



27th May 2021

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

- A Brief History of NSW Public Housing Contracts (and Lake Maintenance's experience in them)

Pre 2002 - NSW Housing worked directly with subcontractors via their local and regional teams. Subcontractors could be sole traders e.g. an electrician working by him/herself or multi-trade companies e.g. a builder with multiple workers and trade types.

The local or regional teams organised the work for:

- Responsive - that is urgent works e.g. sewer choke, door locks,
- Small minor orders e.g. a doorstop, patch and paint a wall,
- Vacants – when a tenant has vacated the property e.g. clean, patch walls etc.
- Planned - these are major upgrades e.g. new carpet, new kitchen, paint full house internal and/or external, bathrooms, fencing etc.

Work was performed with Schedule of Rate (SOR's) items. The SOR is large list of items that cover virtually every item that will be needed to perform the works. Subcontractors put a plus or minus percentage against the base item price on the list.

For example. To replace a doorstop might be item MIN123, it has a short description and a longer description and a dollar value e.g. \$1.00. The subcontractor might decide to do that item for +10%. Therefore, they will receive \$1.10 every time they provide and install a doorstop.

Housing could inspect the work and if it was not performed correctly, they would raise a defect and the subcontractor would rectify.

It was a simple system but with so many local housing teams dealing directly with so many subcontractors it was possibly inefficient.

Lake Maintenance was only working in this contract from 1998 to 2002. Large refurbishments were being completed as well as extensive planned works e.g. fencing, guttering or roofing to large complexes. LakeM was initially performing painting and fencing projects, as well as vacants. We then moved into upgrades.

We were performing well in the Lake Macquarie area and up to Taree. We were asked to take over the work on the Central Coast about four months before the new Head Contractor contract began, because the provider (HaydenFM) were not continuing.

SAM02 Contract – This was the first Head Contractor (HC) contract. Housing went to market and many companies (large and small) tendered. Twenty-two were successful and given contract areas. Lake Maintenance was awarded the Central Coast contract which had approximately five thousand properties.

It was an SOR contract, and the successful tenderers were awarded a contract area where they had to perform all priorities of work in that area for a plus or minus percentage.

The Head Contractors priced by trade type and priority of work. For example, it could have looked like this, (example only):

<u>Trade Type</u>	<u>Responsive</u>	<u>Vacant Minor</u>	<u>Planned</u>
Electrical	+10%	0%	+5%
Plumbing	+18%	+4%	-8%
Trees	-10%	-15%	-18%
Etc.			

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It was an easy, efficient contract to manage. There were still issues but if the local team had a good culture and good leaders, the issues were resolved very quickly. It was simple and straightforward and easy for everyone including housing staff, HC staff and subcontractors to understand.

We had a very professional and proactive local team and our team of subcontractors took pride in their work.

Responsive work was managed by the Housing Call Centre. This process worked well.

Vacants were scoped and managed by the local teams.

Minor works were issued from tenant contact directly with the local team (at their front desk) or the Call Centre.

Major planned works were scoped by another Housing department (Resitech) and were issued to the HC's in bulk prior to the Financial Year. HC's would provide a plan to Housing. LakeM would batch up the work by street and provide a month-by-month plan of which properties would be upgraded, by when. It was a highly successful method. LakeM planned and executed their programmed work in nine months.

LAHC's Resitech group was like a litmus test. They went in yearly and scoped the properties. They could see if the property had not been inspected by the Client Liaison Officer and they would report it. That kept the CLO's accountable and tenants in contact with their local teams.

The manner in which the Planned works were performed and managed in this contract created a positive tenant experience. There was a positive feeling in each street as the work was performed. Tenants were involved in the process. They would wait for the Field Supervisors and ask when their property was next; they would chat to the trades; children watched the trades at work. It had a positive impact. Sometimes there were complaints if one tenant was getting a new kitchen and the other wasn't, but this was minimal. Most of the tenants were happy to be getting major work done and be part of the project. Trade vehicles lined the streets and trades were coming and going all around them. The tenants' inconvenience was short-lived, as the work was performed in fifteen days and they were not disturbed again.

In this contract LakeM was the best performing contractor with KPI's sitting between 95 and 100%.

It was an easy contract to manage which meant we did not have trouble finding trades or staff to do the work. Everyone made a reasonable living from the work without any administrative burden. We watched trades grow from having one truck to ten trucks. In year two of this contract LakeM was awarded the South-West region of NSW. The teams were not as proactive and collaborative, which did effect KPI's, but we were still performing in the same range. There was a slight increase in the admin burden due to the SW team culture, however the housing leadership team were proactive in assisting. Also due to the prescriptive nature of the contract disagreements were minimal.

Pilot MRP08 - Before the next contract began, LakeM and another HC were involved in a Pilot to determine the effectiveness of the contract design. The Housing team we worked with did not understand the nature of the contract design which created issues and showed us that the proposed contract had flaws.

Lake Maintenance raised our concerns over the potential contract design with the Minister, regarding the issues we saw with the new contract design.

We believe the Minister asked questions of Housing but no further information was requested from us.

MRP08 Contract – This contract was similar to the previous SAM02 contract, and most areas were simple and readily understood by all with little room for arguments. However, certain changes took away the simplicity and was the start of LAHC divesting themselves of risk. It put a higher risk and admin burden on the HC. These new processes were more complicated and therefore more ambiguous.

Tenants still called through their issues to the LAHC Call Centre and work was completed on SOR. This was a simple process and worked well.

Vacants were scoped by housing using SORs. Therefore, very little change from SAM02 and this worked well.



A good initiative in this contract was the Asset Dwelling Survey (ADS). This called for every property to have multiple small repairs done in one visit. It was a yearly program. It was cancelled within the first year of the contract. There may have been issues with it, but the concept was good and could have been improved upon.

Capital/Planned works were called LCQ (Life Cycle Quota). They were scoped by housing on SOR. They were not always planned and could vary between twenty kitchens in a package or a one-off kitchen. They included items like carpet, painting, and bathrooms. This was not as simple and well planned as SAM02.

Community reinstatement schemes were carried out in various areas. They could include the work to all properties in a street or complex. But unlike SAM02 Planned Works they were not planned for the entire year. They included adding footpaths, changing the way the house faced, moving the carport to other side of the property, removing and redefining boundaries with fences. We believe they were performed on properties or complexes that had social issues due to their older design. We believe they were a good program that created a good outcome for the tenants.

The area of the contract that caused significant issues for HC's, subcontractors and ultimately, tenants, was the schedule of work program (SOW) which was a component/outcome-based requirement. The work was raised by housing ad hoc.

The SOW involved a series of 'Component' items, with various levels and fixed prices. For example, all rectifications for a door were grouped together as one Component item. Housing would tell the HC to repair a door. The trade would fix the item/s on the door that they thought a problem. If X% of the component needed rectification it went to another level and required a different outcome.

This was such a subjective issue and there were constant arguments regarding how much work was performed and what level of work should have been performed.

Even though the responsibility was that of the HC and Subcontractor, they were non-complied because Housing's officers did not agree with the work that was performed or the level of work required. By the end of the contract this work had created enormous issues for HC's and their subcontractors, as they were spending more time substantiating the work they did, than performing other works. This process was more about reducing risk for Housing than obtaining an efficient and desirable outcome for the tenant with little inconvenience.

AMS Contract – The full contract was provided as part of the tender documents, however once Housing suggested which areas an HC was successful in, they sent out around one hundred and thirty amendments to the Contract. The HC's were asked to comment on the amendments and LakeM provided comments. HC's were told that Housing was not going to rescind or amend the changes and we were to accept them as is or decline the contracts.

We did not want to pull out at that stage and were hoping the amendments would not have too great an impact.

The contract utilises three IT systems that do not appropriately integrate with each other. This has also caused issues during the contract.

This AMS contract, in reality puts even more burden onto the HC's. It takes the MRP08 contract and exacerbates all the issues of that contract and adds new ones.

More KPI's and abatements were placed on the HC's with less clarity and control of the requirements.

AMS has some good concepts but most of them have not been designed, implemented or managed to their potential.

The Responsive section of this contract for Lake Maintenance has been very successful for our subcontractors and the tenants. We are not privy to other HC's performance, but we have heard complaints about the work and wait times in other areas, however, the extent of this is not known. We believe the model for this is very close to the best possible.

In the vacant process, for most of the contract term, the HC scoped the work required and passed the cost through to LAHC. The processes have been hindered by LAHC's inconsistent approach to what it is they are to deliver to the tenant. The scopers were to bring the properties to LAHC's standard of 'clean, safe and habitable'.

However, the Compliance and operational teams' opinions differed and the HC's were defected. HC's gradually scoped to Compliance standard which increased the costs of the vacants.



Instead of realigning the various department's understandings of what was required, LAHC changed the process and gave the scoping to outsourced companies. In the area Lake Maintenance covered this system failed. The scopes were not to standard. This caused arguments. The costs of the works reduced but the administrative burden was enormous.

Planned or disabled modification works are quoted. LAHC request a scope for a property and the HC scopes the work required. LAHC approves the scope and requests a quote. The HC provides a quote. If the quote is accepted, LAHC provide the work order and the work can begin.

In many instances it has been our experience that LAHC disagree with the scope even though a quote has not been provided. They base their evidence on an office estimate system that in our belief is out of date. Discussions proceed and we may be asked to obtain the quote. During this time the tenant can be without the required works for days, weeks or months.

There were two planned work programmes at the beginning of the contract, after which it ceased. It is our belief that the IT systems and internal processes LAHC had for this work type could not handle the load. Instead planned work has been ad hoc with few full refurbishments. Most planned works have resulted from tenant complaints or items deemed as planned works during vacant property works.

The Component system that was designed in the MRP08 contract continues in the AMS contract, albeit slightly different in that the Component items are quoted. Discussions and delays are still prevalent as the LAHC teams disagree with the subcontractors or HC's assessment of the work required or the quotes. The Compliance team played a significant part of this process as with the previous contract. The subcontractor would attend and repair one or various items for that component. The work would be defected. In LakeM's areas the compliance teams would not say what the issue was. We would continually send the subcontractor back out to fix the component without knowing what was an issue. We were told that we were the experts so we should know. A very adversarial attitude. After a few years this attitude was rectified and every defect had to be explained.

The AMS contract ensured that LAHC divested themselves of risk and responsibility. Instead, the load is born by the HC's and their subcontractors, but LAHC retains the power to control the decision making for the risk profile they do not have. No responsibility with power, creates a negative culture, fraught with arguments and inefficiencies.

Conclusion.

In summary, it is our opinion that the original SAM02 contract was the best option. LakeM had the same number of properties, however the contract was easy for subcontractors and staff to understand and learn. It was descriptive, therefore not subject to personal opinion.

In these contracts, volume of work, KPIs and the small margins, require work to be completed quickly without arguments, delays or the need to return to the property multiple times. This works when the processes are effortless. Good subcontractors and staff will not stay if the work becomes too time consuming and argumentative. Subcontractors do not like the tight margins brought on by a client trying to continuously obtain 'value for money'. The private residential market does not expect subcontractors to perform to KPI's without paying a premium.

In the private sector subcontractors:

- can take on as much volume of work as they require,
- provide competitive prices without arguments,
- turn up when they are ready,
- charge Call Out fees,
- attend a site and the resident is waiting for them,
- have a level of confidence for their own safety.
- do their work without having to provide multiple layers of documents, and photographs to justify their work.

In the public housing sector, subcontractors:

- are expected to provide a cheap price, otherwise it's argued,
- perform to KPIs,
- not charge Call Out fees,



- attend a site multiple times without obtaining access, for no charge,
- attend many sites where there are safety risks,
- justify most of their work with photographs and
- provide numerous mandatory documents for every job.

In our opinion and experience, the difficulties for subcontractors; the inefficiencies of the contract and its processes; and the differences in the interpretation of the contract and its processes, directly impact the outcome for the tenant.

To provide a better outcome for tenants, the housing contracts should be simple, concise and indisputable. This would provide LAHC with more options at tender time; less staff to manage the contract and it would lift the admin and resource burden from the HC's and subcontractors. This in turn would provide more budget to be spent on the tenants' properties and ease the burden of staff and subcontractor turnover, thereby providing opportunities for their careers and businesses in the sector.

There should be one IT system that HC's can readily integrate with and that provides LAHC the simple processes and reports they require.

Head Contractor consultation should be sought regularly by an independent body to garner opinions, ideas and concerns. HC's are involved with public housing tenants on a day to day basis. They see all aspects of the tenants' lives.

Difficult and adversarial contracts affects those trying to work in the environment and those trying to live in the properties they call 'home'.

Regards,



Ricci Schwarzler | Managing Director
Lake Maintenance Pty Ltd

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27th May 2021

Response to Follow-up Review of the Management of NSW Public Housing Maintenance Contracts Terms of Reference.

That the Committee inquires into and reports on the management of public housing maintenance contracts in NSW, with particular reference to:

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

The changes from previous contracts to this current AMS contract have been both positive and negative. In our opinion the result is predominantly negative, in regards, to measurable improvements and evidence-based outcomes for the tenant. However, it is difficult to provide a simple answer.

Responsive works in the AMS contract are managed in total by the Head Contractors (HC's). The HC's are responsible for triaging calls directly from the tenants. The HC's work to a predetermined list of items that LAHC accept as responsive. The HC decides the urgency of the work and raises a job to suit that priority. The HC allocates the work to their Subcontractors and manages the work to completion. The process to this point does not require input from LAHC.

In our experience, this process has worked well for LakeM and their tenants, with average call times of 38secs. It is our belief that this process across most regions is more beneficial to the tenants than the process in the previous contracts managed by LAHC.

The negative in this process for the tenant is when a call results in a Technical Inspection. This means the HC Field Supervisor must attend site and determine the extent of works required. If the work fits the Responsive criteria, it is simply completed by the HC and the tenant is satisfied. However, if the work is deemed to be Planned or Scope and Quote works, then it must be submitted to LAHC for approval. Neither the HC or tenant has any visibility or control of the process after this point. This is the largest source of tenant complaints that LakeM receive.

The planned works and scope and quote processes (which includes vacants) also have a negative impact on tenant outcomes in this AMS contract. Tenants experience disruption, inconvenience, frustration, angst and emotional stress from the inferior products and delays to the work required at their properties.

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The reasons for these negative impacts (from our experience) are varied and some of which are listed below:

- Arguments between HC's and LAHC, over pricing and outdated office estimates.
- Arguments over the content of the scope provided (must meet LAHC's varied interpretation).
- Arguments over scope price before the price has been submitted to LAHC.
- LAHC IT (SPM, Ariba) systems.
- LAHC regions' culture.
- Differing interpretations of the following, contract; what is included in 'Total/All' items; Latent Conditions and /or Associated works; Criticality and Repairs Matrix(CRM).
- Lack of empathy with the tenants' needs in lieu of saving money i.e 'Value for money'.
- Disparity between LAHC Programs teams and Compliance teams, in regards to acceptable/contractual levels of work.
- The HC's inability to retain good quality and well organised trades and staff due to the above.
- Poor work quality and timeliness delivered by HC's as a result of the above.
- The constant need to ensure low prices to meet the 'value for money' driver.
- Competition with the private residential market, which offers better incentives.

The delays caused by the above processes prolong vacant timeframes, which in turn increases the risk of vandalism (HC responsibility), loss of rental income for LAHC and delays property availability for new tenants.

The Planned works in the true sense of the meaning are virtually non-existent. Those performed consistently in SAM02 contract which involved major refurbishments and accounted for approximately a third of the budget (and where performed to some extent in MRP08 contract) are now generally smaller, ad hoc and not true planned works. They predominantly appear to be reactive works which are taken from the planned works budget.

- **The current administrative and contractual arrangements between Land and Property NSW and private providers of maintenance services.**

The current arrangements LAHC have with LakeM are for regions CA04(Campbelltown/Macarthur regions) and CA15(South East NSW). LakeM perform Responsive, Vacant, Planned, LGC and BES works. This includes scoping properties for quotes.

Responsive work is a 'pass through' cost, where all HC's are paid to manage the services and pass through the subcontractors direct cost.

Vacants are now scoped by others and quoted by the HC's. However, this process has only been in effect for all HC's since the end of 2019. Prior to that, it was scoped by the HC's and broken up into vacant work at 'pass through' costs and capital (planned) work which was quoted.



Planned works are scoped by the HC and quoted.

LGC (Lawns, Grounds and Cleaning) is a set price per property, which was tendered in 2016.

BES (Fire safety items e.g Exit signs) can be quoted or benchmark.

In brief, the experience LakeM has had under this contract from the beginning has been varied. Some individuals and teams are very good to work with and are collaborative. Others are not. The underlying theme is the ever-changing and opposing views regarding the contract and its processes. This theme as mentioned previously, creates an argumentative and time-consuming environment.

Because the contract and its processes have been concerned with risk avoidance for LAHC, the design and intent of the contract has not considered or mitigated these differences of opinions. It is our belief that the contract design was established around a risk and legal profile rather than an operational and tenant profile. This alone makes it difficult for stakeholders to manage all areas of the work efficiently and effectively.

The contract is not proactive or collaborative. It is over complicated, because it leaves the decision making and verification to numerous departments within and around LAHC. These departments do not agree and therefore, the private providers (the Head Contractors), their staff and subcontractors are constantly trying to appease or understand the many and varying interpretations.

The administrative burden for all concerned is significant. Meetings and reporting are repetitive and time consuming. In one year, our Contract Manager calculated 80hrs per month of meetings. That excludes the time to prepare the reports.

Requests for information and root cause analysis with moving objectives is also a time-consuming effort that would be better spent managing the works.

HC's are directly affected by the culture of their local teams. The proactivity of that team has a marked bearing on the HC's ability to perform the works efficiently.

The difficulties faced in the contracts are well-known by subcontractors in most towns. These difficulties have resulted in more trades refusing to come into the sector.

In the first head contractor contract (SAM02), the trades made a reasonable livelihood and were happy to work to the stringent KPI's. The claimable items were prescriptive and therefore easy to understand. It was more difficult to argue the outcomes.



In this contract it is the reverse, and the quotes are argued by the local teams who are constantly trying to drive down the prices. Subcontractors leave to work in the private sector, where they can quote, do the work and move onto the next job. They are not constantly asked to re-quote the same work.

Therefore, whilst the administrative and contractual arrangements should be the same for all HC's, the relationships they have with their counterparts in LAHC can have a significant impact.

- **The current repair status and physical condition of the public housing stock;**

In LakeM areas we see the physical condition of properties diminishing. The repair status mainly calls for repairs, however in many instances, replacements are required.

The lack of well-planned programmes of work and the ad hoc nature of most work, means that tenants are living in properties that are not to standard and the government's assets are deteriorating. Client Service Officers are not attending all properties six monthly or annually, however we were told that is was the requirement. In some cases, they will not attend, because the property is in such a bad condition. Many tenants we deal with do not know they have a CSO.

LAHC outsource property assessment surveys to identify the works required on their properties at a given point in time. These surveys are a valuable source of information about the physical asset, but they can also provide additional information regarding any major tenant issues.

The purpose of the surveys is to produce data that can be utilised to create bulk planned works programmes. It is a very effective tool when utilised to its full potential.

There are examples of the same properties having roof leaks after every storm. They are being continuously repaired but should be total roof replacements. The properties also suffer internal damage which also needs repairing. Apart from the inefficiencies and costs, there is the inconvenience and angst for the tenant.

The repair status and physical condition analysis of the properties should form a major part of LAHC's mandate. If the contract was more prescriptive, and therefore less subjective, LAHC could better utilise its resources for this purpose. This would ensure the properties were all to standard. This would benefit tenants and all stakeholders.

- **The costs of maintenance of the current public housing stock, variations in expenditure trends over the previous five years and projected expenditure for the next five years;**



The costs of maintenance in the AMS contract could be better controlled if the contract and its delivery was efficient. The variations in expenditure are primarily due to the unplanned, subjective nature of the contract. If the contract, its processes, outcomes and management were strictly specified, there would be far less room for variation and speculation of the outcomes required.

Responsive work could be streamlined further by giving the HC's the power to raise non-responsive jobs from Technical Inspections. With the right parameters and KPI's this would eliminate the time delays awaiting LAHC approval and assist with tenant expectations.

Semi-planned work has been raised due to COVID. Prior to this there was no 'real' planned work in our regions. LAHC collect some condition data however it does not appear to result in consistent, yearly planned works. Due to this unplanned attitude the cost increases due to subcontractors attending a property more often, to repair items instead of replacing them and performing it all as a major work in one visit.

Costs increase as trades prefer to work in the private sector and we must pay more to keep them or find new trades. Many new trades only last weeks as the inefficiencies of the sector reveal themselves.

Costs could be reduced with less involvement from LAHC and their many departments. Risk has been put onto Head Contractors but the decision making remains with LAHC who are not taking the risk. The risk for the HC's is increased even further as decisions are argued or not made quickly.

With the current culture and contract design, the costs can only increase as more trades and staff refuse to work in the sector. In some areas we cannot get trades to attend site no matter what we offer. They realise it's a public housing property and they refuse. Subcontractors want a premium for working in public housing. The volume of work which was always a drawcard is of no value now. Good quality, organised trades know they can ask better prices in the residential sector, where they do not have the inefficiencies and difficulties.

- **Methodologies and processes for ensuring consistent public housing maintenance standards across NSW, including quality assurance, effectiveness, efficiency and contract supervision;**

The maintenance standards vary across regions, and it is our belief that consistency has not been achieved. The methodologies and processes must be applied uniformly for the required outcomes to be successful for all properties and subsequently for all tenants.

To add to this, the methodologies and processes change depending upon too many factors. E.g When 'a' happens to an item it's deemed to be responsive and when 'b' happens it is deemed to be capital.

Quality assurance is complicated by the different applications of the processes and standards. This has been a common theme throughout all maintenance contracts; however, the ambiguous,



argumentative and overly complex nature of this contract exacerbates the issues, so that a common standard of quality is not being achieved. In many instances the various departments jostle to get the result they want and ignore the processes. This has a negative effect for the tenant due to delays and inconveniences.

The different attitudes, agendas and interpretations within the teams or departments cause inefficiencies. Head Contractors, subcontractors and tenants are drawn into the arguments and inconvenienced by them. In turn the methodologies and processes are ineffective when they are not followed or interpreted in the same manner.

LAHC have supervised the contract with the Head Contractor via their KPI's, inspections, compliance, meetings, audits, reports and penalties. Whilst this is required it in no way addresses the inconsistencies mentioned throughout this submission. It's missing a fundamental requirement, which is, that no amount of monitoring, compliance, audits and penalties will deliver an ideal product(standard), if the processes and methodologies are not monitored, audited and controlled continuously from within LAHC.

To ensure the HC's can manage their areas of the contract effectively, to deliver a quality product and service, so that there is a consistent standard of housing for the government's tenants, they need uniformity, efficiency, consistency and proactivity from LAHC in the day-to-day, frontline level. It would be beneficial if the LAHC executive worked within the teams, with the tenants and HC's, from time to time, to get a true understanding of how well their contract is working in the field.

- **Any other related matters.**

There are many improvements that could be made to the NSW housing maintenance contract to deliver a better product and service for the NSW government and their tenants.

A simpler model would encourage more HC's into the industry so that competition drives a quality product. The original SAM02 contract started with twenty-two HC's. There should be no less than eight. There are false economies in monopolies.

A simple model would also make it easier for Subcontractors to come into the sector, but they need to be encouraged by fair pay for the work they are doing. The public housing work should carry a premium to lure them from the private sector. When HC's have sufficient good trades, they can drive performance through competition.

Stringent pricing rules should be in place so that delays due to disputes around quotes are non-existent.



Consistency of approach as mentioned in this submission will ensure the day-to-day processes are efficient and effective.

The difficulties of this contract were not fully apparent at tender time. The HC's could not take into consideration the increased costs for staff due to the inefficiencies. A mechanism should be incorporated into the contracts so that the HC's are compensated if or when a process or methodology is not successful. In this way the contract design should be more accurate from the beginning and it would ensure consistency of approach to the contract supervision.

Bi-annual LAHC organised stakeholder forums to ensure that common issues are discussed and addressed and LAHC is accountable for an outcome of change. The stakeholders should include; all HC's, LAHC region representatives, tenant's advocacy groups, other government department representatives and political representatives. In the SAM02 contract the DoH regularly held workshops with all HC's together. It ensured transparency of information and common themes.

Consultation with HC's prior to contract design should be mandatory.

*Please refer to the other documents as supplied by Lake Maintenance.

Regards,



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27th May 2021

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

- Models for New Public Housing Maintenance Contract

Lake Maintenance has considered the advantages and disadvantages of the three Head Contractor contracts within which it has worked. It has taken the issues and used them to develop two potential maintenance models that in our opinion would deliver improved:

- Outcomes for all stakeholders.
- Products for the tenants.
- Assets.
- Admin savings that could be contributed towards the maintenance or capital budgets.

In our opinion, the main issues (in brief) have been:

- Misalignment between LAHC processes and the performance and management of those processes by LAHC's staff.
- The overall reasons for processes.
- The outcomes required of the processes.
- The ability to maintain the processes.
- LAHC have divested themselves of risk to the point that it overcomplicates the contracts and thereby reduces the potential pool of HC's and drives away Subcontractors. Thereby, limiting the competition for the contracts and creating monopolies for HC's.
- Too many departments with input into the maintenance of the properties.
- Risk placed on HC's without the ability to control the variables that increase or decrease the risks.

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Model 1

- Responsive

HC manages budget, tenant calls, triage, raises orders and approves variations.
Claims are based on realistically priced (current market) SOR's
Allowance to move with the market.
Contractors price to LAHC based on 'Pass Through' and Management Fee
- Minor works, fires, modifications

LAHC responsible to scope to SOR and validate their own scopes.
HC receives work order to complete based on scoped items from LAHC.
HC can vary for associated works without approval from LAHC to a set dollar figure.
Real latent conditions need approval from LAHC. Latent conditions are predetermined in contract.
- Vacant

LAHC responsible to scope to SOR and validate their own scopes.
HC receives work order to complete based on scoped items from LAHC.
HC can vary for associated works without approval from LAHC to a set dollar figure.
Real latent conditions need approval from LAHC. Latent conditions are predetermined in contract.
- Planned
 - Bulk work (e.g Numerous Roofs, Large amounts of Fencing)

LAHC provide type of program (eg Fencing) and list of properties.
HC provide quotes to LAHC for works deemed required and photographic evidence.
OR
LAHC provide scopes and HC quote and carry out work if approved and provides timeframe for completion.
HC prepares a program to ensure all properties completed in the timeframe provided with the quote.
HC receives work order.
HC can vary for associated works without approval from LAHC to a set dollar figure.
Real latent conditions need approval from LAHC. Latent conditions are predetermined in contract.
 - Property Refurbishments

LAHC responsible to scope to SOR and validate their own scopes.
LAHC prepare scopes yearly and provide list of properties to HC for that year.
HC prepares a program to ensure all properties completed in that year.
HC receives work order to complete based on scoped items from LAHC.
HC can vary for associated works without approval from LAHC to a set dollar figure.
Real latent conditions need approval from LAHC. Latent conditions are predetermined in contract.



Model 2

LAHC provide a budget for each of the following work priorities. This will provide an allowance to move with the market and create efficiencies due to better control.

HC are responsible for attending every property twice a year to inspect for tenant's wellbeing and property care.

HC deliver annual property assessments to all properties including smoke alarm servicing.

○ Responsive

HC manages budget, tenant calls, triage, raises orders and approves variations.

HC's charge LAHC a Management Fee.

HC invoices LAHC monthly for the respective part of the budget and the management fee.

LAHC monitor and audit HC's performance quarterly.

○ Minor works, modifications

HC manages budget, tenant calls, triage, raises orders and approves variations.

HC organise Occupational Therapists for mods.

HC's charge LAHC a Management Fee.

HC invoices LAHC monthly for the respective part of the budget and the management fee.

LAHC monitor and audit HC's performance quarterly.

○ Vacant

LAHC issues the vacant notification

HC changes locks, scopes, manages budget, raises orders and approves variations.

HC returns keys to LAHC.

HC's charge LAHC a Management Fee.

HC invoices LAHC monthly for the respective part of the budget and the management fee.

LAHC monitor and audit HC's performance quarterly.

○ Planned

Planned works budget is controlled by the HC. Planned works are raised and programmed on the back of the property assessments conducted by the HC.

Management fee is charged by the HC with an additional incentive to deliver on time with no variations.

● Bulk work (e.g Numerous Roofs, Large amounts of Fencing)

HC plans the programme for the year and notifies tenants.

HC procures quotes.

HC raises orders and approves variations.

HC invoices LAHC monthly for the respective part of the budget and the management fee.

● Property Refurbishments

HC plans the programme for the year and notifies tenants.

HC procures quotes.



HC raises orders and approves variations.

HC invoices LAHC monthly for the respective part of the budget and the management fee.

Exception to the above budgetary priorities is the Fire properties.

The reason for this is due to the unknown frequency and nature of the incidents, the insurance liabilities and that the level of damage will impact LAHC's decisions for the properties.

o Fire Properties

Budget controlled by LAHC.

LAHC to scope work to SOR and verify scope.

HC to perform work to SOR.

NB: For either model a robust compliance regime should be created for LAHC to limit the differences of opinions, and ensure tenants and subcontractors are not inconvenienced by disagreements.

Regards,



Ricci Schwarzler | Managing Director
Lake Maintenance Pty Ltd

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