

## **EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE AUDITS MAY 2013 – JULY 2013**

**Organisation:** Family & Community Services  
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**Date Received:** 8/08/2014

Mr Jonathan O'Dea MP  
Chair  
Legislative Assembly  
Public Accounts Committee  
Parliament House of New South Wales  
Macquarie Street  
SYDNEY NSW 2000

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Dear Mr O'Dea

I write in response to your letters of 7 July 2014 to Mike Allen of Housing NSW and Anne Skewes of NSW Land & Housing Corporation, seeking a submission to the Public Accounts Committee outlining our response to the Auditor-General's report *Making the Best Use of Public Housing*.

In September 2013 the Department of Family & Community Services formally accepted the recommendations contained in *Making the Best Use of Public Housing* in September 2013, and has been implementing the recommendations. The attached summary details our implementation of each recommendation.

The Department fully supports the performance audit process. Whilst we have always strived to improve the social housing system in New South Wales, the analysis and recommendations arising from *Making the Best Use of Public Housing* have given our work particular focus this year.

More specifically, this process is driving improvements in some of our key programs, and is currently informing strategic directions in social housing.

The Department values the work of the Audit Office and will welcome future opportunities to work with the Auditor-General in improving social housing in New South Wales.

Yours sincerely



**Michael Coutts-Trotter**  
**Secretary**

## IMPLEMENTATION OF RECOMMENDATIONS

## NSW Department of Family &amp; Community Services

## Making the best use of public housing

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS	RESPONSIBILITY
1a	<p>Government should:</p> <p>Develop a clear direction for a sustainable social housing sector that can function within available funding such that:</p> <ul style="list-style-type: none"> <li>– The current challenges facing public housing and the fundamental question of what the role of public housing is are addressed. This direction should address who is to be housed, and how the funding and asset ownership will achieve a sustainable social housing sector, for the longer term.</li> <li>– Clear strategic objectives are set to implement the direction agreed</li> <li>– The roles, responsibilities and relationship between LAHC and HNSW, and their accountability towards achieving their objectives are clearly understood</li> </ul>	Accepted	<ul style="list-style-type: none"> <li>– The Department of Family and Community Services (FACS) is leading the development of a new policy approach for social housing that will inform the purpose and delivery of social housing assistance in NSW and improve in the financial sustainability of assistance into the future.</li> <li>– The new policy approach will be consistent with the FACS reform priorities identified through the 2013/14 budget process, and in the 2012/13 Annual Report.</li> <li>– FACS is also developing a portfolio strategy, aligned with the new policy approach.</li> <li>– Through recent administrative changes, the Land and Housing Corporation (LAHC) has been transferred into FACS. The transfer will enable closer coordination while maintaining the benefits of the separation undertaken in 2011. The LAHC remains as a separate entity reporting to the Secretary of FACS. In working through the changed administrative arrangements, FACS is incorporating the issues raised by the Auditor-General in relation to roles, responsibilities and accountabilities.</li> </ul>		<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>– Portfolio framework directions were approved by Government in 2013 and are now being developed.</li> </ul> <p><b>On Track</b></p> <ul style="list-style-type: none"> <li>– The social housing policy is under development and subject to Ministerial decision and Cabinet consideration.</li> </ul>	FACS
1b	<p>Review housing funding arrangements and flows such that</p> <ul style="list-style-type: none"> <li>– LAHC can make long term decisions on its ownership and</li> </ul>	Accepted	<ul style="list-style-type: none"> <li>– Consideration of the financial sustainability of housing assistance in the future is essential and must reflect social housing policy priorities. This will occur from</li> </ul>		<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>– Funding flows have been agreed for next four years.</li> </ul>	FACS

	management within the public housing portfolio – HNSW can make long term decisions on how best to meet its social and economic objectives		2013/14 and progressively thereafter.			
2	FACS/HNSW/LAHC should, by January 2014, agree on the objects of the <i>Housing Act 2001</i> against which they should be reporting	Accepted	FACS will confirm the ownership of the 19 objectives under the Act : – Review existing performance measures and alignment against objectives – Identify any performance measure gaps – Develop an integrated reporting process.	January 2014	<b>Completed</b> – Responsibility for delivery and reporting, in relation to various objects of the Housing Act have been agreed within FACS. <b>Ongoing</b> – This will be aligned to the FACS Performance Reporting Framework, and published in future FACS Annual Reports.	FACS
3	FACS/HNSW should, by December 2013, complete a social housing policy that aligns tenant management with emerging client need. The strategy should include short-term and long-term targets, and forecasts to enable effective monitoring and reporting on progress	Accepted	– The Department of Family and Community Services (FACS) is leading the development of a new policy approach for social housing that will inform the purpose and delivery of social housing assistance in NSW and improve the financial sustainability of assistance into the future.	December 2013	<b>Ongoing</b> – The directions of the social housing policy are under development and subject to Ministerial decision and Cabinet consideration.	FACS
4a	HNSW should by June 2014 continue current initiatives and promote proposals to make best use of existing public housing. They include: – Aligning housing allocation with housing stock better – for example as is currently being implemented, by giving higher priority to rehousing tenants under-occupying – Introducing financial incentives and disincentives for people occupying properties larger than they need, taking into account the characteristics of the client group. – Considering how local allocation strategies may be used to support the development of successful and sustainable communities	Accepted	– Breaking disadvantage is a key component of the FACS reform priorities, so the issues raised by the Auditor-General in relation to disincentives to work, the development of successful and sustainable communities and rent setting models will be considered in developing the new approach to social housing. – Nevertheless, FACS is currently implementing the following initiatives to make best use of existing public housing: – Tenants under occupying public housing properties and who have agreed to transfer are provided with a very high level of priority – Financial disincentives for tenants under occupying public housing properties and who refuse to consider a transfer to more suitable	June 2014	<b>Completed</b> – A new approach to addressing under-occupancy in public housing was implemented in September 2013. – Tenants who are under-occupying and agree to transfer are given priority to transfer – On 1 June 2014 196 tenants had transferred under these terms between September 2013 and May 2014, and a further 615 tenants have agreed to transfer because they are under-occupying. – Tenants who are under-occupying and do not agree to transfer when asked, are	FACS

	<ul style="list-style-type: none"> <li>– Reducing vacant turn around times</li> <li>– Consistently implementing policies for relocation and ensuring they are monitored and reported</li> <li>– Identifying and addressing current policies and practices that may act as disincentives to tenants to seek work</li> <li>– Considering other rent setting models</li> </ul>		<p>accommodation.</p> <ul style="list-style-type: none"> <li>– A review of operating guidelines commenced for the application and for the post-implementation review of Local Allocations Strategies (LAS).</li> <li>– A project that aims to control timeframes and costs associated with managing vacant properties is being undertaken.</li> </ul>		<p>subject to a vacant bedroom charge, in addition to their rent</p> <ul style="list-style-type: none"> <li>– More than 800 tenants are now subject to this charge because they are under-occupying and have refused to transfer.</li> </ul> <ul style="list-style-type: none"> <li>– New procedures for implementing, monitoring and reviewing local allocations strategies (LAS) were implemented in June 2014. These new tools will make LAS more effective as a means of improving the sustainability of housing estates and other areas where there is a concentration of social housing.</li> <li>– FACS has established relocations policy and procedures. These are not under formal review, but are currently being applied and monitored in a number of locations.</li> <li>– FACS introduced a new market rent setting model in late 2013.</li> </ul> <p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>– New procedures for managing vacant properties have been developed, including: <ul style="list-style-type: none"> <li>- Clear allocation and monitoring of tasks</li> <li>- Reduced timeframes</li> <li>- Better tools and KPIs to support performance management.</li> </ul> </li> <li>– Analysis of employment disincentives and public housing rent settings is ongoing.</li> <li>– Further analysis will be undertaken on the outcomes of</li> </ul>	
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					<p>national work on employment disincentives for public housing tenants, impacts of the Federal Budget and Welfare Review on public housing tenants.</p> <ul style="list-style-type: none"> <li>– In developing a new policy approach to social housing, FACS is exploring how rent models can contribute to improved outcomes among people assisted in the social housing system.</li> </ul>	
4b	HNSW should by December 2014, implement the recommendations from ICAC and the internal HNSW review as part of a monitoring program	Accepted	<p>FACS – HNSW is implementing the following changes:</p> <ul style="list-style-type: none"> <li>– Development of local allocation strategies commenced in 2012, to specifically address risks identified by ICAC.</li> <li>– The nature and quality of allocation decisions will be monitored through a formal compliance monitoring system. This system is due to be implemented in June 2014 and local managers will play a key role</li> <li>– The new process to reduce the time taken to relet empty properties is scheduled for implementation by February 2015 incorporates improved guidance for staff allocating vacant properties, and better management reporting tools for allocations.</li> </ul>	December 2014	<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>– A new compliance framework has been developed and implemented in June 2014, and addresses concerns raised in previous reports and audits. It includes: <ul style="list-style-type: none"> <li>– Clearer procedures for managing offers of public housing</li> <li>– Practical tools for sampling and reviewing allocations decisions and some application assessment decisions</li> <li>– Guidelines and training for managers to apply the new compliance framework and tools</li> <li>– Clearer procedures for implementing, monitoring and reviewing local allocations strategies (LAS)</li> <li>– Clearer rules and monitoring tools for managing properties that are identified as “hard-to-let”</li> </ul> </li> </ul>	FACS
5a	LAHC should by December 2013 complete and release as asset portfolio strategy that delivers housing at an appropriate standard and shows how future new supply housing will	Accepted	<p>FACS is developing a portfolio strategy.</p> <p>–</p>	December 2013	<p><b>Completed</b></p> <ul style="list-style-type: none"> <li>– The development of the portfolio framework was approved by Government in 2013 and the</li> </ul>	FACS

	align with emerging client need. The strategy should include short-term and long-term targets to enable effective monitoring and reporting on progress				strategy is being developed. The release of the strategy is a matter for Government consideration.	
5b	LAHC should by June 2014 audit the property disposal procedures as part of a regular internal audit and review process	Accepted	– FACS – LAHC has included audit of the property disposal procedures in the internal audit schedule for 2013-14 financial year.	June 2014	<b>Completed</b> – The audit of property disposal procedures was completed in March 2014.	FACS
6	LAHC in consultation with HNSW by December 2013, finalise the Government's long term strategy for managing public housing estates to deliver a sustainable reduction in disadvantage on estates	Accepted	– The development of the new policy approach to social housing and portfolio strategy will propose a long-term strategy for managing public housing estates that includes how FACS works with other departments and NGOs to help break disadvantage.	December 2013	<b>Ongoing</b> – The strategy for public housing estates is part of the portfolio Strategy being developed. Progress is being made on a range of public housing estates in line with this approach.	FACS
7	FACS/HNSW and LAHC emerging policies and strategies should be based upon evidence of the cost effectiveness of asset and non-asset interventions to meet the specific needs of social public housing tenants	Accepted	– FACS will continue to work on improving and enhancing the use of evidence to drive policy, decision making and interventions in relation to social housing. This includes the development of specific tools that draw on and use evidence to inform decision making.		<b>Ongoing</b> – The portfolio strategy will guide asset decisions including sales, re-developments, acquisition and maintenance programs. The development of the Strategy is using sound asset management principles. – Emerging policies and strategies from the social housing policy will be based on an analysis of the cost effectiveness of asset and non-asset strategies.	FACS  FACS
8a	HNSW and LAHC should by June 2014, develop organisational plans that are clearly linked to their social housing policy, asset portfolio strategy and estate strategy including: – Gap analysis – Objectives – Targets – Funding – Performance measures and progress reporting	Accepted	– FACS will commence its organisational planning strategy aligned to the social housing policy and portfolio strategy by June 2014.	June 2014	<b>Completed</b> – Business plans have been developed reflecting policy priorities <b>Ongoing</b> – FACS business plans will be refined as Government makes determinations on a social housing policy and its priorities.	FACS

8b	HNSW and LAHC should by June 2014, ensure that their multiple legislative objectives translate into clearly defined, balanced and sustainable internal objectives that are feasible within available funding. Where government policy dictates the elevation of a specific objective, this should be acknowledged and clearly reflected in internal objectives	Accepted	– FACS will develop its business plan, which articulates clear objectives and a forward delivery strategy for the organisation based on legislative role and Government policy objectives.	June 2014	<b>Completed</b> <ul style="list-style-type: none"> <li>– Responsibility for delivery and reporting, in relation to various objects of the Housing Act have been agreed internally within FACS.</li> <li>– These responsibilities are reflected in FACS business plans.</li> <li>– FACS may revisit the objectives of the Housing Act as part of the social housing policy under development.</li> </ul>	FACS
8c	HNSW and LAHC should by June 2014, agree a review process to assess the impact of policies and procedures to identify those that limit the achievement of objectives	Accepted	– FACS will develop a review process to assess relevant policies and procedures by June 2014.	June 2014	<b>Ongoing</b> <ul style="list-style-type: none"> <li>– FACS has developed a review process within this timeframe.</li> <li>– FACS has an Evaluation Policy and Framework that drives evaluation activity across FACS policy, program and service delivery. FACS has developed a rolling twelve month evaluation schedule to assess the impacts and outcomes across FACS program areas, as required by the NSW Government Evaluation Framework developed by the NSW Treasury. FACS has a number of program reviews underway in relation to social housing policies and programs that are oversighted by the NSW Treasury and Department of Finance and Services. These reviews have been designed to identify or confirm where changes to policies and procedures are required to achieve the objectives for social housing in NSW.</li> </ul>	FACS
8d	HNSW and LAHC should by June 2014, routinely assess and report both publically and internally, on their performance in achieving the	Accepted	– FACS will update its performance reporting framework to ensure alignment with relevant legislation and policy objectives of	June 2014	<b>Ongoing</b> Agreement was reached in June 2014 to include reports on FACS'	FACS



	objectives of the relevant legislation, using appropriate measures and performance targets		Government, by June 2014.		<p>achievement in relation to the objectives of the Housing Act at the first available opportunity, this being the publication of the statistical supplement to the FACS annual report for 2013/14.</p> <p>The social housing policy under development may bring forward policy and legislative changes which will lead to changes in objectives, performance targets and performance measures.</p>	
8e	HNSW and LAHC should by June 2014, include in their reporting the efficient and effective use of the available supply of public housing. This should include property utilisation and property alignment to tenant needs	Accepted	– By June 2014, accordance with 8(d), FASC will ensure effective reporting on public housing supply and utilisation.	June 2014	<p><b>Ongoing</b></p> <p>– FACS will include efficiency and effectiveness reporting on public housing as part of its performance reporting process.</p>	FACS