

**Submission  
No 10**

## **INQUIRY INTO THE MANAGEMENT OF NSW PUBLIC HOUSING MAINTENANCE CONTRACTS**

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# Submission to

The Public Accounts Committee Inquiry into the Management  
of NSW Public Housing Maintenance Contracts



February 2016

## SUBMISSION SUMMARY

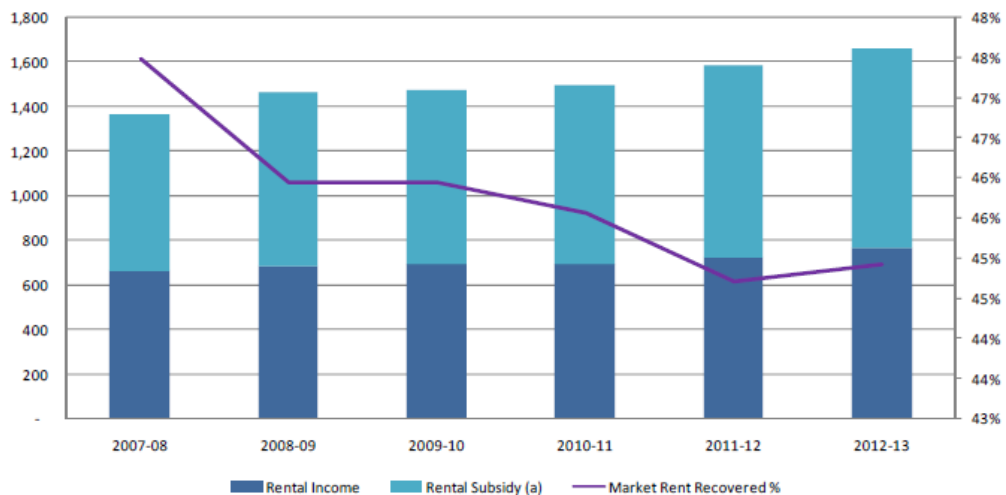
There are long standing challenges facing the provision and maintenance of social housing. These challenges are not unique to NSW but similar across Australian jurisdictions.

From a maintenance perspective, these challenges relate to the growing gap between the cost of operating and maintaining NSW’s ageing public housing stock and the level of rental income received.

Built post the Second World War for working families on low incomes, today the NSW social housing system has become a safety net for the community’s most vulnerable. These community members include the elderly, people with disability or severe and chronic mental illness, carers with long term caring responsibilities and those experiencing drug and alcohol issues, domestic and family violence. As a consequence of this changing demographic, very few people can afford to pay anything other than a rent which is heavily subsidised by the State Government.

Demographic change is also resulting in an increase in single-person households. As public housing rent is charged as a percentage of income, single-person households pay less rent than couples or families. As a consequence the increase in single-person households further reduces public housing rental income.

**Table 1 FACS Rental Income, Subsidy and Proportion of Market Rent Recovered (\$ million)**



Source: FACS submission to Tenancy Management in Social Housing P 26

Growing costs also relate to the increasing age of NSW’s social housing stock. Today, the average age of a social housing dwelling is 37 years with 20% of existing dwellings being constructed over 50 years ago. The current level of heritage properties in the portfolio has a significant impact on the financial sustainability of the portfolio. At Millers Point it is estimated that approximately \$90 - \$100 million is required to restore and maintain the fabric of heritage

properties. *Future Directions for Social Housing in NSW*<sup>1</sup> (*Future Directions*) incorporates a strategy to replace old housing with fit-for-purpose dwellings.

## Implementing a Strategy to Address the Challenge

The NSW Government has released a social housing strategy to reform the social housing system over the next 10 years. *Future Directions* sets out the NSW Government's vision and aims to drive better outcomes for tenants and to help those tenants able to transition out of social housing.

*Future Directions* is underpinned by three strategic priorities:

- More social housing;
- More opportunities, support and incentives to avoid and/or exit social housing; and
- A better customer experience of social housing.

*Future Directions* will subsequently implement three interconnected approaches:

- Significant expansion and redevelopment of stock through partnerships with private sector developers and financiers;
- Transferring significant tenancy management responsibility to non-government housing providers; and
- 'Wrap-around' services to support tenants build their capabilities and take advantage of the economic opportunities in our strengthening economy.

FACS asset activities support the reform's intended outcomes by tapping into the portfolio's redevelopment potential and partnering with the private sector to renew existing houses, deliver more social housing and improve maintenance.

## New Approaches to Address the Public Housing Maintenance Challenge

A FACS review of its approach to housing maintenance has led to major reforms being implemented in accordance with the overarching *Future Directions*.

The reforms have been informed by a whole of government review of maintenance contracts in addition to tenant and contractor feedback, international reviews of best practice and pilot testing. As a result of this work, three key and interrelated changes are being implemented with particular regard to housing maintenance as follows:



<sup>1</sup>[www.socialhousing.nsw.gov.au](http://www.socialhousing.nsw.gov.au)

- **A new maintenance services contract** - a new more commercial approach to maintenance contracting will come into effect in April 2016. The new maintenance contract will:
  - Improve tenant experience and satisfaction by more rapidly providing direct contact between the tenant and the maintenance contractor;
  - Provide significant efficiencies in the delivery of responsive maintenance, reduce administration costs and provide increased value for money in the delivery of planned maintenance;
  - Allow the government to track and publish data regarding the contractor's performance; and
  - Improve social outcomes by requiring contractors to engage with and involve a broad cross-section of the community in traineeships and apprenticeships. The contract encourages and supports tenant participation, small and medium enterprises (SMEs), local industry participation, disability employment service providers, and Aboriginal participation.
- **Property Assessment Surveys (PAS)** - conducted since 2012, these surveys of every accessible public housing property owned by FACS have provided a better understanding of the condition of existing housing stock. This has allowed FACS to directly target maintenance.
- **Future use of assets** - the PAS results, which are a part of the asset planning initiatives implemented by FACS, have allowed for an assessment of assets that are suitable for retention, disposal and/or redevelopment. Asset planning activities have allowed FACS to more effectively target its maintenance programs and inform the development of the new maintenance contract.

## Future Directions for Social Housing in NSW

From a maintenance perspective, the 23,000 social housing dwellings to be provided through *Future Directions* will also directly address the impact of asset ageing on the sustainability of the social housing portfolio. This will have direct flow on benefits to maintenance requirements and expenditure.

To maintain this positive trend, FACS will continue to monitor and refine the implementation of the new maintenance contract. The new maintenance contract will have a range of quality assurance, feedback and monitoring measures in place. FACS will also be implementing key performance indicators and portfolio audits to ensure increased transparency, greater efficiency and effectiveness leading to improved customer satisfaction.

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## LIST OF DEFINITIONS

The following section provides definitions of key terms as they are used in this submission.

### **Aboriginal Housing**

Aboriginal housing is housing owned by the Aboriginal Housing Office (AHO) or the Aboriginal community housing sector. FACS, Aboriginal community housing providers or community housing providers manage Aboriginal housing on behalf of the AHO. LAHC manage maintenance services through the current maintenance contract. Applicants for social housing who are Aboriginal or have an Aboriginal person living in their household can apply for Aboriginal Housing.

### **Community Housing**

Community housing providers manage community housing properties. These properties can be owned by the provider, owned by the NSW Government, or leased from the private rental market. Some providers also manage properties on behalf of other organisations under a fee for service arrangement.

Community housing providers consist of Housing Associations whose core business is the management of subsidised rental housing for lower income households, cooperative housing which is tenant managed housing for people on very low to moderate incomes, and other non-government housing providers.

### **FACS Housing**

Provide housing management solutions for people in need. Its responsibilities include addressing homelessness and funding, regulating the provision of community housing and crisis accommodation. It provides tenancy management for public housing for LAHC including assessing applications for housing and assisting eligible households to live in the private rental market.

### **NSW Land and Housing Corporation (LAHC)**

LAHC owns and manages the NSW Government's public housing portfolio. LAHC is engaged as a service provider for asset procurement and maintenance to the AHO.

### **Public Housing**

Public housing is NSW Government owned or managed social housing. These properties are either owned by LAHC, or they are leased from the private rental market, with management provided by FACS.

### **Social Housing**

Social housing is rental housing provided by not-for-profit, non-government or government organisations to assist people who are unable to access suitable accommodation in the private rental market. Social housing includes public, Aboriginal and community housing, as well as other services and products.



## LIST OF ABBREVIATIONS

ACHP - Aboriginal Housing Providers

AHO – Aboriginal Housing Office

CHP – Community Housing Provider

DPAS - Detailed Property Assessment Survey

FACS – Family and Community Services

HCC - Housing Contact Centre

LAHC – Land and Housing Corporation

MRF - Maintenance Request Follow Ups

MRP08 – Current Maintenance Contract

NCAT - NSW Civil and Administrative Tribunal

NDIS - National Disability Insurance Scheme

PAS - Property Assessment Survey

RFI - Requests for Information

## SUBMISSION APPROACH & CONTEXT

This submission has been prepared by the New South Wales Department of Family and Community Services (FACS) in response to the terms of reference identified for the Inquiry into the Management of NSW Public Housing Maintenance Contracts (the Inquiry).

FACS owns and manages the NSW Government's public housing assets. In this regard, FACS objectives are to:

- Support the NSW Government in optimising the social housing portfolio through financially-sustainable asset management;
- Implement a new public housing maintenance services contract;
- Procure efficient tenancy management services; and
- Collaborate with government and non-government sectors to implement policies and initiatives to support the Government's social housing objectives.

FACS works closely with the Community Housing Sector to provide houses for vulnerable people and those who cannot meet their own housing needs in the private market.

### Public Housing in NSW

There are long standing challenges in social housing that are similar across all Australian jurisdictions. They have arisen from a combination of global and national economic changes, changes in housing markets, demographic changes, increases in demand for social support and services, changes in social housing dwelling numbers and Commonwealth funding.

The public housing financial sustainability gap is largely a consequence of the changed profile over time of households prioritised for assistance and their capacity to contribute to rents. The needs based approach to prioritising social housing has fundamentally changed the profile of people receiving social housing assistance across Australia, resulting in a shift from largely post-World War II working class family tenancies, to tenancies occupied by those with high or complex needs.

This shift to tenancies occupied by people with high or complex needs has had two significant impacts on public housing revenues. The first is slower income growth for public housing providers as the majority of new allocations are to households receiving Commonwealth income support. The second is increased support costs. A number of people living in social housing require high and resource intensive tenancy management responses and this is costly. Further, over 93% of people living in public housing receiving a rental subsidy rely on Centrelink benefits and only 4.7% have wages as their main source of income.

### Submission Structure

In order to assist the Legislative Assembly, this submission draws together key research and data prepared by FACS. This introductory chapter provides contextual information regarding FACS and its assets.

The submission is subsequently structured to align with the terms of reference, as follows:

- Part A** – The current repair status and physical condition of the public housing stock
- Part B** – The costs of maintenance of the current public housing stock,
- Part C** – The nature and administration of maintenance contracts, including private sector arrangements
- Part D** – Methodologies and processes for ensuring consistent public housing maintenance standards across NSW, including quality assurance, effectiveness, efficiency and contract supervision
- Part E** – Statutory obligations on tenants to take care of properties and report maintenance needs in a timely fashion
- Part F** – Measures to meet the special maintenance requirements of aged and disabled tenants

## Housing Portfolio

FACS accommodates over 275,000 residents. This includes social housing dwellings that are owned or managed by the Aboriginal Housing Office (AHO), Community Housing Providers (CHPs) or Aboriginal Housing Providers (AHP). The majority of FACS residential stock (78%) is located within metropolitan areas providing a mix of cottages (36%), townhouses (20%) and units (44%).

### People living in social housing

The profile of people living in social housing has shifted over the last few decades from larger family households to smaller, often single-person households. Approximately 57% of households are single-person households.

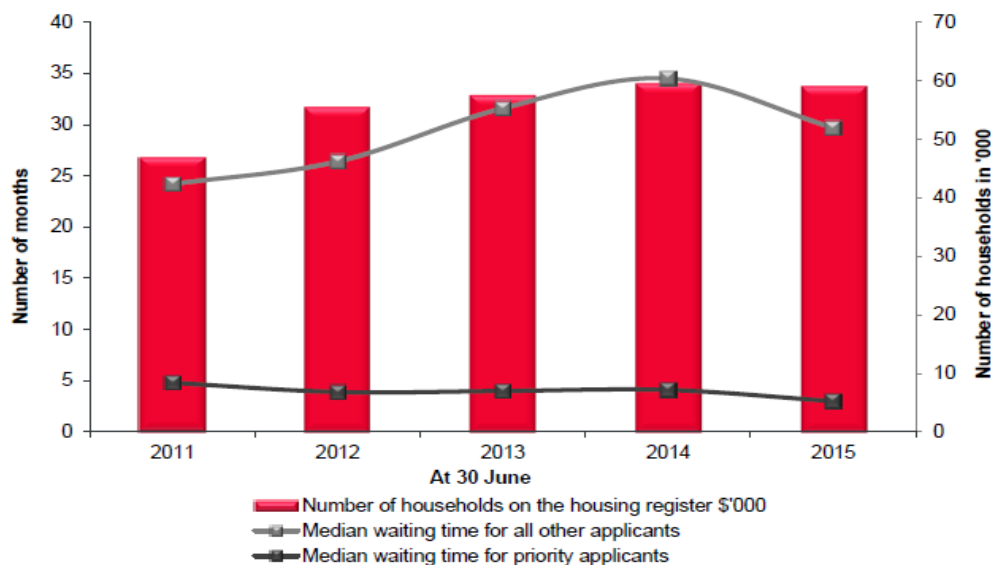
The client population is also now largely weighted towards the elderly (in 34% of households the head tenant is aged 65 years or over). This has resulted in an increasing requirement for dwellings which can be modified to adaptable, liveable standards for tenants with limited mobility. Reflecting this change in demand, there is also less demand for larger dwellings.



Looking forward, a notable proportion of social housing demand is projected to be for smaller dwellings. Furthermore, the suitability of location (i.e. proximity to health services, public transport, affordable local shops and other everyday needs) has become an increasingly important criterion for identifying, delivering and maintaining a suitable supply of social housing stock.

### Social Housing Register

As of June 2015, 59,035 households were on the waiting list (housing register) for social housing in NSW. This represented a slight decline (1%) from the number as of June 2014 (59,534 households).

**Figure 1 No. of Households on the Housing Register and Median Waiting Time (2011-2015)**

Source: Auditor General Report 2015

## The Housing Maintenance Challenge

A number of factors are contributing to the cost of maintaining the FACS public housing portfolio.

One such factor is the age of the portfolio. Today, the average age of the stock is 37 years with 20% of stock being 50 years of age or older, having a higher maintenance cost than new stock. To this effect 60% of dwellings in the portfolio were constructed between 1970 and 2000. Only 10% were constructed post-2000.

The current level of heritage properties in the portfolio has a significant impact on the financial sustainability of the portfolio. At Millers Point it is estimated that approximately \$90 - \$100 million is required to restore and maintain the fabric of heritage properties. *Future Directions* incorporates a strategy to replace old housing with fit-for-purpose dwellings.

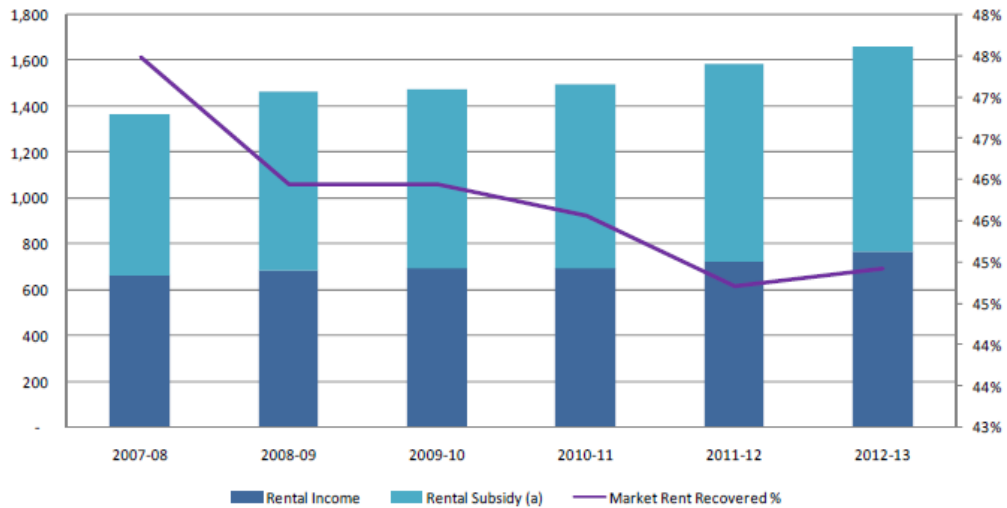
Another factor relates to the changing nature of social housing tenants and the growing need for dwelling modifications to address higher levels of disability. For example, in 2012-2013, it was estimated that 42% of new public housing tenants had significant disabilities<sup>2</sup>.

This shift to people with high or complex needs has had two significant impacts on public housing revenues. The first is slower income growth for public housing providers. As of the 2014/2015 financial year, over 90% of households received a rental subsidy with only 4.7% of residents having wages as their main source of income. As a consequence, 44% of market rent was recovered by FACS over the same period. This resulted in \$1,057 million in revenue forgone through rental rebates in the same year.

The second impact to social housing revenue is the increased cost of providing support services. More people living in social housing require high and resource-intensive tenancy management responses which are costly.

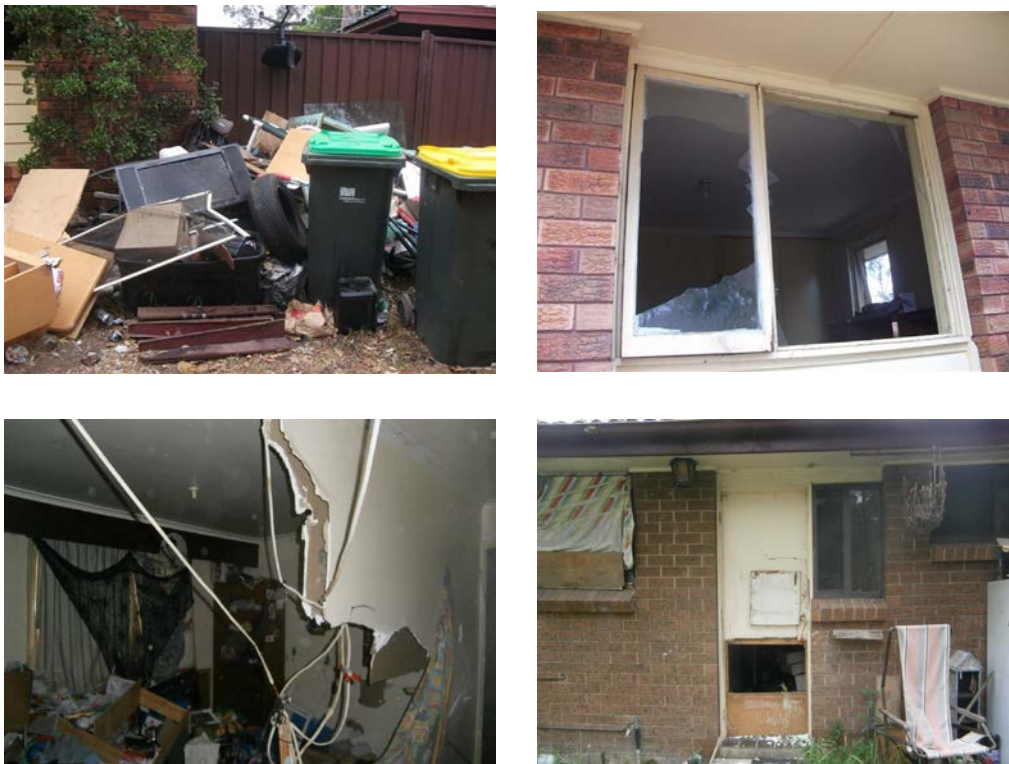
<sup>2</sup> FACS submission to the Public Accounts Committee Inquiry into Tenancy Management in Social Housing

**Figure 2 FACS Rental Income, Subsidy and Proportion of Market Rent Recovered (\$ million)**



Source: FACS submission to Tenancy Management in Social Housing P 26

**Figure 3 Examples of Tenant Damage and Poor Property Care**



To address tenant damage FACS is introducing public housing rental bonds for all new tenants through an approach that mirrors the private market rental bond scheme, reinforcing tenant responsibility in regard to rent arrears and tenant damage.

### Future Directions

The Government has developed a social housing strategy to reform the social housing system. *Future Directions for Social Housing in NSW (Future Directions)* sets out the NSW Government’s vision for social housing for the next 10 years. It aims to drive better outcomes for tenants including helping those who are able to transition out of social housing.

“ *Social Housing is a vital service underpinning the social good of NSW. This ten year strategy encompassing the NSW Government’s reforms is about more than properties. It is about people.* ”

Brad Hazard, Minister for Family and Community Services, Minister for Social Housing

*Future Directions* is underpinned by three strategic priorities:

- More social housing;
- More opportunities, support and incentives to avoid and/or exit social housing; and
- A better customer experience of social housing.

By 2025, *Future Directions* will have transformed the social housing system in NSW. Currently, it is dominated by public sector ownership, control and financing of assets, the provision of services, where tenants have little incentive for greater independence, and who live in circumstances that concentrate disadvantage. It will become a dynamic and diverse system, characterised by the following.

- Greater involvement of private and non-government partners in financing, owning and managing a significantly expanded stock of social and affordable housing assets.
- Expanded support in the private rental market, reducing demand on social housing and the social housing wait list.
- More competition and diversity in the provision of tenancy management services through the expanded capacity and capability of community housing providers.
- Housing assistance being seen as a pathway to independence and an enabler of improved social and economic participation for tenants living in vibrant and socio-economically diverse communities.

To achieve these goals, *Future Directions* will implement the three interconnected strategies set out in this submission:

- Significant expansion and redevelopment of stock through partnerships with private sector developers and financiers;
- The transfer of significant tenancy management responsibility to non-government housing providers; and
- ‘Wrap-around’ services to support tenants build their capabilities and take advantage of the economic opportunities in our strengthening economy. FACS asset planning and program activities support the Government’s *Future Directions* outcomes by tapping into the portfolio’s redevelopment potential and partnering with the private sector to renew existing houses, deliver more social housing and improve maintenance.

FACS works with business and community sectors to harness industry expertise and boost ideas for innovative solutions. A key component of this will be the creation of partnerships with private industry and not for profit organisations to help fund the provision of 23,000 newly built social housing dwellings on FACS-owned land. This will deliver a net increase in social housing, funded

by the development and sale (by the private market and not for profit organisations) of private dwellings on the land.

FACS seeks to make effective use of its assets to self-fund renewal and improvements to the portfolio to better support social housing clients. By doing this the renewal program provides the opportunity to reconfigure assets to meet today's clients' needs such as smaller bedroom configurations, liveable designs and contemporary urban forms, integrated into mixed, safe and stable communities in locations that have good access to services, transport and employment opportunities.

### **Communities Plus**

Communities Plus is a key component of *Future Directions*. It is a new generation of integrated housing developments, delivered in new and innovative partnerships that harness the expertise and capacity of the private, non-government and community housing sectors. The program is focused initially within Macquarie Park along with six locations in metropolitan Sydney and regional NSW. These initial projects will deliver the finest in urban design, construction, community engagement and tenancy services.

Many of the new social housing dwellings will be the base for pilot programs that link housing assistance to education, training and local employment opportunities. The affordable rental dwellings will also be used to transition tenants from the social housing system.

### **Social and Affordable Housing Fund (SAHF)**

The NSW Government has also recently announced the Social and Affordable Housing Fund (SAHF) which will facilitate up to \$1 billion to deliver 3,000 social and affordable houses. This is fulfilling the NSW Government's commitment to introducing innovative financing mechanisms in the social housing system.

### **Community Improvement Fund**

To support local communities FACS is also implementing a \$20 million community improvement fund. Local Councils, non-profit groups and private sector organisations have been invited to apply for funding of up to \$50,000 for projects which improve community infrastructure or facilities, enhance open spaces, improve safety, increase accessibility for older people or people with a disability, or facilitate integration between social housing and the broader community.

## **The Impact of Future Directions and FACS Asset Planning on Maintenance**

FACS undertakes a range of asset planning activities including the PAS, detailed portfolio analysis and planning of areas and precincts to identify value and redevelopment potential to improve the overall standard of the portfolio.

As part of these activities, FACS identifies the future use of each asset and the likely timeframes for renewal, allowing FACS to better plan its maintenance programs.

“ *On this basis FACS asset planning identifies the future use of each asset and the likely timeframes for renewal allowing FACS to better plan its maintenance programs.* ”

Importantly, the construction of 23,000 new dwellings under *Future Directions* will directly address the impact of asset ageing on the sustainability of the social housing portfolio. This will have direct flow-on benefits to maintenance requirements and expenditure.

### **FACS Response to the NSW Auditor General's Report 2013**

The preparation and implementation of *Future Directions* represents a major and co-ordinated response to the recommendations of the NSW Auditor General's 2013 *Making the best use of public housing* performance audit and the subsequent Public Accounts Committee (PAC) of Parliament recommendations<sup>3</sup>.

All eight recommendations of the Auditor General's Report 2013 have been formally accepted by FACS and are being implemented.

Of particular relevance to this submission, and in response to the recommendations, FACS has:

- Undertaken a property disposal audit;
- Developed an asset program to deliver cost-effective outcomes using assessment tools; and
- Reviewed maintenance delivery models.

<sup>3</sup> In November 2014, the PAC followed up recommendations from the 2013 'Making the best use of public housing' performance audit and its findings are published in PAC Report 19/55



## PART A – ASSET CONDITION

### Summary of Part A

- FACS undertook approximately 130,000 property assessment surveys (PAS) of every accessible property in the portfolio
- The PAS has provided FACS with greater clarity as to priority areas for maintenance. This information has been translated into work programs for current and future maintenance contracts (discussed further in Part C) driving greater efficiencies and effectiveness

This part of the submission considers the approach to measuring maintenance standards together with the results of the PAS and how asset conditions have demonstrated an improvement.

### Property Assessment Surveys (PAS)

The Property Assessment Survey (PAS) program is based on a visual condition assessment of NSW Government owned social housing assets (i.e. Public Housing, Community Housing owned by FACS and Aboriginal Housing Office) including buildings and common areas.

The main purpose of the survey is to capture and provide useable and visible asset information for strategic, operational, analytical and reporting purposes.

The information gathered during the PAS includes asset amenity, condition, component failures, environmental attributes, geocoding, safety and structural integrity issues. Each of these factors was used to develop a 'maintained' standard. The 2014/2015 PAS found that 89% of surveyed assets were at or above the maintained standard.

Beyond 2014/2015 FACS is undertaking the PAS as an annual rolling program, surveying approximately 15,000 randomly selected dwellings per annum. In addition to the PAS, a compliance check will be undertaken to assist in providing a more up to date knowledge of the asset condition of the property. Jointly, the PAS and the compliance check are being used to assist in formulating maintenance programs.

### Maintenance Priorities

The PAS results have provided FACS with greater clarity of priority areas for maintenance. This information has been translated into work programs for current and future maintenance contracts (discussed further in Part C).

The PAS found that overall there was a notable degree of improvement in dwelling condition from 2013/14 to 2014/15. The survey results have also enabled the prioritisation of maintenance improvements and allow for a more effective and efficient allocation of maintenance resources by property type and location.

## Maintenance Requests

The FACS Housing Contact Centre (HCC) is provided for tenants to report maintenance and repair matters 24 hours a day, seven days a week. To make calling as easy as possible, all local FACS offices have a telephone provided in the lobby with a direct link to the HCC for tenants to use if needed. Tenants may also contact FACS for repairs through an internet based e-repair service.

Tenants are advised of the expected response at the point of initial contact to the HCC. If the required maintenance response is not clear based on the description of the issue, FACS may also visit the property to scope the required works.

The majority of tenant maintenance requests are addressed through planned works. In these cases, FACS engages with the community and tenants when planning and delivering programs of work that are bundled together to provide economies of scale. For example kitchen and bathroom upgrades, security and foyer upgrades or roof replacements.



However, matters that can impact on the health and safety of the tenant have an expected response time of 4 hours up to 20 days, depending on the nature and urgency of the matter.

## PART B – MAINTENANCE COSTS

### Summary of Part B

- The increasing average age of FACS assets, the changing profile of tenants and the growing need to modify dwellings collectively have an impact on property maintenance
- The FACS maintenance budget will be better directed and prioritised to dwellings within the portfolio on account of improved asset planning activities including the PAS information discussed in Part A of this submission together with the new approach to maintenance contracts discussed in Part C

This part provides an overview of the challenges of maintaining FACS existing assets, an estimate of the existing magnitude of costs relating to asset maintenance, an assessment of variations in expenditure and projected cost estimates.

### Existing Maintenance Funding Challenge

In recent years, a range of factors has been increasing the cost of maintaining FACS existing assets including:

- The increasing age of the public housing system's stock with 20% of the assets now being over 50 years old;
- The changing socio-economic profile of tenants, resulting in a higher need for services; and
- The greater cost of modifying dwellings to address higher levels of disability among people living in public housing. For example, in 2012/2013, it was estimated that 42% of people offered public housing tenancies had significant disabilities<sup>4</sup>.

The growing cost of maintenance must be considered in light of concurrent trends with respect to tenant income. Rental growth has slowed in recent years owing to the changing nature of FACS client base. By way of example, over 90% of people now living in social housing receive a rebate from the market-level rent. In 2015 this resulted in over \$1,057m<sup>5</sup> in rental revenue being forgone through rental rebates.

As mentioned under Part A, FACS uses the PAS results and local knowledge to direct funding to priority works and to inform work programs. In this regard, FACS further developed a Detailed Property Assessment Survey (DPAS) program in 2015 to enhance the identification and management of high risk assets. DPAS uses technical/professional experts to undertake detailed inspections of identified

<sup>4</sup> FACS submission to the Public Accounts Committee Inquiry into Tenancy Management in Social Housing

<sup>5</sup> LAHC Annual Report 30/6/2015

high risk assets (building, grounds and estates) to deliver planned and preventative asset maintenance programs to optimise the economic life of the assets. It is intended that DPAS will operate at a scale above individual dwellings.

DPAS also connects with other parts of the FACS asset management system at an operational, planning and strategic level. DPAS will also improve the process of determining the total *required maintenance* estimations for buildings and infrastructure.

To date, the use of asset planning activities such as the PAS and local knowledge has directed maintenance funds to prioritised activities. By prioritising expenditure on identified maintenance repairs (via the PAS), FACS can better manage responsive maintenance expenditure. The DPAS will also assist FACS in better prioritising required maintenance.

This approach also maximises the level of available funding (including works associated with high risk assets) to improve asset conditions and drive better value for money. This approach also better supports the overall maintenance and improvement of the condition of the dwellings and focuses maintenance expenditure on identified, prioritised need.

As the portfolio has aged, the level of responsive repairs has remained relatively constant year on year; however capital maintenance and upgrading expenditure has increased over the three years to 2014/15. The increased expenditure has enabled the packaging of works to better deliver value for money.

This growth in expenditure has been guided during the year by improved asset planning activities including detailed portfolio analysis and the PAS. An increase in expenditure for maintenance has resulted in an improvement in the portfolio through better targeted maintenance.

## PART C – MAINTENANCE CONTRACTS

### Summary of Part C

- A review of the MRP08 contract, national and international best practice and pilot studies identified key areas for improvement and change
- A new maintenance contract has been designed that moves from a schedule of rates contract to a new performance based contract to generate efficiencies and promote effective resource allocation
- The new maintenance contract is also expected to deliver cost efficiencies through the delivery of responsive maintenance costs and reduction of FACS administration costs
- Additionally, it is envisaged that it will provide increased value for money in the delivery of planned maintenance to FACS by allowing the contractor to better plan the maintenance work and realise efficiencies within all maintenance work programs
- The new maintenance contract will include performance indicators for timeliness and quality of maintenance delivery to improve the tenant experience and tenant satisfaction
- The new maintenance contract has a strong focus on social outcomes including tenant employment and training, set objectives for apprenticeships, aboriginal employment commitments, small to medium enterprise requirements with an added focus on providing opportunities to local industry as well as an obligation of ensuring that community and disability service providers deliver a pre-set portion of the work under the new maintenance contract
- FACS will transition to the new maintenance contract by April 2016

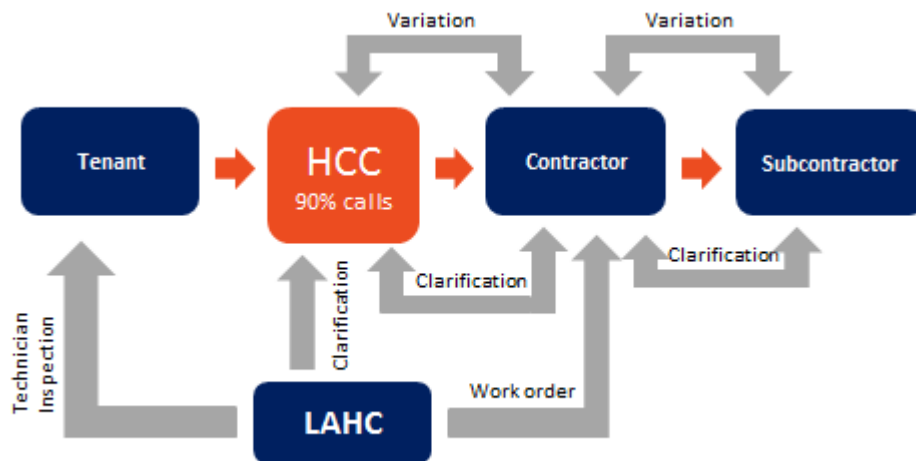
This part provides an overview of the existing maintenance contract.

### Approach to Current Contract (MRP08)

The existing contract (hereafter referred to as MRP08) has operated since October 2008 on a schedule of rates structure. This approach is based on over 2,500 individual schedule of rate items.

The MRP08 is structured across 22 contract areas. There are five maintenance contractors who in turn engage with over 15,000 small to medium enterprise (SME) subcontractors.

Figure 4 diagrammatically shows how the MRP08 request process operates for responsive maintenance.

**Figure 4 Current Responsive Request Process of the MRP08 Contract**

### Challenges with the Current Contract

The MRP08 Contract was found to be resource intensive to administer and operationally complex in its approach to the delivery of maintenance. In this respect the MRP08 Contract:

- Lacked transparency, particularly regarding the price paid to the sub-contractor or the overhead and margin applied by the contractor in delivering the works;
- Was administratively onerous as a result of the need to scope works for contractor delivery; and
- Did not allow for pricing to drive value for money in different market conditions, given the fixed nature of the schedule of rates that were locked in over the life of the contract.

### Review of Maintenance Contract

In light of these challenges, FACS commenced a review of the MRP08 contract.

The review also allowed FACS to address the matters raised in the Auditor General's Report of 2013 (please refer to the submission's introduction and context chapter for further details).

Given that a number of government agencies operate in similar locations to FACS with differing maintenance contractual arrangements, the review was an opportunity to share information about the various maintenance models used.

Consultations were conducted with various government agencies involved in managing and maintaining facilities and assets in NSW. This allowed discussion regarding the advantages and disadvantages of existing approaches to maintenance contracts to determine their usefulness in developing a maintenance strategy for FACS.

An Australian and international review of global trends relating to maintenance contracts and best practice outcomes was also undertaken. The review considered the experiences of 22 private and public social housing and commercial organisations.

Findings were drawn from the international analysis including the value of distinguishing between responsive and planned works, the economies of scale that could be gained by packaging programs of planned works and the benefits of building strategic relationships with contractors.

As part of the FACS review process, workshops were also orchestrated with current contractors and staff to seek their feedback on the operation of the existing MRP08 maintenance contract and assist in the identification of areas for improvement.

FACS drew on lessons from the review to design a new approach to maintenance contracts.

## **Piloting a New Approach**

In light of the findings of the review process, a pilot approach was developed for testing. The pilot focused on two areas (Maitland and Blacktown) and operated for over four months to November 2013.

The pilot sought not only to test, but validate and enable modifications to the proposed new maintenance contract approach and management procedures. More specifically, the pilot focused on testing how the new approach would ensure value for money, efficient service delivery, commerciality and adequate resources and skills.

This formative evaluation framework employed multiple data collection mechanisms enabling incremental reporting throughout the pilot.

Some of the data collection mechanisms referenced above included contractor performance reports and evaluation sessions, weekly Housing Contact Centre (HCC) phone audits of tenants following maintenance works; feedback from Tenant Focus Groups and FACS staff and contractors.

This approach allowed for evidence-based decision-making with an additional focus on understanding risk and identifying mitigating strategies.

On this basis the pilot found that:

- Contractors saw the new approach as an improvement on the current contract (MRP08);
- Costs were 10% lower than the current contract;
- Work volumes were 36% higher than for the corresponding period the year prior;
- Quoted prices were 10% lower than office estimates;
- Tenant satisfaction trended upwards from 82% to 95%;
- A shift in understanding and practice from an input-focused prescriptive approach to a performance and outcome-based approach was demonstrated by the contractors; and
- The evidence pointed towards the commercial viability of the contract.

Notwithstanding these positive outcomes, the pilot also flagged outcomes requiring adaptation to achieve the best outcomes. For example, the quoting process needed to be reconsidered; training processes for staff needed to be reviewed and minor clarifications were required to be included in the new contract.

## **Asset Maintenance Services Contract (AMS) - A New & Improved Approach**

As an outcome of the maintenance contract review and pilot testing, a new contract has been designed. Referred to as the Asset Maintenance Services Contract (AMS) the new approach seeks to:

- Improve the tenant experience and tenant satisfaction;
- Achieve better contractor performance and value for money; and
- Implement better maintenance services.

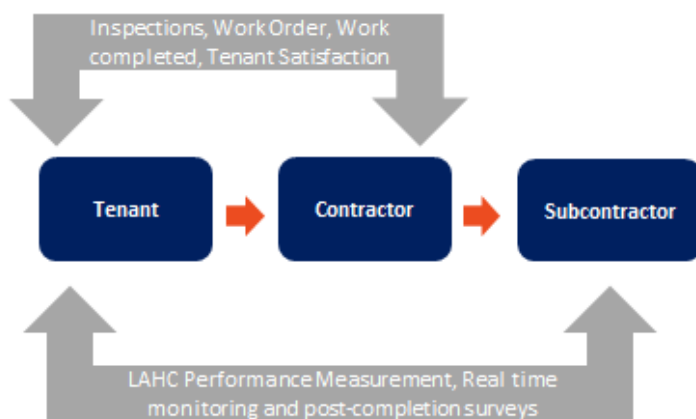
The FACS transition from the MRP08 maintenance contract to the new maintenance contract will be completed by April 2016.

The new maintenance contract is a lump sum model for the delivery of responsive, vacant and servicing works, with a separate model for programmed maintenance incorporating quotations for defined scopes of work. Figure 5 depicts the new streamlined responsive request process for the new contract.

This new approach has a series of improvements including:

- Deadlines for work completions linked to payment;
- Tenants will be able to contact contractors directly to better explain their particular maintenance problems;
- Greater incentive for contractor efficiencies to drive better value for money and innovation whilst reducing expensive paperwork and red tape;
- Real time performance monitoring; and
- Transparency to measure contractor performance.

**Figure 5 End to End New Streamlined Approach to Responsive Maintenance**



The new maintenance contract will be performance managed via a framework that includes key performance criteria. The relevant criteria and measures will be discussed further in Part D of this submission.

### **Projected Benefits of the New Maintenance Contract**

The new public housing maintenance services contract is projected to deliver cost efficiencies through delivering responsive maintenance and reducing administration costs. Additionally, it is expected that it will provide increased value for money in planned maintenance through increased competitive tension, as FACS has the option to go elsewhere, and through improved planning within all work programs.

Based on the international research and pilot programs, the new approach is projected to provide a broad range of benefits including:

- Driving contractors to deliver first time fixes;
- Improved tenant satisfaction in responsive repairs as the contractor-run contact centres provide accurate scoping to deliver more first time fixes;



- Better social outcomes for tenants and local communities;
- The quoting of planned works allows more competitive market prices and economies of scale from works packaging;
- The removal of current task duplication by staff and the contractors, reducing operational costs and time allocated to contractual administration; and
- Ability to activate resources to effectively respond to emergency events such as natural disasters.

## Case Study: April 2015 Storms

### Case Study

#### April 2015 Storms

FACS owns approximately 16,000 properties throughout the Central Coast, Newcastle and Hunter Valley Region.

Approximately 25% of FACS properties were impacted by a period of severe storms resulting in over 5,500 works orders.

The Housing Contact Centre (HCC) received twice the number of calls over the initial three days of the storm period, with a 160% peak over the following 20 days.

An estimated \$10 million has been spent on repairs and reconstruction across the affected areas.

Photographs below depict repairs and maintenance required at Wallsend and Merewether properties.



## Social Outcomes

The new maintenance contract also contains initiatives that embed better education, training and employment for tenants including the requirement of the contractor to develop and implement a tenant employment participation plan that requires the contractor to outline approaches to identify opportunities to employ and train tenants. The contract also stipulates the requirement to develop strategies to provide education and training to tenants to enable them to undertake basic maintenance. These plans will be developed in conjunction with LAHC and FACS local districts around the state in order to leverage and expand upon any local initiatives.

Local industry participation particularly including those in rural and regional areas, will be promoted, with FACS requiring a Local Industry Participation Plan by contractors explaining how they will engage with local subcontractors to provide them opportunities to deliver maintenance works in their local area. This will be monitored through the life of the contract.

Contract conditions also require contractors to actively engage and spend a proportion of their contract price with community and or disability service providers.

In addition, the contract requires compliance with the whole of government procurement initiatives such as Aboriginal employment and small and medium enterprise requirements.

The contract also stipulates a target for apprenticeships who must be employed to undertake a portion of the trade work.

The implementation, delivery and outcomes of these plans will be monitored through the life of the contract via a performance management framework inclusive of a monthly reporting regime on the delivery and performance of these outcomes and monthly executive and operational meetings.

## Tenant Experience

The new maintenance contract will improve the tenant experience through:

- ‘First time fixes’- direct engagement with contractors allowing for a better understanding of the problem and consequently less re-work;
- Key performance indicators aligned to tenant satisfaction surveys, quality and timeliness of work;
- Independent complaints processes managed by the FACS HCC; and
- Auditing regimes inclusive of calls between the tenants and the contractors.



Key performance indicators for quality, tenant satisfaction and tenant experience in the new maintenance contract will drive a service-focussed approach amongst contractors. These are discussed further in Part D under key performance indicators – quality and tenant satisfaction.

## PART D – QUALITY ASSURANCE & EFFECTIVENESS

### Summary of Part D

- The new maintenance contract makes the contractor responsible for delivering all services required to maintain the FACS social housing stock
- The new maintenance contract includes a more robust audit regime, with a focus on contractors meeting deadlines and improved quality of work, greater penalties for poor performance, transparent analysis and measurement of the contractor's true costs together with value for money
- The new maintenance contract has a number of mechanisms to monitor the contractor's service delivery, including stronger compliance and inspection programs

### Key Components of the New Maintenance Contract

The new maintenance contract, discussed in Part C, has a number of cornerstones that have been designed to support quality assurance and drive effectiveness being:

- End-to-end control of responsive works by the contractor managing the contact centre;
- A strong focus on contractor self-management and evidence based compliance with FACS oversight, plus the application of abatements if performance is below the identified threshold;
- Quoted approach to planned maintenance allowing FACS to seek prices outside the contract if considered not value for money;
- Increased transparency through a new IT system and the open book approach to the measurement of financial performance; and
- Publishing of contractor performance data.

The new maintenance contract makes the contractor responsible for delivering all services required to maintain the FACS public housing stock. This then allows FACS to concentrate on compliance and auditing.

### Better Performance Management

Key changes in this regard include:

- The contractor actively reports on performance;
- New key performance indicators (KPI) with strategic and operational KPIs;
- A revised abatement structure;
- Revised dispute resolution including a performance escalation process; and
- More comprehensive and transparent provisions together with greater quality assurance.

## Key Performance Indicators – Quality & Tenant Satisfaction

Specific KPIs relate to quality, tenant satisfaction and tenant experience, as listed below.

### Quality

- Percentage of inspections performed meets minimum required percentage of work instructions
- Percentage of first time inspection passes
- Percentage of second time inspection passes
- Percentage of contract notices (excluding Safety) actioned/resolved within agreed timeframes.

### Tenant Satisfaction

- Maintain an 'average speed to answer' of three minutes or under
- Number of post-completion satisfaction surveys performed
- The average score for the total number of tenant surveys performed for the month.

### Tenant Experience (Timeliness)

- Percentage of urgent work instructions made safe within target time
- Percentage of priority (including completion of made safe) work instructions completed by target date and time
- Work instructions scheduled for delivery within the month completed by target date.

A number of contract mechanisms also monitor the delivery of services including:

- Work completion timeframes that will be actively monitored in real time via the new IT system;
- Deadlines for work completion that will be a key indicator of contractor performance and linked to abatements and payment deductions for non-performance;
- Inspection regimes actively managed;
- Auto-generated contractor KPI performance reports for overdue works; and
- Notice issues generated by FACS to be addressed by the contractor for incomplete or non-conforming work.

## Audit Regime

Under the new maintenance contract, FACS will undertake three core activities:

- Open book audits;
- Quality assurance audits; and
- Confirmation and verification of contractor reported performance.

### Open Book Audits

- Monthly audit of labour and material costs
- Ensuring the accuracy, completeness and quality of contractor's self-reporting

- Trend analysis of Responsive Works

### Quality Assurance Audits

- Quality assurance of the contractor's quality management system
- Accuracy and completeness of the data held by the Contractor's Works Management System
- Complaints management processes
- Sub-contractor compliance

### Confirmation and Verification

- Contractors reported performance report will be either accepted or rejected by FACS
- Subject to confirmation of reported performance and verification of the performance score
- Confirmation and verification based on results of open book audit and inspections

### Monitoring

The new maintenance contract has mechanisms to monitor contractor service delivery. In the first instance, the FACS IT system will provide a red flag if work falls outside of its predetermined completion time, allowing staff to monitor real time performance.

The contractors must also undertake inspections as part of its Quality Management System. The contractor's program of compliance inspections is to be risk-based and ensure that a cross-section of all work types and trade types are subject to inspection.

The contractor's program of compliance must include a mix of pre-work, work in progress and post-work inspections to manage quality across all stages of the work order life cycle.

In addition, FACS will undertake a program of inspections as listed below as part of its due diligence:

- **Joint inspections** – to be performed with the contractor;
- **Inspection reviews** – a desktop review of the contractor's records relating to the completion of work orders to assess their quality and verify the contractor's reported performance; and
- **Independent inspections** – inspections of a property previously inspected by the contractor, to provide independent verification of the contractor's reported performance.

FACS may also undertake inspections or other quality checks of the contractor's services or records to verify the contractor's data, inspection results or reported performance.

The contractor is required to take immediate action to remedy performance failures. In addition, the performance framework includes a system to manage the three types of tenant feedback; complaints, Requests for Information (RFI) from priority callers and Maintenance Request Follow Ups (MRFs).

## PART E – TENANTS OBLIGATIONS

### Summary of Part E

- FACS public housing residents are required to sign tenancy agreements in accordance with the *Residential Tenancies Act (2010)*
- The tenancy agreement sets out the responsibilities of tenants under clauses 14, 15 and 42
- FACS communicates regularly with tenants and provides information regarding their obligation to care for their property and report maintenance issues in a timely manner

This part considers the statutory obligations on tenants to take care of properties and report any damages in accordance with s51 of the *Residential Tenancies Act (2010)*. It then discusses some of the other means by which FACS engages with tenants to minimise maintenance issues and costs and enhance tenant satisfaction.

### Statutory Obligations

In accordance with the *Residential Tenancies Act (2010)*, all NSW public housing tenants are required to sign a Residential Tenancy Agreement (the Agreement).

Of relevance to The Inquiry clauses 14, 15 and 42 of the Agreement requires tenants:

- Not to intentionally or negligently cause or permit any damage to the residential premises (sub-clause 13.4);
- To keep the residential premises reasonably clean (sub-clause 14.1); and
- To notify the landlord as soon as practicable of any damage to the residential premises (sub-clause 14.2).

Consistent with sub-clause 14.1 of the Agreement, to keep the residential premises reasonably clean, including by:

- Keeping any goods and objects stored on the premises out of public view and out of any common areas, particularly by keeping any unkempt and /or unregistered motor vehicles out of public view and out of any common areas; and
- Not placing any caravan on the premises without the agreement of the landlord, such agreement to comply with relevant local government laws (clause 42).

### Engagement with Tenants

In addition to the Residential Tenancy Agreement, FACS communicates with and informs tenants of their obligation to care for their property and report maintenance issues in a timely manner.

FACS also undertakes regular client service visits to public housing premises to assist in identifying poor property care or unreported maintenance issues.



FACS takes poor property care by public housing tenants seriously and will work with the tenant to rectify the situation. That may include referring the tenant to specialist support services where, for example, the poor property care relates to hoarding. In more serious cases or where the tenant refuses support, FACS may seek orders from the NSW Civil and Administrative Tribunal to address the situation.

The need for tenants to report water maintenance issues such as leaking taps or a running toilet cistern without delay is particularly important. If left unreported, leaks can lead to higher water usage charges for public housing tenants. FACS reminds tenants to report water maintenance issues in a timely manner in all quarterly water charge letters.

## Tenant Damage

Public housing tenants can expect FACS to provide them with a home that is in a clean, safe and habitable condition. In return, tenants are expected to take good care of their premises and to take responsibility for property damage other than that caused by fair wear and tear, or the criminal activity of a third party.

Where tenant damage occurs and is identified, FACS will seek to recover the cost of repairs to a property for which a tenant is liable. This may include action through the NSW Civil and Administrative Tribunal (NCAT) for a breach of the tenancy agreement. Former tenants with extreme breaches of tenancy agreements may also have a reduced eligibility for social housing assistance.

Most damage either occurs, or is discovered, when a tenant leaves a property. It is then difficult to recover the cost of damage from the tenants. In 2013/2014, approximately \$14 million of tenant damages was reported, however annually only approximately 10% of the cost of tenant property damage is recovered.

Former tenants who have damaged a property and are subsequently in need of public housing, have to start repaying the debt owed before they are allowed back into public housing. Former tenants who have badly damaged a public housing property are not allowed back in public housing.

## Public Housing Rental Bonds

To address tenant damage FACS is introducing public housing rental bonds for all new tenants through an approach that mirrors the private market rental bond scheme, reinforcing tenant responsibility in regard to rent arrears and tenant damage

## Maintenance Reporting

FACS provides easy access for tenants to report maintenance needs through:

- A Housing Contact Centre 1300 telephone number that is available 24 hours a day, 7 days a week; and
- An internet based e-Repair service to report non-urgent maintenance needs.

As discussed in Part C, the new approach to the maintenance contract will also facilitate better engagement between the tenant and contractor as part of a wider reform being driven via FACS *Future Directions*. Over the next year, FACS will provide greater opportunities for tenants to use technology whilst retaining the option for face to face discussions.

This will allow for a better explanation and understanding of the maintenance issue and in turn a more timely improvement.

## Case Study: Bidwill, Asset Upgrades

### Case Study

#### Dieffenbach Terrace, Bidwill Asset Upgrades

A number of initiatives have been undertaken to improve the safety, security and amenity for tenants at the 38-dwelling townhouse precinct at Dieffenbach Terrace. Concealed areas have been removed and brighter lighting installed to make the area safer. Former communal space has been amalgamated into house yards, improving amenity and making the public housing dwellings more consistent with the surrounding streetscape.

#### Before and after - 8 & 10 Dieffenbach Circuit



#### Additional examples post upgrades





## PART F – MAINTENANCE REQUIREMENTS OF AGED & DISABLED TENANTS

### Summary of Part F

- As of 2014/2015, 37.1% of public housing residents were over the age of 55 years with the proportion increasing each year
- As of 2014/2015, it was estimated that 40% of people newly offered public housing tenancies had significant disabilities
- FACS spent approximately \$8 million in disability modifications over the 2014/2015 financial year
- FACS implements a range of measures to meet the needs of older and/or disabled residents including modifications to existing buildings, service provision and the development of new dwellings at suitable standards
- FACS tenants can either request for modifications to be made to existing housing or make their own modifications (subject to agreement)

This part provides an overview of the FACS tenant profile having specific regard to age and disability characteristics. It then explains the measures used by FACS to enable the modification and construction of new housing to meet the needs of its residents, together with relevant service provision.

### Tenant Profile – Age and Disability

Older people make up over one third of all people living in public housing in NSW. Both the number and the proportion of people living in public housing who are older are however, increasing each year. This reflects both the ageing of people already in social housing as well as the allocation of new properties to new, older tenants each year.

Over the ten-year period between 2003 and 2013, the proportion of household heads over 55 years of age (over 45 years if Aboriginal) in public housing increased from 47% to 57% (62,500 people). The proportion of newly housed people with household heads over 55 years of age (over 45 if Aboriginal) increased from 24% to 34% over the same period<sup>6</sup>.

<sup>6</sup> FACS data 2014/15

## Ageing in Place

Research indicates that older Australians want to age-in-place; live independently and actively engage with their communities; and that they value stable, secure, affordable housing<sup>7</sup>.

Under the NSW Ageing Strategy, the NSW Government is committed to supporting greater housing choices for the next generation of older people. This will occur through improvements to information-sharing on the future housing needs of the ageing population and monitoring the impact of existing planning schemes and the availability of housing options such as:

- Retirement villages and other living options for seniors;
- Affordable housing;
- Well-located housing close to town centres and transport; and
- The uptake of a universal housing design that improves the safety of housing for older people.

## Tenants with Disabilities

As at 30 June 2015, more than one third (36%) of household heads in subsidised tenancies (public housing and Aboriginal housing combined) derived their main source of income from the disability pension. These households are also eligible to seek modifications to their dwellings depending on their disability.

## Current Measures to Remain in Place

FACS implements a range of measures to allow older and/or disabled residents to stay in their homes and to provide new homes to those most in need. Such measures include providing:

1. Modifications to existing buildings
2. Adaptable new housing stock
3. Support services

Each of these measures is discussed below.

### Building Modifications

Under the FACS *Disability Modification Policy*, public housing tenants, or approved applicants with an identified need for a disability modification, may apply to have their property modified to meet their needs.

Tenants are also permitted to make alterations at their own cost. That process is covered in the *Alterations to a Home Policy*.

Modifications are classified as either minor or major work.

<sup>7</sup> Confirmatory AHURI research includes: Jones, A (2008) Rental housing for lower income older Australians, AHURI Research and Policy Bulletin, issue 96; Judd, B (2007), Dwelling and land use by older home owners, AHURI Research and Policy Bulletin 126; Wood, G (2010), Asset poverty and older Australians transitions into housing assistance programs, AHURI Final Report no. 156.

Minor modification work involves non-structural changes, for example:

- Adding grip rails;
- Installing a hand held shower set; and
- Changing to lever style taps.

For minor modification work, the application requires a written report from a doctor or health care professional detailing the medical condition and the required disability modification to assist in managing it.

Major modification work involves structural changes, for example:

- Widening door ways;
- Providing ramp access; and
- Modifying the kitchen, bathroom or laundry.

For major modification work, the application requires an Occupational Therapist report detailing the medical condition, the required disability modifications and detailed working drawings (including measurements of where modifications will be placed). Where the modification requires structural work, FACS may need to conduct a site inspection to consider available options.

Once a property has been modified, it is normally only made available to future tenants with disabilities. This makes the modified dwelling available to another person with a similar disability.

Before approving a request for disability modifications, FACS staff must (to the best of their knowledge) be satisfied that the modification:

- Does not impact on any ingress or egress;
- Does not impact on adjoining neighbours;
- Complies with any caveats or covenants; and
- Will not impact the structural integrity or asset standard of the property.

Where a request for property modifications is declined, FACS staff will, together with the tenant, consider a transfer of the tenant to another property that either has the required modifications or can be modified. FACS spent around \$8 million in disability modifications over the 2014/2015 financial year.

### **Home Modifications and the National Disability Insurance Scheme (NDIS)**

The National Disability Insurance Scheme (NDIS) is nationally based with funding and governance shared amongst all jurisdictions. The NDIS provides individualised information and referrals, support to access community services and activities, personal plans and, where required, funding for supports over a lifetime. The NDIS commenced through the Hunter Trial and in the Nepean and Blue Mountains area (eligible for people between 0-17 years). The NDIS will roll out across the rest of NSW between 1 July 2016 and 30 June 2018.

It is important to note that in relation to the NDIS the following applies:

- While the NDIS provides ongoing supports for daily living, it is not a housing provider. In NSW for example, housing assistance is available to eligible people through FACS and a number of community housing organisations;
- Social housing providers will be responsible for providing accessible accommodation for people in need of housing assistance (in line with existing allocation and prioritisation processes, and

consistent with universal design principles and liveable housing design standards as outlined in the National Disability Strategy 2011-2020), including appropriate and accessible housing for people with disability, routine tenancy support, and ensuring that new publicly-funded housing stock, where the site allows, incorporates liveable design features;

- Under the NDIS, the support that people with disability will receive to help them live independently in the community will include building their capacity to maintain a tenancy and support for behaviour management; and
- The NDIS will be responsible for home modifications for accessibility in private dwellings and, in some cases, in public and community housing dwellings.

COAG has approved *Applied Principles* on the interaction between the NDIS and mainstream service sectors. The principles that apply to housing and community infrastructure include the division of responsibility for home modifications:

*The NDIS will be responsible for home modifications required due to the impact of a participant's impairment/s on their functional capacity in private dwellings, in social housing dwellings on a case-by-case basis and not to the extent that it would compromise the responsibility of housing authorities to make reasonable adjustments.*<sup>8</sup>

Work is currently underway at national and state level to examine the implications for the social housing sector.

### **New Housing**

In accordance with *Future Directions*, new adaptable homes are being designed and built to meet the needs of residents. This approach will assist in reducing the need for future costly modifications such as wall removals or widening of doors, and reduce trips and falls in the home.

### **Provision of Services**

As people in social housing age, in addition to housing-related assistance, they often require support services to maintain their tenancies and stay connected to their communities. FACS currently provides a range of housing assistance and services to older people (aged over 55, or if Aboriginal, over 45 years). These include:

- **Senior Communities** – older people and people with a disability can elect to live in designated public housing senior communities which support ageing in place, and can avoid or delay the need for supported accommodation that involves greater intervention and costs;
- **Social inclusion and wellbeing activities** – at the local level, FACS supports lunch clubs, Tenant Participation Services, Community Greening and many other activities which have strong engagement from older people;
- **Property modifications** – which enable older people to remain in their home longer; and
- **Working with support providers** – FACS works in partnership with a range of agencies and NGOs to support older people with additional needs to sustain their tenancies.

<sup>8</sup> Disability Reform Council, *Report to COAG on the interaction between the NDIS and mainstream service systems*, 2015