

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

Organisation: Department of Planning, Industry and Environment

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Submission to

The Public Accounts Committee Follow-up Review of the
Management of NSW Public Housing Maintenance
Contracts

16 February 2021

The NSW Land and Housing Corporation (LAHC) is a public trading enterprise responsible for managing the NSW Government's social housing portfolio, with the goal of delivering the maximum number of public housing dwellings that best meet the needs of tenants and are fit for purpose.¹

LAHC operates within the Department of Planning, Industry and Environment (DPIE) under the portfolio and direction of the Minister for Water, Property and Housing within the Housing and Property (HAP) Group.

LAHC's primary recurrent funding source is rental revenue from public housing tenancies. This rental revenue is the main source of funding for responsive or day to day maintenance of public housing properties. LAHC funds planned maintenance, property upgrades and renewal of properties with government grants and asset sales.

LAHC's property portfolio comprises almost 126,000 social homes, about 1,500 crisis and transitional housing properties, and a range of community and commercial properties. This is the largest social housing portfolio in Australia.

About 72% of LAHC's homes are located in metropolitan areas and 28% in regions. Most LAHC homes are cottages (43%) and units (36%). It also provides villas (13%), townhouses (10%) and terraces (1%).²

Around 32% of the portfolio is leased to community housing providers (CHPs) registered under the National Regulatory System for Community Housing (NRSCH).³ The balance of the portfolio (around 106,925 properties) is operated as public housing with tenancy management services provided by the Department of Communities and Justice (DCJ).⁴

Asset Maintenance Services (AMS) Contract

Maintenance for public housing properties is delivered through the AMS Contract, which commenced in April 2016.

The AMS Contract is a performance based contract, specifically designed to improve the timeliness and quality of maintenance delivery and enhance the tenant experience by:

- Delivering continuous improvement in the quality and cost of maintenance through a strong focus on audit and compliance regimes
- Driving efficiencies in the delivery of responsive maintenance so tenants receive a better service and more funds can be redirected to planned maintenance
- Strong focus on social outcomes, including tenant participation, training and local industry and community participation.

¹ NSW Family and Community Services, *2018-19 Annual Report*, Vol. 1 Performance and Activities Report, p. 11, <https://www.facs.nsw.gov.au/resources/publications/annual-reports>

² Land and Housing Corporation, *Portfolio Strategy 2020*, p. 4.

³ Internal LAHC data supplied by the Operational Policy & Standards Branch

⁴ Internal LAHC data supplied by the Property Information Branch (facility file data from 30 October 2020)

The AMS Contract enables LAHC to efficiently manage the very high volumes of maintenance required by the public housing portfolio. In 2019/20, LAHC responded to over 330,000 responsive maintenance requests, within a total of over 740,000 maintenance work requests managed, and successfully provided planned maintenance to over 17,000 properties.⁵

Figure 1: Volume of responsive repairs delivered between 2016/17 and 2020/21 (July to October)⁶

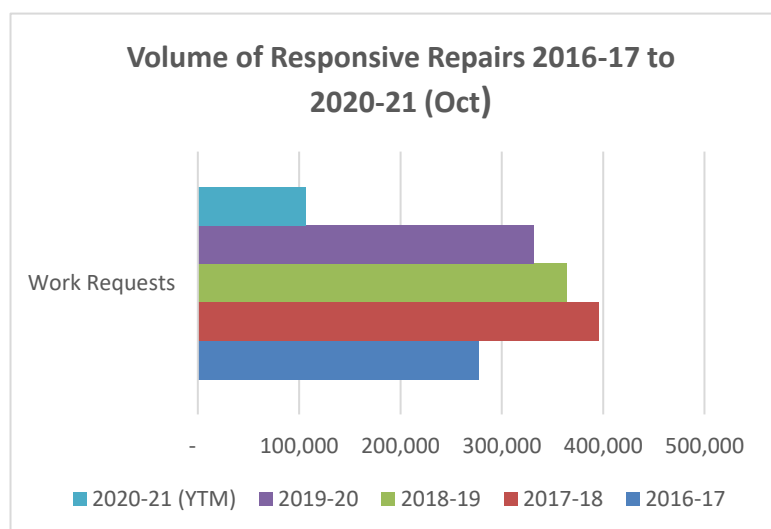
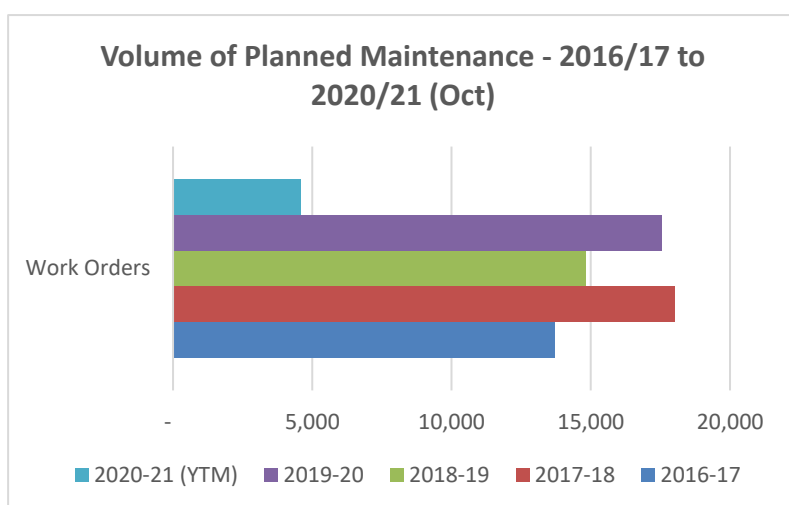


Figure 2: Volume of Planned maintenance delivered between 2016/17 to 2020/21 (July to October)⁷



The AMS places a strong emphasis on monitoring contractor performance to confirm quality maintenance services are being provided. There are 22 Key Performance Indicators (KPIs) based on Timeliness; Quality; Work, health and safety; Governance (including tenant satisfaction surveying).⁸

⁵ Internal LAHC data supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

⁶ Internal data provided by the Stakeholder Engagement and Programs Branch

⁷ Internal data provided by the Stakeholder Engagement and Programs Branch

⁸ Internal LAHC data supplied by the Stakeholder Engagement and Programs Branch Management, Portfolio Management Directorate

Contractor performance is monitored through monthly and quarterly KPI reports that are verified by a dedicated team within LAHC. LAHC monitors the quality of work using a combination of audit, quality assurance and trend analysis methodologies and is able to apply abatements ('penalties') when contractor performance is below standard.⁹

Learning from the previous contract (MRP08)

A key drawback of the previous contract (MRP08) was its administrative focus. It privileged stability of internal LAHC processes over commercial drivers such as value for money and tenant satisfaction. The main issues with the previous contract were:

- It embedded fixed prices for responsive repairs, for the life of the contract. There was no capacity for LAHC to negotiate more favourable prices for large volumes of work, or when there was a change in external industry prices.
- In practice, there was a duplication of many activities by LAHC staff and contractors, for example, scoping of planned maintenance.
- Tenants were not able to communicate directly with maintenance contractors when notifying repair issues.

The Performance Management Framework was inadequately developed, resulting in most of the operational risk being carried by LAHC.

Whether changes to public housing maintenance introduced in 2015/16 have delivered measurable improvements and evidence based outcomes for public housing tenants

Overall contractor performance

Since 2016/17 LAHC has achieved a significant improvement in the value for money delivered from planned maintenance programs and managed to hold average responsive maintenance costs steady.

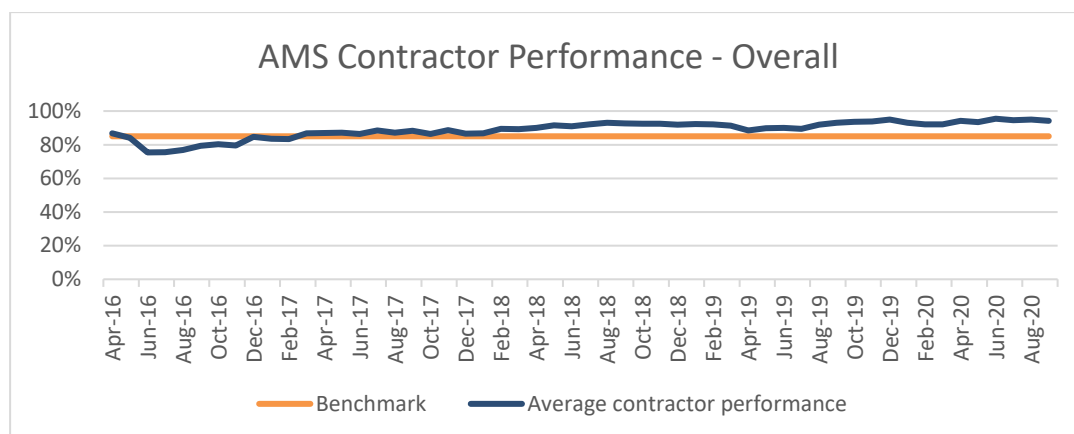
LAHC measures contractor performance each month. There is an 85% minimum benchmark for overall performance that contractors must meet, to avoid LAHC making payment abatements. Whilst IT systems were implemented, there were challenges early in the contract, but all contractors now perform above the minimum benchmark.

Following the initial six-month start-up phase, contractors averaged performance scores of over 83% against the combined timeliness, quality, tenant satisfaction and social outcomes metrics. The average overall performance score increased further to 90% by April 2018 and has been consistently over 90% every month since August 2019.¹⁰

⁹ Internal LAHC data supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

¹⁰ Internal LAHC data supplied by the Contract Operations Branch, Portfolio Management Directorate

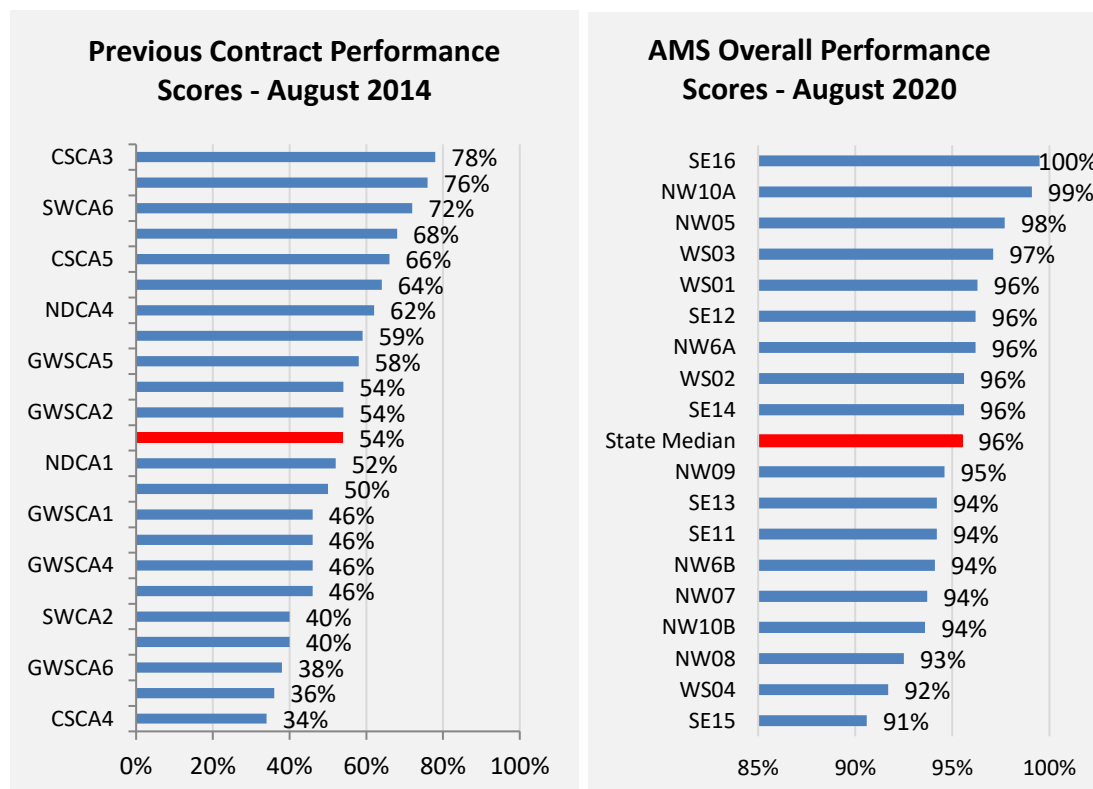
Figure 3: Overall AMS Contractor Performance April 2016 to September 2020¹¹



The lowest overall performance score over the whole contract period was 75% in June 2016, during the start-up phase.¹² By comparison, overall performance scores under the previous contract fell as low as 52%.¹³

Another way to view overall performance is to look at the spread of overall performance scores across individual maintenance Contract areas. The figure below provides snapshots of the overall performance of maintenance Contract areas in August 2020, and in August 2014 under the previous contract at a similar point.

Figure 4: Comparative snapshot of overall contractor performance under the AMS and previous contract¹⁴



¹¹ Internal LAHC data supplied by Contract Operations Branch, Portfolio Management Directorate

¹² Internal LAHC data supplied by the Contract Operations Branch, Portfolio Management Directorate

¹³ Internal LAHC data (October 2013-March 2014 Profit at Risk Results) supplied by the Stakeholder Engagement and Programs Branch

¹⁴ Internal data supplied by the Portfolio Management Directorate

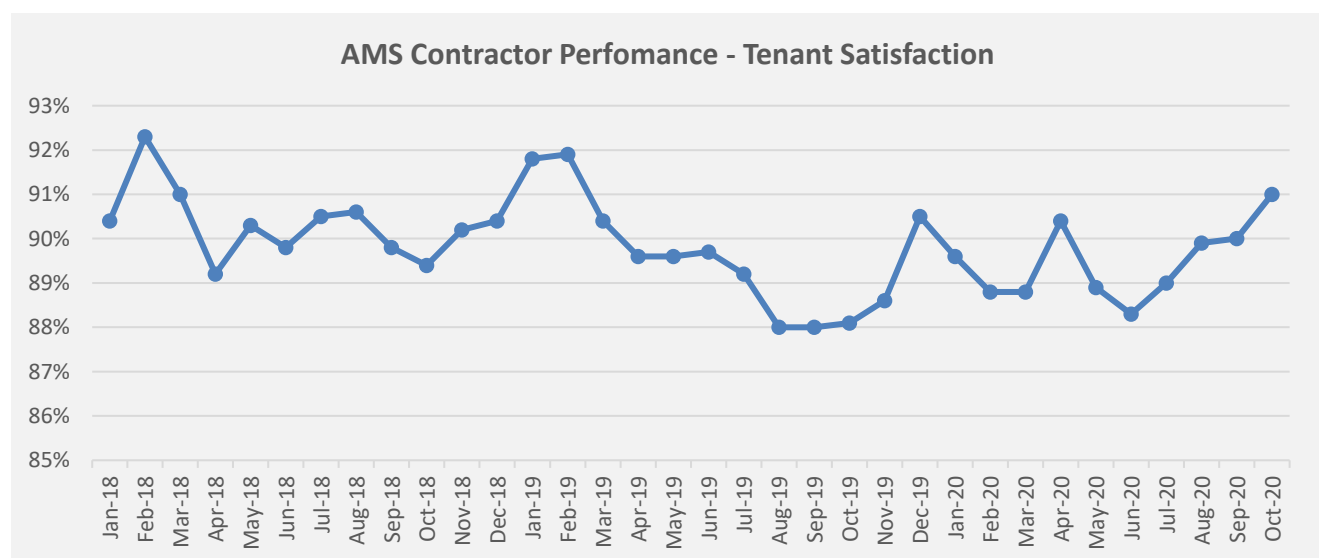
Tenant satisfaction

Under the AMS Contract, tenant satisfaction is measured independently by DCJ's Housing Contact Centre (HCC) as well as by each maintenance contractor. The two sets of scores are combined to provide the reportable metric. The minimum benchmark for tenant satisfaction is 75%. All contractors have achieved performances of over 84% every month from commencement of the Contract through to October 2020 (the latest figures available for this submission). The lowest average tenant satisfaction score for the Contract, since January 2018, is 88%.¹⁵

By comparison, tenant satisfaction with maintenance under the previous contract (measured independently in early 2011/12) found an overall satisfaction rating of 82.5%.¹⁶

In addition, call waiting times have reduced under the AMS Contract to an average of three minutes.

Figure 5: Tenant satisfaction with maintenance under the AMS contract – January 2018 to October 2020¹⁷



Timeliness of work

The timeliness of responsive repairs has been consistently good throughout the latter period of the AMS Contract. The timeliness of planned maintenance was unsatisfactory in the first year, but has been consistently satisfactory since January 2018. LAHC successfully implemented a new process for vacant property restoration maintenance at the start of 2020 to address a range of operational issues.

The new process has resulted in a sustained improvement in the timeliness of vacant maintenance. In addition, the process of preparing for implementation of the new process saw improvements in contractor timeliness from mid-2019.¹⁸

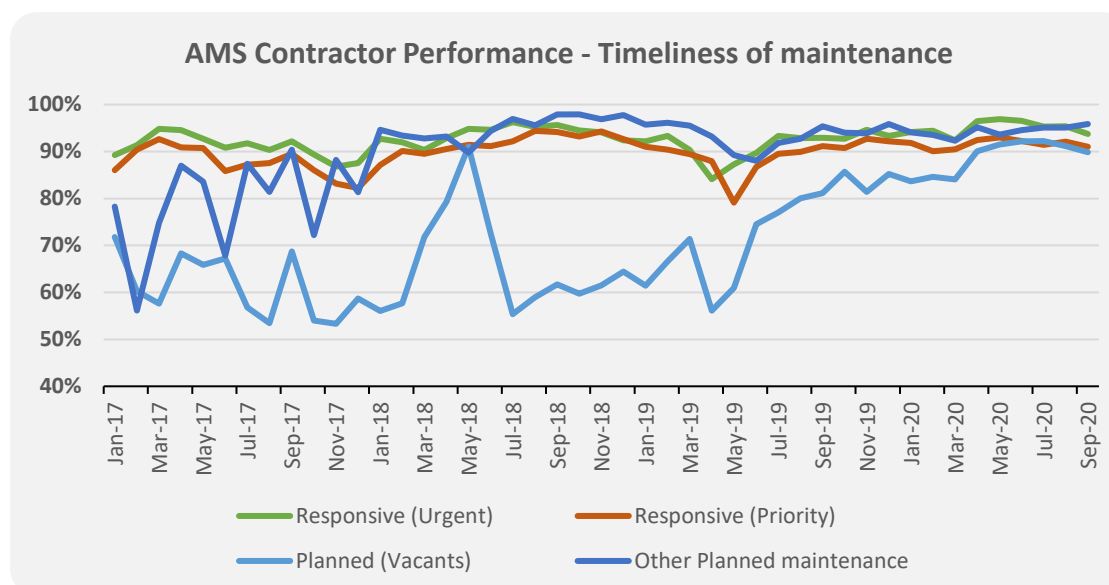
¹⁵ Internal LAHC data supplied by the Contract Operations Branch, Portfolio Management Directorate

¹⁶ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

¹⁷ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

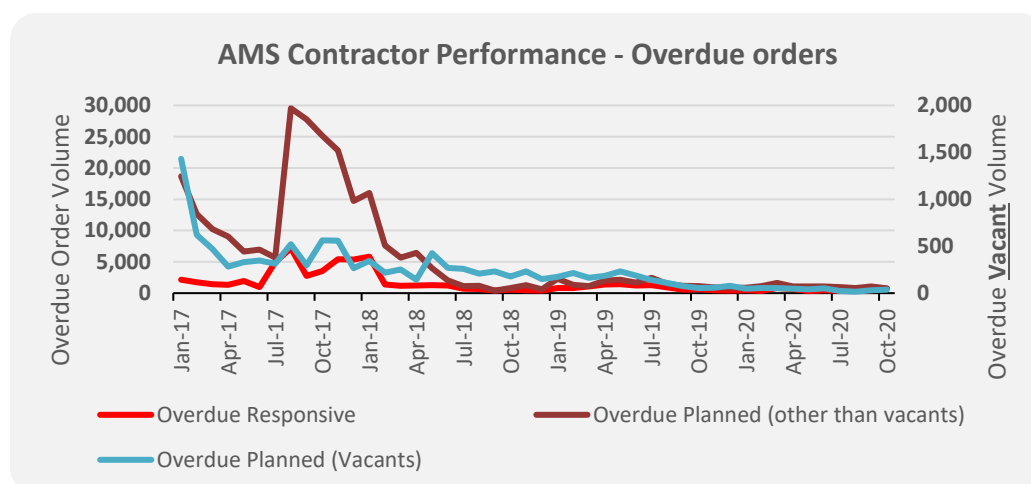
¹⁸ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

Figure 6: AMS Contractor Performance – Timeliness – January 2017 to October 2020¹⁹



Another way the AMS Contract measures timeliness is by monitoring the volume of overdue orders each month. The volume of overdue orders has decreased significantly throughout the life of the AMS Contract

Figure 7: AMS Contractor Performance – Overdue orders – January 2017 to October 2020²⁰



Quality of work

LAHC checks a proportion of all completed maintenance to confirm the work is at the standard required under the AMS Contract. If work is not up to standard, LAHC issues a notice requiring rectification. It then reinspects each identified quality issue to ensure rectification was completed. If a re-inspection fails to demonstrate appropriate rectification, LAHC applies liquidated damages against the contractor.

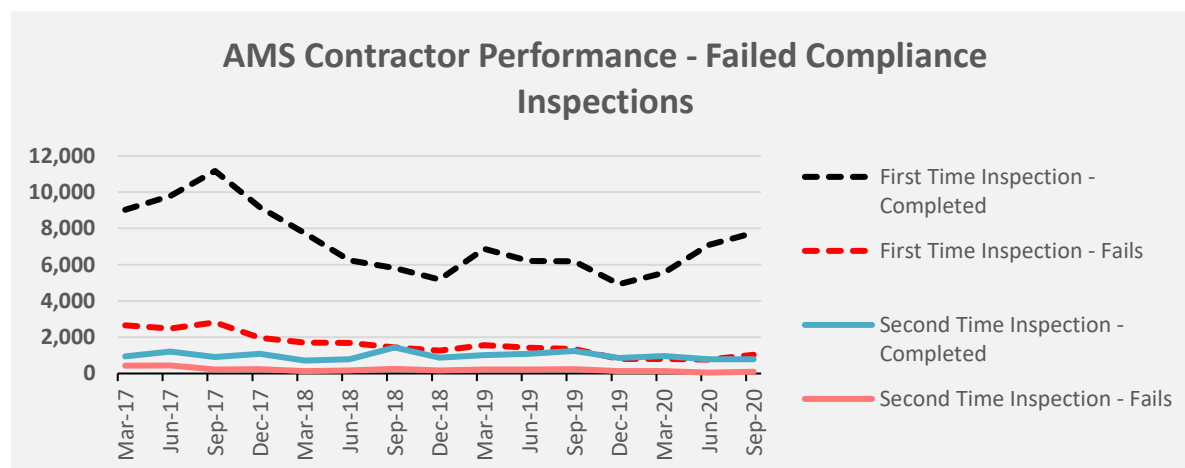
The AMS Contract has delivered higher quality of work than the previous contract, however, the quality of work remains an area that requires constant management of contractors by LAHC. Data collected since March 2017 shows there has been

¹⁹ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

²⁰ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

improvement in quality demonstrated by a downward trend in the number of failed compliance inspections; first time inspection failures were 29% in the quarter March 2017 and steadily declined until the quarter of September 2020 to 13%.

Figure 8: AMS Contractor Performance – Failed Compliance Inspections – March 2017 to September 2020²¹



Value for Money (cost of works)

Throughout the AMS Contract period, LAHC has consistently focused on managing the Contract to ensure value for money, ensuring it optimises the amount of maintenance delivered for the available budget.

For responsive maintenance, average costs per claimed work order have remained steady through-out the AMS Contract period, increasing only 3% in the four years between 2016/17 and 2020/21.²²

In the area of planned maintenance, LAHC reduced average costs per claimed work order by around 15% between 2016/17 and 2020/21.²³ Vacant maintenance is a significant element of planned maintenance expenditure. Between 2017/18 and 2020/21 LAHC implemented process improvements that reduced the average cost of vacant maintenance by around 35%. LAHC has achieved these outcomes through a consistent focus on continuous improvement and addressing inefficiencies in the operation of the AMS Contract.²⁴

Social outcomes

Contractors consistently achieve in excess of 90% local industry participation, often over 95%, by engaging regionally based trades to deliver maintenance services.

Over the past 18 months, contractors have usually maintained apprentices and trainees at over 500 per month, noting that this number fluctuates as apprentices complete their apprenticeships. Participation peaked at 602 apprentices and trainees

²¹ Internal LAHC data supplied by the Contract Operations Branch, Portfolio Management Directorate

²² Internal LAHC data supplied by Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

²³ Internal LAHC data supplied by Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

²⁴ Internal data supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

in June 2020, exceeding the target of 20% set in the NSW Government Training Management Guidelines.²⁵

AMS contractors are among the largest employers of Aboriginal people. Aboriginal employment is consistently over 3% of contract value and often higher against the target of 1.5% in the NSW Government Aboriginal Participation in Construction Policy. For example, in August 2020, it was 5.8%.²⁶ LAHC is well positioned to continue meeting NSW Government policies for employment of Aboriginal people through the AMS Contract.

AMS contractors have continued to strongly engage community and disability service providers with engagements equating to over 18% of the Contract value in October 2020, against a Contract target of 1.5%. These arrangements support increasing numbers of local people to participate in meaningful work through community and disability service providers.²⁷

AMS contractors consistently report employing more than 100 tenants each month. In some months AMS contractors employed over 150 tenants in the delivery of work under the AMS Contract.

Current administrative and contractual arrangements between LAHC and private providers of maintenance services

Contract areas

LAHC engages five head contractors to conduct maintenance across 18 geographically defined Contract areas as shown in the table below. Contract areas were consolidated from twenty-two under the previous contract to 18 under the AMS Contract to offer more viable portfolios for contractors.

Table 1: AMS head contractors²⁸

Head contractor	Contract areas
Broadspectrum	Sydney: Inner City, Blacktown, Penrith and Blue Mountains, Eastern and Southern Suburbs, Bankstown, Fairfield and Liverpool, Parramatta, Northern Suburbs, Newcastle and Hunter
Spotless	Central Coast, Illawarra and Sydney: Inner West
Lake Maintenance	Southern Highlands, Southern Tablelands and South Coast
O'Donnell & Hanlon	North Coast and New England

²⁵ Internal LAHC data supplied by the Contract Operations Branch, Portfolio Management Directorate

²⁶ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

²⁷ Internal data supplied by the Contract Operations Branch, Portfolio Management Directorate

²⁸ Internal data supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

Initial procurement process for the AMS

LAHC conducted a robust market process in 2015 to procure the services of the five head contractors, aiming to achieve both value for money and engagement with the aims of the AMS. The process included the four stages:

- Multiple industry briefings
- Early Tenderer Involvement
- Expression of Interest process
- Open tender.

As the consequences of poor performance by a maintenance contractor are significant for both tenants and LAHC, LAHC set a risk threshold for the procurement.

Under this arrangement, no single contractor could be awarded more than 40% of all Contracts area across the State and no more than 75% of Contracts areas within a single Region, thus reducing the delivery risk if a contractor is underperforming.

Maintenance processes

LAHC uses different approaches to drive value for money across the various maintenance programs.

Responsive maintenance

Contractors are responsible for the efficient delivery of responsive maintenance within a performance framework laid down by LAHC through the AMS Contract. The contractor is paid a service fee to organise and oversight the repair work, as well as invoicing LAHC for the actual cost of the work performed by the subcontractor. This approach enables a rapid response to critical repairs needing to be done in a short timeframe and also allows for variations in the volume and nature of work requested over the course of a year. The average costs for responsive maintenance has remained reasonably constant over the period of the AMS Contract.

Maintenance contractors have implemented mobile apps to allow for more rapid advice of work requests to subcontractors after tenants call the maintenance line to request repairs. These apps also enable subcontractors to report back on the progress of work and completion in real time, so contractors can keep LAHC updated.

Planned maintenance and vacant property restoration

Planned and vacant property maintenance involve higher average costs than responsive maintenance. Under these programs, the contractor provides a quote for the work to LAHC. LAHC then assesses the quote, and awards the work to the contractor only if the quote offers value for money. Otherwise, LAHC can decide to request quotes from other contractors. This approach maintains a degree of competitive tension which generates improved value for money.

LAHC assesses value for money using office estimates which are based on quantity surveyor prepared costs for each type of work.

This approach has successfully driven improvements in value for money through significant reductions in average cost of planned maintenance work orders, meaning LAHC is able to provide planned maintenance to more properties per year than would otherwise be possible.

Servicing

Property servicing covers a range of facilities management activities such as smoke alarm testing, grounds and common area maintenance. The scope of property servicing is fixed by LAHC and applies to all properties within the Contract area. LAHC decided that a fixed payment was the most efficient costing method and as a result tendered for a monthly fixed price that offers value for money to LAHC.

Performance Management Framework

The AMS Contract includes a performance management framework requiring contractors to perform against a set of 22 individual KPIs grouped into the following parameters: Timeliness; Quality; Work, health and safety; and Governance (including tenant satisfaction surveying).

At the end of each reporting month, a monthly performance assessment score is calculated for each contractor, based on their KPI performance. The minimum quarterly performance threshold is 85% below which an abatement is applied against the relevant contractor's service fee. LAHC also applies liquidated damages to contractors that deliver work that does not meet the quality requirements of the Contract. Since the commencement of the AMS Contract, LAHC has applied Contract abatements of just under \$3.8m for contractor under performance.

In addition, the AMS Contract includes a regime called the Gain Share/Pain Share, which provides incentives for the contractor to achieve efficiencies in the delivery of responsive maintenance.

As part of LAHC's procurement process, individual contractors tendered a "Responsive Benchmark" which is a notional annual cost for delivering responsive maintenance based on historical volumes and costs. If individual contractors create efficiencies and deliver responsive maintenance for less than the Responsive Benchmark, they may receive a "Gain Share" which is a proportion of the unspent budget. However, a contractor must achieve at least the minimum required performance scores for a contract year in order to receive a Gain Share.

If a contractor delivers responsive maintenance for a cost that is higher than the Responsive Benchmark, they are liable for a "Pain Share" which is a proportion of the overspent budget that they must reimburse to LAHC. This "Pain/Gain" mechanism is intended to drive down the cost of responsive maintenance by encouraging the contractors to create efficiencies in the delivery of works by fixing problems on the first visit and providing a maintenance response proportionate to the problem.²⁹

Change to contractor complement

²⁹ Internal information supplied by the Stakeholder Engagement and Programs Branch

LAHC has conducted a procurement process to replace one of the current head contractors that is not continuing with the AMS beyond June 2021. LAHC offered two current Contract areas to eligible existing contractors to tender for the delivery of maintenance services in the Contract areas from 1 July 2021. The emphasis has been on commissioning a replacement head contractor that offers value for money and the ability to effectively deploy services from 1 July 2021.

LAHC is currently finalising the Deeds of Arrangement with the successful contractors and the lengthy transition in period will enable a seamless change on 1 July 2021. LAHC will implement communication strategies, currently in development, prior to 1 July 2021 to inform tenants and stakeholders of the contractor changes.

Changes implemented with contract extensions

The first term of the AMS expires on 30 June 2021 and LAHC has exercised the option to extend the Contract by 18 months until December 2022. LAHC has taken the opportunity to negotiate variations to the AMS Contract that provide continuous improvement to the delivery of maintenance services without being unreasonably onerous for contractors to implement. LAHC is implementing these changes progressively from September 2020 through to 1 July 2021:³⁰

- Increasing controls over high cost responsive repairs
- Improving LAHC's ability to monitor delivery of disability modifications
- Adjusting KPIs to place an even greater emphasis on outcomes such as quality, timeliness and value for money
- Refocussing LAHC's auditing regime to contribute directly to the adjusted KPIs
- Enhancing the abatement regime which applies when contract standards are not met and increasing LAHC's ability to seek liquidated damages for quality failures
- Clarifying aspects of the contract that have generated excess administrative work or disputes between parties
- Introducing new scripting and processes to improve communication to tenants of Technical Inspection outcomes and scheduling of planned works
- Updating the meeting and reporting framework to further improve accountability.

Current repair status and physical condition of the public housing stock

³⁰ Internal data supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

Age of the properties

The majority of LAHC's homes were constructed before 2000. Around 25% are more than 50 years old and around 60% were built between 1970 and 2000.³¹ Over 4% of LAHC's homes were constructed 70 years or more ago. The average age of LAHC's homes is 40 years.³² Older homes (particularly heritage properties) usually have higher levels of maintenance requirements which makes them more costly for the portfolio than more recently built homes.

Assessing the condition of properties

LAHC inspects all public housing properties within its portfolio once a year through a program of Annual Compliance assessments (ACAs) undertaken by AMS contractors.

The ACA involves testing, servicing and certification of the smoke alarm, assessing the overall condition of the property, and recording if a tenant may need support with property care. LAHC uses ACA data to inform maintenance decision making and management of tenancy services provided by DCJ.

To supplement the ACA program, LAHC (each year since 2014) surveys a representative sample of 10% of its social housing portfolio under the Property Assessment Survey (PAS) program. From 2021/22, the program is expanding to sample around 33% of the property portfolio each year, ensuring the entire portfolio is surveyed each three years.

The PAS program involves a visual property condition assessment encompassing buildings, grounds and common areas. The inspection is undertaken onsite by independent, LAHC trained, inspectors using mobile devices, such as iPads or Android tablets. It captures the condition and defects of a large number of property components; the characteristics or features of properties such as modifications, adaptability, structural integrity issues; and other property related information. Each of these factors relates directly to LAHC's Maintained Benchmark Standard.

A PAS also involves inspection and testing of various items that are mandatory in properties such as working smoke alarms and Residual Current Devices (RCDs), effectively an audit of property safety related work by AMS contractors.



Current repair status

LAHC public housing properties are let to tenants and maintained thereafter with the assistance of the tenants, at a 'clean, safe and habitable' standard in accordance with the *Residential Tenancies Act 2010* (RTA). Guided by the LAHC Asset Performance Standards for Existing Dwellings, LAHC employs a methodology that is superior to the base RTA requirement to assess each property as to being 'below maintained', 'maintained' or 'well maintained' standard. In 2018/19, 88% of LAHC

³¹ Audit Office of New South Wales, *Performance Audit: Making the best use of public housing*, Sydney, 2013, p. 48, https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2013_Jul_Report_Making_the_Best_Use_of_Public_Housing.pdf

³² Land and Housing Corporation, *Portfolio Strategy 2020*, p. 4.

owned properties were assessed as either 'maintained' or 'well maintained'.³³ This compares with 82% in 2015/16³⁴ and around 70% in 2010/11.³⁵ In the context of the financially constrained environment in which LAHC operates, the steady rise in the condition of the portfolio indicates LAHC's asset management framework, and also the AMS Contract, is effective.

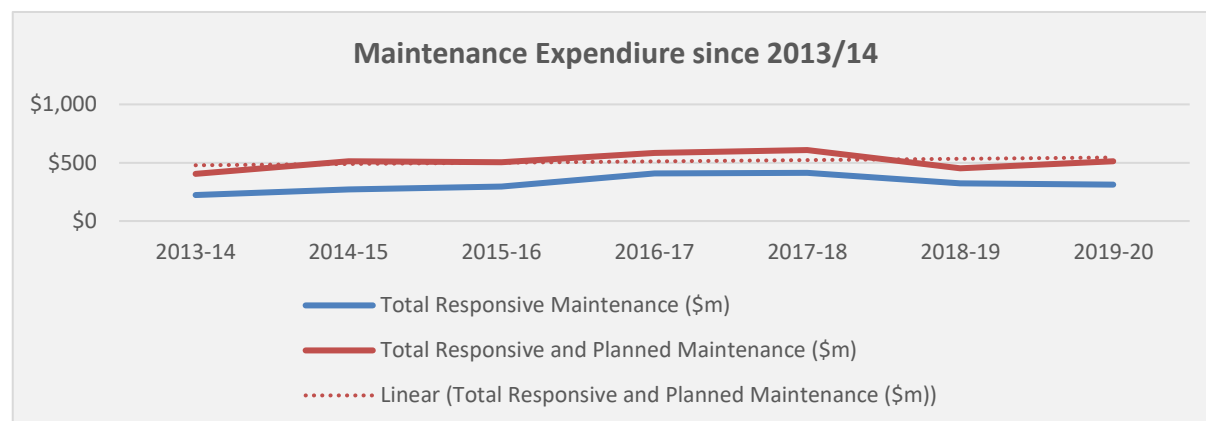
Over the past five years, the most consistently raised maintenance issues relate to sewerage, drainage, roofs and waterproofing. These are all areas that fail as properties age and are symptomatic of the high average age of LAHC's portfolio. Maintenance work in any of these areas requires significant planning and coordination, including management of potential disruptions to tenants.

Maintaining the health and safety of the people who live in its properties is one of LAHC's highest priorities. LAHC has implemented a number of programs and strategies focusing on issues such as mould, asbestos management, fire safety and additional cleaning during COVID-19, with the aim of responding proactively to possible threats to tenant or resident health and safety.

Costs of maintenance of the current public housing stock, variations in expenditure trends over the previous five years and projected expenditure for next five years

In 2019/20, the average maintenance expenditure per property was \$3,933.³⁶ LAHC builds its maintenance programs based on the funds available, aiming firstly to ensure all properties at meet minimum requirements under the RTA and secondly, that planned maintenance expenditure is allocated as efficiently as possible.

Figure 9: Maintenance expenditure (responsive and total) from 2013/14 to 2019/20¹



³³ Internal LAHC data supplied by the Operational Policy & Standards Branch, Portfolio Management Directorate

³⁴ Internal LAHC supplied by the Operational Policy & Standards Branch, Portfolio Management Directorate

³⁵ NSW Government Submission to the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing, 26 February 2014, p. 23.

³⁶ This figure excludes facilities expenses such as maintenance of common areas and lawns and grounds, and also costs associated with servicing contracts such as lifts, security and fireline monitoring.

The AMS commenced in the last quarter of 2015/16. Planned maintenance programs are generally more budget sensitive than responsive maintenance, hence planned maintenance expenditure reflects funds available rather than demand.

The fall in total expenditure in 2018/19 and responsive maintenance expenditure in 2019/20 reflects the transfer of properties to CHPs under the Social Housing Management Transfer (SHMT) program during 2018/9 and 2019/20. While maintenance for these properties is delivered by the AMS until the end of June 2021, funding is provided by each of the nine CHPs responsible for managing the properties rather than LAHC.

The rise in planned maintenance expenditure in 2019/20 was due to COVID-19 stimulus funding received from the NSW Government. LAHC received a total of \$60.5m to fund additional maintenance, of which LAHC allocated \$47m to planned maintenance and the remainder to a deep cleaning program as a proactive response to the threats of COVID-19. This additional funding made it possible for LAHC to bring forward planned maintenance scheduled for future years.

Inherent costs of LAHC's maintenance delivery services

LAHC's approach to the delivery of public housing maintenance services is unique amongst residential property providers, including other social housing providers, due to the range and scale of the services delivered. LAHC delivers a scalable maintenance service that can quickly respond to new challenges and opportunities. For example, LAHC successfully delivered additional maintenance to the value of \$47m between April and June 2020 using COVID-19 Stimulus funds and gains in value for money has made it possible for LAHC to roll out installation of solar panels and air conditioning in line with its Heating and Cooling Policy.

LAHC's approach incorporates:

- Response times superior to the RTA requirements delivered Statewide, including in remote areas outside of regional towns
- Focus on tenant safety through programs such as CCTV monitoring in high rise complexes; 24 hour a day, seven day a week, response to lift outages; a dedicated program of fire safety improvements and annual servicing of smoke alarms.
- Focus on improving tenant amenity through approaches such as the Heating and Cooling Policy and disability modifications programs
- Tailored responses for people with more critical needs or higher levels of vulnerability
- Tenant access to a maintenance call centre 24 hours a day, seven day a week. Tenants talk directly to a technically trained operator and all calls are recorded for quality assurance purposes.

LAHC's projected expenditure

LAHC has budgeted for average annual maintenance expenditure over the next four years of:³⁷

- \$278m per year for responsive maintenance
- \$131m per year on planned maintenance.

These forward expenditure projections are in line with actual expenditure in 2018/19 and 2019/20 less the contribution from the NSW Government COVID-19 Stimulus funds. Similar expenditures are forecast for years five through to ten of the current ten year forecast. LAHC has budgeted for a small increase in planned maintenance expenditure in years six to ten.



As already noted in this submission, LAHC primarily funds its maintenance expenditure from tenant revenue and sales of property assets, with expenditure prioritised to make the best possible use of the available funds.

Forecasting future maintenance needs

Since 2016, LAHC has invested in improving its ability to forecast future maintenance needs and optimally allocate the funds that are available. LAHC has also implemented Detailed Property Assessment Surveys (DPAS) to improve its ability to identify high risk properties and infrastructure. Future maintenance expenditure will be targeted to continue to ensure that service delivery outcomes for tenants are optimised within the funds available while maintaining properties at a consistently good standard.

Methodologies and process for ensuring consistent public housing maintenance standards across NSW, including quality assurance, effectiveness, efficiency and contract supervision

NSW Public Sector Asset Management Policy

The Asset Management policy, released by the NSW Government in 2019, guides LAHC's asset management practices.³⁸ This policy aims to drive better asset management across the public sector by strengthening accountability, performance and capability.

Considering maintenance in new developments

LAHC's design documents are specifically tailored for new housing and major refurbishment of existing housing and take into account the Asset Performance Standards for Existing Dwellings. These documents also reflect LAHC's vast

³⁷ Land and Housing Corporation, Draft 2020-21 Business Plan, p. 13.

³⁸ NSW Treasury, *Asset Management Policy for the NSW Public Sector*, Policy and Guidelines Paper, October 2019, https://www.treasury.nsw.gov.au/sites/default/files/2019-11/TTIP19-07%20NSW%20Asset%20Management%20Policy%20-%20Master%20Approved_31%20October%202019.pdf

experience in building and maintaining public housing, providing a consistent approach to standards across NSW. When changes in building legislation occur or the availability of new products and materials, LAHC is able to respond through flexibility and innovative design outcomes for future contemporary housing projects, incorporating (where appropriate) the use of alternative building systems with the latest construction technologies and materials to deliver fit for purpose dwellings.

Consistent standards – parity and consistency in maintenance decisions

LAHC has the same maintenance obligations under the RTA as all other rental property providers in NSW. Tenants of LAHC's properties also have the same obligations as all other tenants in NSW to keep the premises clean, not intentionally or negligently damage the property, and to notify LAHC of damage to the property as soon as possible after becoming aware of it.

The AMS Contract is a key mechanism for driving consistent standards across the public housing portfolio. LAHC expects AMS contractors to assess every responsive repair request using a standard methodology and tools developed by LAHC which consider:

- Whether the reported problem represents a failure of function, failure of safety or failure of appearance
- The age of the component or item that has failed, the extent of its use, and the amount of repair required
- The criticality of the requested repair in terms of the tenant's ability to live safely and comfortably in the property.

DCJ asks tenants to report all repair and maintenance requirements to the maintenance line, available 24 hours a day, 7 days a week. New and current public housing tenants receive information from DCJ about maintaining their home and requesting repairs when something in their home needs attention.

AMS Performance Management Framework³⁹

AMS head contractors report to LAHC monthly on a range of deliverables including:

- KPIs
- Social obligation requirements
- Work health and safety matters
- Tracking against financial targets
- Contractor Contact Centre (CCC) performance.

LAHC has a dedicated Audit and Verification Team that analyses transactional maintenance data to verify this self-reported performance. Any anomalies identified are raised and resolved with the head contractors.

LAHC convenes monthly and quarterly meetings with AMS head contractors to review performance, compare performance with other Contract areas, and discuss

³⁹ Information in this section was supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

strategies for improvement as needed. If required, additional meetings are scheduled to manage ongoing performance issues and monitor the delivery of the head contractor's improvement plan. In addition to this, LAHC may require contractors to provide additional reporting relating to the implementation of any performance improvement plans put in place to address performance issues.

A monthly internal Maintenance Steering Committee is held between LAHC's Regional Portfolio Directors and Contracts Operations Director who are responsible for the administration of the contracts, the Executive Director Finance and Reporting and Head of Portfolio Management (Assets) to review contractor performance and oversight the administration of the contracts.

Contract escalation pathways

The AMS Contract specifies a clear pathway for escalation of performance issues, disputes and work variations. There are a number of stages and entry points for escalation. Either party can enter the escalation pathway at any point and does not need to "progress" through each of the stages. This approach allows serious matters to be brought to the attention of senior representatives and addressed straight away.

Contracts Administration

Operation of the AMS is supported by dedicated teams within LAHC.

Dedicated Contracts Managers support administration of each Contract. Frontline staff manage the day to day operation of the Contracts including developing programs of work, requesting and assessing quotations for value for money, issuing planned work orders, following up with contractors on completion of works, and conducting site inspections to ensure the work was completed in accordance with the quality standards set out in the Contracts. This team also manages minor performance matters operational matters.

LAHC's Regional Portfolio Directors each manage one of three geographic regions, and also assigned as lead relationship manager with specific contractors. This allows for an end-to-end approach to the management of the contractor through the Regional Portfolio Directors.

These roles are supported by a centralised coordination and performance measurement function which verifies monthly contractor performance, issues communications to contractors about updated operational processes, and performs an audit function.

Any other related matters

Strategic Portfolio Strategy

LAHC has an obligation to make best use of available assets and resources to provide homes for as many vulnerable people and families as possible.

LAHC's Portfolio Strategy 2020 guides LAHC by setting out the vision and priorities to grow and change the LAHC portfolio over the next 20 years.

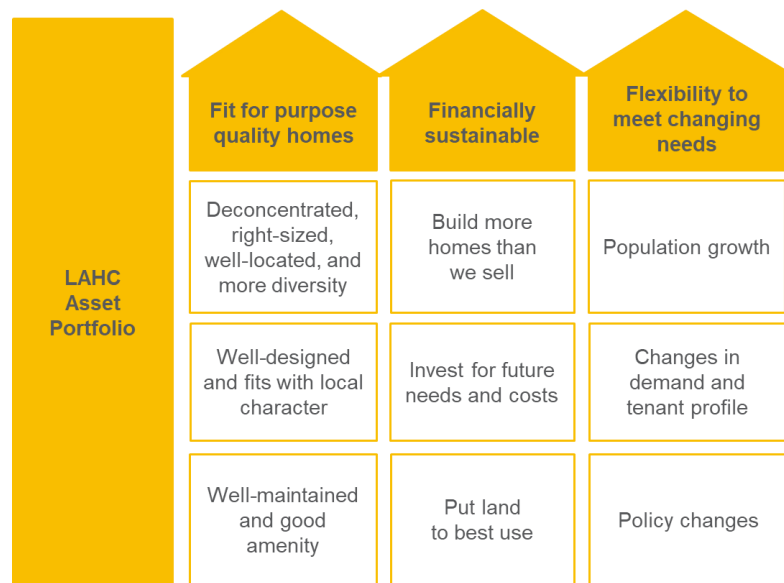


Figure 10: LAHC Portfolio Strategy Outcomes

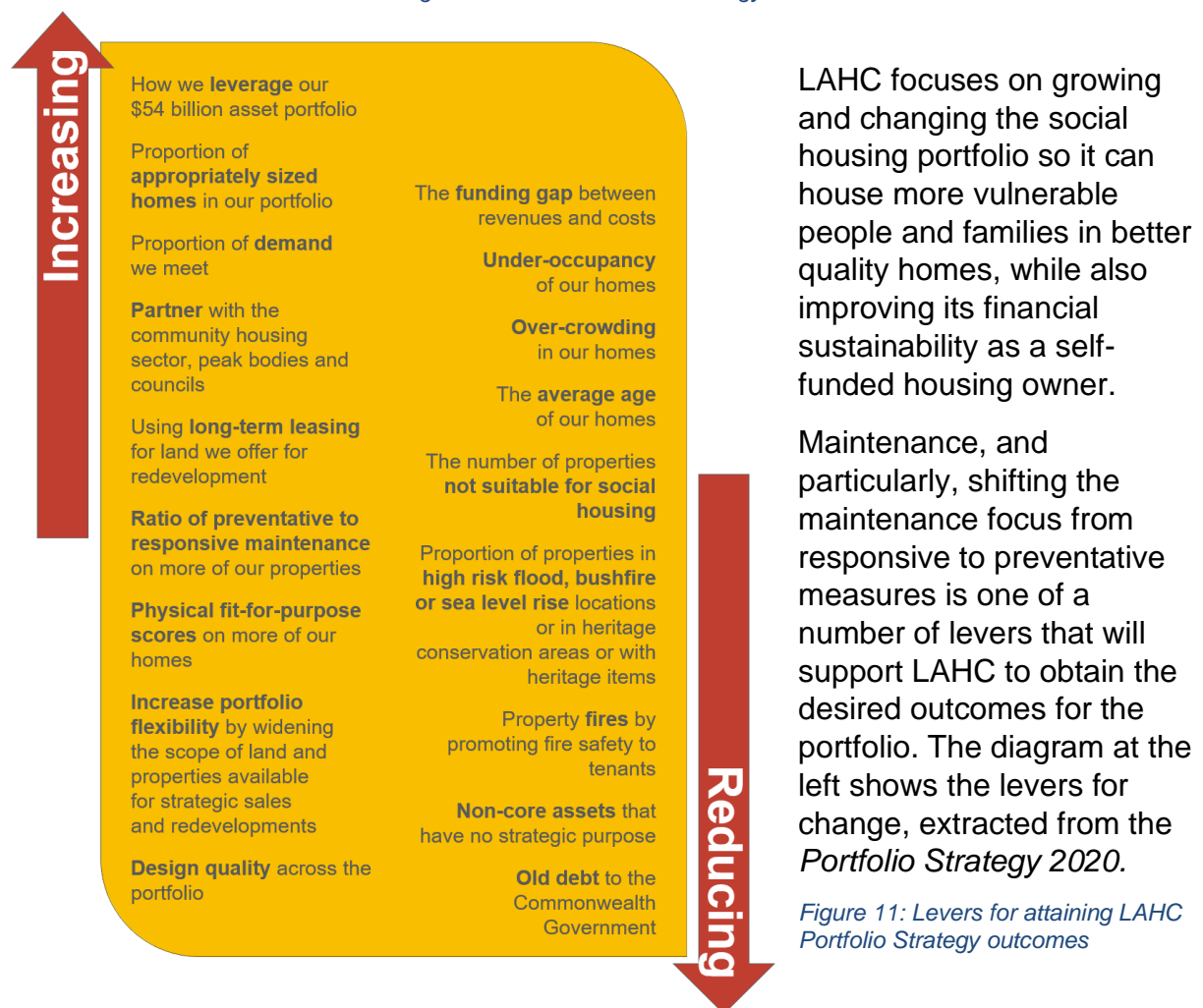


Figure 11: Levers for attaining LAHC Portfolio Strategy outcomes

AMS Contract lessons learnt⁴⁰

LAHC has done significant work over the past five years to develop whole of portfolio planning approaches such as the PAS, property condition scores and modelling of forward maintenance scenarios.

Under the AMS Contract, some programming activities are passed through to the contractors, however LAHC's improved planning capacity means that the next public housing maintenance contract can be streamlined to focus solely on maintenance delivery. In turn, this means that LAHC can potentially meet its needs through simpler contract arrangements more aligned with the capacity of mid-sized and larger maintenance providers.

In addition, there are valuable lessons from the AMS Contract that LAHC aims to carry forward into the next contract including:

- Simplifying the contract and improving communication with tenants and stakeholders
- Maintaining the focus on independent measures of tenant satisfaction with the maintenance experience
- Strengthening the alignment between LAHC's tenancy management service level agreements with DCJ and the outcomes of the maintenance contract, for example, to ensure tenant support plans encompass property care and appropriate pathways to resolve property related issues
- Continuing to use a tool like the Criticality Repairs Matrix (CRM), a tool used to assess the criticality of the maintenance issue, for delivering a consistent maintenance response across the portfolio (future iterations of the CRM will be more tightly aligned with residential tenancy industry standards)
- Tighter performance management requirements for facilities management activities covered in the servicing arrangements of the AMS Contract (compared with maintaining tenant's homes, these areas involve different expertise and the quality of maintenance work is less readily managed by monitoring the tenant maintenance experience)
- Getting stronger alignment between LAHC's Maintained Benchmark Standard and scopes approved for planned maintenance, vacant maintenance, and higher cost responsive maintenance
- Continuing to strengthen internal capacity in contract governance and quality assurance activities
- Continuing to support the operation of the contract with high quality IT support systems (LAHC is very keen to explore opportunities offered by the considerable development of IT support systems since 2015/16, including the widespread use of hand held devices and apps by both service providers and tenants).

⁴⁰ Information in this section was supplied by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

Appendix

The Public Accounts Committee Follow-up Review of the
Management of NSW Public Housing Maintenance
Contracts

22 January 2021

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Abbreviations

ACA – Annual Compliance Assessment

AMS – Asset Maintenance Services Contract

BES – Building Essential Services

CCC – Contractor's Call Centre

CHP – Community Housing Provider

CRM - Criticality Review Matrix

DPAS - Detailed Property Assessment Survey

FACS – Family and Community Services

HCC - Housing Contact Centre

LAHC – Land and Housing Corporation

MPW – Maintenance Planned Works

NCAT - NSW Civil and Administrative Tribunal

NDIS - National Disability Insurance Scheme

NRSCH - National Regulatory System for Community Housing

PAS - Property Assessment Survey

RTA – *Residential Tenancies Act, 2010, (NSW)*

SHMT – Social Housing Management Transfer

TI – Technical Inspection

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. The Department of Communities & Justice (DCJ), Aboriginal CHPs or community housing providers (CHPs) manage Aboriginal housing on behalf of the AHO. Land and Housing Corporation (LAHC) manages 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

CHPs 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.

CHPs 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.

Department of Communities and Justice

DCJ provides housing management solutions for people in need. Its responsibilities include addressing homelessness and funding, regulating the provision of community housing and crisis accommodation. DCJ assesses applications for housing, assists eligible households to live in the private rental market, and provides public housing tenancy management services for LAHC under a Service Level Agreement.

NSW Land and Housing Corporation

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 DCJ.

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.

Appendix 1: LAHC Strategic Challenges

LAHC relies on the public housing maintenance programs to continually extend the usable life of properties, adapt their use, and retrofit modifications and other features needed by tenants. This has practical effects for the day to day lives of people living in LAHC's homes and influences community expectations of the public housing maintenance system. This appendix provides additional information about the specific strategic challenges LAHC is addressing through its Portfolio Strategy 2020.

Social housing provision

Social housing is one of the major ways governments support disadvantaged and vulnerable people and families, many of which have complex needs.¹

To be eligible for social housing in NSW an applicant must demonstrate their ability to sustain a successful tenancy, without support or with appropriate support in place.² An applicant for social housing in NSW may be required to satisfy an independent living skills report that incorporates the four components of Financial Management; Property Care; Personal Care; and Social Interaction.³

Around two thirds of new entrants to social housing have complex needs and 34% of LAHC's tenants receive the Disability Support Pension.⁴ In 2012/13 DCJ estimated that 42% of all new public housing tenants have significant disabilities compared with 28% ten years earlier.⁵ There has also been a strong focus in recent times on ensuring homeless people are housed. Overall, more people living in social housing require high and resource-intense tenancy management responses which are costly.⁶

Cost of property damage

Properties periodically experience damage beyond fair wear and tear associated with tenant occupation. The costs associated with property damage to public housing properties including graffiti, malicious damage, dumping of waste and poor property

¹ Department of Family and Community Services, Submission to the Public Accounts Committee Inquiry into Tenancy Management in Social Housing, August 2014, p. 16, citing R McLachlan, G Gilfillan, and J Gordon, *Deep and Persistent Disadvantage in Australia*, Productivity Commission Staff Working Paper, Canberra, 2013, <https://www.parliament.nsw.gov.au/committees/DBAssets/InquirySubmission/Summary/44239/FACS%20Submission.pdf>

² Department of Communities and Justice, *Social Housing Eligibility and Allocations Policy Supplement* (last updated 13 September 2019), <https://www.facs.nsw.gov.au/housing/policies/social-housing-eligibility-allocations-policy-supplement>

³ Department of Communities and Justice, *Social Housing Eligibility and Allocations Policy Supplement*, (last updated 13 September 2019), <https://www.facs.nsw.gov.au/housing/policies/social-housing-eligibility-allocations-policy-supplement>

⁴ Land and Housing Corporation, *Portfolio Strategy 2020*, pp. 2, 4.

⁵ Department of Family and Community Services, Submission to the Public Accounts Committee Inquiry into Tenancy Management in Social Housing, August 2014, p. 25. <https://www.parliament.nsw.gov.au/committees/DBAssets/InquirySubmission/Summary/44239/FACS%20Submission.pdf>

⁶ Land and Housing Corporation, Submission to the Public Account Inquiry into the Management of NSW Maintenance Contracts, February 2016, p. 11, <https://www.parliament.nsw.gov.au/ladocs/submissions/52993/Submission%20No%2010%20-%20Department%20of%20Family%20and%20Community%20Services.PDF>

care continue to increase annually and are largely absorbed by LAHC's maintenance budget. Costs are recovered from tenants when tenant damage is substantiated.⁷

On the return of properties at the end of a tenancy, a Property Condition Report is undertaken to identify all the work necessary to restore the property ready for reletting. In the first nine months of 2020, 36% of vacant properties required an initial clean so that the outgoing property condition report could be undertaken to identify maintenance requirements.⁸ An initial clean involves activities such as removal of excess rubbish and vermin control.

Figure 12: Vacated property examples⁹



Fire damage

LAHC properties are frequently affected by house fires. Major fire damage restoration work can cost as much as between \$20,000 and \$30,000 for each property. Some properties are significantly damaged and there is no alternative but to demolish the property and remediate the land. Properties constructed prior to 1988 are considered as having asbestos materials. When fire damaged, these asbestos materials become friable, involving significant costs to make safe. LAHC considers the damage before making a determination as to whether the property is economical for restoration.

Of the 42 fires reported in the period July – December 2020, 35 (83%) resulted in uninhabitable properties. Tenant actions were responsible for 14 (33%), six from arson (14%), and for the remainder, the cause of the fire is unknown. Table 2 below provides further information.

Table 2: Fires in LAHC owned properties 1 July to 31 December 2020¹⁰

Month	Suburb / Town	Damage	Cause
July 2020	Claymore	Uninhabitable	Arson – Vacant property
	Wagga Wagga	Uninhabitable	Faulty heater
	Corrimal	Uninhabitable	Unknown
	Tenambit	Partial Damage	Fire started on stove top

⁷ Information provided by DCJ – CSBI on 14 January 2021, latest figures as at 30 June 2020.

⁸ Internal information provided by the Operational Policy and Standards Branch

⁹ Land and Housing Corporation, Submission to the Public Account Inquiry into the Management of NSW Maintenance Contracts, February 2016, p. 12, <https://www.parliament.nsw.gov.au/ladocs/submissions/52993/Submission%20No%2010%20-%20Department%20of%20Family%20and%20Community%20Services.PDF>

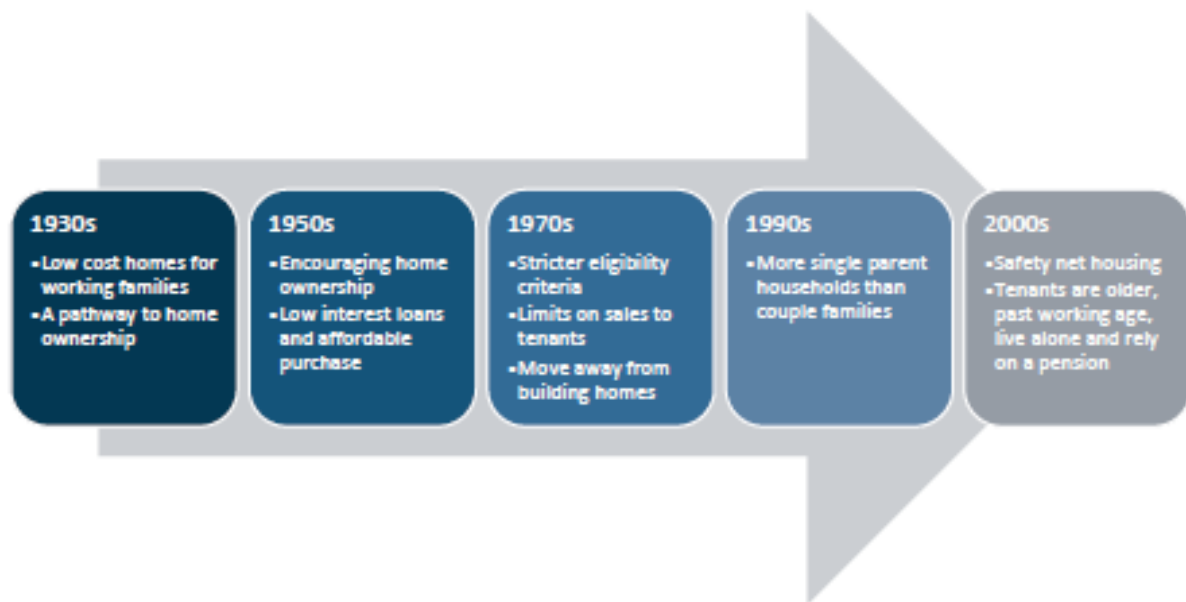
¹⁰ Information provided to LAHC by the DCJ HCC.

Month	Suburb / Town	Damage	Cause
August 2020	Tregear	Uninhabitable	Arson – Domestic violence
	Glebe	Uninhabitable	Children playing with lighter
	Bomaderry	Uninhabitable	Unknown
	Campbelltown	Partial Damage	Left kitchen unattended
	Menai	Uninhabitable	Faulty laundry appliance
	Narranderra	Uninhabitable	Arson
	Ambarvale	Uninhabitable	Fire in kitchen
September 2020	Kirrawee	Uninhabitable	Unknown
	Wagga Wagga	Partial Damage	Unknown
	Mangerton	Common Area – Sprinklers activated	Unknown
	Port Kembla	Uninhabitable	Unknown
	Wagga Wagga	Uninhabitable	Unknown
	Riverwood	Uninhabitable	Arson
	Warren	Uninhabitable	Unknown
	Airds	Uninhabitable	Heater left on
October 2020	Kahibah	Uninhabitable	Unknown
	Hamilton	Uninhabitable	Unknown
	Guildford	Uninhabitable	Faulty TV
	Villawood	Uninhabitable	Cooking with butane portable stovetop in laundry
November 2020	Chester Hill	Uninhabitable	Unknown
	Kempsey	Uninhabitable	Unknown
	Claymore	Uninhabitable	Arson – Vacant property
	Warwick Farm	Uninhabitable	Unknown
	Towradgi	Partial Damage	Unknown
	West Tamworth	Uninhabitable	Arson
	Grafton	Partial Damage	Unknown
	Mangerton	Uninhabitable	Unknown
	Berkeley	Uninhabitable	Arson
	Werrington	Uninhabitable	Tenant action
	Minto	Partial Damage	Fire in kitchen
	North Nowra	Uninhabitable	Unknown
December 2020	Nyngan	Uninhabitable	Unknown
	Minto	Uninhabitable	Unknown
	Canley Vale	Uninhabitable	Unknown
	Hamilton South	Uninhabitable	Unknown
	Campbelltown	Uninhabitable	Smoking items
	Chippendale	Uninhabitable	Fire in kitchen
	Bass Hill	Uninhabitable	Unknown

Mismatch of households and homes

The LAHC-owned social housing property portfolio is the State's primary form of housing assistance. However, LAHC's current operating environment includes a mismatch of households and homes, tenants ageing in place, under-occupied homes, and people staying in social housing for longer periods of time.

Over the past decades, social housing assistance increasingly prioritises vulnerable people with very low incomes and high or complex needs and the diversity of needs supported by LAHC's properties has increased. 93% of tenants rely on a pension or statutory benefit as their main source of income, whereas wages were the main source of income for 85% of tenants in the 1960s.¹¹



LAHC's portfolio no longer matches the needs of the people we house:

- Around 60% of public housing tenants live alone, but almost three quarters of the properties have two or more bedrooms because they were built to house couples with children.¹²
- 15% of public housing homes are under-occupied by two or more bedrooms, which means, they are occupied by households that are too small for the property.¹³
- In the 1970s, 70% of tenants were couples with children, now more than half the tenants are older and a third are aged 65 years or above (more than 35,000 people).¹⁴ Almost 10% are 80 years of age or more, and need support to age in place.¹⁵

¹¹ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 3.

¹² Land and Housing Corporation, *Portfolio Strategy 2020*, p. 2.

¹³ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 2.

¹⁴ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 3.

¹⁵ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 2.

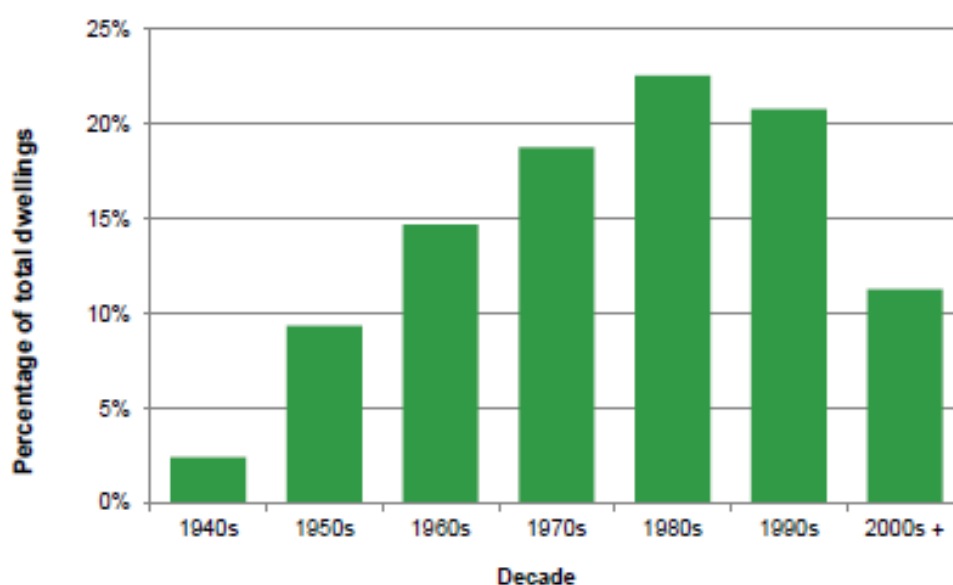
- Almost 22,000 (18%) of the homes have been retrospectively modified to meet a tenant's physical access needs.¹⁶

Average age of the LAHC portfolio

The average age of LAHC homes is 40 years and older homes usually require higher levels of maintenance, making them more costly for the portfolio than more recently built homes.¹⁷

This is a significant issue for LAHC. Overall demand for maintenance is expected to continue rising over the next decade as the average age of the portfolio continues to rise. The impact of this is that the maintenance budget may remain static (due to the link to rental revenue) with funds drawn towards regular and more frequent repairs for aged properties.¹⁸

Figure 13: Proportion of homes in the social housing portfolio constructed each decade as at October 2010¹⁹



Source: HNSW April 2011

Rent revenue

LAHC is governed by the *Housing Act 2001* and its tenancies are regulated by the *Residential Tenancies Act 2010* (RTA). As recently noted in a review by Infrastructure NSW, the RTA expects publicly and privately owned dwellings to be provided and maintained to the same standards.²⁰

¹⁶ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 4.

¹⁷ Land and Housing Corporation, *Portfolio Strategy 2020*, p. 4.

¹⁸ Land and Housing Corporation, Draft 2020-21 Business Plan, p. 7.

¹⁹ Audit Office of New South Wales, *Performance Audit: Making the best use of public housing*, Sydney, 2013, p. 48, https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2013_Jul_Report_Making_the_Best_Use_of_Public_Housing.pdf

²⁰ Infrastructure NSW, Social Housing Asset Performance and Maintenance Review, 2019, p7

Social housing tenants pay market rent but most qualify for a rent subsidy which makes their rent affordable.²¹ Public housing tenants who qualify for a subsidy pay 25% to 30% of their gross household income in rent.²²

The difference between the tenant's subsidised rent payment and the market rent is funded by the social housing provider, in this case LAHC, in the form of rent forgone. LAHC does not receive recurrent funding in lieu of the rent it forgoes by providing rent subsidies. Social housing is allocated to those who are in highest need so there is very little capacity for LAHC to increase its real rental revenue. The figure below illustrates the trend in annual rent forgone through rent subsidies between the 2001/02 and 2011/12 financials years.

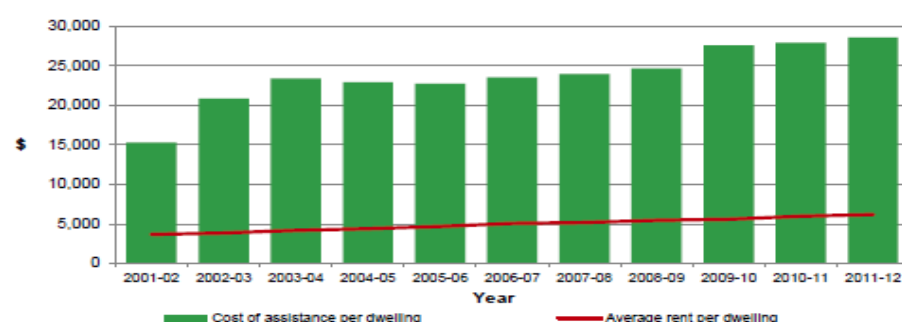


Figure 14: Cost of assistance (rent forgone) per dwelling compared to average rent, 2001-02 to 2011-12²³

Source: Compiled by the Audit Office of New South Wales based on information in the Report on Government Services (2013, 2012, 2009 and 2007).

Note: The cost of providing public housing assistance includes user cost of capital, depreciation, repairs and maintenance, employee expenses, council and water rates, and other operating expenses. It does not include expenditure incurred on purchases (such as new building).

In 2018-19, LAHC received \$852.4m in rent and other tenant charges, and provided notional rental subsidies of \$1.206b to eligible tenants.²⁴ In 2020, rental revenue was 38.5% of notional market rent, a decrease of around 4% since 2008/09. The trend between 2008/09 and 2019/20 is illustrated below.

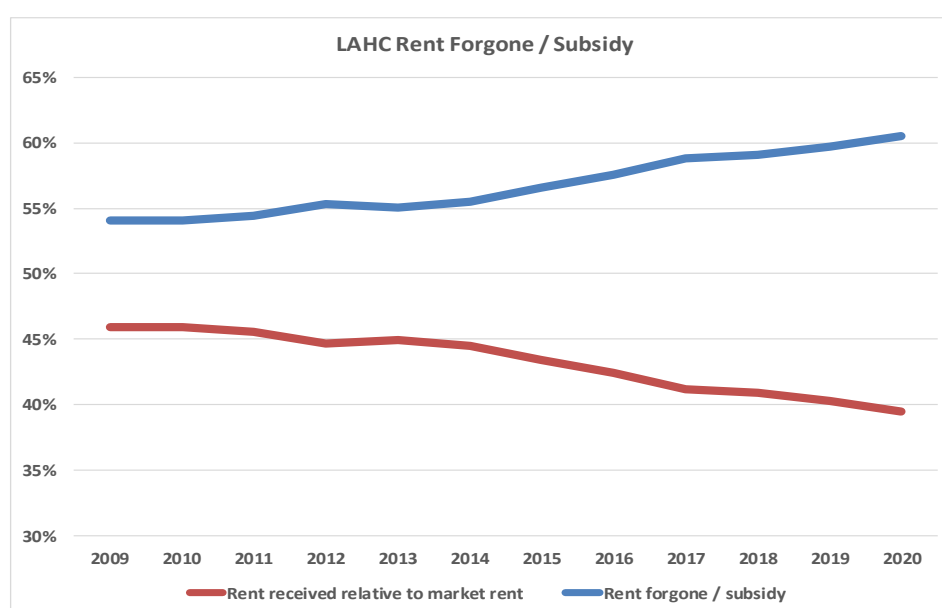
²¹ Department of Communities and Justice, *Charging Rent Policy*, <https://www.facs.nsw.gov.au/housing/policies/charging-rent-policy>; Department of Communities and Justice, *NSW Community Housing Rent Policy*, <https://www.facs.nsw.gov.au/housing/community-housing-policies/rent>.

²² Department of Communities and Justice, *Charging Rent Policy*, <https://www.facs.nsw.gov.au/housing/policies/charging-rent-policy>

²³ Audit Office of New South Wales, *Making the Best Use of Public Housing*, Performance Report, July 2013, p. 20, https://www.audit.nsw.gov.au/sites/default/files/pdf-downloads/2013_Jul_Report_Making_the_Best_Use_of_Public_Housing.pdf

²⁴ Internal LAHC data supplied by the Operational Policy and Standards Branch

Figure 15: Rent received as a proportion of notional market rent 2009-2020 financial years²⁵



Financial constraints

Rent revenue, LAHC's primary income source, is insufficient to simultaneously meet operating and maintenance costs in addition to funding renewal of the social housing portfolio. Asset sales are increasingly necessary to sustain LAHC's operations. For example, in 2014, it was estimated that 9,000 properties had been sold to fund property renewals, upgrades and maintenance over the previous 10 years.²⁶

Strategies to renew the portfolio will help LAHC to manage maintenance costs in the long term. But in the short term, strategies such as the Future Directions target of 10,000 new and renewed LAHC-funded social housing dwellings by June 2026, require very careful balancing of revenue sources and expenditure commitments.

Research for the Australian Housing and Urban Research Institute published in 2007 modelled the deteriorating financial position of all Australian state housing authorities during the 1990s and 2000s, caused by reduced revenue and increased operating costs.²⁷

In 2017, IPART recognised there is a significant social housing funding gap, which has widened over the past two decades due to declining rent revenue and increasing market rents, which has been exacerbated by declining Commonwealth grant funding. LAHC pays for this gap through implicit subsidies from a combination of

²⁵ Internal LAHC data supplied by the Operational Policy and Standards Branch

²⁶ NSW Government Submission to the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing, 28 February 2014, p. 19, <https://www.parliament.nsw.gov.au/lcdocs/submissions/45839/0075%20NSW%20Government.pdf>

²⁷ Hall J & Berry M 2007, *Operating deficits and public housing: policy options for reversing the trend: 2005/06 update*, AHURI Final Report No. 106, <https://www.ahuri.edu.au/research/final-reports/106>

operating losses, deferred maintenance, unfunded depreciation and forgone returns on assets.²⁸

In 2019 the Australian Infrastructure Audit conducted by Infrastructure Australia reconfirmed this when it identified that all social housing systems across Australia are under significant pressure due to lack of funding, ageing housing stock with high maintenance needs, increased demand, and limited funding to increase dwelling supply to meet tenant needs.²⁹



²⁸ IPART, *Review of Rent Models for Social and Affordable Housing*, Final Report, July 2017, p. 2, [https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-section-9-publications-review-of-social-and-affordable-housing-rent-models/final-report-review-of-rent-models-for-social-and-affordable-housing-july-2017-\[w172737\].pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-section-9-publications-review-of-social-and-affordable-housing-rent-models/final-report-review-of-rent-models-for-social-and-affordable-housing-july-2017-[w172737].pdf)

²⁹ Infrastructure Australia, *Australian Infrastructure Audit 2019-Social Infrastructure*, p. 480, <https://www.infrastructureaustralia.gov.au/publications/australian-infrastructure-audit-2019>

Appendix 2: Types of maintenance

The AMS Contract delivers the following three different types of maintenance services:³⁰

- Responsive maintenance
- Planned, also known as programmed, maintenance
- Servicing.



Responsive maintenance

The day-to-day high risk maintenance or repairs requested by tenants to restore an amenity or component to its working condition. Responsive maintenance includes activities such as stopping water leaks, fixing broken windows, fixing problems with hot water, or replacing items that have stopped working. The focus of responsive maintenance is to keep the property clean, safe and habitable on a day to day basis. Responsive maintenance includes:

- Urgent works – services required when there is a functional failure resulting in an immediate risk to safety, health or security or in response to an emergency or major incident/risk. Due to their criticality, these works are associated with very short response timeframes.
- Priority Works – services required when there is a functional failure of a component, or when there is an immediate threat of safety or a security risk. These works occur within short timeframes usually between 24 and 48 hours.

Planned or programmed maintenance

Aims to keep a property as close as possible to its built condition, taking into account the level of funding available for the planned maintenance program. Planned maintenance includes activities such as renewing kitchens and bathrooms, replacing carpet, interior and exterior painting, and re-roofing. These activities require planning, getting quotes, and coordination with tenants and residents living in the property.

When properties become vacant there is an opportunity to complete planned maintenance without disturbing the tenant or residents, as well fixing any items that are broken or not working. For this reason, maintenance on vacant properties is included within planned or programmed maintenance under the AMS.

Servicing

Covers a range of facilities management activities such as annual servicing and maintenance of smoke alarms and other fire detection and management equipment, maintaining lawns, grounds and common areas of vertical and horizontal estates, lift maintenance, security and CCTV services and fireline monitoring. Servicing works ensure systems are receiving the cyclical maintenance required to meet statutory, specification and manufacturers' requirements.

³⁰ Internal information provided by the Stakeholder Engagement and Programs Branch, Portfolio Management Directorate

Appendix 3: How the AMS Contract is different

Like the previous contract, the AMS Contract works on a head and subcontracting model.³¹ However, the AMS specifically aims to encourage value for money and accountability for the tenant maintenance experience.

The AMS places a strong emphasis on monitoring contractor performance to confirm quality maintenance services are being provided. There are 22 individual KPIs grouped into the following parameters: Timeliness; Quality; Work, health and safety; and Governance (including tenant satisfaction surveying).³²

Contractor performance is monitored through monthly and quarterly KPI reports that are verified by a dedicated team within LAHC. LAHC monitors the quality of work using a combination of audit, quality assurance and trend analysis methodologies and is able to apply abatements when contractor performance is below standard.

Further details about the differences between the AMS Contract and the previous contract are discussed in the table below.

Table: Comparison between AMS Contract and previous LAHC maintenance contract³³

	AMS Contract	Previous contract
Responsive maintenance - costs	Costs for responsive maintenance are based on actual costs to the subcontractor with performance mechanisms which monitor value for money and impose abatements for poor performance.	Under the previous contract, LAHC paid the same fixed price for every repair of the same type, regardless of volume or subcontractor costs. Subcontractors could be sent out to work that was not worth their while, resulting in over-servicing such as changing a whole tap instead of a washer.
Responsive maintenance - timeframes	The AMS Contract has a focus on providing rapid responses to responsive maintenance requests. There are three categories of urgent maintenance which must be responded to within 2, 4 and 8 hours respectively. Other responsive maintenance is prioritised for attention within 24 or 48 hours, or within 20 days.	Under the previous contract there was a single category for urgent maintenance requiring a response within 4 hours. Other responsive maintenance was prioritised for attention with 24, 48 or 72 hours, or within 20 days.
Planned maintenance	Planned work is quoted by the contractor and assessed for value for money by LAHC against an office estimate which is based on quantity surveyor prepared rates. LAHC has the option to seek additional quotes from other contractors.	Under the previous contract, LAHC scoped the work and then requested a quote from the contractor, based on a pre-priced schedule. LAHC was not able to seek additional quotes.

³¹ The head contractor is called 'the contractor' through-out this document because they are the party in contract with LAHC

³² Internal information supplied by the Stakeholder Engagement and Programs Branch

³³ Internal information supplied by the Stakeholder Engagement and Programs Branch

	AMS Contract	Previous contract
Vacant maintenance	<p>Under the AMS Contract, vacant properties are readied for tenanting at a higher standard than required by the RTA.</p> <p>Vacant maintenance is quoted by the contractor and assessed for value for money by LAHC against an office estimate which is based on quantity surveyor prepared rates. LAHC has the option to seek additional quotes from other contractors.</p>	<p>Under the previous contract, properties were brought to the minimum standard required by the RTA.</p> <p>Under the previous contract, LAHC scoped the work and then requested a quote from the contractor, based on a pre-priced schedule. LAHC was not able to seek additional quotes.</p>
Tenant contact	<p>Tenant maintenance calls are answered on average within three minutes. Tenants speak directly with a call centre operated by the contractor for their area (Contractors Call Centre (CCC)). In one phone-call they are able to talk to a technically qualified person and schedule their maintenance. Direct contact with the contractor means the work required is more accurately assessed and more maintenance issues are fixed on the first visit, without extra administration being needed.</p>	<p>Under the previous contract, there was no timeframe for answering tenant maintenance calls. Tenants called the DCJ Contact Centre and spoke to an operator. The operator raised a work request and sent it to the maintenance contractor. Later the contractor would contact the tenant to arrange a time to visit their property to do the maintenance. The tenant was not able to speak directly to a technical person when they reported their maintenance issue.</p>
Servicing work	<p>LAHC directly manages additional contracts for lift maintenance services, security and CCTV, and fireline monitoring with a dedicated team providing increased visibility and control to LAHC.</p>	<p>These contracts were previously managed by the Public Works Authority.</p>

Appendix 4: The Tenant experience

Tenant satisfaction

LAHC monitors tenant satisfaction using three different methodologies.

The first is an online Tenant Experience Dashboard accessed on the DCJ website which enables tenants to rate their maintenance experience and provide free text feedback. Ratings capture three dimensions of the maintenance experience: call answered on time; quality of work; and tenant experience.³⁴ Tenants are able to see the current aggregated scores for their contractor before completing the survey.

Secondly, maintenance contractors are required to conduct surveys of tenants who have had completed responsive maintenance works in the past month.

Thirdly, the DCJ Housing Contact Centre conducts independent tenant satisfaction surveys of tenants who have had responsive maintenance works completed in the past month.

The combined survey results gathered by contractors and the DCJ Housing Contact Centre form the numerical metric that is part of the contract performance management framework (see Figure 8 in Section 2.2 below).

Surveys of approximately 1,000 tenants take place each week to assess their level of satisfaction with maintenance services received. Survey questions include whether maintenance contractors were polite, showed identification, arrived on time, provided quality work and cleaned up after finishing their work.

Supporting Tenants with special needs

Systems designed to meet the needs of older tenants and tenants with disabilities support the AMS. LAHC regularly updates contractor work management systems with flags to identify tenants who are at risk, without divulging their complex needs, so that their maintenance requests can be triaged and escalated to a higher priority. These flags ensure the attention of these matters in a timeframe appropriate to the tenant's vulnerability.

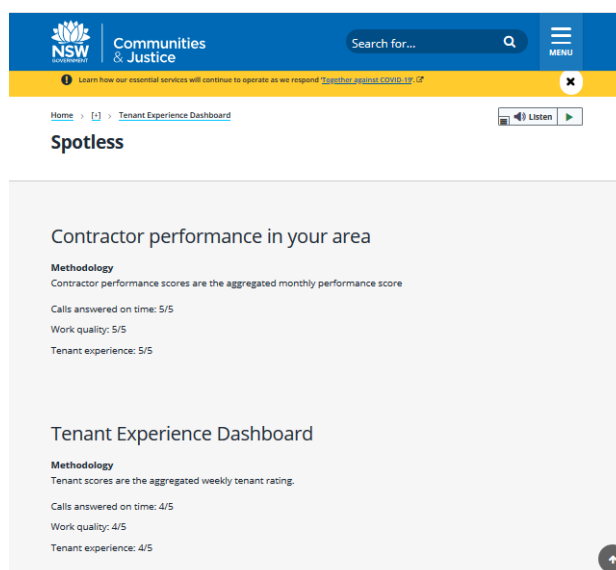


Figure 16: Sample from the Tenant Experience Dashboard

³⁴ Department of Communities and Justice, 'Tenant Experience Dashboard', https://www.facs.nsw.gov.au/housing/living/maintenance/dashboard/postcode-search?queries_postcode_query=2571

LAHC recognises that each tenant's requirements are different and that inappropriate modifications could have negative health effects. For this reason, even minor disability modifications, such as grab rails in bathrooms, are afforded professional assessment of tenants' individual needs. LAHC and maintenance contractors work closely with occupational therapists and other medical professionals to scope and complete both minor and major modifications as quickly as necessary, including by inspecting them after works are complete.



LAHC tenant video on disability modifications

The NSW Government has arrangements with the National Disability Insurance Agency (NDIA) for home modifications to public housing properties under the National Disability Insurance Scheme (NDIS). As a part of the NSW Government, LAHC applies these arrangements and seeks reimbursement of its costs from the NDIA when applicable.

Social Outcomes

The AMS Contract places specific requirements on contractors to achieve social as well as commercial outcomes. The requirements to deliver social outcomes include offering or facilitating tenant employment and training; employment and training of Aboriginal people; apprenticeships; disability and CHP engagement; engagement with Small and Medium Enterprises and local industry through Local Industry Participation Plans.

Appendix 5: Contractor Contact Centre (CCC)

Raising a maintenance request

LAHC and DCJ regularly encourage tenants to contact the maintenance line to report and follow up on any maintenance issues. Tenants can also make non-urgent maintenance requests using DCJ's online eRepair tool available through the DCJ website and MyHousing app.

When calling the maintenance line, tenants speak directly with a call centre operated by the contractor for their area (CCC). The CCC is open for tenant maintenance requests 24 hours a day, seven days a week. Tenant maintenance calls are answered on average within three minutes.

In one phone-call, tenants are able to talk to a technically qualified person and schedule their maintenance. Direct contact with the contractor means the work required is more accurately assessed and more maintenance issues are fixed on the first visit, without extra administration being needed.

Determining the priority for the work

When the CCC receives a maintenance call it assesses the criticality of the maintenance repair works required and the timeframe for the works to be completed using a tool provided by LAHC called the Criticality Repairs Matrix (CRM).

This tool emphasises tenant and community safety, and ensures consistency of response to maintenance issues across the State. The CCC operator relies on the information provided by the tenant to assess the criticality of the maintenance issue.

Escalating maintenance requests

If a tenant is not satisfied with the timeframe for a tradesperson to attend their home they can ask to speak with a CCC supervisor. The supervisor is experienced with applying the CRM and has a detailed understanding of the AMS Contract requirements.

If the tenant is still not satisfied after the intervention of the CCC Supervisor they have an option to raise the issue with the DCJ Housing Client Service Officer (CSO) responsible for managing their tenancy. The CSO will then discuss the issue with LAHC to further assess whether the timeframe needs to be changed.

In addition, tenants and their advocates use multiple avenues to escalate concerns if they are dissatisfied with the response to a reported maintenance issue including:

- DCJ's Client Feedback Unit, operated by the Housing Contact Centre
- Contacting their local MP
- Contacting DCJ's central office
- Contacting LAHC staff or teams via email
- Tenant Advice and Advocacy Services
- Taking action at the NSW Civil and Administrative Tribunal (NCAT).

Appendix 6: Activities implemented to support the AMS Contract

Since 2016, LAHC has implemented many business activity reforms to support operation of the AMS Contract and increase the effectiveness of maintenance services. Table 4 below provides summary information about a number of these improvements.

Table 4 – Key business activity reforms³⁵

Initiative	Description
MP Maintenance Line (2016)	<p>The MP Maintenance Line has been in operation since 16 June 2016 and is an important centralised referral and escalation pathway for Local Members of Parliament (and their staff) concerning public housing maintenance (currently only operating via email as telephone line was suspended following COVID 19 in April 2020).</p> <p>The service provides an easy way for MP's to raise concerns on behalf of their constituents and has meant that issues can be actioned and responses provided more expeditiously than what would be the case if they submit a formal representation. It has also enabled LAHC to better inform MP's and their staff in relation to how LAHC delivers maintenance services and to manage reputational risk.</p>
Mould program (2016)	<p>This initiative commenced in July 2016 with a pilot operated across five suburbs in the inner city (Woolloomooloo, Glebe, Redfern, Surry Hills and Waterloo). These suburbs reported the highest number of mould issues each year to the maintenance line and DCJ. While LAHC offered all 6,000 residents to be in the program, only approximately 20% of tenancies within the targeted suburbs nominated to participate in the Pilot.</p> <p>Tenants who participated in the program were pleased their mould concerns were addressed and became better informed about how to prevent mould in their home into the future.</p>
Maintenance pop-ups (2016)	<p>Introduced in October 2016, the program provided opportunities for cross-collaboration between LAHC, DCJ Housing, contractors and tenants; enabling direct tenant engagement and the opportunity to educate residents on the maintenance model.</p> <p>Key benefits included improved resident satisfaction with maintenance; stronger relationships between residents and their maintenance contractor, and an additional avenue for residents to resolve maintenance matters.</p> <p>The program was a Finalist in the 2017 Premier's Awards for Public Service in the category of Improving Government Services.</p>
Loose fill asbestos program (2016)	<p>Loose fill asbestos is a dangerous form of asbestos used for insulation by a small group of companies in the 1960s and 1970s. The best known of these companies, Mr Fluffy, operated in the ACT and in limited areas of NSW.</p> <p>Although LAHC did not believe any of its properties contained loose fill asbestos, it introduced a program in December 2016 to inspect 10% of all vacant LAHC and AHO eligible properties (built before 1980 and located within the identified 29 Local Government Areas and containing a ceiling cavity). LAHC formulated the program based on expert advice.</p> <p>48% of the intended inspections were complete by January 2020 without any asbestos contaminated properties identified. LAHC continues to conduct</p>

³⁵ Internal information provided by the Operational Policy and Standards Branch, Portfolio Management Directorate

Initiative	Description
	asbestos related inspections in response to tenant requests. However, the program has provided LAHC with sound data to confirm that loose fill asbestos is not present within its portfolio.
NCAT procedures (2018)	<p>Social housing tenants are able to make applications to NCAT for maintenance, repairs or compensation when they believe LAHC has not met its obligations as a Landlord.</p> <p>In 2018, LAHC implemented enhanced processes to strengthen the end to end governance and delivery of maintenance associated with tenant NCAT applications.</p> <p>Some of the benefits include improved communication between relevant stakeholders (LAHC, DCJ Housing, contractors and tenant advocates), clearer advice for those appearing before NCAT about maintenance that will be performed, improved quality assurance of completed work, streamlined delivery of work by contractors, a new work category (NCAT) to help contractors identify work requests relating to NCAT orders, and establishment of a governance committee comprising senior LAHC, DCJ and legal representatives to provide greater oversight of high risk cases.</p>
Cost reporting for financial management (2018)	<p>In July 2018, LAHC introduced a budgetary management tool to strengthen oversight of regional budgets. The tool provides real time information and offers the user visual indicators of the overall budget position as well as at an individual program level enabling staff to make informed decisions about the issuing of works orders, and identify and manage potential risks to the budget early.</p> <p>To complement the reporting tool, LAHC introduced a monthly cost reporting in August 2018 enabling Regional Portfolio Directors to analyse the expenditure for each budget category and to provide a forecast to year end based on available trend data, emerging risks and priorities. These initiatives have strengthened LAHC's management of maintenance budgets, ensuring a continued focus on value for money.</p>
EVE reporting (2019)	EVE is an Access database implemented by LAHC to register and monitor all complaints or escalation requests received from tenants, stakeholders and other parties in relation to maintenance issues. EVE maintains centralised complaint management data, providing improved visibility and currency of information for staff. EVE produces trend data and analysis of the various categories of complaints which enable evidenced based performance discussions with contractors and swifter resolution of complaints.
Pilot Water Efficiency Program (2019)	<p>Between December 2019 and March 2020, the Pilot Water Efficiency Program – a partnership between LAHC and Sydney Water - delivered new 4 WELS star rated shower heads, dual flush toilets and tap flow restrictors to approximately 650 social housing dwellings in Western Sydney. In addition, AMS contractors inspected household taps and water fixtures and repair water leaks.</p> <p>The program helped social housing residents reduce their water bills and ensure that the social housing sector contributes to NSW Government water saving targets.</p>
YouTube presentations (2019 & 2021)	LAHC has produced 11 short instructional and educational presentations for social housing tenants regarding various maintenance topics. Six were

Initiative	Description
	<p>released in 2019 and a further seven are due to be released by the end of January 2021. The videos are available on the DCJ YouTube channel.</p> <p>LAHC and DCJ direct tenants to the suite of videos when enquiries are received, when new tenancies commence and when conducting home visits. With more tenants than ever engaging with technology, especially smartphones, the videos provide an easy and digestible means of becoming better informed.</p> <p>The first series of videos covers the following topics:</p> <ol style="list-style-type: none"> 1. Doing inspections in your home (280 views) 2. Keeping your home mould free (260 views) 3. Requesting Repairs (more than 200 views) 4. Keeping your home pest free (over 300 views) 5. Disability modifications (more than 200 views) 6. Making water and energy savings (120 views) <p>The topics covered in the second series are:</p> <ol style="list-style-type: none"> 1. Smoke Alarms 2. Fire Safety in Your Home 3. Fire Safety in Your Building 4. Planned Maintenance 5. Asbestos management 6. Preventing Plumbing Problems at Your Home 7. Property alterations

Appendix 7: Areas of LAHC's asset strategic focus

Maintaining the health and safety of the people who live in its properties is one of LAHC's highest priorities. LAHC has implemented a number of programs and strategies with the aim of responding proactively to possible threats to tenant or resident health and safety.

Fire safety

LAHC complies with all statutory fire safety requirements and additionally implements a program of Fire Risk Management Plans to augment fire safety systems and further protect tenants and residents. Under LAHC's Fire Safety Program:

- All LAHC properties are fitted with hard-wired smoke alarms, with rechargeable battery back-up in the event of a power failure – equipment which is beyond the statutory requirement to provide battery operated smoke alarms.
- High rise blocks are equipped with both active fire safety measure such as sprinkler, hydrants, alarms and fire hoses, and passive measures such as compartmentalisation, which prevents fire spreading to adjoining units. This equipment supplements the back to base alarm monitoring systems in all high rise blocks which alert Fire and Rescue NSW in the event of an incident.
- There are weekly checks and removals of rubbish and large discarded items dumped in common areas and stairwells.
- All properties are inspected regularly to service the components and confirm the smoke alarm and any other fire safety equipment or measures are working.

Since 2005, LAHC has systematically implemented fire safety improvements to its properties through its annual Fire Safety Program. In the period from 2015/16 to 2019/20 LAHC undertook fire safety improvement works, such as installing fire separation between attached dwellings, on 7,539 properties across NSW at a total cost of approximately \$60.5 m.³⁶ Fire Safety improvement work is planned for a further 2,000 properties across the State in 2020/21.³⁷

Mould

Issues with mould have become increasingly prominent over the past decade. The rising incidence within the public housing portfolio led LAHC to take strategic action to investigate the maintenance and property care practices that can best manage it.

The growth of mould is primarily due to excess moisture and lack of ventilation. The growth of mould can occur due to condensation, ventilation issues, hoarding, water leaks or rising damp.

Since 2016 LAHC has partnered with the University of Wollongong (UOW) to investigate the underlying causes of mould in inner Sydney public housing properties

³⁶ Internal information supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

³⁷ Internal information supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

and identify improved approaches to recognising and addressing it. Tenants were recruited to the study on a voluntary basis and the methodology included surveys, checklists and detailed building inspections performed by specialist contractors. Using the results of this initial investigation, UOW assisted LAHC to develop proactive maintenance responses to incidences of mould, a mould risk assessment framework and key messages for a tenant education campaign.

As a result, a range of resources are now available to tenants seeking information about how to keep their property mould free. These include:

- A You Tube video produced by LAHC which is available on the DCJ website and You Tube channel
- A tenant information sheet produced by DCJ called 'Treating Mould in Your Home' that explains how to prevent mould growing and how to safely remove mould
- Encouraging tenants to report water leaks or mould problems that may be due to rising damp by calling the maintenance line (available 24 hours a day, 7 days a week).
- Encouraging tenants to call the maintenance line, to speak directly with their local contractor on options for preventing and treating mould in their home.



LAHC tenant video, 'Keeping your home mould free'

Where a water leak or rising damp is the cause of mould, an inspection and responsive repairs are undertaken to repair the water leak and remediate any rising damp and areas affected by mould. The planned maintenance program manages any additional work required.

Where the growth of mould is not due to water leaks or rising damp, tenants are responsible for its removal. LAHC is able to provide assistance for tenants who need help to remove the mould but cannot arrange assistance through their tenancy manager. There may be a cost to the tenant for this service.³⁸

Asbestos Management

LAHC homes built before 1988 typically contain asbestos such as fibro sheeting. The material is said to be safe if maintained, left undisturbed or encapsulated. LAHC properties are no different to other properties built in Australia prior this date.

LAHC has strict policies and procedures in place for the management of asbestos by contractors. These include safety procedures where suspect material is found outside normal business hours. There is also an asbestos register in place to assist contractors.

Maintenance contractors undertaking work on LAHC properties are required to inspect first for potential asbestos, and are responsible for the control and decontamination of sites containing damaged asbestos material.

³⁸ Internal information supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

AMS contractors are contractually required to comply with the legislated requirements of WorkSafe NSW when they handle, remove, encapsulate and dispose of asbestos.

Information for tenants on what to do if they find material they suspect to be asbestos is available on several NSW Government websites, including the Department of Planning, Industry and Environment and DCJ.

Any tenant who suspects they may have asbestos, including loose fill asbestos in their home is encouraged to call the maintenance line (available 24 hours a day, 7 days a week) to make a report. When making a report, the operator will go through a scripted set of questions with the tenant. If there is damaged material/cladding, they will arrange for a contractor to inspect the area and take a sample for determination by a hygienist. If the material contains asbestos, the contractor will remove or ensure it is rendered safe.

Thermal comfort³⁹

There are strong links between thermal comfort and health and wellbeing. Insulation, draught proofing, and window shading can provide passive measures of thermal comfort, whilst active measures include heaters, ceiling fans and air conditioners.

In 2018, LAHC engaged the Institute for Sustainable Futures at the University of Technology Sydney to review its current practices and provide recommendations for an appropriate LAHC policy addressing thermal comfort.

LAHC's Heating and Cooling Policy applies the recommendations made by the Institute for Sustainable Futures' to create a standardised approach to heating and cooling measures across a range of climate zones in NSW that considers operational safety, running costs for LAHC and tenants, energy efficiency of heating and cooling options, and also climate change adaptation and the prevalence of hot weather and heat waves. The policy includes:

- in hot climate zones, reverse cycle air conditioning and simultaneous installation of solar PV panels to offset the additional electricity costs for tenants
- retrofitting ceiling insulation and draught proofing of existing properties in all other climate zones, based on risk assessment and funding availability
- providing heating and cooling measures on medical grounds in all climate zones in accordance with LAHC's Disability Modifications Policy.

Maintaining Heritage properties

Like all government agencies, LAHC manages heritage properties in accordance with:

- *Heritage Act, 1977* (NSW).
- *Heritage Regulation, 2012*.

³⁹ Information in this section was supplied by the Operational Policy and Standards Branch, Portfolio Management

- *State Agency Heritage Guide: Management of Heritage Assets by NSW Government Agencies* (2005).
- Obligations within the Environmental Planning and Assessment Act 1979 and subsidiary environmental planning instruments.
- NSW Treasury Asset Management Policy for the NSW Public Sector (TPP 19-07).

The AMS Contract provides explicit directions regarding the approach to, methodology, and treatment of repairs and works to heritage properties, that are based on the *Australia ICOMOS Charter for Places of Cultural Significance, The Burra Charter, 2013* (Burra Charter). The Burra Charter provides a best practice standard for managing cultural heritage places in Australia.

Heritage properties carry above average maintenance costs, due to their age and specific heritage maintenance and statutory approval requirements. In 2020, maintenance costs for properties with a heritage status are on average more than double those for properties aged under 25 years. For some types of repairs, costs are four times higher than LAHC's overall average costs. For example, replacing a slate roof has a very high cost compared replacing a corrugated galvanised steel or tile roof. Although the slate roof will last around 100 years, at a cost of around \$100,000 per roof, LAHC can only replace a few each year. Other high cost heritage repairs are external painting, and replacing fences, gutters or windows.

LAHC is working on an approach for managing heritage properties that respects the needs of social housing tenants and provides clearer direction for future maintenance programs.⁴⁰

Case Study – Inner city row of terraces

Issue: Unsafe timber balconies

Cause: Inadequate rainwater downpipes

Arrangements required:

- Advice from a Heritage Architect and a Heritage Engineer
- Approval of a Development Application by Council
- Engagement of specialist heritage builders

Repairs required:

- Installation of new downpipes
- Repairs to windows and doors
- Replacement of roofs and flashing
- Rebuilding of the verandahs
- Recreation of Victorian or Edwardian verandah detailing (Council requirement)
- Removal of redundant wiring and services from the front facades
- External painting

⁴⁰ Land and Housing Corporation, Draft LAHC Policy on Ownership of Heritage properties, 6 November 2020; case study information supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate



Figure 17: Inner city row of terraces in 2017 and 2020, before and after repair



Figure 18: Balcony floors, before and after replacement



Figure 19: End balcony during and after replacement

Appendix 8: LAHC's forecasting tools

Since 2016, LAHC has invested in improving its ability to forecast future maintenance needs and optimally allocate the funds that are available. Forecasting is supported by Assetic, a customised, cloud-based strategic asset management optimisation model, which enables LAHC to make the long term decisions that best balance service outcomes with available maintenance funds.

LAHC has also implemented Detailed Property Assessment Surveys (DPAS) to improve its ability to identify high risk properties and infrastructure. These involve technical as well visual inspections.

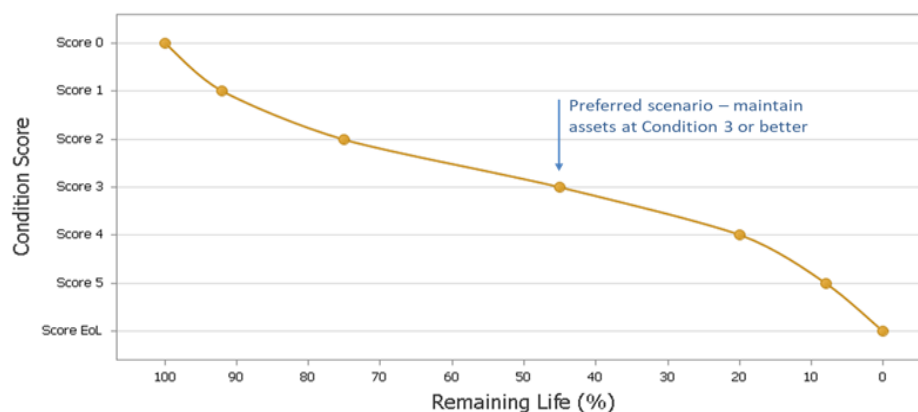
Due to these tools and the Property Assessment Survey (PAS), LAHC is now able to run scenario models to compare the outcomes of different approaches over a planning period such as 5, 10, or 20 years. This approach can be applied to the whole portfolio or part of it, and can be used to generate prioritised capital work programs for the preferred scenario.

Using Assetic, LAHC is also able to create future planned maintenance programs that prioritise properties requiring intervention so that maintenance occurs before properties fail. This approach produces long term cost savings as planned maintenance is only programmed when there is evidence to support the need. Previously, decisions about planned maintenance programs were guided by more arbitrary factors such as the age of the components or frequency of maintenance requests within a location.

LAHC's overall aim is to program planned maintenance in a way that optimises service delivery outcomes for tenants within the funds available while consistently maintaining properties at the required standard.⁴¹ The graph below illustrates a standard degradation curve. Based on international standards, LAHC scores the combined condition of assessed property characteristics between Assetic Condition 1 (highest) and Assetic Condition 6 (lowest).

LAHC aims to move the portfolio to scores of Condition 3 or less through a combination of optimised maintenance expenditure, property renewals and strategic disposals

Figure 20: Property condition score scenarios⁴²



⁴¹ Information in this section was supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

⁴² Internal data supplied by the Operational Policy and Standards Branch

Appendix 9: Social Housing Management Transfers (SHMT)

The SHMT program is a key initiative under the *Future Directions for Social Housing in NSW* (Future Directions) reform program. Under the program, DCJ and LAHC transferred tenancy and property maintenance responsibility for around 14,000 public housing tenancies to nine community housing providers (CHPs) in 2018/19 and early 2019/20.⁴³

The transfers took place in nine locations and increased the proportion of social housing in NSW managed by CHPs from around 19% to about 32%.⁴⁴

The aim of the SHMT program is to:⁴⁵

- Make the most of community networks to deliver better long term outcomes for social housing tenants and applicants
- Make the social housing system stronger and more diverse
- Access more sources of funding that are available to CHPs to better support tenants
- Build up the skills and size of the community housing sector.

Each of the nine SHMT CHPs signed a Maintenance Engagement Deed with LAHC covering the delivery of maintenance under the AMS for the properties until the end of June 2021.⁴⁶ The Deeds were signed following full disclosure of the contractual arrangements and costs associated with the delivery of maintenance under the AMS Contract. LAHC was not in a position to sever the properties from the AMS Contract until the end of the initial contract period on 30 June 2021.

Under the Deed, each CHP meets the costs of maintenance delivery under the AMS Contract for the properties transferred to their management. LAHC arranges for the delivery of maintenance by AMS contractors and makes payments to the contractors as usual. LAHC invoices each CHP monthly for the cost of maintenance provided through the AMS Contract, but does not receive a fee itself for coordinating the arrangements. LAHC works collaboratively with each of the nine SHMT CHPs to plan short-term maintenance programs and also the transition of maintenance for the properties to CHPs from 1 July 2021.⁴⁷

Asset Management Framework

LAHC introduced the Asset Maintenance Framework in 2018/19 to set requirements for CHP management of LAHC owned properties. The Framework applies to the nine SHMT CHPs and will apply to other CHPs as management contracts come up for renewal.

⁴³ Department of Communities and Justice, 'Management Transfer Program', <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/management-transfer-program>

⁴⁴ Internal LAHC data supplied by the Operational Policy and Standards Branch, Portfolio Management Directorate

⁴⁵ Department of Communities and Justice, 'Management Transfer Program', <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/management-transfer-program>

⁴⁶ Internal information provided by the Operational Policy and Standards Branch, Portfolio Management Directorate

⁴⁷ Internal information provided by the Operational Policy and Standards Branch, Portfolio Management Directorate

The Framework sets requirements that align with LAHC's portfolio management priorities, service delivery requirements and strategic goals. It is an important tool for ensuring CHPs maintain a consistent standard across the whole LAHC portfolio, over time.

The NRSCH regulates the CHPs managing LAHC properties and are also subject to a range of legislative obligations when managing LAHC owned properties including:

- *Residential Tenancies Act*
- *Commonwealth Disability Discrimination Act 1992*
- *The National Construction Code (NCC, which comprises the Building Code of Australia 2013 and the Plumbing Code of Australia 2013 (the Plumbing Code))*
- Compliance with the NCC is required for all works undertaken in LAHC properties
- *Heritage Act, 1977* and related guidelines
- *Swimming Pools Act, 1992*
- *Strata Schemes Act, 2015*
- *Work Health and Safety Act, 2011*
- Relevant planning controls.

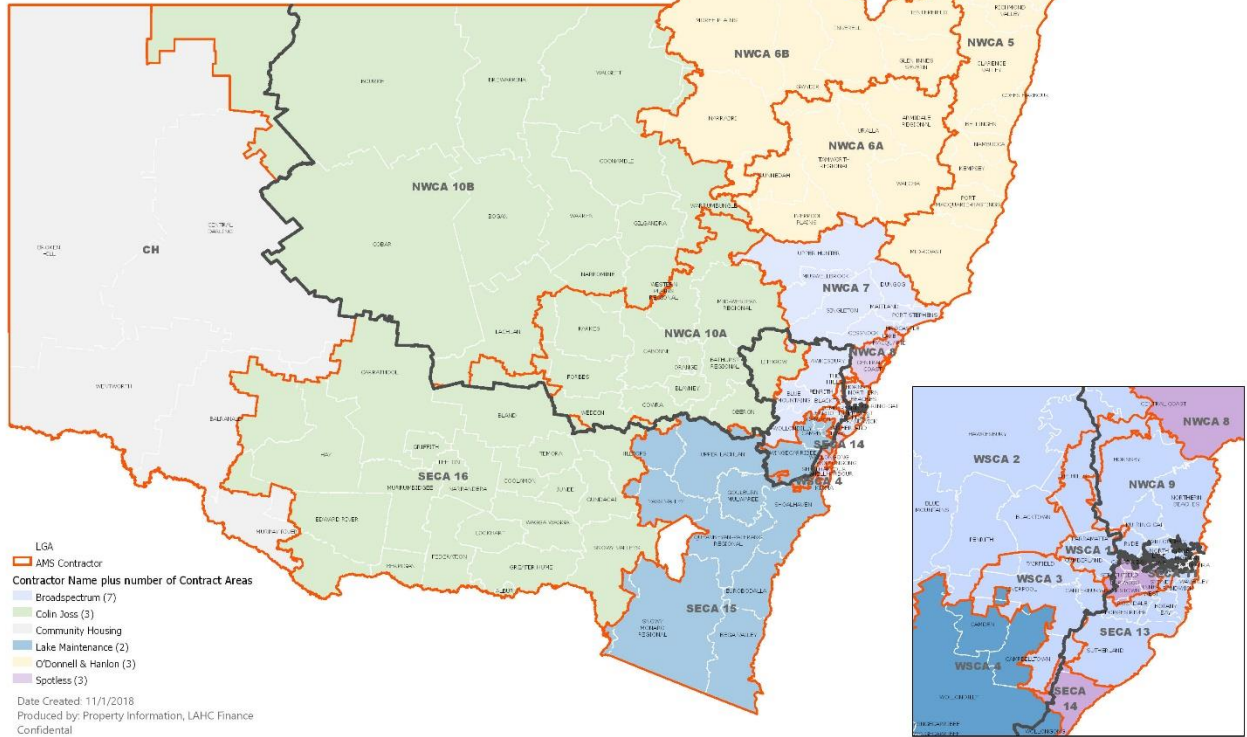
Once they become responsible of delivery of maintenance services on 1 July 2021, the nine SHMT CHPs are contractually required to deliver a minimum tenant satisfaction rating of 85%, consistent with the current AMS Contract requirement.

Appendix 10: Map – AMS Contract Areas



AMS Contract Areas

by Contractor Organisation with LAHC Regions and LGA's



Appendix 11: Criticality Repairs Matrix (CRM)

Sample from AMS Contract

CRITICALITY INDICATOR TIMEFRAME COMPONENTS	Responsive Works						Planned Works	
	5			4		3	2	1
	U2	U4	U8	P24	P48	P20D	Planned Works	
PLUMBING / DRAINAGE Toilet cistern & pan, basin & vanity, drainage, sewer, shower, water service, taps, laundry tubs Note: For complete plumbing, drainage, sewer, water service replacement - Make Safe and provide quotation for MPW. (BES excluded)	(BES) MAJOR WATER LEAKS (REPWATER) Including Fire Hose Reels, Reticulated Hot Water System and burst water pipes in Complexes only. (BES) WATER SUPPLY (REPWATER) Loss of water supply to whole of Complex or Building	MAJOR WATER LEAKS - CANNOT ISOLATE (REPWATER) SEWER BLOCKED & OVERFLOWING - INTERNAL (REPSEWRLIN) Blockages or chokes overflowing into Property / internal common areas of Buildings. (Including toilets)	MAJOR WATER LEAKS - CANNOT ISOLATE (REPWATER) SEWER BLOCKED & OVERFLOWING - INTERNAL (REPSEWRLIN) Blockages or chokes overflowing into Property / internal common areas of Buildings. (Including toilets)	MAJOR WATER LEAKS - ABLE TO ISOLATE (REPWATER) SEWER BLOCKED & OVERFLOWING - EXTERNAL (REPSEWRLIN) Blockages or chokes overflowing into external common areas in Complexes. (Including toilets) SEWER BLOCKED (REPSEWRLIN) Blockages or chokes into dwelling / internal common areas of Buildings. (Including toilets) WATER LEAKS IN PROXIMITY TO ELECTRICAL (REPWATER) Repair water leaks in proximity to electrical wiring etc. WATER SUPPLY (REPWATER) Loss of water supply	BLOCKED (REPWASTE) Sink, shower &/or basin . CISTERN - SINGLE (REPCISTERN) Faulty cistern &/or will not flush if only one toilet available in Property. INVESTIGATE WATER LEAK AT REQUEST OF PRINCIPAL ONLY (REPINWATER) Conduct a pressure test water service and rectify any leaks SEWER BLOCKED & OVERFLOWING - EXTERNAL OF INDIVIDUAL PROPERTY (REPSEWRLIN) Blockages or chokes overflowing into external of property. (Including toilets)	CISTERN - MULTI TOILETS (REPCISTERN) Faulty cistern &/or will not flush MINOR WATER LEAKS (REPWATER) BLOCKED - SLOW DRAINING INCLUDING FLOORWASTE (REPWASTE) sink, shower, basin, laundry, floor waste, slow to drain	PLUMBING: DRAINAGE, SEWER & WATER SERVICE Quoted works WATER HAMMER Effecting Property or common areas of Buildings	
ROOF All types - includes structure, skylights, gutters (all types), chimneys, downpipes, fascia, barge board, soffit, vents, antenna, roof mounted HWS, solar panels				GUTTER (All Types) (REPGUTTER) Leaks leading to major damage to LAHC Asset. ROOF & SKYLIGHT (REPROOF) Major Leak into Property ROOF STRUCTURE (REPSTRUCT) Damage to structure. Damage greater than 10sqm - Make Safe and provide Scope of Works and Quotation		GUTTER (All Types) (REPGUTTER) Leaks over entry door ROOF (REPROOF) Minor roof leak ROOF COMPONENTS (REPROOF) Unsecured	ROOF STRUCTURE Quoted works for damage greater than 10sqm	