



Date: 30 May 2016

The Committee Manager
Public Accounts Committee (PAC)
Parliament House
Macquarie St
Sydney NSW 2000

Dear Sir / Madam

Re: Inquiry into the Management of NSW Public Housing Maintenance Contracts

The NSW Federation of Housing Associations (the Federation) has received nine additional questions from the Public Accounts Committee regarding the Inquiry into the Management of NSW Public Housing Maintenance Contracts. The answers below have been developed in consultation with our members and draws upon their experience.

1) What quality assurance processes do community housing providers have in place to ensure that maintenance contractors perform maintenance work at an appropriate standard, at a fair price and in a timely fashion?

Under most community housing provider (CHP) maintenance contracts there is provision for CHPs to undertake rigorous compliance audits prior to the remittance of claims. CHPs generally have quality assurance inspection regimes where staff inspect work on completion. Usually 100% of vacant maintenance and larger jobs are inspected and a smaller proportion of responsive maintenance jobs. These compliance audits do not just focus on the standards defined in the provisions of the contracts (i.e. deemed to comply products) but also ensure that services rendered are in line with a predetermined schedule of rates which form the pricing schedule when contracts were awarded.

There are also contract provisions which define timeframes within which works are required to be completed and these comply, and typically exceed, Residential Tenancy Act requirements.

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These timeframes differ between CHPs but is an accountability applied to all trades for ongoing contract management.

The delivery of a good maintenance service is viewed as a tripartite arrangement between the CHP, the contractor and the tenant but with the CHP ultimately responsible for ensuring the outcome. It is standard practice that tenants are visited regularly by CHP staff, and this develops a relationship of trust and reinforces tenant's responsibilities regarding maintenance issues. This close relationship between tenant and staff means that tenants are more likely to report problems and indeed give positive feedback with the work or conduct of the contractor. This approach is much more difficult in the current Public Housing model because tenancy and asset management are less integrated following the split in responsibility between Housing NSW (tenancy management) and the Land and Housing Corporation (asset management).

In addition, CHPs leverage of each other's experience and expertise through an Asset Managers Network where there is a healthy cross fertilization of ideas and sharing of positive practice.

2) How do community housing providers meet the special maintenance requirements of aged tenants and/or those tenants living with disabilities?

The sector has both a long and strong commitment to providing housing assistance to the elderly and to those with a disability. The strong relationships that CHPs have with support partners and caregivers means that maintenance issues are usually promptly identified and reported. This ensures that necessary repairs are done quickly and prevents small jobs from becoming large jobs thus helping to maintain the property at a lower overall cost. Having said that aged tenants usually request fewer maintenance jobs simply because there is usually far less wear and tear on their homes.

Many CHPs set aside funds for modifications in annual budgets and have productive working relationship with occupational therapists. Such partnerships ensure both a client centred approach and that a proper due diligence process is undertaken prior to committing funds. For vulnerable people, property inspections are generally undertaken on an annual basis and it is during these visits that staff and tenants have the opportunity to pro-actively discuss and identify

maintenance and modifications requirements and plan upfront All CHPs have policies ensuring that required modifications are prioritised appropriately.

Another model is that of the housing cooperative sector has a number of tenant managed cooperatives for older Australians and people with disabilities. These are all managed by Common Equity NSW. Some cooperatives choose to be closely engaged in the management of their maintenance programs whilst Common Equity NSW manages maintenance for the remainder.

3) How do tenants of community housing report their maintenance needs to community housing providers?

CHPs recognise that tenants have different preferences for how they want to report maintenance and providers are increasingly using technology to refine their maintenance service. A number of CHPs now offer an online repair service and use SMS to confirm receipt of works orders and to advise when a contractor is approaching their home.

Tenants are also able to use more traditional forms of communication such as calling 24/7 call centres (free call or local), writing to their provider, visiting offices or reporting maintenance requests during tenant and property visits.

4) How do tenants report any issues they have with maintenance contractors to community housing providers?

CHPs undertake significant due diligence as part of their contractor procurement processes. As part of this process CHPs require their contractors to undergo customer service training and have a Customer Code of Conduct. In this way CHPs reduce the risk of employing contractors that are likely to be poor performers

Most tenants will use the communication options listed in 3) above. In addition, tenant participation structures such as advisory bodies, established jointly by CHPs and their tenants, allow tenants to influence maintenance service delivery practices and suggest changes. Robust complaints policies, required under the National Regulatory Code, allow tenants to raise concerns and have them investigated and dealt with.

5) How do community housing providers address instances of tenant's deliberately damaging property?

CHP's exercise all of the provisions allowed for in the Residential Tenancies Act (RTA) when it comes to malicious damage to properties. However, they are also cognisant of the need to consider mitigating factors and extenuating circumstances such as the vulnerability of the tenant

Often, tenants are given the opportunity to rectify the damage r themselves or via arrangements with contractors. In most cases, the CHP will undertake repairs and recharge for the works against the respective tenancy at which time the CHP makes payment arrangements either through an order from the NSW Civil and Administrative Tribunal (NCAT) or voluntarily . Some CHPs have a policy which states that they will always apply for an NCAT order where the damage is over a certain amount. This ensures that there is an independent determination of tenant liability.

These “non-rent arrears” are managed through an arrears recovery process. When calculating charges, depreciation is taken into consideration where applicable. For example, if an eight year old stove with a life expectancy of 12 years was damaged, the tenant would only be charged one third of the replacement value.

Again, wherever possible, CHPs mitigate the risk of damage being caused through good design and the installation of robust fixtures and fittings. Purchasing the cheapest kitchen does not always result in cost savings.

6) What methodologies and processes could be implemented to ensure consistent social housing maintenance standards across NSW?

The community housing sector believes that there should be consistent standards across all rented accommodation whether public, community or private. Therefore, NSW Department of Family and Community Services (FACS), the community housing sector, the private real estate sector, the NSW Office of Fair Trading, the Real Estate Institute and tenant advocacy groups should work collaboratively to develop and maintain a set of practical and achievable maintenance standards that apply to all rented housing in NSW.

Ideally, a standard, simple condition assessment methodology based on ISO 55001 and National Asset Management Standards (NAMS) should be developed. CHPs and FACS should be permitted / required to make their condition data publicly available for scrutiny (but not at dwelling specific level). A body, independent of CHPs or government should be engaged to report on social housing property condition annually, preferably at a national level. International experience should also be learnt from

In the meantime, LAHC has provided a guideline which specifies how it deems what and if components in properties are at an acceptable standard. The Asset Provision Standard provides a detailed methodology and process in determining consistent standards. As part of the Registration process and through contractual arrangements with FACS, CHPs are required to demonstrate their commitment to adherence to these standards.

The sector believes that with the proposed transfer of up to 25,000 properties from public to community housing management over the next six years, it is timely that these standards are reviewed in a manner which ensures joint ownership and commitment to delivering by both LAHC and the sector. It is only through a collaborative approach that outcomes can be optimized.

7) Your submission argues for title transfer of properties to community housing organisations. How would title transfer improve the condition of these properties?

Much has been written about how title transfer optimizes returns for government. Related to maintenance specifically we would offer the following:

- As properties age, more maintenance issues will arise related to building structure and fabric. Increasingly CHPs and FACS will have to negotiate who is responsible for major maintenance. Title transfer will place full responsibility on the CHP, removing grey areas where responsibilities are unclear
- Short term leases do not support rational decisions on long term maintenance investment. With title transfer will come the need for a social housing system that supports long term viability for maintenance, upgrading and eventual dwelling replacement;
- CHPs with title can leverage off the equity to refresh the existing portfolio (with supply uplift) and reduce maintenance liability. It will give extra assurance to financial investors

that the provider has full control and responsibility for its portfolio and that there is no risk that a future change in government direction will result in contracts being terminated.

- Access to revenue streams which are not available to government - Commonwealth Rent Assistance, accessing corporate philanthropy; accessing social impact investors all at a reduced cost to government.

8) Could you explain the benefits of title transfer in terms of property maintenance?

This question has been answered as part of question 7) above.

9) What recommendations could this Committee make to improve the management of Public housing maintenance contracts in New South Wales?

There needs to be a whole of system approach to implementing the LAHC maintenance contracts particularly with up to 25,000 properties being transferred to community housing management under Future Directions. Our view is that fundamentally the public housing maintenance system is challenged by the inflexibility of a huge government bureaucracy and inadequate funding. Any such system, no matter how well designed or managed, will have problems of complexity, overheads, lack of responsiveness to local opportunities, inefficiencies from taking a “one size fits all approach”, lack of incentives to improve performance and difficulties trying to integrate maintenance contracts with other Government initiatives around employment and training.

The separation of tenancy and asset management functions within FACS works against an effective integration of tenancy and asset management. Therefore our view is that these inevitable problems associated with scale and government constraints, can only be significantly addressed by moving the system to a more transparent and competitive multi-provider model. On this basis suggested recommendations would be:

- Increase public transparency of the public housing maintenance management system;
- Publish data on costs of providing public housing maintenance, including shortfalls and dwelling condition & amenity;

- Publish data in an understandable form that tracks trends in public housing from a “Fit for purpose” perspective – condition, amenity, cost to maintain, match to demand;
- Re-integrate local maintenance management functions with tenancy management functions.

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Yours sincerely,

Wendy Hayhurst
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NSW Federation of Housing Associations