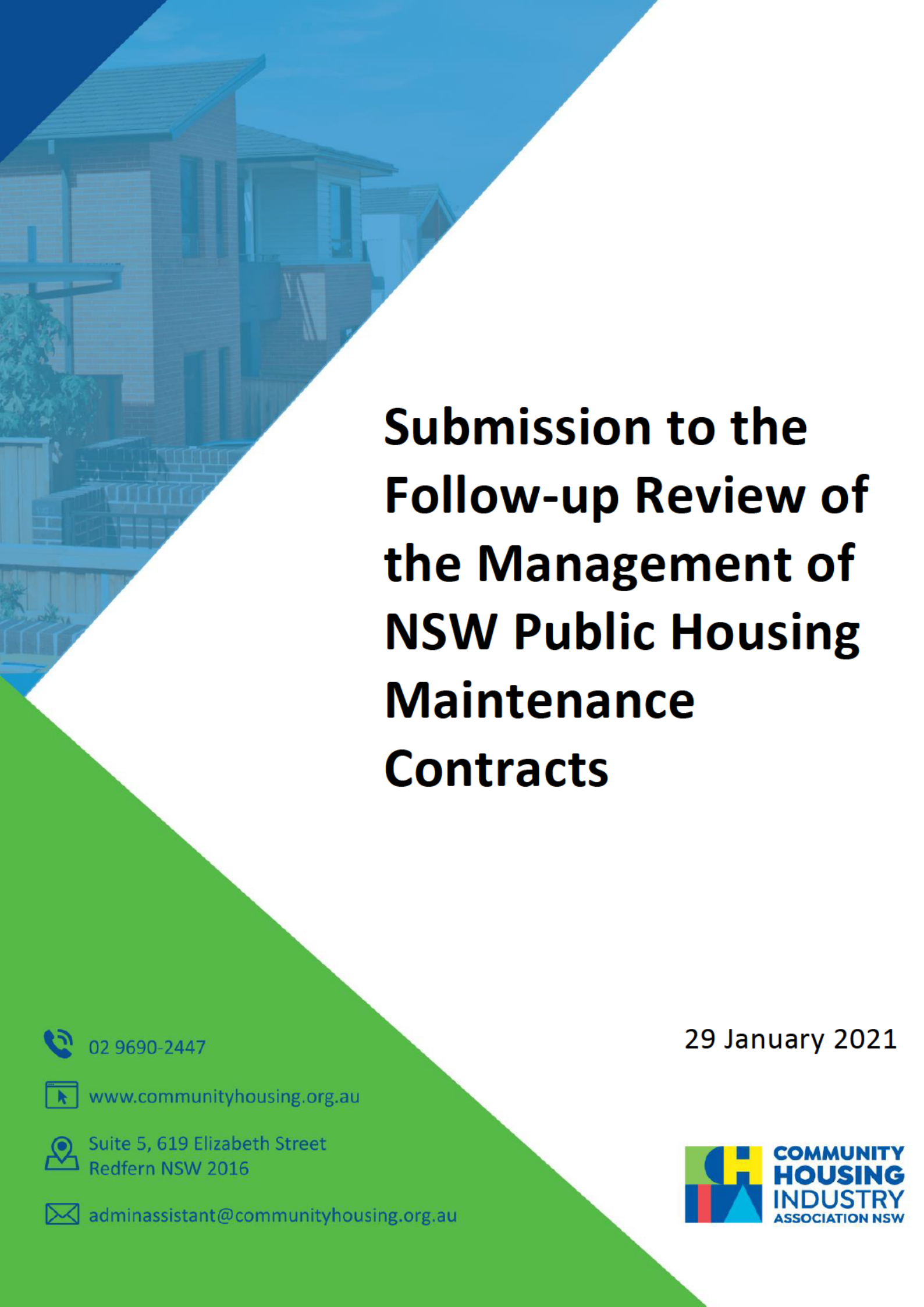


FOLLOW-UP REVIEW OF THE MANAGEMENT OF NSW PUBLIC HOUSING MAINTENANCE CONTRACTS

Organisation: Community Housing Industry Association NSW

Date Received: 29 January 2021



Submission to the Follow-up Review of the Management of NSW Public Housing Maintenance Contracts

 02 9690-2447

 www.communityhousing.org.au

 Suite 5, 619 Elizabeth Street
Redfern NSW 2016

 adminassistant@communityhousing.org.au

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About this submission

This submission has been prepared by the Community Housing Industry Association (NSW) in response to the Public Accounts Committee's Follow up Review of the Management of NSW Public Housing Maintenance Contracts.

CHIA NSW, previously known as the NSW Federation of Housing Associations (NSWFHA), prepared a written submission to the Public Accounts Committee's 2016 Review of the Management of NSW Public Housing Maintenance Contracts. Representatives from the NSWFHA provided evidence to the Committee at a public hearing on 9 May 2016.

This submission responds to the review's Terms of Reference by focusing on the experiences of community housing providers (CHPs) managing social housing on behalf of the NSW Government through the Social Housing Management Transfer Program (SHMTP). CHPs participating in the program are contractually required to use the NSW Government's public housing maintenance contractors from October 2018 until June 2021. CHIA NSW's submission also identifies recommendations to improve the condition, quality, and sustainability of social housing in NSW.

This submission uses the term 'social housing' to refer to both public housing and community housing. Where appropriate, the submission uses the terms 'public housing' to refer to properties that are owned and managed by the NSW Government, and 'community housing' to refer to properties that are owned/or and managed by registered, not-for-profit CHPs.

About CHIA NSW

The Community Housing Industry Association NSW (CHIA NSW) is the peak body for registered, not-for-profit community housing providers in NSW. The community housing sector builds and provides low-cost housing for individuals and families who cannot afford to rent or buy a home in the private market. CHIA NSW represents nearly 100 member organisations delivering rental housing for very low to moderate income households across NSW.

Executive summary

Social housing provides a vital safety net in assisting individuals and families who cannot access affordable and appropriate housing in the private rental market. It ensures that individuals and families living in NSW have the greatest opportunity to achieve positive housing, economic, health, and social outcomes. The continued provision of high-quality and well-maintained social housing is critical to ensuring that the NSW Government, the community housing sector, and other delivery partners can continue to assist as many individuals and families as possible.

The 2016 Review of the Management of Public Housing Maintenance Contracts was initiated in response to the NSW Auditor General's Performance Audit, *Making the best use of public housing* (2013). The audit highlighted the challenges of an ageing and increasingly not-fit-for-purpose social housing portfolio in meeting the needs of an older, diverse, and often complex tenant population, many of whom are living on very low and low incomes. Consequently, the rental income received by the NSW government has been insufficient, even when supplemented by Commonwealth funding to meet the maintenance and management costs associated with an ageing portfolio.

CHIA NSW acknowledges that, since the 2016 Review, the NSW Government has made some positive progress towards improving the condition, quality, and sustainability of the social housing portfolio, noting that approximately one-quarter of the state's public housing properties are still below standard (Productivity Commission, 2021). In 2020, the NSW Government allocated \$247 million for social housing repairs, maintenance, and upgrades, including \$40 million for properties managed by the community housing sector. Additionally, the NSW Land and Housing Corporation (LAHC) has finalised several key policies, all of which have significant potential to revitalise and increase the supply of social housing, in partnership with the community housing sector.

Another positive development since the 2016 Review is the management transfer of nearly 14,000 social housing properties to nine community housing providers (CHPs) on 20-year leases. Under the Social Housing Management Transfer Program (SHMTP) contract, CHPs are responsible for ongoing repairs and maintenance, while LAHC retains responsibility for structural repairs. A significant precondition is that LAHC has required CHPs to utilise its state-wide contract for public housing maintenance - the Asset Maintenance Services (AMS) contract - until June 2021. With the transfer taking place between October 2018 and September 2019, CHPs have been required to use the AMS contract for varied periods of time, ranging from 21 to 32 months. The complexity of the AMS contracting arrangements has limited the investment and service delivery changes that CHPs have been able to implement in response to local tenant needs, which has, in turn, impacted tenant satisfaction outcomes. In addition, the AMS contract has created significant financing and governance risks for CHPs that need to be addressed in the context of potential future management transfer programs.

Despite these positive initiatives, the condition, quality, and sustainability of social housing remains a significant challenge for the NSW Government. Recent investment in social housing repairs and maintenance is expected to address around half of the state's estimated backlog, with the issue of the subsidy gap still unresolved. The subsidy gap (also known as the funding gap) is the difference between the cost to supply, build, maintain, and manage social housing, and the income generated from tenant rents, the majority of whom are living on an income support payment and Commonwealth Rent Assistance.

Furthermore, there is still limited public information available about the condition of the state's public housing assets, including the location of these properties. Additionally, LAHC reports annually on its repairs and maintenance expenditure but not the maintenance backlog. In contrast, CHPs are subject to a much higher level of regulatory and reporting scrutiny in relation to the condition of their assets when compared to the NSW Government. Stronger accountability and reporting mechanisms are needed to ensure that the state's assets are managed efficiently, reduce financial waste, and deliver value for money.

The recommendations set out in this submission are focused on improving the condition and quality of social housing, enhancing accountability and transparency, and increasing the supply of social housing wherever possible by leveraging existing and additional investment in the community housing sector. Although these recommendations seek to deliver better economic outcomes for the state, they are also intended to deliver better housing, social, health, and community outcomes for all tenants, irrespective of whether they live in public housing, community housing, or need access to safe, secure, and affordable housing. The community housing sector stands ready to play its part.

Summary of recommendations

- **Recommendation 1:** Future management transfer programs provide CHPs with the option to use their existing contracts to deliver repairs and maintenance services from contract commencement.
- **Recommendation 2:** Adopt a consistent approach to PAS across public and community housing. This will require LAHC to undertake PAS on at least 30 per cent of its properties every year, in line with NRSCH requirements in place for registered community housing providers.
- **Recommendation 3:** Publish an annual dataset on the condition of LAHC's public housing assets, at state, regional and local level. This will enable CHPs to make strategic decisions in relation to future transfer programs and redevelopment opportunities.
- **Recommendation 4:** Establish a monitoring and evaluation framework for the LAHC Portfolio Strategy and CHP redevelopment policies. This should include targets for increasing the supply of social housing in NSW and improving the proportion of social housing properties that are at maintained or well-maintained standard.
- **Recommendation 5:** Establish a four-year social housing repairs and maintenance program to ensure that all social housing properties in NSW are assessed as meeting "maintained" or "well-maintained" standards by 2025. This program should be broadened to include funding for structural, planned and cyclical maintenance and be co-designed in partnership with CHPs.

Introduction: the community housing sector in NSW

Community housing providers (CHPs) are registered, not-for-profit organisations that build, own, and manage low-cost rental housing for individuals and families on very low, low, and moderate incomes. They exist to help vulnerable or disadvantaged people who cannot afford to buy or rent a home on the private market, including those who require additional support services to maintain their tenancy.

Over the last decade, the NSW community housing sector has grown rapidly. It now owns or manages 51,000 properties throughout NSW. With nearly 40 years of experience and local knowledge in metropolitan, regional, and rural communities throughout NSW, the sector is strongly committed to delivering new social and affordable housing. Having built more than 3,200 new homes valued at more than \$1.2 billion throughout NSW over the last eight years, the community housing sector has significant capacity to deliver crucial new housing supply in partnership with the NSW Government and other key delivery partners.

CHPs are held publicly accountable for their performance through government contractual arrangements, policy settings, and robust independent regulation in accordance with the National Regulatory System for Community Housing (NRSCH). Registered CHPs are required to comply with seven performance requirements under the NRSCH to fulfill their obligations in providing community housing under the National Law. This includes setting and meeting the relevant property condition standards under Performance Outcome 2 (Housing Assets), including:

- Undertaking comprehensive property inspections on all properties every three years
- Developing comprehensive long-term strategic asset management plans; including rolling 10 year costed plans mapped against current and projected housing needs analyses

The community housing sector in NSW is well positioned to improve the condition of existing social housing properties and contribute to new social and affordable housing supply. As outlined in our previous submission, CHIA NSW strongly supports the continued transfer of ownership of social housing assets to CHPs, in preference to management transfers on long term leases, on the grounds that this will continue to act as a catalyst for growth of social and affordable housing in NSW, address the financial unsustainability of public housing, enhance financial viability, and reduce risk for CHPs, and deliver better outcomes for tenants and communities.

Title transfers provide maximum public value, as CHPs can combine their rental income with other government subsidies, tax benefits and private finance to provide additional low-cost housing. Where title transfer has occurred in NSW, CHPs have been required to meet, and continue to meet, various obligations under statute, policies, guidelines, and contractual agreements with the State Housing Authority. Within this context, vested properties can only be used to provide social housing, or other agreed purposes approved by the State Housing Authority. Should the vested property be sold, CHPs can only use the proceeds to acquire land or property for the provision of additional social housing. Most significantly, these conditions ensure that social housing properties are retained in perpetuity by the CHP and are not lost to the social housing system.

Based on the international experience, a more extensive program of title transfers can have significant economic and social benefits for tenants, the broader community, and governments. These include:

- **Employment:** Creation of new jobs in residential construction and renovation, as well as the creation of new jobs in the ongoing operations of CHPs across NSW.
- **Revenue maximisation:** Expansion of revenue streams and increased balance sheets, longer-term financial stability for individual CHPs and the broader sector.
- **Leverage for growth:** Increased capacity to leverage lower-cost finance (secured from the National Housing Finance and Investment Corporation) against owned assets and undertake redevelopment opportunities on the parcel of land transferred, enabling CHPs to increase the supply of social and affordable housing.
- **Service improvement:** Provision of better-quality housing, intensive tenancy management practices, innovative support and capacity building programs, and better outcomes in repairs and maintenance. Enhanced operational efficiency in the provision of services can also be achieved with larger CHP property portfolios, noting that CHPs often have lower staff to tenant ratios than public housing, and are better placed to provide excellent customer service.
- **Tenant satisfaction:** Surveys have consistently shown that community housing tenants are consistently more satisfied with their homes and are more likely to report better social, health and economic outcomes than public housing tenants.

As noted in our earlier submission, the current NSW Government has shown little interest in pursuing title transfers. A significant proportion of the community housing sector's recent growth was achieved through the Social Housing Management Transfer program (SHMTP), a key initiative of *Future Directions for Social Housing*, the NSW Government's 10-year plan for social housing. The SHMTP saw the transfer of 14,000 social housing properties to nine CHPs on 20-year lease terms. Following a competitive and robust tendering process, properties were progressively transferred to the successful CHPs over a 10 month period between November 2018 and September 2019.

Management transfer programs, such as the SHMTP and the soon-to-be-finalised 20-year general social housing leases program, are integral to maintaining a high-quality social housing portfolio, and increasing the future supply of social and affordable housing in NSW. The transfer of management to CHPs increases the total revenue in the social housing system by triggering payment of Commonwealth Rent Assistance (CRA) for households transferring from public housing. The CRA payment is not available to tenants whilst they reside in public housing. The additional income means that CHPs can afford more intensive tenancy management practices, can invest in innovative support and capacity building programs for tenants and can deliver better outcomes in repairs and maintenance. This is reflected in high levels of tenant satisfaction with the services delivered by CHPs, which is underpinned by a strong focus on customer service and tenant participation. Further information about tenant outcomes in the post-SHMTP environment is outlined below.

Tenant outcomes

Since 2012, CHIA NSW has delivered a standardised tenant satisfaction survey service on behalf of CHPs throughout Australia. In addition to measuring satisfaction with services overall, the survey includes core questions to ascertain tenant satisfaction with repairs and maintenance services and property condition.

As shown in Table 1, CHPs based in NSW have consistently achieved excellent results in the areas of overall tenant satisfaction, satisfaction with maintenance services, and satisfaction with property condition over the last four years. The number of CHPs that have commissioned CHIA NSW to conduct their tenant satisfaction survey has increased from 16 to 26 during the reporting period.

Table 1: Tenant satisfaction survey results for NSW CHPs (2016-17 to 2019-20)

Indicator	Satisfaction rating 2019-20 (n=26)	2018-19 (n= 22)	2017-18 (n=19)	2016-17 (n=16)
Percentage of tenants satisfied with all services provided by the CHP	84 per cent	84 per cent	84 per cent	84 per cent
Percentage of tenants satisfied with maintenance services	78 per cent	76 per cent	77 per cent	78 per cent
Percentage of tenants expressing satisfaction with the condition of their property	84 per cent	84 per cent	84 per cent	84 per cent

Tenant satisfaction and the Social Housing Management Transfer Program (SHMTP)

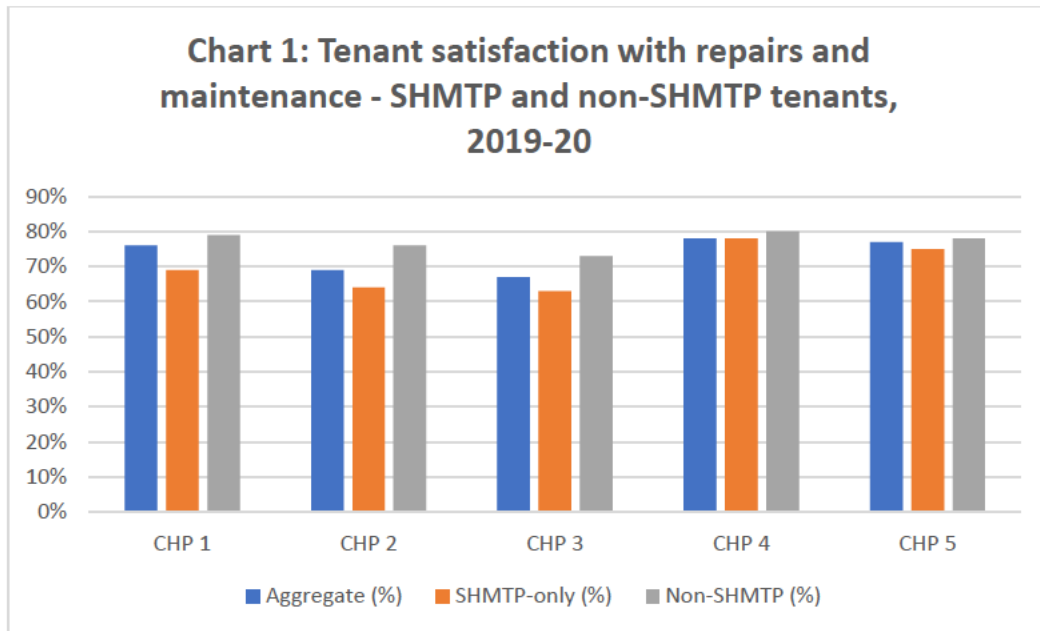
The SHMTP contract requires CHPs to collect outcomes data by conducting annual tenant satisfaction surveys about the housing and services they receive from their provider. A minimum response rate of 25 per cent is required to comply with the performance benchmark established by the NRSCH.

CHIA NSW conducts the annual tenant satisfaction surveys on behalf of most CHPs participating in the SHMTP. Some CHPs have collected their survey data using a method that enables comparison between the levels of satisfaction reported by SHMTP and non-SHMTP tenants. This is an important distinction as SHMTP tenants are required to use the same repairs and maintenance services as public housing tenants until June 2021. Hence, these results provide a one-off snapshot of the performance of repairs and maintenance services provided by the NSW Government compared with a sample of SHMTP CHPs.

Tenant satisfaction with repairs and maintenance – SHMTP providers

Chart 1 shows the proportion of community housing tenants reporting they were “very satisfied” or “satisfied” with the repairs and maintenance service provided by their CHP. Survey results comparing the satisfaction levels for SHMTP and non-SHMTP tenants are available for five CHPs.¹

¹ All survey results have been sourced from CHIA NSW’s Tenant Satisfaction Survey reports for 2019-20.



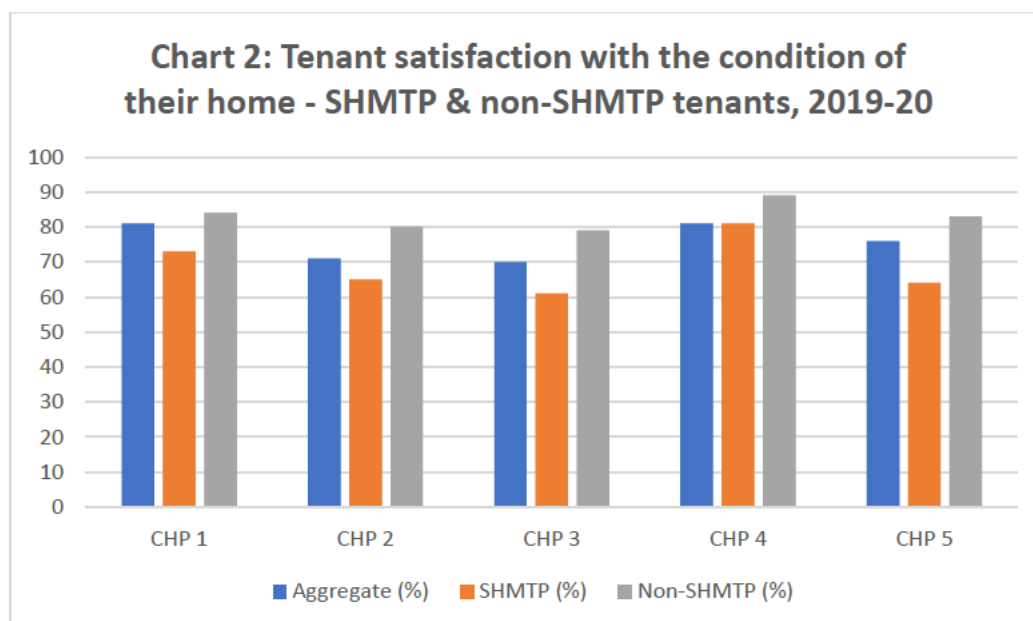
As shown above, non-SHMTP tenants are more likely to be satisfied with their repairs and maintenance services than SHMTP tenants in all five CHPs. Differences in satisfaction levels between SHMTP and non-SHMTP tenants in each CHP ranged from 2 per cent to 12 per cent.

The satisfaction levels of SHMTP tenants with repairs and maintenance had a noticeable impact on the aggregate result for individual SHMTP CHPs, with only one CHP meeting or exceeding the sector benchmark (78 per cent) for repairs and maintenance services.

These results highlight the challenges faced by CHPs in meeting the expectations of SHMTP tenants in an environment where the AMS contractors retained responsibility for repairs and maintenance services. Given that repairs and maintenance services are a critical driver of overall tenant satisfaction, all SHMTP CHPs significantly increased their repairs and maintenance expenditure in the financial year immediately following the transfer. As such, it is likely that this investment will lead to improved tenant satisfaction with repairs and maintenance services over the coming years.

Satisfaction with property condition

Chart 2 shows the proportion of community housing tenants reporting they were “very satisfied” or “satisfied” with the condition of their home. Survey results are available for five CHPs.



According to Chart 2, non-SHMTP tenants were more likely to be satisfied with the condition of their home than SHMTP tenants in all five CHPs. Differences in satisfaction between SHMTP and non-SHMTP tenants in each CHP ranged from 8 per cent to 19 per cent.

The satisfaction levels of SHMTP tenants notably affected the overall aggregate result for all SHMTP CHPs, with no CHPs meeting or exceeding the sector benchmark (84 per cent) for this indicator.

These results may reflect the significant variances in property condition across the transferred portfolio, including the amount of time that had elapsed for each CHP between the transfer date and survey. As previously noted, the requirement for CHPs to use the AMS contract until June 2021 has meant they have had few opportunities to implement the necessary investment and service delivery changes across their portfolio during the survey period. It is anticipated that, with sustained investment in responsive, planned, and lifecycle maintenance over the coming years, the satisfaction levels of SHMTP tenants will continue to improve in future surveys.

Customer service

Further to the tenant satisfaction survey findings, all CHPs are strongly committed to the delivery of excellent customer service and continuous service improvement, as outlined in their respective organisational Customer Service Standards or Charters. These documents outline the CHP's service delivery standards, response times for providing a service (for example, responding to urgent, non-urgent and routine repair requests) and the mechanisms in place for managing and resolving complaints in relation to service delivery.

At an operational level, CHPs refine their customer service approach through a range of different governance and community engagement mechanisms. These include Tenant Advisory Groups and Customer Service Panels, which enable tenants to engage directly with senior staff and provide detailed feedback to influence service delivery models and policies within the CHP. Tenants may also elect to participate in tenant satisfaction surveys, maintenance-focused surveys, and community events, such as onsite maintenance team visits, block meetings, and tenant engagement forums. For example, Southern Cross Community Housing established a new 'Clean-up Crew' team to assist new tenants with the removal of rubbish, lawn-mowing and the revitalisation of common areas and

gardens. Additionally, Link Housing scheduled a series of pop-up events and community lunches to respond to repairs and maintenance requests. Repairs and maintenance issues that could be fixed on the day were resolved immediately, whilst other issues were scoped for a future response.

Since the commencement of the SHMTP, CHPs have carefully managed their new tenants' expectations regarding the resolution of repairs and maintenance issues, particularly in relation to long-standing or legacy requests not addressed in the public housing system. Until June 2021, SHMTP tenants are still required to report their repairs and maintenance issues to the Housing Contact Centre (HCC), which is managed at a state-wide level by the Department of Communities and Justice (DCJ). Where required, CHPs supported their new tenants to liaise with the HCC and AMS contractors to ensure that a positive outcome was achieved. For example, Homes North has described their focus as "being advocates for (our) tenants with maintenance matters."

CHPs have continued to apply their customer service focused approach in a range of different ways. For example, CHP staff engage regularly with State and Federal Electorate Offices to ensure that constituent issues are addressed in a timely manner. Anecdotally, it is understood that these working relationships are productive and that SHMTP tenants are increasingly confident in engaging directly with the CHP to secure a positive outcome, instead of contacting the Electorate Office and/or the NSW Civil and Administrative Tribunal to resolve long-standing repairs and maintenance issues.

Administrative and contractual arrangements

Future Directions established the NSW Government's framework for new contractual arrangements with maintenance service providers and the implementation of a new state-wide contract for public housing maintenance - the Asset Maintenance Services (AMS) contract. The objectives of the AMS contract are to improve tenants' experiences and satisfaction levels, achieve better contractor performance and value for money, and implement better maintenance services.

Under the SHMTP contract, CHPs are responsible for ongoing repairs and maintenance as outlined in the NSW Government's Community Housing Asset Management Policy and Asset Management Framework, while LAHC retains responsibility for structural repairs. Properties are transferred at an adequate standard ('clean, safe, and habitable') and then maintained at the standards specified in the *Residential Tenancies Act 2010*. A significant precondition of the contract is that LAHC has required CHPs to utilise the AMS contract for repairs and maintenance work on the transferred properties until June 2021.

Although it is acknowledged that the AMS contract may represent value for money for LAHC, it is clear these efficiencies have not been realised at a local level for CHPs. The complexity of the contracting arrangements has limited the investment and service delivery changes that CHPs have been able to implement in response to local needs, which, as previously noted, has impacted on tenant satisfaction outcomes. Further information about the issues and risks arising from the AMS contract is provided below.

Finance, governance, and reporting

In accordance with the SHMTP contract, LAHC was responsible for providing property condition data to each CHP in the lead-up to their transfer date. The following issues were commonly reported by

CHPs, noting that some process improvements were observed by CHPs that completed their transfer later in the program:

- Property condition data was not transferred to CHPs with sufficient notice prior to program implementation. This made it significantly more challenging for CHPs to finalise their budgets, Annual Maintenance Plans, and Ten-Year Asset Maintenance Plans.
- CHPs noted that the property condition data was incomplete for some properties, and, in some cases, did not provide an accurate reflection of the existing property condition, maintenance backlog and/or repairs and maintenance history, including tenant requests for repairs and maintenance. Consequently, this will require increased investment from CHPs to address latent property condition issues.

Over the last two years, CHPs have engaged regularly with LAHC to raise significant issues and risks arising from the AMS contract. CHPs have welcomed LAHC's efforts to address issues and develop practical workaround solutions, noting that some issues could not be satisfactorily addressed due to commercial in confidence reasons. These issues include:

- CHPs are unable to use their own local contractors and/or staff to undertake technical scopes and complete repairs and maintenance works on the transferred properties in accordance with their organisational priorities and timeframes. The reliance on AMS contractors has created significant delays in the delivery of asset works, increased the average number of days that a property was deemed to be void (untenantable due to required maintenance works), increased the average number of days required for tenanting properties, and reduced overall rental income available for investment in housing and service delivery. This has an impact of CHPs' capacity to provide safe, secure, and affordable housing to be people in need.
- The AMS contractors used by LAHC are frequently unable to supply the repairs and maintenance services at rates competitive to their sub-contractors, meaning that this funding is being spent inefficiently through paying large overheads, both internally and to head contractors. Further to this, CHPs are financially responsible for repairs and maintenance works but have no capacity to utilise their existing networks of contractors to ensure that value for money outcomes are achieved.

Lessons learned from the SHMTP and next steps

The lessons learned from the SHMTP highlights the value of a local, flexible, and responsive repairs and maintenance service which is underpinned by excellent customer service and a strong focus on tenant outcomes. In anticipation of the AMS contract's expiry in 2021, CHIA NSW is aware that several CHPs are preparing tender documentation and/or have commenced tendering processes to appoint new maintenance contractors across the different areas of their portfolio. By having control over their own assets from the contract's commencement date, CHPs can implement a model that can respond more flexibly and quickly to issues and risks; for example, by varying existing contractors, changing contractors where performance is below expectation, and accessing local labour markets where competitive rates can be found.

In addition to the local head contractor model, several CHPs have recently established their own in-house maintenance teams, often in response to tenant and/or contractor feedback. The efficiencies

achieved through these innovative initiatives will enable the CHPs to direct a larger proportion of maintenance expenditure towards planned upgrades, thereby extending the life of social housing properties. These include:

- **My Place Property Maintenance (MPPM):** Compass Housing's new MPPM division will be staffed by over 60 personnel across various trade roles and supporting staff, a fleet of 40 vehicles, and the establishment of three warehouses with new infrastructure and technology to support the new operation. A key focus of the division's work will focus on reducing waste to landfill and ensuring sustainable and efficient upgrades and repairs, helping Compass Housing to achieve its 2030 carbon neutral objectives. As part of the initiative, Compass Housing will focus on employing apprentices from their tenant population, with an emphasis on engaging with Aboriginal young people.
- **Handyperson Team:** SGCH's Handyperson team was established in response to customer feedback on non-urgent repairs and maintenance. Delivering routine maintenance within 14 days, compared to the industry benchmark of 28 days, the in-house team is focused improving SGCH's portfolio and liveability for residents by delivering a more customer-focused and responsive service. In 2019-20, the team reduced SGCH's operating expenses by approximately \$700,000 – freeing up funds that will be used to deliver more projects to improve the safety, amenity, and appeal of customers' homes.

At the start of the COVID-19 pandemic, the SGCH Handyperson Team's workload was diverted onto outdoor projects and vacant properties. This had a twofold benefit of providing improved amenities in common areas; and importantly, the increased visibility of the SGCH team on sites helped to the sense of isolation felt by many vulnerable tenants.

Although these initiatives are relatively new, they highlight the value of adopting an innovative and localised response to repairs and maintenance which is informed by tenant input and driven by a holistic approach to customer service.

For future management transfer programs initiated by the NSW Government, it is recommended that successful CHPs are permitted to utilise their in-house staff and contractors for repairs and maintenance services. This will ensure that CHPs can deliver efficient and quality services in accordance with their customer service commitments, demonstrate accountability to their tenants, and ensure that value-for-money outcomes are achieved.

- **Recommendation 1:** Future management transfer programs provide CHPs with the option to use their existing contracts to deliver repairs and maintenance services from contract commencement.

The current repair status and physical condition of public housing properties

The NSW Auditor General's Performance Audit, *Making the best use of public housing* (2013), highlighted the challenges of an ageing and increasingly not-fit-for-purpose social housing portfolio in meeting the needs of an older, diverse, and often complex tenant population. More recently, the LAHC Portfolio Strategy (2020) showed that most social housing properties are more than 40 years old, and that over 4 per cent are aged 70 years and above.

LAHC uses the Property Assessment Survey (PAS) to measure the condition of its public housing portfolio. The survey tool is designed to assess the overall property condition and promote compliance with the *Residential Tenancies Act 2010*, which requires all leased residential premises to be clean, safe, and habitable. LAHC measures asset performance by undertaking the PAS and identifies whether each property achieves a well maintained, maintained or below maintained standard.

Currently, the PAS is also used by CHPs participating in the SHMTP, noting that this requirement applies to the SHMT property portfolio only. In accordance with NRSCH and SHMTP contract requirements, CHPs are required to complete the PAS for 100 per cent of properties every three years for reporting to LAHC. By comparison, it is understood that LAHC conducts the PAS on approximately 10 per cent of its portfolio each year. CHIA NSW recommends that all properties under LAHC management should be subject to similar assessment processes. This ensures that a consistent strategic asset management and planning approach is applied across the whole social housing portfolio.

Although LAHC does not publish its own data about the condition of its portfolio, some information is available in the Productivity Commission's *Report on Government Services*, which is released annually. According to the Productivity Commission's latest report, in 2018, approximately one-quarter (24 per cent) of public housing properties in NSW did not meet a basic standard of functionality and structural integrity, compared with 14 per cent of community housing properties.

Consistent with our previous submission, CHIA NSW also recommends that LAHC commits to releasing its own data on the condition of its assets at state, regional and local level. The information should be easily accessible and publicly available to provide for greater accountability of government to the public on its management of public assets. Such information will also assist CHPs undertaking their due diligence processes on LAHC's social housing portfolio, particularly in anticipation of future management transfers.

The current condition of public housing properties has direct implications for the community housing sector, particularly in the context of the SHMTP. CHIA NSW is aware that some properties transferred to individual CHPs through the program had effectively reached the end of their lifecycle and were not suitable for a long-term asset management approach. In response to these challenges, it is noted that the 20-year LAHC Portfolio Strategy includes a focus on reducing the average age of LAHC-owned properties, increasing property condition scores across the portfolio, and decreasing the number of properties not suitable for social housing.

CHIA NSW acknowledges the NSW Government's commitment to an increased partnership approach, as affirmed in the LAHC Portfolio Strategy. Within this context, CHIA NSW welcomes the recent release of two new LAHC policies: the *CHP-Led Redevelopment Policy of Social and Affordable Housing on LAHC-owned land*, and the *Policy for Small Scale Direct Dealing with CHPs*. These policies enable Tier 1 and 2 CHPs to submit redevelopment proposals for consideration to LAHC, with the objective of delivering new social and affordable housing. This is particularly valuable for sites where ageing properties have reached the end of their lifecycle and are more suitable for knock down and rebuild, rather than being maintained.

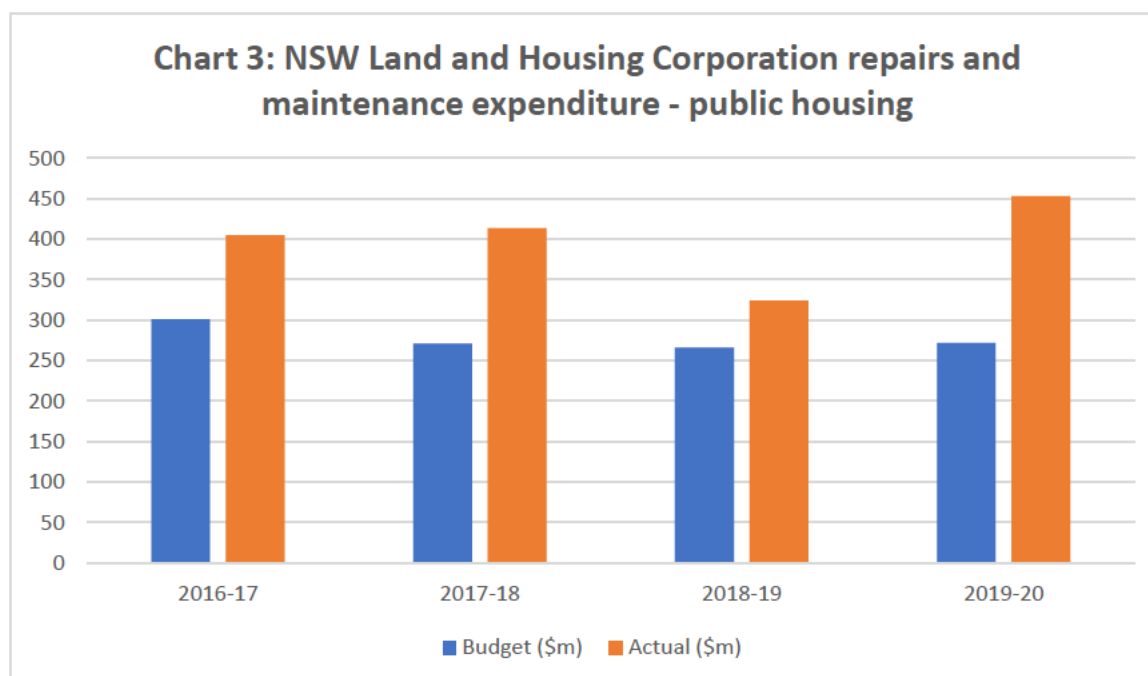
It is noted that both policies were developed in response to ongoing CHP feedback, and, if implemented effectively, have significant potential to support the community housing sector's

capacity to provide new social and affordable housing to people in greatest need. Within this context, CHIA NSW's members welcome the opportunity to engage with LAHC to ensure that redevelopment opportunities are fully realised, including the identification of title transfer arrangements to CHPs where appropriate.

- **Recommendation 2:** Adopt a consistent approach to PAS across public and community housing. This will require LAHC to undertake PAS on at least 30 per cent of its properties every year, in line with NRSCH requirements in place for registered community housing providers.
- **Recommendation 3:** Publish an annual dataset on the condition of LAHC's public housing assets, at state, regional and local level. This will enable CHPs to make strategic decisions in relation to future transfer programs and redevelopment opportunities.
- **Recommendation 4:** Establish a monitoring and evaluation framework for the LAHC Portfolio Strategy and CHP redevelopment policies. This should include targets for increasing the supply of social housing in NSW and improving the proportion of social housing properties that are at maintained or well-maintained standard.

Maintenance costs, variations in expenditure trends over the previous five years, and projected expenditure for the next five years

LAHC reports annually on the cost of maintaining its public housing portfolio. Chart 3 shows that the NSW Government has spent an average of \$398 million per year on repairs and maintenance over the last four years.² This has exceeded the agency's budget allocation in each year.



² All data has been sourced from the Annual Reports published by the Department of Communities and Justice and the former NSW Department of Family and Community Services Annual Reports.

Although LAHC does not publish information of actual costs of the repairs and maintenance backlog for NSW's social housing stock, it is estimated to be in the hundreds of millions. As acknowledged in our previous submission, the deterioration in the condition of the public housing portfolio can be attributed to changes in housing allocation policy. Since the 1980s, a greater percentage of properties across NSW have been allocated to households in priority need and on very low incomes. Consequently, the rental income received by the NSW Government has been insufficient, even when supplemented by Commonwealth Government funding, to meet the maintenance and management costs associated with an ageing portfolio.

In 2017, the Independent Pricing and Regulatory Tribunal (IPART) conducted a review of rent models for social and affordable housing. The review found that the gap between the rents paid by tenants and market rent that is currently being implicitly paid for through "a combination of operating losses, deferred maintenance, unfunded depreciation, and forgone returns on their assets." These impacts are most pronounced for public housing and LAHC. Although LAHC does not publicly release information about portfolio changes, it is implicit through the IPART analysis that LAHC's portfolio is being reduced through asset sales, which, in turn, is used to subsidise the remaining properties.

According to analysis undertaken by Lawson et al (2018), the average funding gap for each social housing unit is estimated to be \$13,000 per property per annum across Australia, noting that there can be variances based on geographic location and type of financial model used to inform the analysis. For example, Greater Sydney has a social housing subsidy gap of \$10,000 to \$35,000, while regional and rural NSW has a gap of between \$5,253 to \$10,000. Addressing the social housing subsidy gap is a significant issue that requires commitment from governments at all levels, noting this is beyond the scope of this review.

Despite these significant and unresolved challenges, the COVID-19 pandemic has created an unanticipated opportunity for the NSW Government to invest in the existing social housing portfolio. CHIA NSW has welcomed the NSW Government's recent investment in social housing repairs and maintenance stimulus programs as an effective and timely initiative to improve the current standard of properties, deliver better outcomes for vulnerable people in housing need, and support economic growth and job creation, particularly in regional NSW. It is noted, however, that the program is predominately focused on the rectification of repairs and maintenance issues which are already scoped and/or relatively easy to address in the short term.

Prior to the State Budget, Equity Economics (2020) estimated that a \$500 million was required to fund a comprehensive maintenance program across the NSW social housing portfolio, which would, in turn, support 4,200 jobs across NSW. Although the NSW Government's recent \$247 million one-off investment in social housing is expected to make a significant difference in reducing the maintenance backlog across an ageing social housing portfolio, it is estimated that an additional \$300 million is needed to ensure that more social housing properties are not lost to the system, both now and into the future.

Addressing the full repairs and maintenance backlog across the social housing system requires commitment to a longer term, partnership approach between LAHC and CHPs. Within this context, the NSW Government should establish a four-year social housing repairs and maintenance program with the objective of ensuring that all social housing properties in both the public and community housing sectors are assessed as meeting "maintained" or "well maintained" standards by 2025. Given that CHPs are primarily funded by LAHC to undertake structural repairs, the program should

be broadened to include planned and cyclical maintenance. It is also recommended that CHPs are engaged in the co-design of the program to ensure that it delivers excellent outcomes for tenants and value for money, particularly where social housing properties have reached the end of their lifecycle and are better suited to redevelopment.

By investing in this program, the NSW Government will enable CHPs to reinvest the funds that would otherwise be spent on repairs and maintenance into creating new social and affordable housing supply across NSW. Research from the National Housing Finance and Investment Corporation (2020) has shown that nine jobs are supported across the economy for every \$1 million of output in residential construction, which, in turn, supports around \$2.9 million of industry output and consumption across the broader economy. With the JobKeeper scheme set to end in March 2021, additional government investment in social housing repairs and maintenance will provide significant opportunities for the community housing sector to bolster the construction industry, create jobs, and support economic growth across NSW.

- **Recommendation 5:** Establish a four-year social housing repairs and maintenance program to ensure that all social housing properties in NSW are assessed as meeting “maintained” or “well-maintained” standards by 2025. This program should be broadened to include funding for structural, planned and cyclical maintenance and be co-designed in partnership with CHPs.

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