
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THE STATE HOUSING COMMISSION**REVENUE****Revenues from ordinary activities**

Revenues from operating activities

Rental revenue	3	123,237	40	453	-	123,730
Interest revenue	4	618	69,281	54	-	69,953
Trading Profit	5	-	-	35,851	-	35,851
Intersegment sales		3		2,675	(2,678)	
Commonwealth grants and contributions	6	115,886	4,900	-	-	120,786

Revenues from non-operating activities

Developers contributions		1,657	-	-	-	1,657
Proceeds on the disposal of assets	7	63,991	15,379	(714)	-	78,656
Other revenues from ordinary activities	8	945	2,438	1,850	-	5,233
Total revenues from ordinary activities		306,337	92,038	40,169	(2,678)	435,866

EXPENSES**Expenses from ordinary activities**

Community support expense	9	38,598	29	-	-	38,627
Depreciation & amortisation expense	10	41,970	1,955	244	-	44,169
Borrowing costs expense	11	20,066	66,272	11,097	-	97,435
Administration & employee expenses	12	43,052	2,380	5,103	-	50,535
Rental expenses	13	90,434	2	224	-	90,660
New Living expenses	13	34,442	-	-	-	34,442
Costs on the disposal of assets	7	61,105	13,885	(612)	-	74,378
Other expenses from ordinary activities	14	10,987	3,274	2,033	-	16,294
Total expenses from ordinary activities		340,654	87,797	18,089	-	446,540

Profit/(loss) from ordinary activities before

grants and subsidies from government

Grants from government

Profit/(loss) from ordinary activities after

grants and subsidies from government

Intersegment transfers

NET PROFIT/(LOSS)Non-Cash expenses other than Depreciation
and amortisation

June 2003					
RENTAL \$000	LOANS \$000	LAND \$000	ELIMINATION \$000	TOTAL \$000	
123,237	40	453	-	123,730	
618	69,281	54	-	69,953	
-	-	35,851	-	35,851	
3		2,675	(2,678)		
115,886	4,900	-	-	120,786	
1,657	-	-	-	1,657	
63,991	15,379	(714)	-	78,656	
945	2,438	1,850	-	5,233	
306,337	92,038	40,169	(2,678)	435,866	
38,598	29	-	-	38,627	
41,970	1,955	244	-	44,169	
20,066	66,272	11,097	-	97,435	
43,052	2,380	5,103	-	50,535	
90,434	2	224	-	90,660	
34,442	-	-	-	34,442	
61,105	13,885	(612)	-	74,378	
10,987	3,274	2,033	-	16,294	
340,654	87,797	18,089	-	446,540	
(34,317)	4,241	22,080	(2,678)	(10,674)	
19,669	-	-	-	19,669	
(14,648)	4,241	22,080	(2,678)	8,995	
2,535	-	(2,535)	-	-	
(12,113)	4,241	19,545	(2,678)	8,995	
124,883	66,423	14,647	-	205,953	

2 (ii). SEGMENTED NET ASSETS REPORT

June 2004				
Rental \$000	Loans \$000	Land \$000	Unallocated \$000	Total \$000
5,803	127,558	(37,192)	20,510	116,679
9,010	-	8,144	-	17,154
12,797	1,178	17,068	510	31,553
1,382	-	24,532	-	25,914
-	155,000	-	-	155,000
24	1,544	900	-	2,468
29,016	285,280	13,452	21,020	348,768
-	1,504,340	-	627	1,504,967
3,634,891	-	-	-	3,634,891
230,612	-	-	-	230,612
-	101,809	-	-	101,809
2,068	-	788	20,744	23,600
-	584	30	3,285	3,899
61,626	-	-	-	61,626
-	-	1,886	-	1,886
2,323	-	306,092	-	308,415
-	3,264	-	1,603	4,867
3,931,520	1,609,997	308,796	26,259	5,876,572
3,960,536	1,895,277	322,248	47,279	6,225,340
12,680	2,064	6,620	-	21,364
12,931	510	28,212	3,487	45,140
7,170	11,229	3,624	2,096	24,119
-	-	7,968	6,600	14,568
32,781	13,803	46,424	12,183	105,191
474,115	1,568,818	139,631	-	2,182,564
-	-	1,377	-	1,377
-	-	1,000	-	1,000
504	233	1,139	38,018	39,894
474,619	1,569,051	143,147	38,018	2,224,835
507,400	1,582,854	189,571	50,201	2,330,026
3,016,638	303,331	83,096	3,303	3,895,314
173,638	5,742	120,599	3,093	303,072

CONSOLIDATED**CURRENT ASSETS**

Cash assets	15	(85,071)	222,578	(69,212)	25,477	93,772
Restricted cash assets	16	8,297	-	2,410	-	10,707
Receivables	17	9,300	8,970	20,014	528	38,812
Inventories	18	1,381	-	23,352	-	24,733
Other financial assets	19	-	15,820	-	-	15,820
Other assets	20	460	1,401	523	46	2,430
Total Current Assets		(65,633)	248,769	(22,913)	26,051	186,274

NON-CURRENT ASSETS

Other financial assets	19	-	1,530,175	-	649	1,530,824
Rental properties	21	3,322,706	-	-	-	3,322,706
Community housing properties	22	208,537	-	-	-	208,537
Shared equity properties	23	-	102,822	-	-	102,822
Other properties	24	1,672	-	927	21,392	23,991
Plant & equipment	25	16	333	18	3,081	3,448
Buildings under construction		54,613	208	-	-	54,821
Receivables	17	-	-	-	-	-
Inventories	18	2,127	-	294,635	-	296,762
Other assets	27	-	3,878	-	2,331	6,209
Total Non-Current Assets		3,589,671	1,637,416	295,580	27,453	5,550,120
Total Assets		3,524,038	1,886,185	272,667	53,504	5,736,394

CURRENT LIABILITIES

Interest-bearing liabilities	28	11,484	3,039	7,390	-	21,913
Payables	29	13,702	3	32,192	8,181	54,078
Other liabilities	30	6,572	11,380	4,077	1,936	23,965
Provisions	31	-	-	2,667	6,097	8,764
Total Current Liabilities		31,758	14,422	46,326	16,214	108,720

NON-CURRENT LIABILITIES

Interest-bearing liabilities	28	393,001	1,524,857	144,018	-	2,061,876
Payables	29	-	-	834	-	834
Other liabilities	30	-	-	-	-	-
Provisions	31	444	138	1,725	40,911	43,218
Total Non-Current Liabilities		393,445	1,524,995	146,577	40,911	2,105,928
Total Liabilities		425,203	1,539,417	192,903	57,125	2,214,648
NET ASSETS		3,535,333	355,860	129,345	(9,846)	3,521,746

Acquisition of Property, Plant & Equipment, intangibles and other non-current segment assets

June 2003					
Rental \$000	Loans \$000	Land \$000	Unallocated \$000	Total \$000	
(85,071)	222,578	(69,212)	25,477	93,772	15
8,297	-	2,410	-	10,707	16
9,300	8,970	20,014	528	38,812	17
1,381	-	23,352	-	24,733	18
-	15,820	-	-	15,820	19
460	1,401	523	46	2,430	20
(65,633)	248,769	(22,913)	26,051	186,274	
-	1,530,175	-	649	1,530,824	19
3,322,706	-	-	-	3,322,706	21
208,537	-	-	-	208,537	22
-	102,822	-	-	102,822	23
1,672	-	927	21,392	23,991	24
16	333	18	3,081	3,448	25
54,613	208	-	-	54,821	
-	-	-	-	-	17
2,127	-	294,635	-	296,762	18
-	3,878	-	2,331	6,209	27
3,589,671	1,637,416	295,580	27,453	5,550,120	
3,524,038	1,886,185	272,667	53,504	5,736,394	
11,484	3,039	7,390	-	21,913	28
13,702	3	32,192	8,181	54,078	29
6,572	11,380	4,077	1,936	23,965	30
-	-	2,667	6,097	8,764	31
31,758	14,422	46,326	16,214	108,720	
393,001	1,524,857	144,018	-	2,061,876	28
-	-	834	-	834	29
-	-	-	-	-	30
444	138	1,725	40,911	43,218	31
393,445	1,524,995	146,577	40,911	2,105,928	
425,203	1,539,417	192,903	57,125	2,214,648	
3,535,333	355,860	129,345	(9,846)	3,521,746	
159,343	4,413	96,672	1,944	262,372	

Other financial assets and total Payables in the segmented assets report differ from the Statement of Financial Position due to a \$20 million intersegment loan between the Loans and Land segments. These transactions have been eliminated in the Statement of Financial Position.

2 (ii). SEGMENTED NET ASSETS REPORT (continued)

June 2004				
Rental \$000	Loans \$000	Land \$000	Unallocated \$000	Total \$000
5,803	114,384	(37,192)	20,510	103,505
9,010	-	8,144	-	17,154
12,797	1,196	17,068	510	31,571
1,382	-	24,532	-	25,914
-	-	-	-	-
24	8,532	900	-	9,456
29,016	124,112	13,452	21,020	187,600
-	1,543,605	-	627	1,544,232
3,634,891	-	-	-	3,634,891
230,612	-	-	-	230,612
-	101,809	-	-	101,809
2,068	-	788	20,744	23,600
-	-	30	3,285	3,315
61,626	-	-	-	61,626
-	-	1,886	-	1,886
2,323	-	306,092	-	308,415
-	-	-	1,603	1,603
3,931,520	1,645,414	308,796	26,259	5,911,989
3,960,536	1,769,526	322,248	47,279	6,099,589
12,680	2,064	6,620	-	21,364
12,931	510	28,212	3,487	45,140
7,170	7,984	3,624	2,096	20,874
-	-	7,968	6,600	14,568
32,781	10,558	46,424	12,183	101,946
474,115	1,568,818	139,631	-	2,182,564
-	-	1,377	-	1,377
-	-	11,000	-	11,000
504	233	1,139	38,018	39,894
474,619	1,569,051	153,147	38,018	2,234,835
507,400	1,579,609	199,571	50,201	2,336,781
3,016,638	164,723	73,096	3,303	3,762,808
173,638	3,007	120,599	3,093	300,337

THE STATE HOUSING COMMISSION

CURRENT ASSETS

Cash assets	15
Restricted cash assets	16
Receivables	17
Inventories	18
Other financial assets	19
Other assets	20

Total Current Assets

NON-CURRENT ASSETS

Other financial assets	19
Rental properties	21
Community housing properties	22
Shared equity properties	23
Other properties	24
Plant & equipment	25
Buildings under construction	
Receivables	17
Inventories	18
Other assets	27

Total Non-Current Assets

Total Assets

CURRENT LIABILITIES

Interest-bearing liabilities	28
Payables	29
Other liabilities	30
Provisions	31

Total Current Liabilities

NON-CURRENT LIABILITIES

Interest-bearing liabilities	28
Payables	29
Other liabilities	30
Provisions	31

Total Non-Current Liabilities

Total Liabilities

NET ASSETS

Acquisition of Property, Plant & Equipment, intangibles and other non-current segment assets

June 2003				
Rental \$000	Loans \$000	Land \$000	Unallocated \$000	Total \$000
(85,071)	208,576	(69,212)	25,477	79,770
8,297	-	2,410	-	10,707
9,300	1,812	20,014	528	31,654
1,381	-	23,352	-	24,733
-	-	-	-	-
460	9,013	523	46	10,042
(65,633)	219,401	(22,913)	26,051	156,906
-	1,421,901	-	649	1,422,550
3,322,706	-	-	-	3,322,706
208,537	-	-	-	208,537
-	102,822	-	-	102,822
1,672	-	927	21,392	23,991
16	-	18	3,081	3,115
54,613	208	-	-	54,821
-	-	-	-	-
2,127	-	294,635	-	296,762
-	-	-	2,331	2,331
3,589,671	1,524,931	295,580	27,453	5,437,635
3,524,038	1,744,332	272,667	53,504	5,594,541
11,484	3,039	7,390	-	21,913
13,702	3	32,192	8,181	54,078
6,572	8,568	4,077	1,936	21,153
-	-	2,667	6,097	8,764
31,758	11,610	46,326	16,214	105,908
393,001	1,504,857	144,018	-	2,041,876
-	-	834	-	834
-	-	-	-	-
444	138	1,725	40,911	43,218
393,445	1,504,995	146,577	40,911	2,085,928
425,203	1,516,605	192,903	57,125	2,191,836
3,535,333	252,921	129,345	(9,846)	3,402,705
159,343	1,678	96,672	1,944	259,637

Total Other financial assets and total Payables in the segmented assets report differ from the Statement of Financial Position due to a \$20 million intersegment loan between the Loans and Land segments. This transaction has been eliminated in the Statement of Financial Position.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
3. RENTAL REVENUE				
Rental Properties	234,242	228,387	234,242	228,387
Amenities Heating	1,791	1,808	1,791	1,808
Commercial Properties	1,841	1,910	1,841	1,910
	<u>237,874</u>	<u>232,105</u>	<u>237,874</u>	<u>232,105</u>
Less Vacancies & Concessions:				
Vacancies Rental Stock	8,830	8,259	8,830	8,259
Vacancies Amenities	63	60	63	60
Concessions - Caretakers	76	54	76	54
Concessions - Community Playgrounds	938	839	938	839
Concessions - Other	4,921	4,534	4,921	4,534
Total Vacancies & Concessions	<u>14,828</u>	<u>13,746</u>	<u>14,828</u>	<u>13,746</u>
Rental Revenue	<u>223,046</u>	<u>218,359</u>	<u>223,046</u>	<u>218,359</u>
Less Rent Subsidised:				
Rental Subsidy	94,184	93,743	94,184	93,743
Amenities Subsidy	843	886	843	886
Total Rent Subsidised	<u>95,027</u>	<u>94,629</u>	<u>95,027</u>	<u>94,629</u>
Total Rental Revenue	<u>128,019</u>	<u>123,730</u>	<u>128,019</u>	<u>123,730</u>
4. INTEREST REVENUE				
LOAN INTEREST				
Keystart Secured Mortgage Advances	91,243	91,959	-	-
Loans to Terminating Building Societies	405	616	405	616
	<u>91,648</u>	<u>92,575</u>	<u>405</u>	<u>616</u>
The State Housing Commission Loan Schemes	8,225	9,590	8,225	9,590
Less Mortgage Subsidies	59	86	59	86
	<u>8,166</u>	<u>9,504</u>	<u>8,166</u>	<u>9,504</u>
Total Loan Interest	<u>99,814</u>	<u>102,079</u>	<u>8,571</u>	<u>10,120</u>
OTHER INTEREST				
Interest on Cash at Bank	4,979	4,871	4,979	4,871
Interest on Investments	2,800	1,114	69,068	54,310
Interest Other	125	652	125	652
Total Other Interest	<u>7,904</u>	<u>6,637</u>	<u>74,172</u>	<u>59,833</u>
Total Interest Revenue	<u>107,718</u>	<u>108,716</u>	<u>82,743</u>	<u>69,953</u>

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

5. TRADING STATEMENT	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
Sales				
Joint Venture Land	85,506	51,404	85,506	51,404
Land	60,214	56,481	60,214	56,481
	<u>145,720</u>	<u>107,885</u>	<u>145,720</u>	<u>107,885</u>
Less cost of Land sold				
Joint Venture Land	48,194	31,936	48,194	31,936
Land	27,795	27,244	27,795	27,244
	<u>75,989</u>	<u>59,180</u>	<u>75,989</u>	<u>59,180</u>
Less selling expenses				
Joint Venture Land	11,480	9,307	11,480	9,307
Land	2,871	3,547	2,871	3,547
	<u>14,351</u>	<u>12,854</u>	<u>14,351</u>	<u>12,854</u>
Trading Profit	<u>55,380</u>	<u>35,851</u>	<u>55,380</u>	<u>35,851</u>

6. COMMONWEALTH AND STATE GRANTS

COMMONWEALTH GRANTS

Aboriginal Housing	44,506	31,696	44,506	31,696
Commonwealth Rental Grants	69,628	78,944	69,628	78,944
Crisis Accommodation & Community Housing	10,165	10,146	10,165	10,146
Total Commonwealth grants	<u>124,299</u>	<u>120,786</u>	<u>124,299</u>	<u>120,786</u>

STATE GRANTS

Department of Treasury and Finance	25,263	17,531	25,263	17,531
Department of Indigenous Affairs	30	138	30	138
Department of Health	50	-	50	-
Department of Planning and Infrastructure	331	-	331	-
Department of Education	200	-	200	-
Main Roads Western Australia	1,000	2,000	1,000	2,000
Total State grants	<u>26,874</u>	<u>19,669</u>	<u>26,874</u>	<u>19,669</u>

7. NET PROFIT ON THE DISPOSAL OF ASSETS

June 2003				
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Gross Proceeds	Book Value	Selling Expenses	Concessions	Net Profit (Loss)
366	453	-	-	(87)
63,320	54,357	5,611	417	2,935
15,379	13,880	-	-	1,499
8	77	-	-	(69)
79,073	68,767	5,611	417	4,278

366	453	-	-	(87)
63,320	54,357	5,611	417	2,935
15,379	13,880	-	-	1,499
8	77	-	-	(69)
79,073	68,767	5,611	417	4,278

CONSOLIDATED

Community housing properties
Rental properties
Shared equity properties
Properties plant & equipment
Total

THE STATE HOUSING COMMISSION

Community housing properties
Rental properties
Shared equity properties
Properties plant & equipment
Total

June 2004				
(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Gross Proceeds	Book Value	Selling Expenses	Concessions	Net Profit (Loss)
-	-	-	-	-
67,478	52,934	5,796	422	8,326
19,739	16,611	-	-	3,128
108	134	-	-	(26)
87,325	69,679	5,796	422	11,428

-	-	-	-	-
67,478	52,934	5,796	422	8,326
19,739	16,611	-	-	3,128
108	134	-	-	(26)
87,325	69,679	5,796	422	11,428

Proceeds on disposal of non-current assets consists of gross proceeds less concessions.

Costs on disposal of non-current assets consists of the book value and selling expenses.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
8. OTHER REVENUES FROM ORDINARY ACTIVITIES				
Bad Debts Recovered	572	649	572	649
Conveyancing Fees	4,010	4,137	4,010	4,137
Assets Received Free of Charge	621	26	621	26
Other Revenue	5,346	2,295	1,237	421
Total other revenues from ordinary activities	10,549	7,107	6,440	5,233
9. COMMUNITY SUPPORT EXPENSE				
Aboriginal Housing	34,858	36,236	34,858	36,236
Community Housing	2,660	2,362	2,660	2,362
Mortgage and Rental assistance program - Cash assistance	170	29	170	29
Total community support programs	37,688	38,627	37,688	38,627
10. DEPRECIATION AND AMORTISATION EXPENSE				
Rental Properties & Other Assets				
- Depreciation	43,446	40,720	42,563	40,215
Other Assets				
- Amortisation	4,708	5,496	3,326	3,954
Total depreciation and amortisation	48,154	46,216	45,889	44,169
11. BORROWING COSTS EXPENSE				
Interest on Interest-bearing liabilities	110,809	97,435	110,809	97,435
Interest on Keystart Bonds Ltd. - Commercial Paper	(3,841)	10,256	-	-
Total borrowing costs expense	106,968	107,691	110,809	97,435

12. ADMINISTRATION AND EMPLOYEE EXPENSES	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
Board Expenses	222	183	222	183
Communication	2,449	2,327	2,294	2,248
Other Costs & Expenses	6,232	8,289	4,772	4,890
Office Rental & Accommodation	3,744	2,163	3,741	2,163
Other Personnel Costs	2,034	1,759	2,034	1,759
Salaries & Wages	39,507	37,551	39,512	37,528
Salaries & Wages on Costs	6,553	9,271	6,553	9,271
Stationery & Supplies	1,073	747	821	605
	<u>61,814</u>	<u>62,290</u>	<u>59,949</u>	<u>58,647</u>
Less Credits:				
Administration Capitalised	3,271	4,501	3,271	4,501
Recoups	7,954	5,082	8,101	5,201
Total Credits	<u>11,225</u>	<u>9,583</u>	<u>11,372</u>	<u>9,702</u>
	<u>50,589</u>	<u>52,707</u>	<u>48,577</u>	<u>48,945</u>
Lease Expenses				
Non Cancellable Operating Leases:				
- Office Properties	910	681	675	681
- Motor Vehicles	960	902	960	902
Cancellable Leases				
- Office Properties	5	7	5	7
	<u>1,875</u>	<u>1,590</u>	<u>1,640</u>	<u>1,590</u>
Total administration & employee expenses	<u>52,464</u>	<u>54,297</u>	<u>50,217</u>	<u>50,535</u>

The Employee Entitlement provisions have been adjusted by the following amounts:

	June-2004	June-2003
Long Service Leave	\$166,000	\$844,000
Annual Leave	\$344,000	\$337,000
Superannuation	(\$2,745,000)	(\$633,000)

Office Property Leases:

Lease commitments on non cancellable operating leases are:

Within 1 year	662	618	640	596
Later than 1 year & not later than 5 years	763	1,075	741	1,053
	<u>1,425</u>	<u>1,693</u>	<u>1,381</u>	<u>1,649</u>

Motor Vehicle Leases:

Lease commitments on non cancellable operating leases are:

Within 1 year	626	731	626	731
Later than 1 year & not later than 5 years	234	285	234	285
	<u>860</u>	<u>1,016</u>	<u>860</u>	<u>1,016</u>

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
13. RENTAL EXPENSES				
Maintenance Expenses	36,876	33,213	36,876	33,213
Less Tenant Liability	4,727	4,152	4,727	4,152
	32,149	29,061	32,149	29,061
Debt Collection Expenses	1,320	1,335	1,320	1,335
Estate Management Expenses	3,700	3,511	3,700	3,511
General Expenses	4,306	4,036	4,642	4,615
Insurance Expenses	5,925	5,854	5,925	5,854
Rates Expenses	40,113	36,968	40,113	36,968
Renovations & Improvements	11,623	9,243	11,623	9,243
	99,136	90,008	99,472	90,587
Lease Expenses				
Operating Lease Costs Were:				
Rental Properties	25	73	25	73
	25	73	25	73
Total Rental Expenses	99,161	90,081	99,497	90,660
NEW LIVING EXPENSES				
Renovations & Improvements	33,009	31,114	33,009	31,114
Infrastructure expenses	2,883	3,254	2,883	3,254
Demolitions costs	147	74	147	74
Total New Living Expenses	36,039	34,442	36,039	34,442
14. OTHER EXPENSES FROM ORDINARY ACTIVITIES				
Doubtful Debts Expenses	4,262	4,291	2,935	2,526
Fees - Keystart	14,155	10,939	-	-
Grants & Subsidies	1,136	523	1,136	523
Land Expenses	548	460	548	460
Loan Scheme Expenses	1,508	2,386	1,508	2,386
Other Expenses	9,320	11,222	9,518	10,399
Total other expenses from ordinary activities	30,929	29,821	15,645	16,294

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
15. CASH ASSETS				
Cash at Bank - Operational	95,979	73,072	82,805	59,070
Cash at Bank - Superannuation	20,700	20,700	20,700	20,700
Total cash assets	116,679	93,772	103,505	79,770

16. RESTRICTED CASH ASSETS

Rental Tenants Bonds	9,010	8,297	9,010	8,297
Joint Venture Cash	8,144	2,410	8,144	2,410
Total restricted cash assets	17,154	10,707	17,154	10,707

Rental Tenants Bonds represents bond monies received by The State Housing Commission from rental clients. These funds are held in trust in accordance with the Residential Tenancies act. Joint Venture Cash is restricted for the use of joint venture operations and is controlled by the respective management groups.

17. RECEIVABLES

Current				
General	5,811	4,774	5,829	4,434
Joint Venture Receivables	11,887	12,014	11,887	12,014
Land Debtors	5,718	7,066	5,718	7,066
Other Rents	344	558	344	558
Rental Bonds Assistance	4,388	4,475	4,388	4,475
Rents from Tenants	9,650	8,557	9,650	8,557
	37,798	37,444	37,816	37,104
Less Provision For Doubtful Debts	6,245	5,450	6,245	5,450
Total Receivables (Current)	31,553	31,994	31,571	31,654
Non Current				
Joint Venture Receivables	1,886	-	1,886	-
Total Receivables (Non Current)	1,886	-	1,886	-

18. INVENTORIES

Land held for Sale (Note 1(l)) current				
Cost of Acquisition and Development	17,920	19,235	17,920	19,235
Capitalised rates, taxes, administration and interest.	1,395	1,734	1,395	1,734
	19,315	20,969	19,315	20,969
Joint Venture Land (Note 1 (j))	5,290	2,455	5,290	2,455
House and Land Packages	1,309	1,309	1,309	1,309
Total current inventories	25,914	24,733	25,914	24,733
Land held for Sale (Note 1(l)) non - current				
Cost of Acquisition and Development	209,814	206,591	209,814	206,591
	209,814	206,591	209,814	206,591
Joint Venture Land (a)	98,601	90,171	98,601	90,171
Total non -current inventories	308,415	296,762	308,415	296,762

(a) The State Housing Commission enters into joint venture operations for the development of Land holdings. Listed below are the current joint venture operations

Brighton

The State Housing Commission holds a 46.78% interest in a joint venture operation named Butler for the development of land at Butler. The Commission contributes development costs and receives revenues on the basis of the interest held in the joint venture operation.

Brighton Beach

The State Housing Commission holds a 50% interest in a joint venture operation named Brighton Beachside Estate for the development of land at Quinns. The Commission contributes development costs and receives revenues on the basis of the interest held in the joint venture operation.

18. INVENTORIES (Continued)Dalyellup Beach

The State Housing Commission holds a 50% interest in a joint venture operation named Dalyellup Beach for the development of land at Dalyellup Beach, Bunbury. The Commission contributes development costs and receives revenues on the basis of the interest held in the joint venture operation.

Ellenbrook

The State Housing Commission holds a 47.138% interest in a joint venture operation named Ellenbrook for the development of land at Ellenbrook. The Commission contributes development costs and receives revenues on the basis of the interest held in the joint venture operation.

Seacrest

The State Housing Commission holds a 50% interest in a joint venture operation named Seacrest for the development of land at Wandina, Geraldton. The Commission contributes development costs and receives revenues on the basis of the interest held in the joint venture operation.

Beeliar

The State Housing Commission holds an interest in a joint venture operation named Beeliar for the development of State Housing Commission land in Beeliar. The State Housing Commission does not contribute to the development of the land. The revenue received is 33% of the sale price of each lot and 50% share in the net proceeds after development costs and SHC 33% have been deducted.

Bunbury

The State Housing Commission held an interest in a joint venture operation named Glen Iris, Shearwater and Brookvillage for the development of State Housing Commission land in Bunbury. The State Housing Commission contributed to the development of the land. The revenue received is the value of the lot and 80% share in the profit after all development costs have been met. This joint venture has been terminated in 2004 financial year.

Clarkson

The State Housing Commission holds an interest in a joint venture operation named Clarkson for the development of State Housing Commission land in Clarkson. The State Housing Commission does not contribute to the development of the land. The revenue received is 17.5% of the sale price of each lot and 30% share in the net proceeds after development costs, management fees and SHC 17.5% have been deducted.

Palm Beach

The State Housing Commission holds an interest in a joint venture operation named Palm Beach for the development of State Housing Commission land at Palm Beach, Rockingham. The State Housing Commission does not contribute to the development of the land. The revenue received is \$13,000.00 upon the sale of each lot and 50% share in the profit after all development costs have been met.

Woodrise Estate

The State Housing Commission holds an interest in a joint venture operation named Woodrise Estate for the development of State Housing Commission land in Albany. The State Housing Commission does not contribute to the development of the land. The revenue received is 30% share in the profit after all development costs have been met.

Wellard

The State Housing Commission holds an interest in a joint venture operation named Wellard for the development of State Housing Commission land in Wellard. The State Housing Commission does not contribute to the development of the land. The revenue received is 10% of the sale price of each lot and 80% share in the net proceeds after development costs, management fees and SHC 10% have been deducted.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

18. 'INVENTORIES (Continued)
JOINT VENTURE OPERATIONS

	June 2004										
	Brighton	Brighton	Dalyellup	Ellenbrook	Seacrest	Beeliar	Clarkson	Palm	Wellard	Woodrise	Total
	\$000	Beach \$000	Beach \$000	\$000	\$000	\$000	\$000	Beach \$000	\$000	Estate \$000	\$000
CURRENT ASSETS											
Cash assets	3,775		4,095	107	167	-	-	-	-	-	8,144
Receivables	2,246	139	1,459	7,050	993	-	-	-	-	-	11,887
Inventories	-	2,662	-	2,628	-	-	-	-	-	-	5,290
Other assets	-	-	-	900	-	-	-	-	-	-	900
	6,021	2,801	5,554	10,685	1,160	-	-	-	-	-	26,221
NON-CURRENT ASSETS											
Receivables	-	-	-	1,886	-	-	-	-	-	-	1,886
Office Equipment	-	-	-	30	-	-	-	-	-	-	30
Buildings	376	-	306	106	-	-	-	-	-	-	788
Development costs (1)	18,809	-	7,786	23,997	845	-	-	-	-	-	51,437
	19,185	-	8,092	26,019	845	-	-	-	-	-	54,141
Total assets	25,206	2,801	13,646	36,704	2,005	-	-	-	-	-	80,362
CURRENT LIABILITIES											
Payables and Interest-bearing liabilities	1,064	77	1,675	3,800	25	-	-	-	-	-	6,641
Other Liabilities	-	701	-	-	364	-	-	-	-	-	1,065
Provisions	2,306	-	-	5,583	79	-	-	-	-	-	7,968
	3,370	778	1,675	9,383	468	-	-	-	-	-	15,674
NON-CURRENT LIABILITIES											
Payables and Interest-bearing liabilities	-	-		416	-	-	-	-	-	-	416
Provisions	-	-	-	-	70	-	-	-	-	-	70
	-	-	-	416	70	-	-	-	-	-	486
Total liabilities	3,370	778	1,675	9,799	538	-	-	-	-	-	16,160
NET ASSETS	21,836	2,023	11,971	26,905	1,467	-	-	-	-	-	64,202
Land (1)	14,232	975	630	6,945	898	3,083	9,190	25	10,895	291	47,164

1. The total of Development costs, State Housing Commission Land, Dalyellup Beach Land and Brighton Land acquired by the joint venture represents the \$98.601 million Joint Venture figure in the Statement of Financial Position.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

18. 'INVENTORIES (Continued)
JOINT VENTURE OPERATIONS

	June 2003										
	Brighton	Brighton	Dalyellup	Ellenbrook	Seacrest	Beeliar	Bunbury	Clarkson	Palm	Woodrise	Total
	\$000	Beach	Beach						Beach	Estate	
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CURRENT ASSETS											
Cash assets	1,554	417	121	268	50	-	-	-	-	-	2,410
Receivables	3,915	5,176	631	2,092	200	-	-	-	-	-	12,014
Inventories	-	391	-	2,064	-	-	-	-	-	-	2,455
Other assets	-	-	-	467	56	-	-	-	-	-	523
	5,469	5,984	752	4,891	306	-	-	-	-	-	17,402
NON-CURRENT ASSETS											
Office Equipment	-	-	-	18	-	-	-	-	-	-	18
Buildings	363	-	528	36	-	-	-	-	-	-	927
Development costs (1)	14,842	-	10,345	21,032	598	-	-	-	-	-	46,817
	15,205	-	10,873	21,086	598	-	-	-	-	-	47,762
Total assets	20,674	5,984	11,625	25,977	904	-	-	-	-	-	65,164
CURRENT LIABILITIES											
Payables and Interest-bearing liabilities	4,272	85	1,188	4,301	6	-	-	-	-	-	9,852
Other Liabilities	-	729	-	565	181	-	-	-	-	-	1,475
Provisions	-	-	-	2,652	15	-	-	-	-	-	2,667
	4,272	814	1,188	7,518	202	-	-	-	-	-	13,994
NON-CURRENT LIABILITIES											
Payables and Interest-bearing liabilities	-	-	238	24	-	-	-	-	-	-	262
Provisions	-	-	-	-	70	-	-	-	-	-	70
	-	-	238	24	70	-	-	-	-	-	332
Total liabilities	4,272	814	1,426	7,542	272	-	-	-	-	-	14,326
NET ASSETS	16,402	5,170	10,199	18,435	632	-	-	-	-	-	50,838
Land (1)	15,773	1,135	718	7,765	933	3,897	3,385	9,374	30	344	43,354

1. The total of Development costs, State Housing Commission Land, Dalyellup Beach Land and Brighton Land acquired by the joint venture represents the \$90.173 million Joint Venture figure in the Statement of Financial Position.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

19. OTHER FINANCIAL ASSETS	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
Current Investments				
Deposits at call	155,000	15,820		
Total current other financial assets	155,000	15,820	-	-
Non - Current Investments				
Ellenbrook Management Pty Ltd Shares (a)	24	24	24	24
Keystart Preferential Shares (d)	-	-	1,405,000	1,245,000
	24	24	1,405,024	1,245,024
Loans to Homebuyers	1,491,468	1,513,793	112,846	147,632
Less Provision for Doubtful Debts	13,387	13,637	500	750
	1,478,081	1,500,156	112,346	146,882
Loans to Housing Societies (c)	5,931	9,490	5,931	9,490
Loans Other				
Commercial Organisations	662	697	662	697
Local & Statutory Authorities	269	457	269	457
	1,484,943	1,510,800	119,208	157,526
Total Non - Current other financial assets	1,484,967	1,510,824	1,524,232	1,402,550

(a) Interest is held in the following company.

(a) Interest is held in the following company:						
Name	Principal Activities		Percentage of each share class held		Dividends received (\$000)	Value of Shares at cost (\$000)
			June-2004	June-2003		
			%	%		
Ellenbrook Management Pty Ltd	Real estate development	Ord.	47.14	47.14	Nil	24

(b) Controlled entities and contribution to retained earnings. (Note 1 b & c)

Name	Percentage Owned		Contribution to Economic Entity result (\$000)		Investment Shares at cost (\$)	
	June-04	June-03	June-04	June-03	June-04	June-03
Keystart Bonds Ltd	100	100	Nil	Nil	6	6
Keystart Loans Ltd	100	100	Nil	Nil	6	6
Keystart Support Pty Ltd	100	100	Nil	Nil	2	2
Keystart Support (Subsidiary) Pty Ltd	100	100	Nil	Nil	2	2
Keystart Housing Scheme Trust						
Profits			13,465	11,624		
Transfer from Reserve			102	117		
Keystart Support Trust			Nil	Nil		
Homeswest Loan Scheme Trust			Nil	Nil		

(c) Loans to Housing Societies

Loans made by The State Housing Commission to Housing Societies ("Approved Institutions" pursuant to the Housing Loan Guarantee Act 1957 - 1973) are made by The State Housing Commission pursuant to the Commonwealth State Housing Agreement Act and are in turn on lent to borrowers for the purpose of buying or building a home. Loans with a balance of \$5,931,071 at June 30, 2004 made by The State Housing Commission to these building societies are secured by a floating charge over the assets of the societies. Monies on lent by the societies prior to 1985/86 totalling \$402,407 are covered by Mortgage Insurance taken out by the borrowers. Monies on lent by the societies in 1985/86 are indemnified by the Treasurer. The Housing Loan Guarantee Act 1957-1973 was the means used to provide the indemnity. The amount of such indemnities at June 30, 2004 was \$242,884 (June 2003 \$328,528). The State Housing Commission is responsible for any shortfall realised for monies on lent by the societies subsequent to 1985/86. At June 30, 2004, the value of loans repayable in respect of monies on lent since 1985/86 amounted to \$5,528,665 (June 2003 \$8,744,040).

19. OTHER FINANCIAL ASSETS (Continued)**(d) Keystart Preferential Shares**

The Western Australian Treasury Corporation has provided The State Housing Commission with a \$2,000 Million loan facility to fund Keystart Loans Ltd. The State Housing Commission has purchased redeemable preference shares in Keystart Loans Ltd. to the same value as the drawn down loan facility as security over the funds. The terms and conditions of the shares reflect the terms and conditions of the loan facility. Keystart Loans Ltd. meets all principal, interest and other costs associated with the facility. To date \$1,405 Million of this facility has been drawn down.

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
20. OTHER ASSETS (Current Assets)				
Accrued Revenue				
Keystart Hedging Instruments	191	899	-	-
Interest on Cash at Bank	585	494	585	494
Interest Keystart Shares	-	-	7,947	8,529
	<u>776</u>	<u>1,393</u>	<u>8,532</u>	<u>9,023</u>
Prepayments				
Insurance Premiums	24	496	24	496
Interest on Borrowings	768	18	-	-
Joint Venture	900	523	900	523
	<u>1,692</u>	<u>1,037</u>	<u>924</u>	<u>1,019</u>
Total other assets	<u>2,468</u>	<u>2,430</u>	<u>9,456</u>	<u>10,042</u>

21. RENTAL PROPERTIES

Rental Properties at fair value				
Improvements	1,893,173	1,770,646	1,893,173	1,770,646
Land	1,779,291	1,587,431	1,779,291	1,587,431
	<u>3,672,464</u>	<u>3,358,077</u>	<u>3,672,464</u>	<u>3,358,077</u>
Less Accumulated Depreciation	37,872	35,682	37,872	35,682
	<u>3,634,592</u>	<u>3,322,395</u>	<u>3,634,592</u>	<u>3,322,395</u>
Leasehold Improvements at cost	499	499	499	499
Less Accumulated Depreciation	200	188	200	188
	<u>299</u>	<u>311</u>	<u>299</u>	<u>311</u>
Total rental properties	<u>3,634,891</u>	<u>3,322,706</u>	<u>3,634,891</u>	<u>3,322,706</u>

22. COMMUNITY HOUSING PROPERTIES

Crisis Accommodation properties at fair value				
Improvements	34,497	32,120	34,497	32,120
Land	26,667	25,097	26,667	25,097
	<u>61,164</u>	<u>57,217</u>	<u>61,164</u>	<u>57,217</u>
Community Housing properties at fair value				
Improvements	58,145	49,939	58,145	49,939
Land	30,854	26,284	30,854	26,284
	<u>88,999</u>	<u>76,223</u>	<u>88,999</u>	<u>76,223</u>
Joint Charity Projects at cost				
Improvements	90,015	83,465	90,015	83,465
Land	1,804	1,518	1,804	1,518
	<u>91,819</u>	<u>84,983</u>	<u>91,819</u>	<u>84,983</u>
	<u>241,982</u>	<u>218,423</u>	<u>241,982</u>	<u>218,423</u>
Less Accumulated Depreciation:				
Crisis Accommodation	699	752	699	752
Community Housing	1,134	1,003	1,134	1,003
Joint Charity Projects	9,537	8,131	9,537	8,131
	<u>11,370</u>	<u>9,886</u>	<u>11,370</u>	<u>9,886</u>
Total community housing properties	<u>230,612</u>	<u>208,537</u>	<u>230,612</u>	<u>208,537</u>

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
23. SHARED EQUITY PROPERTIES				
Shared Equity Properties at fair value				
Improvements	52,543	55,466	52,543	55,466
Land	50,837	49,087	50,837	49,087
	103,380	104,553	103,380	104,553
Less Accumulated Depreciation:	1,571	1,731	1,571	1,731
Total shared equity properties	101,809	102,822	101,809	102,822

24. OTHER PROPERTIES

Other Properties at fair value				
Offices				
Improvements	8,373	8,299	8,373	8,299
Land	12,409	13,113	12,409	13,113
	20,782	21,412	20,782	21,412
Commercial				
Improvements	564	452	564	452
Land	1,504	1,220	1,504	1,220
	2,068	1,672	2,068	1,672
Joint Venture Buildings at cost	924	1,024	924	1,024
	23,774	24,108	23,774	24,108
Less Accumulated Depreciation:				
Offices	404	415	404	415
Commercial	11	9	11	9
Joint Venture Buildings	136	97	136	97
	551	521	551	521
	23,223	23,587	23,223	23,587
Leasehold Improvements at cost	636	535	636	535
Less Accumulated Depreciation:	259	131	259	131
	377	404	377	404
Total other properties	23,600	23,991	23,600	23,991

25. PLANT & EQUIPMENT

Plant & Equipment at cost				
Air Conditioning	626	548	626	548
Commercial Vehicles	439	439	439	439
Computing Facilities & Equipment	9,584	9,246	8,921	8,840
Furniture & Fittings	940	967	529	633
Office Machines & Equipment	1,700	1,599	1,527	1,497
Joint Venture Office Equipment	55	44	55	44
Plant & Equipment	67	64	67	64
	13,411	12,907	12,164	12,065
Less Accumulated Depreciation:				
Air Conditioning	416	361	416	361
Commercial Vehicles	439	424	439	424
Computing Facilities & Equipment	6,822	6,841	6,513	6,654
Furniture & Fittings	682	758	402	490
Office Machines & Equipment	1,103	1,030	1,029	976
Joint Venture Office Equipment	25	26	25	26
Plant & Equipment	25	19	25	19
	9,512	9,459	8,849	8,950
Total plant & equipment	3,899	3,448	3,315	3,115

26. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION**June 2004****CONSOLIDATED**

	Rental Properties	Community Housing Properties	Shared Equity Properties	Other Properties	Plant & Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of year	3,322,706	208,537	102,822	23,991	3,448	3,661,504
Additions	146,089	22,054	4,595	1,162	1,872	175,772
Disposals	(79,574)	(3,313)	(16,743)	(222)	(1,368)	(101,220)
Revaluation Increments	247,872	4,818	10,975	(1,173)	-	262,492
Depreciation	(2,202)	(1,484)	160	(158)	(53)	(3,737)
Carrying amount at end of year	3,634,891	230,612	101,809	23,600	3,899	3,994,811

Depreciation includes adjustments for write back on revaluation and on disposal of assets in addition to the derecognition expense for the year.

June 2004**THE STATE HOUSING COMMISSION**

	Rental Properties	Community Housing Properties	Shared Equity Properties	Other Properties	Plant & Equipment	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of year	3,322,706	208,537	102,822	23,991	3,115	3,661,171
Additions	146,089	22,054	4,595	1,162	1,467	175,367
Disposals	(79,574)	(3,313)	(16,743)	(222)	(1,368)	(101,220)
Revaluation Increments	247,872	4,818	10,975	(1,173)	-	262,492
Depreciation	(2,202)	(1,484)	160	(158)	101	(3,583)
Carrying amount at end of year	3,634,891	230,612	101,809	23,600	3,315	3,994,227

Depreciation includes adjustments for write back on revaluation and on disposal of assets in addition to the derecognition expense for the year.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

	June-2004 \$000	June-2003 \$000	June-2004 \$000	June-2003 \$000
27. OTHER ASSETS				
Other Assets at cost				
Computing Software	8,064	6,647	4,344	3,521
Less Accumulated Amortisation	4,364	3,087	2,831	2,281
	<u>3,700</u>	<u>3,560</u>	<u>1,513</u>	<u>1,240</u>
Computing Development	9,409	9,350	9,409	9,350
Less Accumulated Amortisation	9,319	8,259	9,319	8,259
	<u>90</u>	<u>1,091</u>	<u>90</u>	<u>1,091</u>
Capital Establishment & Development costs and premiums on financial instruments	-	4,022	-	-
Less Accumulated Amortisation	-	2,464	-	-
	<u>-</u>	<u>1,558</u>	<u>-</u>	<u>-</u>
Goodwill at cost	1,100	-	-	-
Less Accumulated Amortisation	23	-	-	-
	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>4,867</u>	<u>6,209</u>	<u>1,603</u>	<u>2,331</u>

28. INTEREST-BEARING LIABILITIES

Current				
Borrowings				
State Nominated Funds	3,483	3,373	3,483	3,373
WA Treasury Corporation	9,333	10,185	9,333	10,185
Commonwealth Advances	8,548	8,355	8,548	8,355
	<u>21,364</u>	<u>21,913</u>	<u>21,364</u>	<u>21,913</u>
Non - Current				
Borrowings				
State Nominated Funds	286,858	290,340	286,858	290,340
WA Treasury Corporation	1,638,438	1,485,711	1,638,438	1,485,711
Commonwealth Advances	257,268	265,825	257,268	265,825
Keystart Bonds Ltd. - Commercial Paper	-	20,000	-	-
	<u>2,182,564</u>	<u>2,061,876</u>	<u>2,182,564</u>	<u>2,041,876</u>
Total interest-bearing liabilities	<u>2,203,928</u>	<u>2,083,789</u>	<u>2,203,928</u>	<u>2,063,789</u>

29. PAYABLES

Current				
Contractors retention monies	2,167	3,243	2,167	3,243
Keystart	-	-	-	6,719
General	6,131	4,836	6,131	4,935
Rental Properties Water Consumption	1,191	1,032	1,191	1,032
Joint Venture Creditors	6,641	9,852	6,641	9,852
Rental Tenants Bonds	9,010	8,297	9,010	8,297
Total current payables	<u>25,140</u>	<u>27,260</u>	<u>25,140</u>	<u>34,078</u>

Included in the Creditors general line are the unspent funds associated with the Indian Ocean Territories service delivery arrangements as per the following:

	June-2004	June-2003
Amounts carried forward from previous financial year.	\$505,161	\$508,689
Payments made by the Commonwealth for IOT services.	\$3,089,000	\$44,000
Cost of services.	\$47,844	\$47,528
Reimbursement of unexpended capital	\$449,535	-
Amounts carried forward to following financial year.	<u>\$3,096,782</u>	<u>\$505,161</u>

Non - Current				
Joint Venture Creditors	416	262	416	262
Accrued Expenses	961	572	961	572
Total Non-current payables	<u>1,377</u>	<u>834</u>	<u>1,377</u>	<u>834</u>

30. OTHER LIABILITIES	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
Current				
Accrued Expenses:				
Administrative & General Expenses	6,519	5,623	3,274	2,847
Interest on Borrowings	12,150	12,762	12,150	12,726
	18,669	18,385	15,424	15,573
Joint Venture Liabilities	1,065	1,475	1,065	1,475
Unearned Income	4,385	4,105	4,385	4,105
Total current other liabilities	24,119	23,965	20,874	21,153
Non - Current				
Keystart	-	-	10,000	-
Pre-paid inventory profits	1,000	-	1,000	-
Total Non-current other liabilities	1,000	-	11,000	-

31. PROVISIONS

Current				
Employee Benefits				
Long Service Leave	2,798	2,639	2,798	2,639
Annual Leave	3,802	3,458	3,802	3,458
	6,600	6,097	6,600	6,097
Other				
Joint Venture Provisions	7,968	2,667	7,968	2,667
Total current provisions	14,568	8,764	14,568	8,764
Non - Current				
Employee Benefits				
Long Service Leave	4,818	4,811	4,818	4,811
Superannuation	33,937	36,682	33,937	36,682
	38,755	41,493	38,755	41,493
Other				
Development Levies (note 1z)	1,069	1,655	1,069	1,655
Joint Venture Provisions	70	70	70	70
Total non-current provisions	39,894	43,218	39,894	43,218

Long service leave liabilities have been established by actuarial assessment dated the 14th of July 2004. The assessment of the non-current portion of the liability is at net present value allowing for a salary inflation rate of 3.5% and a investment earning rate (discount) of 5.46%.

The carrying value of annual leave liabilities includes a 4.9% loading for additional costs arising from expected pay increases in the next twelve months.

The superannuation liability has been established from data supplied by the Government Employees Superannuation Board.

Movement in Provisions

Development Levies (note 1aa)	1,069	1,655	1,069	1,655
Carrying amount at start of year	1,655	2,022	1,655	2,022
Additional provisions recognised	428	1,175	428	1,175
Payments	(1,014)	(1,542)	(1,014)	(1,542)
Carrying amount at end of year	1,069	1,655	1,069	1,655

32. RESERVES	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
(i). Asset Revaluation Reserve	\$000	\$000	\$000	\$000
Balance brought forward from prior year	1,643,538	1,526,110	1,643,538	1,526,110
Transfer to Realisation Reserve	(74,363)	(77,519)	(74,363)	(77,519)
Revaluations during the year	304,148	194,947	304,148	194,947
Balance at June 30	1,873,323	1,643,538	1,873,323	1,643,538

Revaluations recognised during the year were in respect of:

Rental Properties - current	282,547	177,351	282,547	177,351
Other Properties - current	18,562	14,918	18,562	14,918
Land	3,039	2,678	3,039	2,678
	304,148	194,947	304,148	194,947

Transferred to Realisation Reserve

Value of Rental Properties Realised - Sold	(42,611)	(44,955)	(42,611)	(44,955)
Value of Rental Properties Realised - Demolished	(26,333)	(29,201)	(26,333)	(29,201)
Value of Other Properties Realised - Sold	(5,419)	(3,363)	(5,419)	(3,363)
	(74,363)	(77,519)	(74,363)	(77,519)

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(d).

(ii). Asset Realisation Reserve

Realisation Reserve				
Balance brought forward from prior year	599,331	521,812	599,331	521,812
Realisation during the year	74,363	77,519	74,363	77,519
Balance at June 30	673,694	599,331	673,694	599,331
Rental Properties - Sold	42,611	44,955	42,611	44,955
Rental Properties - Demolished	26,333	29,201	26,333	29,201
Other Properties - Sold	5,419	3,363	5,419	3,363
	74,363	77,519	74,363	77,519

The asset realisation reserve is used to record the valuation increments/decrements of non-current assets that have been disposed of.

(iii). Interest Assistance Lowstart Reserve

Balance brought forward from prior year	1,234	1,351	-	-
Transfer (to) retained profits	(102)	(117)	-	-
Balance at June 30	1,132	1,234	-	-

The reserve was established to fund the interest forgone portion of reconstructed Keystart Lowstart home loans.

Total Reserves	2,548,149	2,244,103	2,547,017	2,242,869
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33. CONTRIBUTED EQUITY

Opening balance	36,160	20,680	36,160	20,680
Capital contributions	15,500	15,480	15,500	15,480
Balance at June 30	51,660	36,160	51,660	36,160

34. RETAINED PROFITS

Opening balance	1,241,483	1,220,747	1,123,676	1,114,681
Transfer from interest assistance lowstart reserve	102	117	-	-
Net (loss)/profit for the year	53,920	20,619	40,455	8,995
Total retained profits	1,295,505	1,241,483	1,164,131	1,123,676

35. RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH NET PROFIT (LOSS)	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
Net Profit (Loss)	53,920	20,619	40,455	8,995
Non - cash items:				
Depreciation & Amortisation Expense	46,771	44,686	45,889	44,169
Doubtful Debts Expense	2,935	2,526	2,935	2,526
Net Profit/Loss on Disposal of Assets	(11,427)	(4,278)	(11,427)	(4,278)
Cash items:				
Grants & Subsidies and from Government	(26,874)	(19,669)	(26,874)	(19,669)
(Increase)/decrease in assets:				
Receivables	4,937	(1,032)	7,384	(3,307)
Inventories	(22,367)	(11,605)	(22,367)	(11,605)
Other assets	511	1,062	1,261	(519)
Increase/(decrease) in liabilities:				
Provisions	(1,845)	166	(1,845)	166
Premiums on Financial Instruments	481	(1,102)	-	-
Payables	(8,680)	(10,349)	(8,531)	(6,500)
Net GST receipts/(payments)	(4,463)	(1,643)	(4,463)	(1,643)
Net Cash Flows (used in) provided by Operating Activities.	33,899	19,381	22,417	8,335

36. PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Properties	43,079	25,935	43,079	25,935
Offices	750	103	750	103
Computing Facilities & Equipment	3,101	4,420	2,179	1,685
Furniture & Fittings	84	5	7	5
Office Machines & Equipment	157	151	157	151
Buildings under construction	98,041	97,220	98,041	97,220
Total payment for property, plant and equipment.	145,212	127,834	144,213	125,099

37. RECONCILIATION OF CASH

For the purposes of this statement of cash flows cash includes cash at bank and in interest bearing deposits with Banks.

Cash at the end of the year is shown in the Statement of Financial Position as:

Cash at Bank - Operational	95,979	73,072	82,805	59,070
Cash at Bank - Superannuation	20,700	20,700	20,700	20,700
Investments (Unsecured Deposits)	155,000	15,820	-	-
Rental Tenants Bonds	9,010	8,297	9,010	8,297
	280,689	117,889	112,515	88,067

38. REMUNERATION OF ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000

Remuneration of Members of the Accountable Authority

The total fees, salaries, superannuation and other benefits received or due and receivable for the financial year, by members of the Accountable Authority, from the Commission and the controlled entity.

475 462

The number of members of the Accountable Authority whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, falls within the following bands:

	2004	2003
\$10,000 - \$20,000	1	1
\$20,000 - \$30,000	2	4
\$30,000 - \$40,000	1	1
\$60,000 - \$70,000	1	-
\$80,000 - \$90,000	1	-
\$90,000 - \$100,000	-	1
\$210,000 - \$220,000	-	1
\$230,000 - \$240,000	1	-
	<u>7</u>	<u>8</u>

The superannuation included here represents the superannuation expense incurred by the Commission in respect of members of the Accountable Authority.

There are no members of the Accountable Authority who are currently members of the Pension Scheme.

Remuneration of Senior Officers

The total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year, by Senior Officers other than members of the Accountable Authority, from the Commission and the controlled entity.

897 914

The number of Senior Officers other than members of the Accountable Authority, whose total of fees, salaries, superannuation and other benefits received or due and receivable for the financial year falls within the following bands:

	2004	2003
\$110,000 - \$120,000	2	2
\$120,000 - \$130,000	4	3
\$130,000 - \$140,000	-	1
\$150,000 - \$160,000	1	-
\$160,000 - \$170,000	-	1
	<u>7</u>	<u>7</u>

The superannuation included here represents the superannuation expense incurred by the Commission in respect of Senior Officers other than senior officers reported as members of the Accountable Authority.

There are no Senior Officers Presently employed who are currently members of the Pension Scheme.

	Consolidated		S.H.C	
	June-2004	June-2003	June-2004	June-2003
	\$000	\$000	\$000	\$000
39. REMUNERATION OF AUDITOR				
The total fees paid or due and payable to the Auditor General for the financial year is as follows:				
Fees for the Auditor General for auditing the Financial Statements	290	287	220	207
Fees for the Auditor General for Commonwealth reporting	3	3	3	3
	<u>293</u>	<u>290</u>	<u>223</u>	<u>210</u>

40. COMMITMENTS FOR EXPENDITURE

At June 30, 2004 the expenditure commitments are as follows:

(a) Capital expenditure commitments

Within 1 year	95,956	90,135	95,956	90,135
Later than 1 year & not later than 5 years	4,938	197	4,938	197
Later than 5 years	-	-	-	-
	<u>100,894</u>	<u>90,332</u>	<u>100,894</u>	<u>90,332</u>

The capital commitments include amounts for the following:

Dwelling Construction & Upgrades	86,004	75,526	86,004	75,526
Land Development and Redevelopment	833	3,138	833	3,138
Crisis Accommodation Program	1,301	976	1,301	976
Joint Venture Land Development	8,235	5,757	8,235	5,757
New Living	1,353	2,069	1,353	2,069
Local Government & Community Housing Programs	3,168	2,866	3,168	2,866
	<u>100,894</u>	<u>90,332</u>	<u>100,894</u>	<u>90,332</u>

(b) Other expenditure commitments

Within 1 year	91,361	42,008	747	4,022
Later than 1 year & not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	<u>91,361</u>	<u>42,008</u>	<u>747</u>	<u>4,022</u>

The other expenditure commitments include amounts for the following:

Loans to Home Buyers	91,361	42,008	747	4,022
	<u>91,361</u>	<u>42,008</u>	<u>747</u>	<u>4,022</u>

Expenditure commitments have increased by \$58.705 million from the previous year mainly as a result of the increase in Loans to Homebuyers, in particular the Keystart new loan program. The boom in the building industry has slowed the progress in contracts being completed, which has increased works in progress, together with significant increases in loans approved in the latter months of the financial year.

The increase in dwelling construction is also impacted by the surge in the building industry during the year, which has resulted in contracts being delayed and progressing slower. There were 1,977 building commencements during the year, an increase of 6.98% from last year to meet the rental waiting list demand.

In addition, Joint Venture land Development has increased in committed carryover as projects have advanced in Butler and Ellenbrook.

41. CONTINGENT LIABILITIES**(a) Keystart Housing Scheme**

Under a Support Agreement for the Keystart Housing Scheme, The State Housing Commission has accepted an irrevocable and continuing obligation to fund the Support Trustee's Account with the amount, if any, necessary at that time for the Support Trustee to meet its obligation to ensure the Issuer, Keystart Bonds Ltd, has access to sufficient cash to meet the payment obligation then due and payable. In addition, should the Support Trust cease to exist for any reason The State Housing Commission is to satisfy the Support Trustee's obligations in full as the principal obligator. There are a variety of protective measures in place including mortgage security, provision for doubtful debts in the Scheme's Accounts, normal house insurance, mortgage protection insurance and other strategies which may be adopted to minimise the potential draw against this obligation. In view of the above protective measures it is difficult to quantify a contingent liability. As at June 30, 2004 a total of \$1,405 million has been raised for Keystart through borrowings from The State Housing Commission. These borrowings comprise of \$1,005 million of short term borrowings and a further \$400 million of borrowings having a maturity of more than twelve months but less than five years, through the issue of redeemable preference shares. All of the borrowings are secured by mortgages and the other assets of the Trust including the Trust's reserves. It should also be acknowledged that The State Housing Commission is the sole beneficiary of the Keystart Trust and the Support Trust.

(b) Keystart - 1st Home Buyers Provision Account

Under the First Home Buyers Scheme which operated from November 1995 to October 1996, land developers were required to contribute \$500 to the Keystart bad debts provision account for each block of land sold and financed through the scheme. The State Housing Commission, as a land developer, agreed to make available funds to Keystart on a similar basis. As at June 30, 2004, The State Housing Commission's contingent liability to the account amounted to \$186,500. To date there has not been a call on these funds.

(c) Loans to Housing Societies

Housing Societies have handled Home Purchase Assistance Account loans made since 1986/87 on a cash agency basis, passing monies received direct to The State Housing Commission with The State Housing Commission having responsibility for any shortfall on realisation of the loan security. The amount of funds outstanding under the loan agreements to June 30, 2004 was \$5,931,071

42. LOSSES TO THE STATE HOUSING COMMISSION THROUGH THEFTS, DEFAULTS OR OTHER CAUSES :

The State Housing Commission, for the year ended June 30, 2004, incurred Cashiers Shortages totalling \$156 (June 2003 \$64) all of which have been funded by The State Housing Commission.

Reportable thefts in 2003/2004 totalled \$10,000 (June 2003 \$10,812) \$4,286 of which is recoverable.

Bad Debts written off in the year ended June 30, 2004 totalled \$2,378,179 (June 2003 \$2,580,988).

Bad Debts recovered totalled \$571,523 (June 2003 \$606,064).

43. GIFTS OF PUBLIC PROPERTY

In the year ended June 30, 2004 The State Housing Commission did not make any gifts of public property.

44. THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS.

The State Housing Commission is adopting international accounting standards in compliance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS).

AASB 1 requires an opening balance sheet as at 1 July 2004 and the restatement of the financial statements for the reporting period to 30 June 2005 on the IFRS basis. These financial statements will be presented as comparatives in the first annual financial report prepared on an IFRS basis for the period ending 30 June 2006.

The State Housing Commission and its 100% controlled entity Keystart are classified as 'Not for Profit' and comply with AASB standards with Australian 'Not for Profit' content and as modified by the Treasurers Instructions.

AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires financial reports for periods ending on or after 30 June 2004 to disclose:

1. How the transition to Australian Equivalents to IFRS is being managed

The State Housing Committee established a project team monitored by a steering committee that has:

- * identified the key differences in accounting policies, disclosure and presentation and the consequential impacts and risk to the State Housing Commission;
- * assessed the changes required to financial management information systems and processes;
- * identified the necessary staff skills and training requirements and;
- * prepared a plan to convert accounting policies, financial management information systems and processes so that the State housing Commission can report on the IFRS basis.

The project is on schedule with the design and documentation of IFRS financial management systems and processes progressing concurrently with the preparation of an opening IFRS balance sheet in accordance with AASB 1 as at 1 July 2004 (the date of transition to IFRS).

2. Key differences in Accounting policies that are expected to arise from adopting Australian equivalents to IFRS

The State Housing Commission has identified the following key differences:

- * **Assets Held for Sale**
Under AASB 5 Non current Assets Held for Sale and Discontinued Operations the State Housing Commission will be required to reclassify its assets held for sale. This will include New Living and housing held for redevelopment where there is a management commitment and a plan to sell. These assets will have to be shown separately in the financial statements at the lower of their carrying amount and fair value less cost to sell. As the carrying amount estimates the fair value, an impairment loss is likely on these properties representing the selling costs.
- * **Impairment of Assets**
Under AASB 136 Impairment of Assets the State Housing Commission holds assets at fair value and at cost as follows:
Assets at Fair Value: The State Housing Commission holds its properties at fair or market value, which is equivalent to the recoverable amount. It is unlikely that where properties are held at fair value an impairment trigger will occur, except for selling costs which in the case of rental properties would not be material.

Assets Held at Cost: Non property assets are held at depreciated cost. For 'Not for Profit' government agencies are allowed to substitute the value in use with the written down replacement cost as a comparison against carrying value for an impairment test. It is unlikely impairment losses will be significant or material.

A general impairment checklist has been prepared for use in annual impairment testing for all non-current assets.

44. THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS (Continued).

* Employee Benefits

Superannuation Liabilities: The State Housing Commission is a participating entity in a state superannuation plan through the Government Employee Superannuation Fund (GESB). The State Housing Commission is a non-budget sector entity and therefore is expected to have unfunded superannuation liabilities that meet the definition of a defined benefit plan. This results in more extensive recognition, measurement and disclosure requirements. GESB is unable to provide the information for this disclosure and will possibly invoke minimal disclosure as per AASB 119 paragraph 30 and account for the plan as if it were a defined contribution plan.

* Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments such as loans and receivables will have to be held at amortised cost. Financial instruments will have to be accounted for net of transactions costs required to costs required to acquire or dispose of the instrument. Derivatives will be recognised in the balance sheet with movements recognised to the income statement.

45. FINANCIAL INSTRUMENTS**45(a) Terms, conditions and accounting policies**

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>		
Cash assets	Cash at bank is held at nominal amounts.	Cash is held at various banks and is interest bearing. Interest is accrued when earned.
Cash assets - Superannuation	Superannuation cash assets represent funds set aside to fund the superannuation liability. Cash is held at nominal amounts.	Cash is held by the Commonwealth Bank of Australia and is interest bearing. Interest is accrued when earned.
Cash assets - Restricted	Restricted cash assets represent rental tenant bonds and are held at nominal amounts. Joint Venture Cash is held by the joint venture managers for their operations.	Cash is held by the Commonwealth Bank of Australia and is interest bearing. Interest earned is set aside for the benefit of tenants.
Receivables - general	General receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Refer note 1(u).	Amounts due are generally on 30 day payment terms.
Receivables - land debtors	Land Debtors are carried at nominal amounts. Sales and receivables are recognised once the debtor has obtained financing and the sale has become unconditional.	Land sales are on 30 day terms once the sale has become unconditional.
Receivables - rent from tenants and other rents	Tenant and other rent receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised as detailed in Note 1(u).	Rent receivables are due weekly in advance.

45(a) Terms, conditions and accounting policies (Cont'd)

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>		
Receivables - rental bonds assistance	Rental bond assistance receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised as detailed in Note 1(u).	Rental bond assistance receivables represent advances made to qualifying person for the purpose of renting a property external to the Commission. The advance is repayable in minimum fortnightly payments of \$15 with any remaining balance being collectible upon the tenant vacating the premises.
Current investments	Current investments are stated at the lower of cost and net realisable value. Interest is recognised as revenue when earned.	Current investments represent 11am call accounts with an effective interest rate of 5.15% and bank bills with an effective interest rate of 5.44%.
Loans - homebuyers	Loans are carried at their original amount less principal repayments less any provision for doubtful debts as per note 1(u). Interest is recognised as revenue when earned.	Loans and advances are secured by a registered mortgage over residential properties within Western Australia, with a variable interest rate. (currently 6.99%).
Loans - housing societies	Loans are carried at their original amount less principal repayments. Interest is recognised as revenue when earned.	Loan payments are received monthly in accordance with the terms of each loan agreement. Final instalments on loans made directly to the Housing Societies are due in 2018. Loan payments received by the Commission for loans made on a cash agency basis are based upon the actual amount paid by the homebuyer to the Housing Society. Interest rates on all terminating building society loans are variable. Details in relation to terminating building societies loans are outlined in Note 19(c).

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(a) Terms, conditions and accounting policies (Cont'd)

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>		
Loans - other - commercial organisations	Loans are carried at their original amount less principal repayments. Interest is recognised as revenue when earned.	Loan repayment dates vary for each loan, being due in 2005, 2006, or no set date. Interest rates are based on the 30 day bank bill swap reference rate less 2%. Interest is due annually in accordance with the terms of the loan.
Loans - local and statutory authorities	Loans are carried at their original amount less principal repayments. Interest is recognised as revenue when earned.	Loan repayment dates vary for each loan and are due half-yearly, upon maturity of loan, or in accordance with other specific agreements. Interest rates vary between nil and 8.5%. Interest is due either quarterly or half-yearly in accordance with the terms of the loan.
<i>(ii) Financial liabilities</i>		
Borrowings - State nominated funds	Borrowings are carried at the original amount less principal repayments. Interest is charged as an expense as it accrues.	Borrowings are repayable on an annual basis with final instalments being due between June 2036 and June 2042. Interest rates are set at 4.5%.
Borrowings - WATC	Borrowings are carried at the original amount less principal repayments. Interest is charged as an expense as it accrues.	Variable rate borrowings are repayable on a quarterly basis with the final instalment being due July 2026. Fixed rate borrowings are subject to interest payments only with the full loan being due on maturity. Interest rates are fixed at varying rates between 5.35% and 10.68%.
Borrowings - Commonwealth advances	Borrowings are carried at the original amount less principal repayments. Interest is charged as an expense as it accrues.	Borrowings are repayable on an annual basis with final instalments being due between June 2004 and June 2041. Interest rates are fixed at rates between 3% and 6%.

45(a) Terms, conditions and accounting policies (Cont'd)

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(ii) Financial liabilities</i>		
Borrowings - Commercial Paper	Borrowings are carried at the original amount less principal repayments. Interest is charged as an expense as it accrues.	There are no funds owing under the commercial paper arrangements as at 30 June 2004.
Creditors - general	Amounts primarily relate to land sale deposits recognised upon receipt of cash and retention monies for construction contracts.	Land sales generally become unconditional within 30 days of offer. Retention monies are repaid upon 100% completion with 2.5% withheld until satisfactory completion of the maintenance agreement.
Creditors - rental deposits and rental tenants bonds	Liabilities are recognised when tenant bonds are received or receivable.	Tenant bonds are payable upon the tenant vacating the premises. The ultimate amount to be paid is dependent upon the condition of the property upon the tenant vacating, but is not more than the carrying amount of the liability.
Creditors - rental properties water consumption	Liabilities are recognised for amounts to be paid in the future for water usage.	Liabilities are normally settled on 90 day terms.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(a) Terms, conditions and accounting policies (Cont'd)

Unrecognised Financial Instruments	Accounting Policies	Terms and Conditions
(iii) Derivatives		
Interest Rate Swaps	<p>The entity enters into interest rate swap agreements that are used to convert the fixed interest rate of its long term borrowings to variable interest rates. It is the entity's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense. The swaps are entered into with the objective of reducing the risk of rising interest rates.</p>	<p>At reporting date, the entity had eleven interest rate swap agreements with the following notional amount, interest rate, and maturity dates.</p> <ol style="list-style-type: none"> 1) \$50 million, 6.44%, 16/08/2004 2) \$50 million, 5.535%, 15/10/2004 3) \$50 million, 5.535%, 15/10/2004 4) \$50 million, 5.5283%, 20/10/2004 5) \$75 million, 5.5367%, 21/10/2004 6) \$50 million, 6.44%, 15/11/2004 7) \$70 million, 5.4833%, 08/12/2004 8) \$50 million, 5.53%, 12/12/2004 9) \$50 million, 5.53%, 12/12/2004 10) \$55 million, 5.505%, 9/02/2005 11) \$50 million, 5.53%, 12/03/2005

45(a) Terms, conditions and accounting policies (Cont'd)

Unrecognised Financial Instruments	Accounting Policies	Terms and Conditions
<i>(iii) Derivatives</i>		
Interest Rate Caps	The entity enters into interest rate cap agreements that are used to protect against increases in interest rates. It is the entity's policy not to recognise interest rate caps in the financial statements. Net receipts are recognised as an adjustment to interest expense. Premiums paid for interest rate caps are amortised over the term of the cap.	At reporting date, the entity had two interest rate caps with the following notional amount, cap rate, and maturity dates. These caps have been onsold 1) \$50 million, 5.75%, 23/11/2005 2) \$50 million, 5.75%, 15/01/2006

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments		Fixed Interest Rate Maturing In:												Weighted Average effective interest rate on interest bearing instruments	
		Floating interest rate		1 Year or Less		Over 1 to 5 Years		More than 5 Years		Non-interest Bearing		Total Carrying Amount as per the Statement of Financial Position			
		June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000		
(i) Financial Assets															
Cash assets		95,979	73,072									95,979	73,072	5.07%	4.89%
Cash assets - Superannuation		20,700	20,700									20,700	20,700	5.07%	4.89%
Cash assets - Restricted		17,154	10,707									17,154	10,707	5.07%	4.89%
Receivables - general										5,411	4,324	5,411	4,324	-	-
Receivables - land debtors										19,491	19,080	19,491	19,080	-	-
Receivables - rent from tenants and other										4,679	4,500	4,679	4,500	-	-
Receivables - rental bonds assistance										3,858	4,090	3,858	4,090	-	-
Investments - current		155,000	15,820									155,000	15,820	4.68%	3.9%

- not applicable for non-interest bearing financial instruments

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(b) Interest Rate Risk (Cont'd)

Financial Instruments	Floating interest rate		Fixed Interest Rate Maturing In:								Total Carrying Amount as per the Statement of Financial Position		Weighted Average effective interest rate on interest bearing instruments	
			1 Year or Less		Over 1 to 5 Years		More than 5 Years		Non-interest Bearing					
	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000
(i) Financial Assets														
Investments - loans to homebuyers	1,469,981	1,489,819	306	374	703	858	449	547	6,642	8,558	1,478,081	1,500,156	6.69%	6.44%
Investments - loans to Housing Societies	5,330	8,799							601	691	5,931	9,490	6.73%	6.14%
Investments - loans to commercial organisations	339	338							323	359	662	697	3.18%	2.85%
Investments - loans to local and statutory parties					34	65			235	392	269	457	8.5%	8.5%
Total financial assets	1,764,483	1,619,255	306	374	737	923	449	547	41,240	41,994	1,807,215	1,663,093		

- not applicable for non-interest bearing financial instruments

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(b) Interest Rate Risk (Cont;d)

Financial Instruments	Fixed Interest Rate Maturing In:													
	Floating interest rate		1 Year or Less		Over 1 to 5 Years		More than 5 Years		Non-interest Bearing		Total Carrying Amount as per the Statement of Financial Position		Weighted Average effective interest rate	
	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000
<i>(ii) Financial Liabilities</i>														
Borrowings - State nominated			3,483	3,373	15,573	15,079	271,285	275,261			290,341	293,713	4.5%	4.5%
Borrowings - WATC			1,045,321	1,237,517	533,589	182,623	68,861	75,756			1,647,771	1,495,896	1.72%	2.83%
Borrowings - Commonwealth advances			8,548	8,355	35,304	34,818	221,964	231,007			265,816	274,180	4.46%	4.45%
Borrowings - Commercial Paper		20,000										20,000	-	5.11%
Borrowings – Medium Term Notes													-	-
Creditors – general									14,939	17,931	14,939	17,931	-	-
Creditors – rental deposits and tenant bonds	9,010	8,297									9,010	8,297	5.07%	4.89%
Creditors – rental property water consumption									1,191	1,032	1,191	1,032	-	-
Interest Rate Swaps			600,000	400,000	-	250,000					***	***	-	-
Interest Rate Caps	-	625,000									***	***	-	-
Interest Rate Collars	-	-									***	***	-	-
Interest Rate Floors	-	-									***	***	-	-
Total Financial Liabilities	9,010	653,297	1,657,352	1,649,245	584,466	482,520	562,110	582,024	16,130	18,963	2,229,068	2,111,049		

- not applicable for non-interest bearing financial instruments.

*** not applicable since financial instruments are not recognised in the financial statements.

45(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised represent estimates at a point in time. These estimates are subjective in nature and while judgement is used, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement. Changes in underlying assumptions could significantly affect these estimates. While the estimated net fair value amounts are designed to represent estimates at which these instruments could be exchanged in a current transaction between willing parties, many of the economic entity's financial instruments lack an available trading market as characterised by willing parties engaging in an exchange transaction. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale. Lastly, it is The State Housing Commission's intent to hold most of its financial instruments to maturity and therefore it is not probable that the net fair values shown will be realised in a current transaction. It is important that these uncertainties be considered when using the estimated net fair value disclosures and to realise that because of these uncertainties, the aggregate net fair value amount should in no way be construed as a representative of the underlying value of the economic entity.

The following table provides details of both carrying value and net fair value of financial instruments. The amounts disclosed do not reflect the value of assets and liabilities that are not considered financial instruments.

	Total carrying amount as per the Statement of Financial Position		Aggregate Net Fair Value	
	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000
<i>Financial Assets</i>				
Cash assets	133,833	104,479	133,833	104,479
Receivables - general, land debtors, rents, and bonds assistance	33,439	31,994	33,439	31,994
Current investments	155,000	15,820	155,000	15,820
Loans – homebuyers	1,478,081	1,500,156	1,478,081	1,500,156
Loans - terminating building societies	5,931	9,490	5,931	9,490
Loans - other commercial organisations	662	697	662	697
Loans - local and statutory	269	457	269	457
Total financial assets	1,807,215	1,663,093	1,807,215	1,663,093

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(c) Net Fair Values (Cont'd)

	Total carrying amount as per the Statement of Financial Position		Aggregate Net Fair Value	
	June 2004 \$000	June 2003 \$000	June 2004 \$000	June 2003 \$000
<i>Financial Liabilities</i>				
Borrowings - State nominated	290,341	293,713	286,214	289,435
Borrowings – WATC	1,647,771	1,495,896	1,664,929	1,525,374
Borrowings - Commonwealth advances	265,816	274,180	261,388	269,371
Borrowings - Commercial Paper		20,000		20,000
Borrowings - Keystart Bonds				
Borrowings – Medium Term Notes	-	-	-	-
Creditors - general, rental deposits, tenant bonds, rental property water consumption	25,140	27,260	25,140	27,260
Interest rate swaps	***	***	634	5,836
Interest rate caps	***	***	-	612
Interest rate collars	***	***	-	-
Interest rate floors	***	***	-	-
Total financial liabilities	2,229,068	2,111,049	2,238,305	2,137,888

*** not applicable since financial instruments are not recognised in the financial statements.

The following methods and assumptions are used to determine the net fair values of financial assets liabilities.

Recognised Financial Instruments

<i>Cash at bank, superannuation cash and restricted cash:</i>	The carrying amount approximates fair value.
<i>Receivables and creditors:</i>	The carrying amount approximates fair value.
<i>Investments - current:</i>	The carrying amount approximates fair value because of their short term to maturity.
<i>Loans to homebuyers:</i>	The carrying amount approximates fair value.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(c) Net Fair Values (Cont'd)

<i>Loans to housing societies:</i>	The carrying amount approximates fair value.
<i>Loans to commercial organisations:</i>	The carrying amount approximates fair value.
<i>Loans to local and statutory parties:</i>	The carrying amount approximates fair value.
<i>Borrowings - State nominated:</i>	The net fair value has been calculated using a discounted cashflow model based on a yield curve appropriate to the remaining term to maturity of the instruments.
<i>Borrowings - WATC:</i>	The net fair value has been calculated using a discounted cashflow model based on a yield curve appropriate to the remaining term to maturity of the instruments.
<i>Borrowings - Commonwealth advances:</i>	The net fair value has been calculated using a discounted cashflow model based on a yield curve appropriate to the remaining term to maturity of the instruments.
<i>Borrowings - Commercial Paper:</i>	The carrying amount approximates fair value because of their short term to maturity.
<i>Borrowings - Keystart Bonds/ Medium Term Notes:</i>	The fair values of long term borrowings are estimated using discounted cashflow analysis, based on current incremental borrowing rates for similar types of lending arrangements.

Unrecognised Financial Instruments

<i>Interest rate swap agreements:</i>	The fair values of interest rate swap contracts is determined as the difference in present value of the future cashflows.
<i>Interest rate cap agreements:</i>	The fair values of interest rate cap agreements are determined by reference to similar types of hedging arrangements priced at reporting date.
<i>Interest rate collar agreements:</i>	The fair values of interest rate collar agreements are determined by reference to similar types of hedging arrangements priced at reporting date.
<i>Interest rate floor agreements:</i>	The fair values of interest rate floor agreements are determined by reference to similar types of hedging arrangements priced at reporting date.

THE STATE HOUSING COMMISSION AND CONTROLLED ENTITIES

45(d) Credit risk exposures

The State Housing Commission's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The commission's maximum credit risk exposure in relation to these is as follows:

- (i) interest rate swap contracts - which is limited to the net fair value of the swap agreement at reporting date, being \$633,737,
- (ii) interest rate caps and collars - which is limited to the net fair value of the cap agreement at reporting date, being \$Nil.

Concentration of Credit Risk

The State Housing Commission's credit risk is spread over a significant number of parties and is concentrated only to the extent of geographic location, being that of urban and rural locations within Western Australia. The State Housing Commission is therefore not materially exposed to any particular individual party or group of parties.

The entity minimises concentrations of credit risk in relation to loans and advances by undertaking transactions with a number of borrowers, within specified maximum limits based upon the assessment of each borrowers ability to service a mortgage. The entity concentrates 100% of its lending to the purchase of residential real estate within Western Australia. Security is provided to the entity through a mortgage over the security property.

45(e) Hedging Instruments

General Hedges

The entity has entered into interest rate swap, cap and collar agreements as the hedging component of its Interest Rate Risk Management policy.

EXPLANATORY STATEMENT OF FINANCIAL RESULTS

46(a). COMPARISONS OF ESTIMATES 2003/2004 AND ACTUAL OPERATING RESULTS FOR 2003/2004

Section 42 of the Financial Administration and Audit Act 1985 requires The State Housing Commission to prepare annual budget estimates. Treasurer's Instruction 945 requires an explanation of significant variations between these estimates and actual results. Significant variations are considered to be those greater/less than \$5,000,000 or 10% greater/less than the budgeted amount.

	Budget \$000	Actual \$000	Variation \$000
1. Revenues from ordinary activities have varied by the following:			
* Trading Profit. The variance of \$19,431 million is attributed to better than expected sales from the Joint Venture Land program. There was an increase in market demand and value throughout the year which resulted in higher profit.	35,949	55,380	19,431
* Developers contributions. This variance is due to greater than anticipated contributions from developer partners, primarily in Community Housing programs.	600	1,056	456
* Proceeds on Disposal of Assets. This variance mainly arises from an increase in the rate of shared equity property sales during the year. This is due to borrowers taking advantage of a more competitive housing loan market and refinancing their loans .	67,983	86,903	18,920
* Other revenues from ordinary activities. This variance is mainly due to increased volume in conveyancing fees earned, which is attributable to an increase in activity in Keystart discharges, land sales and new mortgages directly related to strong market conditions. There was also an increase in the recovery of bad debts due to improved debt management strategies.	2,341	6,440	4,099
2. Expenses from ordinary activities have varied by the following:			
* Community support expense. The variance arises from underspending in the Aboriginal Villages program. There were delays in the receipt of ATSIC funds, which deferred the commencement of a number of projects which are carried over to 2004/05.	53,594	37,688	(15,906)
* Depreciation and Amortisation. The variance is mainly due to an increase in property valuations due to higher market values. The higher values increased the depreciation expense above expectations.	41,545	45,889	4,344
* Rental expenses. This variance is predominately due to an increase in the maintenance program. During the year a review of Public Housing activities was conducted by the Office of The Auditor General which recommended a \$5 million increase to the maintenance program.	89,320	99,497	10,177

46(a). COMPARISONS OF ESTIMATES 2003/2004 AND ACTUAL OPERATING RESULTS FOR 2003/2004 (Continued)

	Budget \$000	Actual \$000	Variation \$000
* Costs on disposal of Non-Current Assets. This variance mainly arises from an increase in the rate of shared equity property sales during the year. This is due to borrowers taking advantage of a more competitive housing loan market and refinancing their loans .	62,686	75,475	12,789
* Other expenses from ordinary activities. This variance arises from additional expenditure in relation to Government Homelessness strategy. See explanation for Grants and subsidies from State Government.	13,796	15,645	1,849
3. Grants and subsidies from State Government have varied by the following.			
* Grants and subsidies from State Government. The increase in state grants is due to funds transferred from the Main Road's Department, to be expensed in the Aboriginal Housing program on infrastructure works, which was not incorporated in the original budget, together with supplementary funding from Treasury in June for Homelessness.	24,263	26,874	2,611

46(b). COMPARISONS OF ACTUAL OPERATING RESULTS FOR 2003/2004 WITH THOSE OF THE PRECEDING YEAR

Details and reasons for significant variations between actual operating results for 2003/2004 and the preceding year are detailed below. Significant variations are considered to be those greater/less than \$5,000,000 or 10% greater/less than the actual amount for the preceding year.

	Actual June-2004 \$000	Actual June-2003 \$000	Variation \$000
1. Revenues from ordinary activities have varied by the following:			
* Interest revenue increased by \$12.790 million due to predominantly an increase of interest earned on investments in Keystart preferential shares of \$14.758m and a decrease of interest earned on State Housing Commission loan schemes of \$1.549m.	82,743	69,953	12,790
* Trading Profit from sale of residential land increased by \$19.529m due to increased sales volumes and market values.	55,380	35,851	19,529
Revenues from non-operating activities have varied by the following:			
* Developers contributions decreased by \$0.601 million due to decreased contributions by developers towards Community Housing projects.	1,056	1,657	(601)
* Proceeds on the disposal of assets increased by \$8.247 million predominantly due to an increase in rental and shared equity property proceeds of \$4.153million and \$4.360million respectively.	86,903	78,656	8,247
* Other revenue from ordinary activities has increased by \$1.217million mainly due to an increase in income recognised on assets transferred to the agency of \$0.595 million in the current year and an increase in other operational income of \$0.816million .	6,440	5,233	1,207
2. Expenses from ordinary activities have varied by the following:			
* Borrowing cost expense has increased by \$13.374m due an increase in borrowing's from the West Australian Treasury Corporation for Keystart funding (\$14.758million) and a reduction in borrowing costs for remainder of the portfolio.	110,809	97,435	13,374
* Rental expenses have increased by \$8.837million predominately due to an increase in maintenance and improvements expenses of \$5.468million and an increase in rates expense of \$3.145m.	99,497	90,660	8,837
3. Grants and subsidies from government have varied by the following.			
* State grants have increased mainly due to increased State funding for Indigenous Housing Programs.	26,874	19,669	7,205

Estimated Statement of Financial Performance
for the Period Ending June 30, 2005

	Homeswest	Home Purchase Assistance	LandStart	Corporate Overheads	Segment Eliminations	Entity Totals
A001 Department of Housing and Works						
Income						
Net Rental Revenue	130,021,900	0	1,045,000	0	0	131,066,900
Sales Non Current Assets	1,663,800	600,000	39,928,890	0	(6,383,500)	35,809,190
Other Income	1,400,000	0	0	3,405,000	0	4,805,000
Total Interest Revenue	901,001	84,514,999	0	0	0	85,416,000
	133,986,701	85,114,999	40,973,890	3,405,000	(6,383,500)	257,097,090
Expenditure						
Rental Operating Expense	141,152,400	0	228,000	0	0	141,380,400
Management Expense	31,764,576	1,243,002	3,973,612	16,086,445	0	53,067,635
Net Interest Expense	18,890,100	86,404,350	11,416,525	0	0	116,710,975
Community and Villages Support Prog	80,596,900	50,000	0	0	0	80,646,900
Sundry Expense	6,339,550	3,015,010	819,660	6,459,000	0	16,633,220
Deprec and Amortisation	39,998,103	1,863,807	442,176	1,519,404	0	43,823,490
	318,741,629	92,576,169	16,879,973	24,064,849	0	452,262,620
Gross Profit/(Loss)	(184,754,928)	(7,461,170)	24,093,917	(20,659,849)	(6,383,500)	(195,165,530)
Support Staff Allocations	10,674,112	3,252,066	2,160,268	(16,086,446)	0	0
Support Service Other Costs	4,668,599	13,716	(108,912)	(4,573,403)	0	0
Abnormal Items	0	0	0	0	0	0
Net Profit/(Loss)	(200,097,639)	(10,726,952)	22,042,561	0	(6,383,500)	(195,165,530)
Commonwealth Grants	138,791,000	1,500,000	0	0	0	140,291,000
State Grant Funds	25,063,000	0	0	0	0	25,063,000
Operating Surplus/(Deficit) Prior to Transfer	(36,243,639)	(9,226,952)	22,042,561	0	(6,383,500)	(29,811,530)
Segment Transfers						
CSHA Matching	8,448,000	0	(8,448,000)	0	0	0
Rental Sales Fees Contribution	0	0	0	0	0	0
	8,448,000	0	(8,448,000)	0	0	0
Operating Surplus/(Deficit)	(27,795,639)	(9,226,952)	13,594,561	0	(6,383,500)	(29,811,530)

Consolidated Forecast Statement of Financial Position 2004/05

	<i>Consolidated</i>	<i>SHC</i>
CURRENT ASSETS		
Cash Assets	54,102,000	44,731,000
Restricted Cash Assets	10,707,000	10,707,000
Receivables	37,655,000	32,353,000
Inventories	23,713,000	23,713,000
Other Financial Assets	6,102,000	-
Other Assets	10,518,000	9,834,000
TOTAL CURRENT ASSETS	142,797,000	121,338,000
NON CURRENT ASSETS		
Other Financial Assets	1,670,230,000	1,537,461,000
Rental Properties	3,744,794,772	3,744,794,772
Community Housing	228,622,468	228,622,468
Shared Equity Properties	92,814,571	92,814,571
Other Properties	24,358,189	24,358,189
Plant and Equipment	5,764,000	4,328,000
Buildings under Construction	52,232,000	52,232,000
Land Freehold	233,732,000	233,732,000
Joint Venture Land	100,171,000	100,171,000
Other Assets	2,913,000	2,333,000
TOTAL NON CURRENT ASSETS	6,155,632,000	6,020,847,000
TOTAL ASSETS	6,298,429,000	6,142,185,000
CURRENT LIABILITIES		
Interest Bearing Liabilities	21,913,000	21,913,000
Payables	36,530,000	34,086,000
Other Liabilities	28,710,000	21,152,000
Provisions	8,493,000	8,493,000
TOTAL CURRENT LIABILITIES	95,646,000	85,644,000
NON CURRENT LIABILITIES		
Interest Bearing Liabilities	2,243,223,000	2,243,223,000
Payables	8,195,000	8,195,000
Provisions	43,489,000	43,489,000
TOTAL NON CURRENT LIABILITIES	2,294,907,000	2,294,907,000
TOTAL LIABILITIES	2,390,553,000	2,380,551,000
NET ASSETS	3,907,876,000	3,761,634,000
EQUITY		
Asset Revaluation Reserve	2,597,127,000	2,596,252,000
Contributed Equity	66,660,000	66,660,000
Retained Profits	1,244,089,000	1,098,722,000
TOTAL EQUITY	3,907,876,000	3,761,634,000