

**Submission
No 1**

FOLLOW-UP REVIEW OF THE MANAGEMENT OF NSW PUBLIC HOUSING MAINTENANCE CONTRACTS

Organisation: RTC Group Holdings Pty Ltd

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Bjarne Nordin
Committee Manager
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Nordin

Re: Follow-up Review of the Management of NSW Public Housing Maintenance Contracts

RTC Group Holdings Pty Limited (RTC) welcomes the opportunity to submit a response to the Follow-up Review of the Management of NSW Public Housing Maintenance Contracts. With more than 25 years' experience managing multi-trade maintenance contracts for a range of clients, RTC is a diverse group of companies within the maintenance, building and construction sector with a focus on services to housing providers across various jurisdictions.

RTC support the Multi-Trade (or Head Contractor) Model currently utilised in the delivery of maintenance services to NSW Public Housing under the Asset Maintenance Services (ASM) Contract. However, RTC suggest there are a few methodologies that may assist in ensuring a consistent standard to public housing maintenance services across NSW including, collaborative contracting, a transparent pricing mechanism, and accountability through clear performance management and contract management frameworks.

Collaborative Contracting

RTC's philosophy centres around understanding the varying needs of our clients and maintaining a level of flexibility to enable RTC to achieve client objectives. As RTC continues to evolve and enhance our capabilities, we are constantly seeking innovative ways to respond to evolving client needs. RTC believe by working collaboratively with our clients we can maximise objectives sought. Maintenance Service Delivery Model's encompassing the principals of collaborative contracting and valuing innovation provide mechanisms to achieve objectives, while ensuring transparency and accountability with a joint focus on achieving positive outcomes for the client and their tenants.

RTC value our partnerships and have found the principles of collaborative contracting work particularly well in ensuring client expectations are met. RTC believe a key to success is being open and honest regarding each parties' strengths and weaknesses, being prepared to work together to continuously improve service delivery outcomes and recognise the need to address and resolve any issues in partnership. A key element in achieving this is to have both parties actively accepting responsibility and managing the unforeseen and inevitable issues that may arise in service delivery.

A challenge RTC have encountered in the past is the “people” component and the ability to overcome any historical prejudices that may arise and inhibit the ability to reach a joint resolution. For collaborative contracting to function successfully, both parties must be committed to the relationship and make a concerted effort to resolve issues as they arise. Parties need to be flexible in their approach, maintain a willingness to try new ideas and take onboard any learnings to aid continuous improvement and better outcomes for tenants.

Pricing Mechanism

RTC has a long-held commitment to ensuring RTC sub-contractors, as members of the local community, are supported with appropriate rates that result in good quality works completed within required timeframes, and an overall positive investment in industry.

From conversations with various public housing providers, RTC have observed that where key performance indicators are not achieved, there is generally some underlying sub-contractor dissatisfaction. However, there are strategies that may be adopted to mitigate such issues, including extending the principles of collaborative contracting to sub-contractor relationships, functional data and work order management systems, and a transparent pricing model including performance incentives.

It is vital any pricing model is based upon true and competitive market rates, reflecting the actual cost to the contractor. Removing the profit component from individual work orders, would see all monies paid going directly to the sub-contractor undertaking the works, with the contractor relying on performance incentives to generate any profit.

RTC believe the most effective and efficient way to achieve this would be to structure a payment model with three components:

1. Sub-contractor costs (the value of works);
2. Management fee based on a proportion of the value of works paid for the previous month (the actual overhead costs of managing the contract); and
3. Performance bonus based on a proportion of the management fee.

Such a pricing model would drive consistency and performance as contractor’s would only receive a profit where they are meeting the performance requirements of the contract. Poor performance or audit findings could put the performance payment at risk, without impacting payments to sub-contractors. Such a model has enabled Housing Tasmania, for example, to reduce their maintenance expenditure by approximately 8% and reinvest these savings back into planned maintenance programs.

With a key focus on accountability, it is important that pricing mechanisms do not put public money into the pocket of the contractor at the expense of sub-contractors. An important principle in pricing should be to demonstrate that both the contractor and sub-contractor are being remunerated appropriately, ensuring all parties benefit and the public authority achieves accountability and transparency.

Performance Management Framework

For the above methodologies to succeed, a performance management framework with very clear and measurable performance criteria is required. It is important that performance criteria can be captured by both parties' reporting systems and managed within a concise and transparent contract management framework to ensure accountability of all parties.

RTC welcome an opportunity to elaborate on the content of this response in due course should that be deemed appropriate.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Steve Gray', written in a cursive style.

Steve Gray
Chief Executive Officer