

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

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

At Jubilee Room, Parliament House, Sydney on Monday, 21 June 2021

The Committee met at 9:00 am

PRESENT

Mr Greg Piper (Chair)

Mr Justin Clancy

Mrs Tanya Davies (Deputy Chair)

Mr Lee Evans

Mr Ryan Park

The CHAIR: Good morning and thank you for attending the second public hearing being held into the management of public housing maintenance contracts in New South Wales. Today's hearing follows the previous one conducted on 10 May and it provides an opportunity to hear from head contractors providing maintenance services and will conclude the Committee's review of the current state of public housing maintenance provision since the Committee's 2018 inquiry. Before we commence, I wish to acknowledge the Gadigal people, who are the traditional custodians of the land on which we meet at Parliament. I also pay my respects to Elders past and present of the Eora nation, and extend that respect to Aboriginal and Torres Strait Islander people who are either present or viewing the proceedings on the internet. I ask everyone to switch off their mobile phones, as they can interfere with the Hansard recording equipment. I now declare the hearing open.

DAVID MORRIS, General Manager, Government and Citizen Services, Spotless Group, sworn and examined

PAUL MAHONEY, Executive General Manager, Government and Citizen Services, Spotless Group, sworn and examined

ALEX SAAR, Contract Manager, Land and Housing Corporation AMS Contract, Spotless Group, affirmed and examined

The CHAIR: I welcome our first witnesses from the Spotless Group. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr MORRIS: Yes, we have.

The CHAIR: Do you have any questions about this information?

Mr MORRIS: No, not at this time.

The CHAIR: Would any of you like to make a very brief opening statement before the commencement of questions?

Mr MORRIS: I am happy to do so, Chair. Thank you for the opportunity on behalf of the Spotless Group and Downer Group. Spotless has been delivering services in the Asset Maintenance Services [AMS] contract since 2016 across three contract regions and will soon undertake a fourth region, which encompasses about 40,000 of your properties and dwellings. Similar to that, we also have other contracts in the social housing environments in both Western Australia and New Zealand. We look forward to supplying you with an overview of those services, if required, today.

The CHAIR: I will open with a broad question if you like. How would you describe the relationship between Spotless and the Land and Housing Corporation [LAHC], the Department of Communities and Justice and subcontractors employed with Spotless? It is a fairly broad overview of the entire working relationship.

Mr MORRIS: The relationship with the department is really quite a very strong relationship. We have certainly built that relationship over the five years to date and the current tenure of this contract. The executive functions that oversee that—before Mr Byrne was Mr George Carvin. That relationship with Mr Mahoney and myself is very strong. The operating environment we work in is equally as strong, with regular forums and feedback and some collaboration involved in that feedback forum. In relation to the subcontractor group and stakeholder groups that we have, it is limited in such that we represent those subcontractors to the main. But if there are any issues or any concerns or a requirement for them to be engaged with, that is possible as well.

The CHAIR: I think we would all agree that the most important group within this whole question is those who are receiving the maintenance, those who are living in public housing. What do you believe is the response of those end clients to the services that you provide? Do you believe that there is a general level of satisfaction from those clients and how do you measure that?

Mr MORRIS: Maybe I will lead up and Mr Saar can conclude. I think in the main the services we provide are high-quality services. The interactions we have with tenants is at times quite fruitful and other times it is quite challenging. But in the main I think the services that we provide enhance their lives. We are improving those facilities in which they live in to give them certainly a much better quality of life.

Mr SAAR: In terms of how we measure the effectiveness of what we do, both on our own devices but also as part of the contract we actually ring and we randomly call tenants who have received our services and then provide that feedback. That feedback is matched with the housing commission—the housing call centre also does its own calls as well. So on a monthly basis we go through our call results and the LAHC's call centre's call results and we develop strategies to improve the services that we give. They are generally sort of 80 or 90 per cent above. That is where they are sitting in terms of feedback. So it is a positive environment. I will concur with Mr Morris that generally what we are doing is bringing advancement in the places that these people live to not only solve problems but, under major projects as well, upgrade as we go, which we have just gone through with the stimulus programs that we are doing at the moment. It has been very productive—a lot of good feedback.

The CHAIR: The day-to-day contact with clients who are requesting maintenance, do you get direct contact from them through to Spotless or does that come through from the Land and Housing Corporation? How do you manage the majority of your calls?

Mr MORRIS: That comes into an inbound call centre that we operate; so that is any form of request they have around maintenance. Generally speaking most of those calls are good calls. There are certainly some

calls of frustration and angst with some of the tenants, and I think our team does an exceptional job of managing some of that anxiety and that emotionality. At times it certainly does become a challenging environment for our call centre agents, but they are well trained and well versed in how to handle challenging phone calls.

The CHAIR: And there are some 33,000 properties, at this stage, under your management.

Mr MORRIS: Yes, that is right.

The CHAIR: How many calls would you expect on average to have, say, per month?

Mr SAAR: We run anywhere from 8,000 to 12,000 calls depending on the time of year. That does not necessarily generate work orders. We probably generate—about 60 per cent of that ends up in a work instruction. At the moment, with the current regions, it is about 6,000 to 7,000 work instructions a month. It is very high volume; it is 24/7. As Mr Morris has said, mostly it is to help the tenants but sometimes we are directing them to further help as well if we need to.

Mr LEE EVANS: How many subcontractors are used by Spotless in servicing the AMS contract? Are those subcontractors held to the same contractual standards as the AMS contract? If so, who is responsible for the oversight—providing accountability for those subcontractors?

Mr SAAR: Currently we have just under 100 subcontractors that are working through us through the three regions we have. Very early on in the contracting period—before any of us were actually with Spotless—the direction was that in order to have the contractors understand the need of the supply, there is a back-to-back arrangement. The contracting terms and conditions that we signed with the Land and Housing Corporation are actually directly passed on to the subcontractors. They are held to exactly the same conditions. We audit, we manage and we review them on a monthly basis and that is how we maintain our quality going forward. They do the work. The KPIs are on us, but if we do not hold them to the same standard we will never pass the KPIs. We run the same contracts that we have with the clients; it is a direct pass-through.

Mr LEE EVANS: Are those 100 contractors longstanding contractors?

Mr SAAR: A number of them are, yes. Some of them we have to have very deep relationships with, because getting contractors to answer calls at 2.00 a.m. in the middle of winter means that you have to have a good relationship with them. There are other parts of the business that turn over regularly. As new regulations come through, smaller businesses come in. But we prefer to keep our turnover very low. We want them to understand and to learn that we are not just doing work; we are providing a service. We are essentially providing a community service through contract rather than just providing a commercial service.

Mr JUSTIN CLANCY: Thank you for being present today, gentlemen. Going back to the earlier comments around your core operators dealing with a level of tension and anxiety, what steps are you putting in place, both in assisting the call team operators and assisting the consumer, to help mitigate the risk of tension and anxiety? How do you respond to that? Secondly, in a similar vein, it is pleasing to hear about the feedback and audit processes because that speaks of continuous improvement. Looking through the AMS prism of continuous improvement, what would you identify as areas that could be improved?

Mr SAAR: I am happy to take that question. We have about 25 call centre staff that are full-time equivalent. They are trained for nearly a month before they go live on air, so they are essentially given all of the methodologies that allow us to deal with high-anxiety calls. They are also offered internally what we call the Employee Assistance Program [EAP], which is the availability of counselling for staff. Especially in large weather events, they do have a lot of stress that comes through from the tenants that they have to remain calm for. We do make sure that we take care of them. They need to have the prerequisite amount of outlets to de-stress after long shifts.

When it comes to the tenants, one of the things that we do is—we have a good relationship with the Department of Communities and Justice [DCJ] and with LAHC as well. When we get into a position where our call centre staff find themselves noticing that there is stress that is more than reasonable—if there are danger signs that are to do with people's health or damage to the property—then we will directly contact DCJ and the Land and Housing Corporation and let them know. We have what we call a schedule H report, which we then put through live directly to our senior contract counterparts, and that runs 24/7. We are very aware of the stresses that our tenants go through, as well, and if we can we will notify all the relevant parties as soon as possible. That is a monthly reporting process as well.

Mr MORRIS: Mr Clancy, I might also add that the call centre that we have for the Land and Housing Corporation contract sits within a much larger contact centre within the organisation. That contact centre has circa 100 people servicing the rest of our contract and client organisations. Further to your last point around continuous improvement, I think from a contact perspective one of the things we are all familiar with now is the mobility of

self-help around applications. I think it would strengthen the resolve in mitigating some of those calls with angst to the call centre when people do not feel satisfied in what they are receiving. Sometimes it is challenging. We do have a critical review matrix that we work through, which is sort of a yes-no statement of content around whether jobs can proceed or will not proceed. I think a self-help application of some descriptor in the future would be moving with the times.

Mr JUSTIN CLANCY: Thank you for the feedback. Just an add-on question around the operators: One of the challenges we have heard of through talking to tenants—consumers—is around consistency of response. Given that you have such a large board-operated team, how do you respond to that? How do you manage? Again, I think you have touched on that to a degree with the month of training. But do you get a sense that consistency is an issue in how your operators respond in that regard, or is that not a challenge that you see there?

Mr MORRIS: Certainly one of the things we do try to remove is that discretion in their effort. We do keep them very prescriptive to process, and certainly even the scripting we work very closely with the Land and Housing Corporation team to develop. It is quite precise and succinct to the outcome. I think a frustration for all of us, whenever we call a call centre, is around then talking to that same person. One of the things we have done most recently within our own organisation is review processes and procedures to make sure that we are giving the best service outcomes possible. As such, we are actually taking a step forward with a different model into a new contract region that commences on 1 July where that contact centre will be located within region. Hopefully that will give those customers, those tenants within region, the best opportunity to talk to that same person on a consistent basis. It is a trial structure that we will work through, and I think that will give the tenants a better outcome.

Mr SAAR: If I could just add, the Land and Housing Corporation has been very proactive in this matter. I remember the middle of last year where that discretion that Mr Morris was talking about—the Land and Housing Corporation sat down with us and we went through a number of scripting options. We now have a very good script that has been provided to us for some of those larger questions. Where we expect to have a tenant not necessarily happy with us or not being able to go further with something, there is actually a dedicated script now. That is what we use with our call centre. We try to be as neutral as possible and we work with the Land and Housing Corporation very closely to make that script work. We are very thankful for that effort that they have put in.

Mrs TANYA DAVIES: Thank you, Chair, and thank you, gentlemen, for your time today. I would just like to ask a couple of questions in relation to your subcontractors. Just remind me again how many subcontractors you have on the books.

Mr MORRIS: Approximately 100.

Mrs TANYA DAVIES: How many staff in total would that equate to working in our properties on behalf of people in them?

Mr SAAR: That is a very interesting question. As you would appreciate, the contractors that work for us do not solely work for us. So if we assume that each call-out that we have for responsive at least has one person turning up and we have 5,000 to 6,000 calls per month, there are hundreds, if not thousands, of staff that arrive across those 35,000 properties per month for responsive, vacant and planned works. It would be difficult to quantify exactly how many but we can actually figure that out from our own, if we need to. It is a very large number.

Mr MORRIS: Yes. All those individuals are police checked and have security passes that we provide them.

Mr SAAR: Correct.

Mr MORRIS: So we have got all the correct identification for the tenant to acknowledge that they are a representative of this contract and we have already vetted them as well.

Mrs TANYA DAVIES: Okay. That was the direction I was heading in with my questions in terms of safety for the individual people turning up to look at this work but also for the tenants in their homes. How assured are you in terms of your record keeping that police checks, occupational health and safety [OH&S] certification and any other legal documents are up to date?

Mr MORRIS: We are very, very confident. Our procurement team and our governance team focus on this pretty much as a primary day-to-day job. All the police checks are carried out before any of the photo identification is provided to the contractors. We check licensing and we check certification. In fact, I was going to extend on the question that Mr Evans asked earlier that we do not treat our contractors like a contractor; we treat them as a service delivery partner. They are an extension of us. They are important to us because it is a reflection of our brand and our delivery and ultimately our success. So their success is our success. It is important

that we treat them as one of us. So everything we do for our own people we are doing for them. We are maturing their systems, not just from a safety perspective but certainly delivering quality. I think we would have to suggest that our contractors have come a long way.

Mrs TANYA DAVIES: If a tenant had a complaint about one of your subcontractors, whether that be the quality of the work or the manner in which they work through there, how does the tenant raise that complaint and how do you, as that lead contractor, undertake a thorough investigation?

Mr SAAR: There are actually a number of ways that a tenant can make that complaint. Obviously the most serious are via ministerial and a NSW Civil and Administrative Tribunal [NCAT] process but typically it comes through either the Housing call centre, which is the Land and Housing call centre, or our own call centre. The number of complaints that come through are dealt with on an as needed, day-by-day basis. We do not get a lot of them, which is great. We have worked very closely but they are all recorded. Complaints that come in are then recorded and then reported back to the Land and Housing Corporation [LAHC] as part of our reporting mechanisms on a monthly basis. We also have a daily count of ministerials, which is ministerial requests, and then the NCAT requests that come through. So there is a large governance process behind complaints registry and resolution and it is all documented. It is part of our monthly reporting.

Mrs TANYA DAVIES: Thank you, Chair.

Mr LEE EVANS: This is a question from left field. Out of the number of houses, the 33,000 currently, what is the average age of those properties? You may not know it.

Mr MORRIS: Good question.

Mr SAAR: Great question. I would have to guess, based on the majority of our houses being single dwellings in our contract area, bearing in mind that the LAHC contract goes over 16 regions, we manage three with one just about to start. We have one inner-city region, which is fairly built up but there would not be any of those buildings less than 20 years old and out where we go to the Illawarra area and the Central Coast, and now going to Macarthur, those homes are at least—some of them can be up to—40 to 50 years old. So, average-wise, I would not say there would be anything underneath 20. We do not have anything new built out there. There might be a couple of odd things out in Macarthur that may have just been built by C Plus, but not much more.

Mr LEE EVANS: I see that as an issue.

The CHAIR: All right. We are running out of time but if I can just ask a couple of questions following on from Mr Evans' question but more directly to the point: Do you consider the housing stocks in your contract area fit for purpose?

Mr MORRIS: The stock is old, okay? In our opinion, it serves a role in community. I do not think we are in a position to judge whether it is adequate. Certainly in terms of the contract it is safe and it is inhabitable and that is the condition in which we maintain the contract under. There are certainly improvements that can be undertaken right across the network. We do annual condition assessments to help guide the department's expenditure and, yes, there is probably more that can be done.

The CHAIR: Okay. Very diplomatic. Would you care to comment on whether or not there is sufficient funding available to maintain the stock fit for purpose? The model for funding maintenance is that it is derived from within the housing stock itself. It is rentals within that stock. It has been suggested that that is insufficient; that we are spiralling down. Would you care to comment on whether or not you feel there is an adequate amount of funds for the purpose?

Mr MORRIS: Yes, Mr Piper. Largely the function of maintenance we play is reactive. It is all about when something occurs we respond and the tradesperson will look to fix that issue. There is no real preventative function that we undertake other than for essential services, which is critical. Currently, I think the adequacy in the funding is that it is very much a reaction. There is no real strategic and tactical asset management, which we would certainly like to steer into the future, given I think it is best for contractor and best for tenant. In saying that, we certainly support the department when it comes to large programs around stimulus or quarterly programs to improve the stock and we certainly encourage the continuance of that. I think we need to move from a more reactive solution to a more proactive programmed outcome.

The CHAIR: A strategic program to improve the quality of the stock over time?

Mr MORRIS: Yes. I think that whole strategic asset management piece is critical.

The CHAIR: If there was a substantial investment in that area, would Spotless have the capacity to deliver such improvements?

Mr MORRIS: Yes. We are certainly across the wider business now with our connection with the Department of Housing [DOH] and it strengthens our resolve and our market presence, so most definitely.

The CHAIR: Okay. We are running out of time but I just want to ask about the AMS contract. It has been operating for a relatively short period of time now—four years or five years?

Mr MORRIS: We are just about to hit the anniversary of the fifth year.

The CHAIR: Okay. How do you believe the AMS contract is operating? Do you support the model? Are there any improvements to it that you could suggest, or would suggest?

Mr MAHONEY: I think overall it is a good contract and it has performed well for both the department and for us. Probably the only area that I think that we would note that the pay and gain share model was not the best part of the contract. We note that when the contract had been extended, they had removed that from the contract so we support that. We are very supportive of that change. The only fear—the areas that we would ask to be considered in the next round of contracting—would be around the risk-taking model, particularly around vandalism. There is a number of those risks that are on the contractor that we are not in control of and is a challenge for us to manage. As Mr Morris said, we would appreciate I think a model that has more strategic asset management, more preventative maintenance at the front end of the contract, which would allow us to help the department to reduce the reactive costs.

The CHAIR: I was going to touch on the gain-pain share, that you suggest that they are changes you are generally hopeful of.

Mr MAHONEY: Yes. The department has taken those provisions out of the extension period, and we support that.

The CHAIR: Mr Morris?

Mr MORRIS: I am in line with Mr Mahoney.

The CHAIR: I understand that.

Mr MORRIS: We have only a very short period of time to run on the pain-gain.

The CHAIR: So that has been an issue for you?

Mr MORRIS: It has, most definitely, yes.

The CHAIR: I am not trying to be argumentative on this but I was surprised that when the Committee invited submissions from the head contractors, obviously major players in the delivery of these services, we had relatively few head contractors that were willing to initially make a submission. We did subsequently receive a submission from yourselves after a second request. What would have been the reason for hesitancy in providing that initial response to the Public Accounts Committee? I would have thought it is a significant request.

Mr MAHONEY: We just considered it carefully. We cannot comment on other companies. We do not know why they did not.

The CHAIR: I am only asking for Spotless' reasons. Why?

Mr MAHONEY: We considered it carefully in our company. We have got appropriate governance and approval mechanisms that whenever we respond to public forums we have got to run through. We have a lot of internal governance that we have to advise of this process and the submission that we put in, we had to obviously put that through our legal and compliance areas. We obviously took a bit of time to consider what we wanted to say in our paper because we were very focused on improving the contract. This is a really important contract to Spotless. In saying that, being a really important contract, you want to be careful about what you say and you want to make sure that what you say is worthwhile and appropriate.

I think some of the points that we have been able to raise here were the points we wanted to make sure were made clear. We do not control the whole environment as well. We are really just a single contractor. We only have three regions, or we now have four regions, so we do not necessarily know the full facts of what goes on in other regions, which is another point that I think was in the paper, that probably fewer contracts rather than more contractors is sometimes better. We would support that as well. We took some time considering what to write and we took some time considering what we should put together. We probably were not hesitant, we were more careful about what we wrote.

The CHAIR: It did require a subsequent request, however, and the Public Accounts Committee has a responsibility to oversight the expenditure of public funds, through which your organisation in this space is a significant provider of services. I will leave that with you. We appreciate the fact that there was subsequently a

submission. We appreciate the fact you have appeared before us here today and answered the questions that we have had time to ask. I thank you for that. Once again, I thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

Mr MORRIS: That should be fine.

The CHAIR: Thank you, Mr Morris, Mr Mahoney and Mr Saar. I appreciate your attendance.

Mr MORRIS: Thank you for the opportunity.

(The witnesses withdrew.)

BEN O'DONNELL, Director, O'Donnell & Hanlon, before the Committee via videoconference, affirmed and examined

CHRIS PORTER, LAHC AMS Contract Executive, O'Donnell & Hanlon, before the Committee via videoconference, affirmed and examined

JENNA COOMBES, Strategy & Operations Manager, O'Donnell & Hanlon, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome our witnesses from O'Donnell & Hanlon. Thank you for appearing before the Public Accounts Committee today. Can you confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Ms COOMBES: Yes, we have.

Mr PORTER: Yes.

Mr O'DONNELL: Yes.

The CHAIR: Do you have any questions regarding this information?

Ms COOMBES: No.

Mr PORTER: No.

Mr O'DONNELL: No.

The CHAIR: Would one of you like to make a very brief opening statement before the commencement of questions?

Mr O'DONNELL: I will. Our submission was not really long. Overall, for our role in this particular contract, I think it has been reasonably positive. It will be difficult for us to probably provide too much of prior maintenance contract experience. We were not contracted under any of the old-style contracts. So I think ours would be just limited to our experience with this particular version of the contract.

The CHAIR: I appreciate that. That is understood. Obviously you cannot reflect on matters that you have not been experienced in. You still obviously have valuable insights that the Committee would like to draw on. I will move on to questions then. I am assuming that you had completed your brief opening statement, Mr O'Donnell?

Mr O'DONNELL: Yes.

The CHAIR: Okay. Thank you. Noting that your experience is with the existing AMS contract does not go back there, but you have a significant area. I note you cover areas such as around Coffs Harbour, Goonellabah, Tamworth and work in the Hunter New England, mid North Coast and northern New South Wales. That is the extent of your role for Land and Housing Corporation at this stage?

Mr O'DONNELL: We do not cover the Hunter region. We start just north of the Hunter, and we go up to the Tweed Heads border and then north-west New South Wales out to the Moree region.

The CHAIR: I referred to the Hunter New England, but I appreciate that you are out more into that north-west area.

Mr O'DONNELL: The New England, yes.

The CHAIR: How would you describe the relationship between O'Donnell & Hanlon and Land and Housing Corporation as well as the Department of Communities and Justice [DCJ] and subcontractors? It is a fairly broad question, but I would appreciate you giving an understanding of your relationship across that range.

Mr O'DONNELL: We have a fairly good relationship with the Land and Housing Corporation and its players in this contract. We have had our disputes and differences throughout the life of the contract, but generally throughout the entire period that we have been doing this contract, we have had a really good relationship and been able to work well through the majority of the issues over the life of the contract. As for the Land and Housing Corporation, I feel we have got a good relationship with them.

The CHAIR: No further comments from Mr Porter or Ms Coombes?

Mr O'DONNELL: DCJ? Mr Porter, did you want to add anything to that?

Mr PORTER: No. I think the relationship we have had with the Land and Housing Corporation has been very strong. I think we have been able to work through most of the issues that we encounter throughout the duration of the contract. We do not have too much of an involvement with DCJ. We received some direct communications from the tenancy managers, usually via our call centre, and usually very specific to individual property needs. Those sorts usually provide the information they are requiring and anything further to that, they go through Land and Housing and Land and Housing channel back to us. Subcontractor-wise, we have fairly strong network of subcontractors within our local areas and we engage with a number of those over a fairly substantial period of time. We have been able to develop some strong relationships with the flexibility under the "Responsive Benchmark" structure under this contract. That has been a positive outcome that this contract has delivered for us.

The CHAIR: If you are satisfied, I am happy to move on following that question. I would like to ask you about your views on the AMS contract. It is the only contract that you have been experienced in. How do you find the management of that contract and your relationship there? Is it complex? I note that your submission makes reference to the work identification codes and difficulty of gaining full clarity from the Land and Housing Corporation around the actual scope of works. Could you talk to that? Could you elaborate on that and explain why the schedule of rates [SOR] model was superior to the current model, if that is how you believe it?

Mr O'DONNELL: On the first part of that question and our involvement with this particular contract, we think the flexibility of this particular contract to allow head contractors to make their own decisions on how they want to structure their remuneration models for subcontractors best suited to the head contractor's needs and the region that they service. Under the old contract, although we did not work under it, we received a lot of feedback from our subcontractor base and they were very appreciative of the shift in their remuneration for the works. We paid on an hourly rates-plus-materials basis for our responsive works. Basically, because we have a large geographical area, they are being remunerated in line with the expectation of what they have to do.

They are not being paid \$15 or \$20 to fix a power point; they are being paid a minimum of an hour of their own labour plus the materials they use. When they have got to travel half an hour to get there, \$15 and \$20 is not going to cut it for them. Our actual experience with that and having the flexibility to do that has been really good. If we were forced into the older SOR model, I think we would have struggled even further to get subcontractors to complete the works on this contract. Our actual opinion is that there is better remuneration options for works rather than the schedule of rates model that was used under previous contracts from the feedback given by our subcontractors.

The CHAIR: Thank you very much for that. I note that Mr Ryan Park has joined us, so I am sure we will be hearing from Ryan soon as well. Thank you for making it here, Ryan.

Mr RYAN PARK: Thanks, Greg.

The CHAIR: Does the Deputy Chair, Mrs Tanya Davies, have any questions at this stage? I am going to assume that Tanya does not have a question at this moment.

Mr JUSTIN CLANCY: I have two questions, the first of which is to Mr O'Donnell. Firstly, as an organisation, you also have mandatory facilities contracts with the Department of Education. Do you have learnings from your work with government in other departments and can you give us your views about how the AMS works? Are there learnings that could be taken from other departments to make things better? Secondly, as a family-run business—I suppose a small or medium-sized enterprise [SME]—are there advantages or disadvantages in being an SME-sized business as opposed to, say, a larger business? Is the contract size in the area you cover a good size? What benefits do you bring as an SME-sized business into the statewide program?

Mr O'DONNELL: The first part of that question, the lessons learnt part of the question, we structured the LAHC AMS contract structure on how we obtain subcontractors and place contractors. We leverage that off what we do on the whole-of-government FMS contract. We use a similar approach on both our contracts to how we pay our subcontractors. They get remunerated for attending something urgently or the hours they work plus the materials they use and a margin on the materials. The subbies are going into it knowing that they are going to be paid a reasonable amount for the work that they do. There are plenty of checks and balances in place to make sure that the hours that are staffed are correct and in line with the works that they have done.

We understand that the real challenge of working in the regions and the trade shortages and actually getting subbies in to complete these works is really challenging, and it is getting more and more challenging as time goes on, particularly in the more remote areas. I think if we were to push back to like an SOR model, I think we would find it really, really difficult to get people to do the work. And on top of that, the actual environment of the work on an AMS contract can be challenging and sometimes subbies do not want to do that work and that is

just part and parcel of it. But we feel that our approach and that they actually are fairly well reimbursed I think helps for us to be able to get contractors out there to do the work.

The other part of the question about being a family business, we are really proud how we built our business and the area that we service and what we do. I think it is really important for the Government to consider the continuation of using a mix of different contractors, being like multinationals or listed companies to small businesses that can carry out these works. We give back a lot to the communities that we work in, and that is not just our hometown, it is across the whole region that we deliver these services. The employment that we give is huge. In our town of Kempsey, behind the local council, we would be probably the biggest employer in our town. We have got 100-plus employees just at O'Donnell and Hanlon alone. I think the decentralisation of employment, that is really positive. I think we offer a lot with the services that we carry out and I think the subbies like that. I think they like working for smaller—not that we are a really small company, but I think they appreciate that local approach and, I guess, the accessibility too to us as being a regional contractor.

Mr JUSTIN CLANCY: Just one follow-up question. The subcontractors, particularly given the instances that you spoke of that they are having trouble getting to some tenants, if there is another job that needs doing in terms of they get there and they fix something, say a leaking tap or something, are they incentivised or are they encouraged to respond to some other work when they get there?

Mr O'DONNELL: Yes, 100 per cent. If we were sending an electrician to fix a light switch and there are other electrical works that need to be done while they are there, that is definitely the case. If it is within their capability and it falls within the critical repairs matrix, they can fix anything while they are there.

Mr JUSTIN CLANCY: Thanks, Chair.

The CHAIR: Ms Davies, do you want to ask a question?

Mrs TANYA DAVIES: Thanks, Mr Chair. Thank you to the witnesses also for your attendance at the hearing today. I am interested to probe a little bit further around any ideas that you may have presented to the Land and Housing Corporation or any ideas that you may be considering as to how to better serve those tenants in the more rural parts of New South Wales. I am thinking along of the lines of perhaps upskilling residents who live out there or engaging young apprentices either through remote learning but also practical, on-the-job training once your contractor goes out in that direction. Have you really been considering some novel or creative ways of increasing the service out to those parts of New South Wales?

Mr O'DONNELL: I guess in some particular regions it is really challenging because of the volatility of the volumes and that we cannot really commit ourselves to apprentices with the volumes of work on this particular contract and for the subcontractors because it probably would not be viable for them to have an apprentice just committed to our contract. One of the real challenges has been the consistency of planned works deliveries. If there was more consistency in planned works and the amount of planned works and where it would be delivered, I think it would provide some further capabilities for head contractors to consider direct apprenticeships or shared apprenticeships, things like that. But throughout this contract we have kind of struggled a little bit with budget allocations and the expectation of how much planned works we are to expect to be delivered under the contract and when it is going to be delivered under the contract. I think there could be a little bit more structure put in place around what and when and where works were going to be done, which would possibly assist in that training and upskilling of trades.

Just to add to that, we actually have some trouble keeping some tradies on board because of that inconsistency of the planned works delivery. They rely on that as a stream of work to work under this particular contract and they find it challenging that they go out and do the bits and pieces, the small stuff, within really good time frames and then there is none of the more meaty stuff for them on a consistent basis.

Mrs TANYA DAVIES: Thank you. Just another question. I asked this of the previous contractor, so for consistency I would like to ask you the same question. As the head contractor, how do you ensure that the subcontractors you involve in the delivery of these services have maintained all their licensing, their credentials, police checks? How can you guarantee that the people that are engaging directly with our tenants are legal and licensed at all times?

Mr O'DONNELL: Obviously, at the commencement or onboarding of the subcontractors they go through a fairly in-depth induction process, checking process, which includes their licensing, their insurance, their criminal history checks, those type of things, and that is for all the employees that work for the subcontractors that work on our contract. ID badges are not issued until those checks are done. Those ID badges are compulsory to attend any tenant sites. That is the process at the start, and then obviously it is very difficult to continually check every single person on an up-to-date basis as to the validity of everything. Obviously, offences can be made or licences cannot be renewed and those type of things, but we do undergo an auditing process throughout the life of

our contract on the trades to check those things. Obviously we cannot check everyone, but we do check a reasonable proportion of those throughout the life of the contract.

The CHAIR: Tanya, is there anything pressing? We are running out of time. Did you have a follow-up question?

Mrs TANYA DAVIES: That is okay. That is fine, thanks.

Mr O'DONNELL: Can I just make one extra point on that particular one?

The CHAIR: Please.

Mr O'DONNELL: I understand that the risk is there to the tenants from subcontractors attending their properties, but I do think there could be some improvements made on the opposite front. I think there could be some further advice on improvements given to contractors who are attending the tenants' properties as to the risks that could be posed there. There are systems in place but we often find that often those alerts as well can sometimes be outdated.

Mr RYAN PARK: Thanks for joining us. How does the age of the property and the stock impact on maintenance and your ability to do maintenance and costs around maintenance et cetera in the stock that you have?

Mr O'DONNELL: In our region that we service the majority of the stock is cottages on residential land. They are mid-80s, two, three and four-bedroom cottages on a residential block. They are old stock. That can be challenging. Because of the size of the land that the stock sits on, we have a lot of challenges with hoarding and rubbish and things like that that stop us getting correct access to the properties. There is lots of asbestos. It would be a considerable investment, but there could definitely be better use of the land that the Government has, which would definitely reduce the cost of maintenance overall. Rubbish and trees and hoarding and removal of those types of things is a huge cost.

The CHAIR: I appreciate the time constraints that we have. Half an hour is, as you would imagine, a very small amount of time to cover such a complex issue. Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing. Your replies will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions within 14 days?

Mr O'DONNELL: Yes, that is fine.

The CHAIR: Thank you, Mr O'Donnell, Ms Coombes and Mr Porter. We appreciate your attendance. It has certainly been beneficial for the Public Accounts Committee to hear from you.

(The witnesses withdrew.)

RICCI SCHWARZLER, Managing Director, Lake Maintenance, affirmed and examined

MANDY PEMBERTON, National Contact Centre Manager, Lake Maintenance, affirmed and examined

DAVID BELL, National Risk and Compliance Manager, Lake Maintenance, affirmed and examined

JADE ROBERTSON, Call Centre Team Leader, Lake Maintenance, affirmed and examined

The CHAIR: I welcome representatives from Lake Maintenance. Thank you for appearing before the Public Accounts Committee. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Ms SCHWARZLER: Yes.

Mr BELL: Yes.

Ms PEMBERTON: Yes.

Mr ROBERTSON: Yes.

The CHAIR: Do you have any questions about this information?

Mr BELL: No.

Ms SCHWARZLER: No.

Ms PEMBERTON: No.

Mr ROBERTSON: No.

The CHAIR: Would one of you like to make a very brief opening statement?

Ms SCHWARZLER: We would just like to thank the Committee for giving us this opportunity to answer any of your questions and make our submissions just to let you know that we would be happy to help out wherever we can assist. We have been doing public maintenance housing work since 1998 and we currently still do works in South Australia, Western Australia and Queensland.

The CHAIR: Thank you very much for that. We will go to questions. I will ask the first question. For the record, I acknowledge that I have had some information from yourselves prior to your provision of this submission. Thank you for that. What was the number of full-time equivalent positions that Lake Maintenance used to service the AMS contract?

Ms SCHWARZLER: Just for AMS?

The CHAIR: Yes. Well, you could speak to it more broadly as to the number of employees that you had for the period.

Mr BELL: At its peak, we had around 24 field staff, five managers, plus the call centre, which had 16 call centre operatives, plus the team leader and the call centre manager.

The CHAIR: In broad terms, what was the tenor of the relationship with NSW Land and Housing Corporation throughout the last few years of the period where you were administering contracts for it?

Ms SCHWARZLER: Just, I suppose, for history, we have done work for Land and Housing or the department of housing in other areas across New South Wales, so not just the two areas that we currently have. In the other two contracts we had different areas. We have had a lot better relationships. I would say this relationship has been very adversarial and confusing, would probably be two of my words.

The CHAIR: In using the term "confusing", are you mainly referring to the implementation of the AMS contract and the changes that were embedded in that?

Ms SCHWARZLER: The contract and the management of the contract.

Mr BELL: If I could just add to that?

The CHAIR: Please.

Mr BELL: Part of that confusion stems from, I guess, a lack of clarity in the work required. The contract is based on outcomes, on components and on meeting certain standards. It is not prescriptive or descriptive in what is required. So that, I guess, ambiguity in what is required meant that there were mixed messages coming from different parts of LAHC. Operationally, we mainly deal with regional staff who are programs officers and

they are asking for work to be done, and we deal with compliance staff and their expectations of the outcome—quite often there is a misalignment. What would satisfy programs is that they want to get the property back and they want to get a tenant in it, so they are happy with meeting a certain standard. The compliance team will come along and say, "Well, we want this." So, you know, you would receive an instruction from one and then you would get a defect or a noncompliance from another part of the same organisation.

Ms SCHWARZLER: But with different expectations.

Mr BELL: Yes. So one customer—

Ms SCHWARZLER: So that was very confusing to not just us but to the subcontractors as well, who are out there trying to do the work in the quickest, most efficient way they can because that is the way it has been priced. Then that causes delays for them and it causes delays for us and the tenants—everyone as a whole.

The CHAIR: So there was confusion around that process. I imagine you would have raised that directly with those in the Land and Housing Corporation you dealt with?

Ms SCHWARZLER: Yes, many times.

Mr JUSTIN CLANCY: Sorry, Chair, I do not know if you can hear me but we cannot hear you there. Sorry, we cannot hear anything there in-house.

The CHAIR: Okay. Can I just check if that is the same for Ryan Park and Tanya Davies? Mrs Davies has gone. Could we just halt proceedings for a moment and ask staff to see if there is something happening? Justin Clancy is on mute, is he?

Mr JUSTIN CLANCY: Sorry, Chair. Keep going if you like, but I cannot hear you there.

The CHAIR: I cannot keep going if you cannot hear me.

Mr JUSTIN CLANCY: I have got you there now, Chair.

The CHAIR: Okay. Ryan Park, you can hear me?

Mr JUSTIN CLANCY: But not you, Chair. No, sorry, something happened when you asked Tanya— with her mike. Something has happened there at your end. Sorry.

The CHAIR: Where is our technology whisperer? I would proceed but with three-fifths of the members unable to hear I think that would probably not be good.

(Short adjournment)

The CHAIR: I am not quite sure where we are at, sorry.

Mr BELL: I was talking about the confusion—or where some of the confusion came from.

The CHAIR: That is right, there was a question around it, yes.

Mr BELL: So the different parts of LAHC caused confusion for us and the subbie in what is required. More confusion comes particularly for a subbie. If he goes out there, depending on the type of work he is there for, he might have to do a different piece of work to the same component—a window, for example. If he goes on a responsive order to fix a window he has to fix the window, full stop. If he is there on a vacant order, he has to fix the window and upgrade the window to new standards. So he could be looking at the same window, two properties next door, and he has to try and figure out, "What am I supposed to do today? Am I just fixing it or am I fixing it and putting a new lock on it?" So confusion there as well. The third level—I guess it is not so much confusion for us, but it is confusing for the tenants and it creates a bit of that adversarial impact that Ms Schwarzler mentioned—is the difference between what is responsive and what is planned works, and for LAHC which budget does that then come out of. Is it the responsive budget for the contractor or is it their planned work budget? There might be a roof leak and the criticality of repairs [CRM] matrix says if it less than 10 square metres it is responsive and if it is over 10 square metres it is planned works. So it is scope and quote. We might have 10 metres—

Ms SCHWARZLER: And have a storm.

Mr BELL: —and the regional will come back and say, "No, it is 9.8 metres. You need to do it under responsive", and this could—

The CHAIR: Just to clarify, are you overstating that? Would you see an argumentative approach from Land and Housing Corporation using such a minor measure—saying it is not 10 square metres, it is 9.8?

Mr BELL: Yes. At the end of the day, if you are doing 10 square metres you are probably better off doing the whole roof because it has probably had three or four leaks over the last—every storm. So you are better off just going, "Yeah, we'll do the whole roof."

The CHAIR: So issues around the actual understanding of the criteria for works—whether it is reactive or planned maintenance—and then an adversarial approach to any resolution to that question?

Mr BELL: Yes, and that impacts the tenant. While that discussion is going on between ourselves and the regions, the tenant—

Ms SCHWARZLER: Is sitting there, waiting.

Mr BELL: —has got a tarp on their roof.

The CHAIR: Thank you for that. I am going to defer to Mr Evans. I just note, it does appear that we might have lost Mrs Davies. I will send her a message and see if we can get her back on line. Mr Evans?

Mr LEE EVANS: Do you consider that the housing stock in your contract area is fit for purpose in terms of the demographic and tenant needs, and what are some of the changes you would like to see to ensure the housing stock is better tailored to the tenants' demands? And also what is the average age of your tenants' stock?

Ms SCHWARZLER: I think the age is not always that much of an impact. You can have an old house but it could be maintained well and then that is not an impact for a tenant, that is fine. You can have a new house and it might not be maintained well. Personally I do not think the age is a relevant point; it is how you maintain those properties. Sometimes with an older property it is easier to do some repairs to those or some renovations or some disabled modifications to those because you might be able to get under the floor, you might be able to do various things that you could not do in a new property. It would be a bit harder to change the plumbing underneath, things like that. I do not think the age is that critical for the properties or for the tenants. I think where they are putting tenants, if they are putting tenants into the right property, that is probably the more critical point. For our average age, I do not know what the average age of our properties would be.

Ms PEMBERTON: No, not sure.

Mr BELL: The Southern Highlands and South Coast are older properties, probably fifties or sixties generation. Around Macarthur it varies from the seventies and eighties through to some newer properties in some of the areas. There is quite a spread. The majority would be 40-odd years old, 40 to 50 years old.

Mr LEE EVANS: We had a road trip to look at some of the properties around close to Sydney. As you said, the older ones are generally a solid build but the ones built in the seventies are not necessarily as good quality.

Ms SCHWARZLER: Yes, that is right.

Mr LEE EVANS: Ultimately your mix of stock probably drives most repairs and what you are repairing.

Ms SCHWARZLER: When we looked after the Central Coast we had streets where we would be repairing every single shower base in that street because whoever built the properties had used the incorrect pine board, it was not the waterproof, or they had not done any waterproofing or they had not done it properly. Within months of each other, houses had the floors falling in in those showers and we would have to come through and redo them. You just repaired them and moved on and it was fixed and that was fine. There could be recurring things like that perhaps and when they come around to getting their roofs done they might all get to a time frame. But on the whole I do not think the age of the property affects as badly and Housing do their property assessment surveys and they should be using that data to strategically target areas. They used to in the previous contracts. They would strategically target areas to do their planned works in. But planned works has pretty much dropped off in this contract.

The CHAIR: I will go to our members on Webex to see if they have any questions. Mr Park? Mr Clancy?

Mr JUSTIN CLANCY: Not at this point, Chair.

The CHAIR: I want to come back and ask a question about the way in which payment of subcontractors is managed for yourself, particularly using the schedule of rates [SOR], which has been problematic in some submissions. What is your view about using a SOR as opposed to actuals for hours and materials?

Ms SCHWARZLER: I think the SOR for the Government it is a lot easier to control your budget. Where we have had in this contract the pass-through for the responsive work with the benchmarks around that, that has kept that under control. It would make it easier for trades to come in and get the work done. For us, we have had issues in areas of the South Coast where the trades just will not do the work at all, whether they are

getting paid SOR or an hourly rate and materials they just do not want to do the work. They just do not like doing it. It does not mean that because you are letting them charge what they like you will get more trades on because we could not on the South Coast. The SOR as well, when we have the SOR our trades are able to change their price whenever they want. We are stuck to the Government if we are doing an SOR contract.

We price it to the Government and we do it in other contracts. Our trades are able to change their price whenever they want; they are not fixed to us. That means that allows them to come and up their price if they need to, or whatever. We are the ones that lose out as our margin gets smaller. It is market driven so that if we are wanting work done at the price they have priced to us and then the market changes and the private sector changes and there is more work around them we naturally have to pay more for their work. They will adjust their rate up and we pay more for it. The SOR for us has never really been a major issue. It is just that you accept that there will be ups and downs in it as it goes along and you are up against the market, which does have an impact because then we cannot change our price to housing.

Mr BELL: The other good thing about the SOR is that everybody understands what is expected. The window example I mentioned earlier, if you issue that piece of work to that tradesman on an SOR he knows what he is going there for. He can do it, he can get out and he does not have to stop and think. Volume breeds efficiency, which can keep the cost down for them as well. They do not have to think, "What am I doing today?" I am being told this is the SOR. When compliance comes along they have a look and, "Yes, the work we wanted done is done, full stop."

Ms SCHWARZLER: There are no arguments.

Mr BELL: There is no confusion, there are no arguments and there is no guessing. It is descriptive—long description, short description. It is simple.

The CHAIR: I note that Mrs Davies has rejoined us. Can I check, Mr Clancy, can you hear us?

Mr JUSTIN CLANCY: Can do, Chair.

The CHAIR: I am assuming that maybe there is a problem with Mrs Davies. I will move on and ask another question about this other element of the AMS contract, responsive gain and pain, the share model. Could you give any comment on that?

Mr BELL: Yes, I think in theory it is good. The responsibility has been placed on the contractor to manage the budget. The difficulty is that we do not know what the budget is and there is very little control over the volume. We have been asked numerous times over the contract: What are you doing to control your volume? Well, we cannot stop tenants calling. So it is very difficult for us to control that. We have to then work to the budget and we are quite good at it, I am happy to say. In one area we are number one and I think number four in our other area in budget control. I am quite happy with our performance there. Being tied to key performance indicators [KPIs] is an issue for us. To meet KPIs has been one of our issues in two or three key KPIs, which has brought us down. Overall I think it is a good incentive for the contractors to keep control of the budget, as long as it is a realistic benchmark.

Ms SCHWARZLER: I do not think we have really had problems with it.

Mr BELL: I am a bit surprised. I have heard it has been removed, that the responsive benchmark has been removed. I do not know how LAHC is going to manage their contractors to manage their spend post-June.

Mrs TANYA DAVIES: Thank you for taking the time to come and meet with the Committee. Can you explain to me the process you go through to double-check and reassure that the Working with Children checks, police checks, the licences and any certifications are all continually kept up to date for the contractors you use to engage directly with our tenants?

Mr BELL: We have got quite robust systems in place on that. Our procurement process requires all of those things you mentioned, right through to reference checks for individual workers, police checks, insurances, WHS policies, procedures. We encourage the smaller businesses who do not have their own quality systems to adopt ours. As far as safety on site goes, we have what we call a trade app, which is quite stringent in its protocols, to work subbies through their risk assessment/take 5 to their Safe Work Method statement. They have to do those things before they actually get to the job.

We need to have licensed trades employed or engaged and badged through our induction process prior to actually engaging the trades on site. We have a continual monitoring of that. We have a process where any licence, be it their driver licence, which we use for ID, through to their trade licences, business insurances, et cetera, are monitored on a daily basis. We have a process where, a fortnight out, warnings go out, three days out,

follow-ups, 24 hours out, final warning. If a licence expires or insurance expires or things like that, basically they are cut off so the system cannot allocate any orders to them.

The CHAIR: Thank you for that. What is your opinion about the model for funding maintenance of public housing? A limited amount of money is available because it is derived from rents. We are talking about a lower socio-economic cohort so generally it is a lower amount of money. Do you believe that the model for maintenance—let alone improvement to stock—is capable of delivering in the long term?

Ms SCHWARZLER: I do not think the model is necessarily the best model that they have ever had, but I also think that a lot of the funds could possibly be being chewed up by administration as opposed to boots on the ground and getting work done. We are not privy to that sort of information, but it seems as though so much effort goes into the administration of the contract, the arguments backwards and forwards, the adversarial nature of the contract, that time is taken up not just for us and our subcontractors but for Housing themselves. They must need an awful lot of staff to be able to keep doing that administrative side, which is then not getting the results out there in the properties.

The CHAIR: Without putting words into your mouth, do you believe that that sort of churn around the arguments, the scope of works, et cetera, and the difference of opinion or adversarial nature of the relationship produces inefficiencies?

Ms SCHWARZLER: Definitely; inefficiencies. I think, like we explained in our submission, the risk has been offloaded. From LAHC's submission—they even want to offload more risk in the next extension, I think. They do not necessarily want to pay for that risk, but they want to offload the risk and make all the decisions themselves. That does not work. You cannot say to somebody, "Here. You go and do this. You are the experts and you know how to do it, but we are going to make all the decisions behind the scenes and tell you what you are doing." It gets very confusing, to try and know, "Hang on. You want us to take the risk and be the experts. We are happy to do that, but do not keep coming around behind the scenes and trying to change it or argue it."

Mr BELL: The other part of it is not just the region or the compliance. We deal on a daily basis with at least five different parts of LAHC and, overall, with probably six or seven regions compliance, which we have mentioned before. You do that part of the work. Then their audit verification team will come along and ask you what you did six months ago and why did you do it—they do that quarterly—which will take up another significant admin resource for both sides. We deal with their contract admin team. We deal with their IT team. We deal with their C Plus team, which is like the region, but it is for high-profile tenants. We deal with all these different parts of LAHC, all with different—

Ms SCHWARZLER: Interpretations.

Mr BELL: Not necessarily all the time. They are aligned in some areas, but they differ in some areas. The amount of reporting and meetings that are required for this contract—a couple of years ago, at its peak, I was spending 88 hours a month, reporting or in meetings. That gives you an idea of how much admin is taken up when you could be out there actually driving efficiencies, improvements and performance but you are stuck in a meeting room.

Mr LEE EVANS: I use the example you used about the showers rotting out. Say it is \$1,000 to fix that. Does the department come back and say, "No, it is cheaper than that?"

Mr BELL: Yes.

Mr LEE EVANS: Your contractors are saying it will cost \$1,000 and the department says it will cost \$750.

Ms SCHWARZLER: Yes.

Mr BELL: There is an example we provided some information on, about a grab rail, where the OT had gone out and suggested that a tenant with mobility issues needed a dropdown handrail. A dropdown handrail is load-bearing. We need to block out the wall, we need to support it, et cetera. We quoted \$860 for that piece of work. That went to LAHC. LAHC declined that. They said, "No, it is above our office estimate", so we were too dear. It then sat. Two months later—I think that was around November—it was still on the radar. Nothing had been done. We were asked to provide three quotes. So we provided three independent quotes: 840, 1,100 and 1,200, something like that—still too dear.

By that stage I was involved with the region. I said, "Our price is 840. That is the best we can do. Lake Maintenance is going to make a hundred bucks out of that. All this is for a hundred bucks." They said, "No, too dear. You are triple our office estimate." I said, "Fine. If you can get that done for 250 bucks, go for it and call me when it falls off the wall." We are now in December, and I have handed that job back. Three months since the OT

said this tenant needs this to help her go to the toilet, we are still waiting and still arguing over a couple hundred bucks. That was in December I handed it back. I then found out in January the LAHC regional officer—the programs officer—had gone back to the OT, got the OT to re-scope for an L-shaped handrail that did not need as much blocking, went back to our call centre and got them to send someone out to go and reprice it. They got that job done for 650 bucks in February, so five months and they have saved 200 bucks.

The CHAIR: But obviously the cost of going through that process on both sides of the equation would have been significant.

Ms SCHWARZLER: Administrative.

Mr BELL: And what would the cost have been if the tenant had a fall, waiting for that handrail?

The CHAIR: I thank you for your perseverance with the problems with the technology. We do apologise for that. You have come down here for this purpose and we certainly do appreciate that. I thank you for appearing before the Committee today. The Public Accounts Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

Ms SCHWARZLER: Yes.

The CHAIR: I thank you for that confirmation that you will do that, and that concludes the giving of evidence for this period.

(The witnesses withdrew.)

(Short adjournment)

ANDREW CAMERON, Chief Operating Officer, Joss Group, before the Committee via videoconference, affirmed and examined

JOSHUA RYDER, Contract Analyst, AMS Contract, Joss Group, before the Committee via videoconference, sworn and examined

JEFF WHITE, General Manager, Risk and Compliance, Joss Group, before the Committee via videoconference sworn and examined

The CHAIR: I welcome representatives from Joss Group and thank you for appearing before the Public Accounts Committee today. Will you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr CAMERON: Yes.

Mr RYDER: Yes.

Mr WHITE: Yes.

The CHAIR: Do you have any questions about this information?

Mr CAMERON: No.

The CHAIR: Would one of you care to make a very brief opening statement?

Mr RYDER: We probably have nothing further to add, other than our submission.

The CHAIR: In that case we shall move on to questions from the Committee. Would one of you care to describe the relationship between Joss and Land and Housing Corporation, the Department of Communities and Justice and the subcontractors that you employ?

Mr RYDER: Yes, sure. We have a very good working relationship with each one of those parties. We certainly have some pain points in the process at the moment, but we work with our clients and our subcontractors to best resolve those in a timely fashion.

The CHAIR: How many employees would you have, particularly FTEs?

Mr RYDER: Just on this contract or in Joss as a group?

The CHAIR: I guess if you can break it down in relation to the AMS contract, that would be more relevant.

Mr WHITE: Eighty?

Mr RYDER: Yes, Approximately 80 full-time staff and then a subcontractor group of 3,000-odd subcontractors.

Mr WHITE: Subcontract workers.

The CHAIR: In relation to your engagement of subcontractors, how are you placed for finding and maintaining subcontractors to work for you—particularly in a timely manner—to deal, I imagine, with particularly reactive maintenance? Do you have any difficulties in securing subcontractors for purpose?

Mr RYDER: We feel that we have adequate subcontractors to service the contract. We do have challenges out in regional and remote areas where subcontractors are not available in all locations, so we do have to travel them in from regional centres like Dubbo. There are some time issues and time restraints that can make it difficult to meet sometimes when we are travelling in a plumber from Dubbo because there are none in the local area.

Mr WHITE: Just further to that, for responsive tasks and planned works we cannot just source contractors on a pro-rata basis but we prequalify a team and have them available for works as required. We put the effort in to source, train and maintain their ability to perform on call when required.

The CHAIR: Moving on to your actual submission, I imagine there was a collaboration on this and it would have been a group position. But based on reading the submission, it is obvious there is a gap in the coordination between the Land and Housing Corporation, DPIE, Department of Communities and Justice and other stakeholders engaged in the contract. What processes or procedures need to be overhauled, in your opinion, to ensure all parties involved can deliver repair and maintenance services to the tenant in an efficient and effective manner?

Mr RYDER: One point from our perspective is the after-hours contact. We are a 24/7 contract, so having that after-hours contact and that person available when required—we do feel like that could be an area where we would like improvement.

Mr WHITE: And the majority of our work is liaising with Land and Housing Corporation personnel, and we need to liaise with the other organisations when there are access issues or problems with property beyond us being able to do our work. Generally, those processes are coordinated pretty well. Sometimes with the workloads on those other teams regionally to be able to get back to us and respond, there is not always a local office. Sometimes their teams have to travel or they have other commitments. So it is a matter of a lot of different issues.

Mr LEE EVANS: Do you consider the housing stock in your contract area is fit for purpose in demographic and tenant needs? What are some of the changes that you would like to see to ensure that housing stock will be tailored to the tenants' demands?

Mr RYDER: We do believe that they are fit for purpose in the current state. We feel that, given the age of the properties some of the tenants have a lot of issues with those properties. There is a need to continue the ongoing budgetary allocations towards maintaining these properties. We have some older properties within our portfolio, something like 30 per cent, built prior to 1970. The upkeep on those properties to keep them tenable needs to be catered for.

Mr LEE EVANS: What would be the average age of your properties over the whole scope?

Mr WHITE: I think that we have more than 75 per cent of our properties that were built prior to 1987 and about 30 per cent were built prior to 1970.

Mrs TANYA DAVIES: Thank you gentlemen for your attendance today. I have a question about how you and the company ensure that your contractors and subcontractors, who are directly engaging with tenants, have their police checks, Working With Children Checks, licences and OH&S certification verified at the start of the contract. How do you ensure that they are valid moving forward months or years ahead so that someone does not inadvertently become unlicensed when they are sent out to do a job?

Mr WHITE: I will take that one. What we do is prequalify all our subcontractors. So we approach the market and ask them to express an interest in joining the contract. We provide information to them of the expectations of our company together with the contractual details that we ask them to meet. They will provide information to us with regard to insurances, licences and bits and pieces for the company and then they also provide individual information: proof of identity, white card and health and safety training licences. We have initiated a service where they can approach an organisation for a criminal record check and that criminal record check comes directly to us and we get billed for that criminal record check. All that information goes into a customised database and once all our prequalification requirements are met it is only then that they are issued with an identification tag confirming they are a prequalified contractor.

Every time they attend site they have to show that identification tag and one of the questions that all of the tenants are asked as part of the survey is are they shown the tag. From an ongoing maintenance point of view we have a team of three personnel currently that monitor the expiry dates on those. It issues an automatic reminder to both the company and the employees who are approaching the expiry of police checks, insurances, licences and all the other bits and pieces that are required to meet the requirements of the contract. The team will then follow-up to make sure we get that information. Some searches we can look up online such as renewal of licences and those sorts of things. As a last point we have the ability to remove that contractor from the database if they do not keep their workload current. Once they are removed from the database our system prevents them from receiving orders for future employment.

Mrs TANYA DAVIES: I have just one more question. In relation to the statistics for jobs that are requested according to the age of the property, do you have statistics that you could provide the Committee on notice regarding the demand for repairs or maintenance according to the age of the property?

Mr RYDER: Yes. We will have to take that on notice.

Mr RYAN PARK: Firstly, thank you for your attendance today. I think in your submission you made a recommendation that realistic remuneration for work being carried out by subcontractors versus the schedule rate of fees was different. Can you elaborate or provide some examples where the remuneration for repairs or maintenance is outside the schedule of rates?

Mr RYDER: Yes. By having a schedule of rates it is a one size fits all and we are dealing with a geographically dispersed area across the State. The city price for something might be a different price to something down at Brewarrina or Bourke, somewhere remote where you have to bring those trades and items from the nearest

major centre. That is where we struggle when it is a one size fits all and we have that tyranny of distance that we have to cater for.

Mr WHITE: Overall we find that the feedback is that the subcontractor hourly rates that we have negotiated are substantially less than probably some of the rates that are paid in the city. There are other factors of freight and travel and other things that probably need to be taken into consideration.

Mr RYAN PARK: From what I read in your submission there does not seem to be consideration for regional workers or travel allowances for people to get out there. Is that fair to say?

Mr WHITE: Yes.

The CHAIR: I am assuming that is a glitch. That got clipped, did it not?

Mr RYAN PARK: Yes.

The CHAIR: Ryan, do you want to address outstanding issues?

Mr RYAN PARK: I just said does that mean that there is no real consideration or factor put into it for travel expenses for regional workers. Is that correct?

Mr RYDER: That is correct, yes.

Mr JUSTIN CLANCY: Thank you for your time. I have a question about your interaction with tenants. What sorts of feedback measures do you have in place? Secondly, with regard to being on-call 24/7 how do you achieve consistency between operators when they are interacting with the tenant at the call centre?

Mr RYDER: That is a two-part question, I believe. The first part is around tenant incidents or just tenant interactions?

Mr JUSTIN CLANCY: Just your feedback process. How are you getting a measure of whether or not you are being responsive and have met their need? Are you following up? Is there any policy for things like that?

Mr RYDER: There are two points. We do tenant surveys. We survey up to 2 per cent of the work orders or 40 per contract area every month. We get our finger on the pulse of how we are going through our own tenant surveys. Then the client does their own surveys as well. So LAHC perform their surveys and present those results to us also. We also inspect work. We have our site supervisors go out and do quality inspections on that work so that advice comes back to us and our subcontractors on how they are performing works.

Mr WHITE: We are fairly prescriptive that's how we get consistency.

Mr RYDER: A couple of things there. Within our database we have records of the call and what transpired so that at any time any call centre operator can pick up that work order and know where it is up to and what are the previous notes. So the changeover of staff then is not such an issue for us. It is a collective job that is attended by the call centre and we have implemented a scripting process that was provided to us by Land and Housing. The call centre operators use a very consistent approach to maintaining and taking a range of questions from tenants.

Mr JUSTIN CLANCY: In those areas, is there anywhere where you would see improvement—through LAHC or through the head contract model? Is there anything in particular you would highlight as an area of improvement?

Mr RYDER: Yes, look, when there is a tenant incident we fill in a form to advise LAHC and other parties of what transpired. It is a little bit about closing that loop—what happened following that. In some situations where we might recommend a two-person visit and then that will flow back through the master data so that we can see that. Other times we might not hear what the outcome was. So in terms of closing that loop I think that is probably the area of improvement to work towards.

Mr WHITE: The only other area that probably needs a little bit of tidying up in the contract for works the tenant calls in to the call centre—responsive works—some of the items do not fall within responsive tasks so there might be a request for maintenance that is not a safety matter or something will occur that was long-term damage to the property so therefore it gets pushed through to planned works and if it is minor in nature it may not be addressed in the short or long term. Most planned works will be larger items and grouped together items. So items can sit within that small range there for some time and delayed in action or not actioned at all.

The CHAIR: There is a lag and the sound has dropped off so I am not sure if there was further happening there. Can the Joss representatives still hear proceedings?

Mr RYDER: Yes, we can hear. Have you got us?

The CHAIR: Yes. I am going to ask a more general question about the AMS and some of the information we have had coming back from head contractors has referenced some complexity in management of the AMS. I would like your views on the AMS. Also, if you could go on to discuss in the one question this gain-pain share model. It is all part of the AMS, so if you could give me some insight into your views about that and whether or not there are any particular areas within that that should be addressed by Land and Housing Corporation?

Mr RYDER: It is a very administration heavy contract, especially in comparison to other contracts we have. There have been a lot of changes to the contract since the start of 2016, when we did start. Some of those changes are minor and others are very major. Some of them are quite extensive in terms of contractors. There is quite a lot of effort there to make these changes.

Mr WHITE: There are issues with the pain/gain share approach. I am very much in favour of the principle of it. I believe—and others also—that the detail of how the contract is administered lends itself to a little bit of interpretation. I know we have been hurt by the interpretation of some of that in the way it has applied. We have consistently delivered reduced cost to our responsive benchmark when compared with CPI increases. With the contract itself and with the formulas, the interpretation of LAHC has hurt Joss quite significantly.

The CHAIR: This is probably a last question from me. I am just drawing on your experience and whether or not you are willing to give a comment as to the funding model for the maintenance of public housing, including reactive and programmed maintenance upgrades. Do you believe that the funding model is adequate to maintain the status quo, let alone improve housing? Should we be going back and having a look at the underlying issue there, taking into account that the funds available generally are only derived from rental income back to Land and Housing Corporation? Do you have any views about the adequacy of the funding model?

Mr RYDER: I think from a stock perspective, with the budget that we are given at the moment, we can pretty much maintain those properties. But with the age and some of the tenant damage that then has its own challenges. With what we are given, we think we can maintain them. The one issue with doing that is the allocation of that work. We would like it to be a little bit more linear across the financial year. Because of where the budgets are towards the end of the financial year, there is a peak towards the end of the financial year, which puts a lot of strain on our subcontractors, our staff, on our site supervisors and also back on LAHC Programs staff as well. If we flatten that out a little bit and do a bit more throughout the year, it will help us engage with our subcontractors to keep their staff employed and keep them working with us so that towards the end of the financial year we are not asking them to ramp up when they have had to let temporary staff or their own employees go, so that we can just get a plan to maintain that work throughout the financial year.

The CHAIR: We are coming to the end of the period for questions, but I have a last one in relation to the compliance audit and verification teams. What is your experience with the compliance audit and verification teams and how often do they perform checks on your works? Do you encounter any current issues with the teams?

Mr RYDER: In the early days we had a lot of issues in terms of being the meat in the sandwich so we were being pressed for value for money. Compliance were trying to bring properties up to a certain standard and to bring those standards up costs money—there is a direct correlation—so we did have some issues there. We sometimes suffer on a low number of inspections where, if you are only doing 10 inspections and you fail one, that is 10 per cent—certainly, in the northern regions.

Mr WHITE: Yes, where they struggle to get the volumes of inspections up and do their bit there. With regard to auditing, early in the contract we were getting approximately two days a quarter. We would have someone come down to our regional offices and audit our processes. That has evolved to increase to up to about three or four days, which is fine—again, in our premises. In the last 12 to 18 months that has evolved to an online audit where, I suppose, for several weeks we were asked to supply information and the audit might be an online audit, which might span a week to a week and a half, and then there might be a couple of meetings to go through the findings. We are finding that the audits are dragging out over several weeks, which probably takes a lot of personnel time to keep up to compared to the earlier approach where we had three to four staff helping an auditor for a few days early on, reviewing the findings and then moving on to the next quarterly audit after that. That is quite evident.

The CHAIR: That will conclude this period of evidence. I wish to thank you for appearing before the Public Accounts Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

Mr RYDER: Yes.

The CHAIR: That concludes our taking of evidence from the Joss Group. Thank you for making the effort to make a submission and appear before us today.

(The witnesses withdrew.)

IAN RYLES, Project Director, Ventia, affirmed and examined

ANGELA WILLIAMS, General Manager, Community and Housing, Ventia, sworn and examined

RHYS BARKER, Executive General Manager, Social Infrastructure, Ventia, before the Committee via videoconference, affirmed and examined

The CHAIR: I welcome representatives from Ventia. Thank you for appearing before the Public Accounts Committee today. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr RYLES: Yes.

Ms WILLIAMS: Yes.

The CHAIR: That is affirmative. Do you have any questions about this information.

Mr RYLES: No.

Ms WILLIAMS: No.

The CHAIR: Would one of you care to make a very brief opening statement before the commencement of formal questions?

Mr BARKER: Thank you for the opportunity to appear before the Committee. Ventia has a long history of providing service excellence to clients and we have a strong relationship with the Land and Housing Corporation [LAHC] in particular that we are proud of. We have been providing services since 2002 and currently maintain over 65,000 homes through Newcastle and the Hunter, western Sydney as well as city Sydney and south Sydney. We receive on average 30,000 inbound calls a month, which generate approximately 20,000 work orders. Our team comprises approximately 250 staff. The maintenance work is completed by a team of 300 subcontract partners, with over 3,500 inducted trade staff. Importantly our staff and our subcontract staff work locally and they know the communities that tenants live in. We appreciate and understand that LAHC is seeking to achieve a number of aims under this contract, including high tenant satisfaction, quality outcomes to manage its asset base effectively and ensuring value for money.

Tenant satisfaction, which as reported in our key performance indicators [KPIs] is consistently above 95 per cent, is underpinned by our empathetic approach, including a new metric in our call centre to improve the quality of the initial engagement and diagnose the tenant requirements, and targeted recruitment, induction and training of staff and subcontractors. On the subcontractors, we will work extensively with local small- and medium-sized enterprise [SME] partners. We actively work with them to improve their businesses and support their growth. Seventy-two of our subcontractors have been with us for more than 10 years. The collaborative relationship with our contract partners is a key element in the delivery of quality services. The evidence of what we have achieved in developing our subcontractors is the fact that our quality KPIs have continued to improve year on year since the start of the contract and over the life of the contract we believe that we have developed industry capability and, importantly, improved safety outcomes through providing training and education.

We are committed to sustainability and inclusion and have developed relationships with a number of social enterprise organisations over the last eight years, often providing additional support to ensure social enterprises meet or exceed our contract requirements. The result is over \$6 million per annum spent with social enterprise. In addition, our team includes 60 staff identifying as Aboriginal and Torres Strait Islander and currently 77 people who are housing tenants. Our subcontractors also engage approximately 150 apprentices. To deliver the volume of work we do, our systems are highly automated. Our technology supports cost-effective and timely service delivery requirements, which benefit our subcontract partners and improve tenant satisfaction. Work is able to be managed via digital devices and maintenance data is collected and analysed to identify trends, allowing recommendations for proactive work.

Finally, we are committed to improving everything we do. We believe the most significant improvement for tenants in future contracts will come from ongoing investment in our digital solutions, including further app developments to improve direct communications with tenants that will drive a more tenant-centred approach to service delivery and continuing our ongoing focus on asset data and analytics to allow for LAHC to be able to make strategic decisions on where to invest their money to improve the quality of the assets. We appreciate the opportunity to answer questions and provide further information to members of the Committee. Thank you.

The CHAIR: Thank you for that quite comprehensive and yet brief introductory comment. I do appreciate that you touched on a number of matters that I would perhaps be looking to inquire into and other matters that would have been of interest as to the size of the organisation; the number of staff tradespeople, which

has been raised in questions; and the fact that there are 150 apprentices, I think you were saying, through your subcontractors and through those trades. You certainly gave a very positive response to the relationship between yourselves and the Land and Housing Corporation. I am using my own words there, but would that be correct? It is quite positive.

Mr BARKER: Yes, that would be correct.

The CHAIR: Do you have any engagement directly with the Department of Communities and Justice there. How is that relationship? Because there has been this change and separation of the responsibilities there. I would be pleased to hear some more about that.

Ms WILLIAMS: I might take that one, thanks, Mr Barker.

Mr BARKER: Yes, sure.

Ms WILLIAMS: We absolutely have a relationship with the Department of Communities and Justice. We have a very good relationship with LAHC, so at a more senior level we engage directly with LAHC and the relationship with DCJ is really at the operational interfaces. That is because that is where a lot of the tenant engagement is required. Our teams are working hand in glove with DCJ every day to deliver tenant outcomes, to escalate issues and to allow for access issues if they arise.

The CHAIR: Thank you for that. Obviously Ventia, and particularly through your former Broadspectrum company, has dealt with public housing for a considerable time.

Mr BARKER: Nineteen years.

The CHAIR: So you have good experience with a range of contract models and have seen changes that have been introduced—not just that AMS was introduced but then I understand some changes that were subsequently brought in during that period. What is your opinion about the AMS contract generally, as opposed to the others? Do you believe that it is the most efficient contract—not for the head contractors, not for Land and Housing Corporation and not for the subcontractors but for the end customer, the residential tenants? Will you talk to that and whether or not they are getting the absolute best out of the process as it is today?

Ms WILLIAMS: Absolutely.

Mr BARKER: Mr Ryles, perhaps you might be across this.

Mr RYLES: Sure, okay. We have been through three iterations of contracts with Land and Housing Corporation, as you mentioned, over 18 years. One of the first things that the AMS contract does do to improve the tenant experience is very much around the call centre. The AMS contract was the first time the call centres were actually outsourced and managed by head contractors. That link is now a lot closer with the tenant, who can contact the head contractor directly. The average speed of answer there is one of the benefits. They can get through for maintenance inquiries a lot quicker, and we have averaged that and met a KPI there of under three minutes throughout the life of the contract. In terms of speed of response to the tenants, we are very incentivised to make sure that we meet timeliness and quality deliverables to tenants. We do that very much by investing in our people within the call centre—making sure that they have the right training, making sure that they understand cultural sensitivities to meet the tenants' need and follow the outcomes-critical response matrix outcomes within the contract—and then through to our subcontractors, who use our systems such as real-time apps so they can receive orders and provide updates on the status of those orders to meet time frames.

The CHAIR: Thank you for that. I may come back to some questions around that issue a little later.

Mr RYLES: Sure.

Mr LEE EVANS: Thank you for joining us today; it is greatly appreciated. It is a staggering amount of properties you are looking after on a daily basis. What is the average age of the properties? How many properties in a day, a week or a month would you be called out to through the call centre?

Ms WILLIAMS: I might get my colleague Mr Ryles to talk to the specifics, but in respect of the average age of the portfolio I do not have that detail at hand. What I can tell you is that the portfolio we look after covers every type of home within the LAHC portfolio. We have the dense high-rise buildings here in the City of Sydney, we have two-storey walk-ups, we have cottages—we have the full range of the LAHC portfolio within our footprint.

Mr RYLES: To add to that in terms of numbers there, per month we take around about 40,000 calls or inquiries. That translates into around about 30,000 orders per month—so visits to homes whether that is responsive urgent call-outs for our newer condition assessments, planned works or servicing works.

Mr JUSTIN CLANCY: Thanks for your information and for your attendance. Mr Barker, you mentioned that the area of improvement is around data analytics and app-based software and I want to drill down on that a little. Is that currently being driven by Land and Housing Corporation or is that coming from within your organisation? If it is coming from within your organisation, is there a benefit to collaborating with other head contractors so that there is consistency in app-based software and/or in the data analytics that you are using?

Mr BARKER: I would say ultimately our developments in that digital space are partially driven by the LAHC and contract model and partially of our own volition. In terms of the force that comes from the contract model I would say we are incentivised to try to reduce the amount of responsive maintenance costs and increase the amount of planned maintenance costs, which ultimately improve the quality of the asset. That then drives us to look for innovations in our systems to be able to make better recommendations, et cetera. Whilst I would characterise them as asset data or asset management developments, we have done them ourselves. We have certainly been pushed that way by the contract model, and I think that is quite effective and we will continue to work in that area. Effectively that is really about analysing breakdown maintenance, tenant issues, looking for trends and being able to advise LAHC how best to spend their money. That is how I would characterise those.

Development is not a static thing for us. We continue to try to refine our ability to focus on those hotspots and things like that. On the more tenant-centric one, I would say we have developed this more latterly than the asset management piece and increasingly it is clear to us that getting the information directly to the tenant about the status of their works or the status of their asset improves tenant satisfaction and therefore effectively allows the contract to meet those obligations. I think those developments—there are more in the future simply because I think over the life of this contract the world has become more app savvy, if you like. People are more used to getting data and transacting data that way. If we go back even five years to the start of our contract, there was no way that was the case. It was more likely to be an SMS. Now with things like the Service NSW app, which as a Victorian I look at with jealousy—great uptake and great use—there is a real opportunity to engage with tenants more in that space.

To the core part of your question: Would there be benefit in commonality in those areas? I think some of that is a function of the mobility of tenants. If they are moving from one area to another and experience different processes, I think there would be some benefit there. But to be honest, I cannot speak to the mobility of tenants. I think if they are in a single region and they are dealing with one-provider systems, that probably gives them a satisfactory outcome. But if they are moving between providers, I could imagine a common approach would be beneficial. From LAHC's perspective, provided they are getting the same outcomes and the same data to them from contractor systems, I would imagine that satisfies their needs. Sorry, I do not have a definitive position on that. I think it is a matter of mobility of tenants, if I am honest.

Mr JUSTIN CLANCY: Thanks, Mr Barker. To your point, as you said, so long as LAHC is getting the outcomes and data—although I would perhaps question that—I can understand as a head contractor it might offer a little competitive advantage if you have a good app space. That gives something; there is a level of IP around that. But at the same time, it also sounds like we are potentially replicating similar systems across each of the head contractors.

The CHAIR: Thank you for that. I am just looking to see whether or not Mrs Davies or Mr Park are still wishing to ask questions.

Mr RYAN PARK: I am okay for this round.

The CHAIR: Okay, thank you. Mrs Davies?

Mrs TANYA DAVIES: I have a question.

The CHAIR: Sure.

Mrs TANYA DAVIES: Thank you, Chair. I thank our witnesses for their attendance at the Committee hearing. Just in relation to how you and the company ensure your contractors, subcontractors and their Working With Children check, criminal history, licences et cetera are up to date and are maintained current during the course of your contracts, particularly direct engagement with tenants in their homes et cetera, how do you ensure that their licences are always valid and current?

Mr RYLES: I will take that question, if that is okay. We have a rigorous subcontractor management process that begins way before subcontractors actually get to site. During the onboarding there is a number of due diligence checks that are performed. That includes their standard company checks, their licences and insurances and so on. All of the staff or trades that are coming on board are inducted. They go through our own induction system there and they submit all of their, again, licences, qualifications and so on. We have a team that manages those throughout the life of the contract. That is backed up by our field supervisors who would also do checks on

trades who are present on sites. So they will check IDs, for example. The IDs contain details of their licences and they make sure that they are current.

We are very fortunate to have a long-established subcontractor base, as Mr Barker mentioned at the start. Many of our subcontractors have been with us for over 10 years so they certainly understand the vulnerabilities around tenants and the responsibility of going into people's homes. Many of them are well known to tenants and have worked in areas for a long time so they are well known to us.

Mrs TANYA DAVIES: Great. Thank you, Chair.

The CHAIR: Thank you for that. Can I just go back to the issue of the actual costings and how the payment to contractors is carried out? There have been some questions about the value or the benefit of a schedule of rates—an SOR—as opposed to using actuals on hours and material costs. How does Ventia approach that? Are you satisfied with the situation as it is now?

Mr RYLES: Yes, you are right. Under the MOPOA, the previous contract, it was a strict schedule of rates system and the LAHC used to schedule the rates. We have developed a similar schedule of rates based on our history and market testing as well. So we use a bit of a hybrid: We use schedule of rates for working the mains so that work can go ahead quickly and then we can pull together scopes and quotes. We have agreed rates with our subcontractors in place that take into account location, regionality and so on. We also have a variation process in place so if there is anything that goes outside of those schedule of rates—if there are any latent conditions onsite or something out of the normal—they can call in or talk with one of our people to go through and make an assessment of that and agree on any variation.

The CHAIR: Okay. I will look to my colleagues to see if they have any other questions. I have a broad question if anyone wants to follow up on it. Can I just say, Mr Barker, I conclude from your opening comments that probably one of the most positive submissions and attendances before the Committee on this, including from the time I sat on the previous inquiry into public housing and maintenance contracts, the attitude from Ventia that I am picking up is that you are very satisfied with the relationship with Land and Housing Corporation and Communities and Justice, but do you identify any significant areas where there could be improvement in the process? With all due respect—and I will just give a little bit of a commentary here—what I am hearing from yourselves is quite a streamlined and a well-established relationship between those major entities, but as members of the Public Accounts Committee but more so as local members of Parliament with electorates, we often get a significantly different picture from tenants.

I imagine that you are not so isolated from tenant issues that you believe everything is rosy all the time. Without trying to argue what you are saying to us and taking it on board, can you identify any areas where there could be further improvements to the process? I know you are going to be speaking from your own experience and your own areas where you have contract responsibility but we are considering this across the State. So if you have any advice for the Public Accounts Committee, it would be appreciated. If you could talk to that, as to whether or not there are any other areas we should be looking at and where there could be improvements.

Ms WILLIAMS: I might jump in and talk to customer satisfaction. Obviously, we provide an inordinate amount of services to tenants every month and we take great pride in delivering those services. So where we do get a complaint, whether or not that is from the tenant directly or from the local member or through whatever process it comes through, we have a very structured complaints escalation process to deal with that and we take those very seriously. Over the life of the contract in terms of work order volume the number of complaints we have received through the AMS contract is 0.74 per cent relative to total work orders. That kind of puts into perspective a level of quantum.

But I sit here today very much assuring the Committee that every complaint we do have that comes through is treated with the respect it deserves and we look at each of those complaints through a lens of continuous improvement. So we are constantly looking at how we can refine our service delivery, how we can better manage our subcontractors, how we can deliver better communication to tenants to be able to reduce that number even further. Perhaps Mr Barker would like to add something?

Mr BARKER: I think I have got my stand-out. One of our beliefs is improving that tenant agency through more direct communications and by engaging more directly with the tenant will facilitate better outcomes and higher levels of satisfaction and less complaints. I think it is important to remember that in delivering that we cannot be sacrificing the safety and management of those subcontract works. But, you know, I think there are definitely areas to improve the tenant agency, direct communication and direct feedback; otherwise, I endorse Ms Williams' comments, obviously. We certainly do get complaints and we handle them to the best of our ability with clear processes, procedures and resolutions.

The CHAIR: Okay. I have a question about the contract construction and the apportionment of risk and how that is managed. We are hearing that the risk has been significantly transferred onto the head contractors. I would like to know your view about that and noting, of course, that Ventia is one of the bigger players and the larger the player, I imagine, the greater the capacity to manage to shift risk over a period. But certainly in relation to any changes that might be forthcoming, I would like to know your view about how the risk for maintenance should be apportioned from the Government, from the Land and Housing Corporation and through to head contractors.

Ms WILLIAMS: In respect of the risk profile that there is at the moment, it is similar to other contracts that we have with various governments around Australia or the Commonwealth. In terms of that risk transfer through a KPI abatement performance regime, that is very common. We have 22 KPIs that we are reported on each month and each quarter relating to timeliness, quality, health and safety, governance and planned works—so not dissimilar, like I said, to many other contracts that we have. In terms of management of the risk, Mr Barker and I think Mr Ryles mentioned that we do have a lot of systems and processes to help manage that risk and make sure that we have got the right level of resources in the team to be able to manage the risk but, equally, the right number of resources out on the ground to deliver services within that risk profile. We take that very seriously and run our own internal risk workshops and work on how we can better improve our processes to continually reduce the delivery risk both to ourselves, to Land and Housing but, most importantly, to the tenants at the end of the services.

As many people have mentioned, there was the pain-gain mechanism within the contract. Obviously all the providers went through the procurement process with Land and Housing, of which that was a part. We respect and recognise that that instrument within the contract was a way to incentivise contractors to reduce the responsive costs to meet the aim of Land and Housing to move funds into planned works. We welcome the removal of pain-gain. It did require a lot of work to manage, but equally we understood that heading into the AMS contract and worked very hard to deliver processes and systems to be able to reduce that cost so that we were not as affected by the pain mechanism.

The CHAIR: I appreciate your answer. That brings to a conclusion this period of questioning. I thank the witnesses for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

Ms WILLIAMS: Of course, yes.

(The witnesses withdrew.)

PAUL VEVERS, Deputy Secretary, Housing, Disability and District Services and Department Lead, Public Housing, Department of Communities and Justice, sworn and examined

LANCE CARDEN, Director, Customer Service and Business Improvement, Department of Communities and Justice, affirmed and examined

The CHAIR: I welcome representatives from Communities and Justice. Thank you for appearing before the Public Accounts Committee today. Would one of you like to make a brief opening statement?

Mr VEVERS: If I can make literally a two-minute statement to say what is the role of the Department of Communities and Justice [DCJ] in relation to maintenance, we have got five roles in relation to maintenance. The first is that we provide the facilities for tenants to be able to request maintenance. That is an online pictorial system, so the tenant does not need to speak English. They can look at a picture of a house. If the tap is leaking, they click on the room, click on the sink, click on the tap, and they can request maintenance for simple items in that way. We also provide a system where a tenant calls a single telephone number no matter where they live in the State, and then if they enter their postcode they get put through to the right contractor. We also have provision in our offices that a tenant can come in and use the telephone in our offices.

Secondly, we carry out a customer satisfaction survey each month on behalf of the Land and Housing Corporation. We survey 1,000 tenants who have had maintenance undertaken each month. Thirdly, we educate tenants about maintenance, how they can request it and what their own responsibilities are. We do that at sign-up and we do it through a magazine that comes out twice a year called *Your Home*. We do it through client service visits and we have a number of videos on YouTube that are quite popular for tenants to look at. Fourthly, we act as a liaison point between tenants and the Land and Housing Corporation when things do not happen as the tenant expects or as they should have happened. We are also a conduit for formal complaints to be made to DCJ, and we then liaise with the Land and Housing Corporation in dealing with those. Finally, we work with the Land and Housing Corporation where a tenant needs a modification of their home because of disability. That was the end of what I wanted to say, just to describe our role.

The CHAIR: I will commence by referencing the comments from the NSW Ombudsman's submission, which noted:

The separation of LAHC and DCJ, combined with the introduction of more community housing providers and the outsourcing of asset maintenance services, has the potential to cause further confusion among tenants and advocates about the maintenance process, which is already complex, as well as to introduce further inefficiencies and delays in service provision.

What is the relationship and communication between NSW Land and Housing Corporation and the Department of Communities and Justice and the contractors?

Mr VEVERS: We have communication at all levels of the organisation. The CEO of the Land and Housing Corporation and I meet regularly. We have a formal meeting. We also talk on the phone. There would not be a week goes past that Mick Cassel and I do not have a conversation. We then have tiered conversations right through to our local client service teams. So communication is absolutely essential. I do not necessarily agree with the Ombudsman that the separation of Land and Housing Corporation and DCJ has caused problems. The Land and Housing Corporation was somewhat separate even when it fell within DCJ. It is a separate business, and I think with good reason. But the communication is hugely important. It is especially important in relation to modifications for people with disabilities. I think the organisational barriers should not matter in this situation as long as we are communicating clearly.

The CHAIR: I appreciate you actually went to the nub of some of the questions that I would have been raising there. The Committee had received evidence which suggested that there has been a breakdown in communication between DCJ and Land and Housing Corporation, particularly in complaints handling. How would you respond to that? I note that you have been talking about high level there about that communication with Mr Cassel, and I am sure it is at other levels there as well. But down to this actual level of complaints handling further down the chain, would you agree that there are problems there? If so, are they being addressed?

Mr VEVERS: I think communication needs continual oversight. I think it is one of those issues that if, as a senior manager, you blink, it can go awry. I do see that sometimes, particularly in relation to modifications for people with disabilities, where it may take some time for something to happen and we have to really encourage our staff—that is my staff—to stay in touch with clients even if not much is happening because our clients otherwise think we do not see it as important when it is very important to them. So we have got some current training in place to keep reinforcing at our interface with tenants the importance of communication. But I just do not see that the machinery of government changes have made that any different.

If I can give a contrast, the relationship with Land and Housing Corporation is massively important, but it is more of a transactional and problem-solving relationship. It is, for example, different to the relationship that we have with Community Services within DCJ where housing is utterly fundamental at the most basic level. Homelessness can be a trigger for children to come into out-of-home care. Children cannot be reintegrated to their families if they do not have a home. So at a very important policy level, that relationship matters greatly. The relationship with the Land and Housing Corporation is different to that because it is about solving individual problems in relation to maintenance, and that can be done across any organisational boundary. Do we fall down on it sometimes? Yes, we do. I do know that local members get a lot of representations about that, and I think so much of it is about communication. I do want to assure the Committee we absolutely understand and get the importance of that and it is a continuous priority for us to reinforce that with our staff.

Mr LEE EVANS: Thank you very much for joining us today. We have heard evidence of the reporting back to the departments and the impost on those companies to keep that information flowing and the use of their resources to gather the information that you require. Is there some way we can streamline the reporting back to you? I know it is very important that you need to know that KPIs are being met, but the impost on the companies seems to be a little bit disproportional as far as what their resources are for doing their job, which is doing the repairs, and doing the reporting. Is there any way we could streamline that?

Mr VEVERS: Mainly, the reporting for that goes to the Land and Housing Corporation rather than DCJ, but there would be some reporting that is relevant to us. I guess, in return, I would say to those companies—and we should say to them—is there anything that we require you to collect that you would not collect for running your own business? Then we should look at that. But I think the critical things that we want to know—which is, did you turn up to do the maintenance?—I imagine they would need to collect that themselves. We absolutely can have a conversation with Land and Housing Corporation and contractors and ask the question, "Are we collecting something that you do not need to collect?" and then I think we should look at it. But, from what I see, if I was running that business, I would want to know all the things that we and Land and Housing Corporation ask them anyway.

Mr RYAN PARK: One of the frustrations that comes up to me—I am sure for other local members as well—is the time it takes for untenanted houses or properties, should I say, to get back into the market and into the mix. Are you having discussions with Land and Housing about getting that done faster? Because your waiting time continues to grow and we all know that there are properties in our areas that, for very frequent maintenance structural problems, are not back on into the mix to be tenanted. Is that something that you are having progress and having discussions with? We all understand we need more stock, but we have also got existing stock that is not being used.

Mr VEVERS: Yes, and I would be the first to say that it takes longer than it should to re-let properties. Part of that is actually the Department of Communities and Justice's own procedures and we are having a very good look at that. We, for example, offer properties sequentially. So we offer a property; if an applicant is not going to accept it, we move to the next person. You can lose a week every time you offer a property. We are going to run, starting next month, a small pilot project in the inner city of Sydney area where we are going to offer properties simultaneously to multiple applicants. If more than one applicant wants to take that property, whoever is highest on the priority list would get it. We want to see how that works, does that cause confusion to people, but we think that as a pilot may help us reduce the amount of time we take in an offer process.

Some of our less popular properties can have five, six or seven offers and you can lose five, six or seven weeks in the process of making those offers sequentially. It is also a key performance indicator that we track every single week, together with the Land and Housing Corporation, to look at ways in which we can improve it, and a lot of it is really practical stuff. One of the things that we do—and I know it sounds really obvious—is we were losing a couple of days in re-cutting keys for properties. Now we have a key lockbox at vacant properties—a key safe at a vacant property, so that can help shave a couple of days off the time it takes, but it is too long. We need to continually focus on it, and I am hopeful that this pilot will, in a very practical way, help shave many days on average off our process for re-letting.

Mr RYAN PARK: Because you would think that other jurisdictions, whether here or around the globe, have got a system whereby there is a faster turnaround time. That is all. I would not have thought we would have needed to reinvent the wheel. I understand you are looking at trials and that those things are good, but I know in my area sometimes months go by and that property has not been tenanted.

Mr VEVERS: There obviously are properties which have been damaged which will take longer. In terms of other jurisdictions, New South Wales comes out well. For many years we had the highest levels of occupancy. One other State is now doing better than us, but using the Productivity Commission's comparisons,

our occupancy levels are amongst the highest in Australia. But I do not want that to sound in any way complacent because it is a process that we are scrutinising constantly and trying to maintain a sense of urgency about.

Mr RYAN PARK: Thank you, Chair.

The CHAIR: Just looking to Mr Clancy and to Mrs Davies. Are there questions at this stage?

Mrs TANYA DAVIES: Mr Chair, I have one.

The CHAIR: Please proceed.

Mrs TANYA DAVIES: Thanks, Mr Chair. Gentlemen, thanks for your time today. It is good to hear that you are considering a pilot where you are offering the property to multiple individuals at the one time. Have you given consideration to what other internal procedures you can do concurrently, again to streamline the wait time to re-let properties?

Mr VEVERS: Yes. We are looking also at trying to speed up the process of getting answers from tenants as to whether they will accept a property or not. We currently do allow a fair bit of time for tenants and we have always insisted on them putting their reasons in writing. That actually can take a fair bit of time, so we are thinking that is possibly a bit bureaucratic because sometimes a tenant comes back into the office with the keys and says, "This property just won't suit me" for this reason and that reason. So we are working to change our procedures, that we can just accept it on a verbal say-so without giving them a form that they then have to complete, or quite often do not complete, and then we chase up. So we are trying to get rid of some of our bureaucratic delays in the process.

Mrs TANYA DAVIES: Mr Chair, again through you, have you looked at how the Service NSW app could be used to streamline these internal processes, pushing out information to prospective tenants and then they can either look at it online or go visit it and respond by the app yes or no, or anything to that end, using the Service NSW app?

Mr VEVERS: If I might hand that question to my colleague Lance Carden?

Mr CARDEN: Yes, we are. We actually have an app ourselves called the My Housing app, which about 60,000 people have downloaded to date. It is an app that provides services and information features for both tenants and applicants. One of the things that we want to do, and we are talking to Service NSW about, is how we can integrate the credentials to make it easier for people to log in to the Service NSW app and then into our app as well. We are also looking at ways in which we can improve the information we have on that app for our applicants, and that includes the choice-based letting pilot that Mr Vevers talked about. If that works well there is certainly an opportunity for us to leverage the technology of the app to make that more available, widespread across the State. But at the moment the app provides a range of different features for applicants to get information about other housing options for them, not just for public housing.

Mrs TANYA DAVIES: Thank you.

The CHAIR: Mr Clancy?

Mr JUSTIN CLANCY: Thanks, Chair. Thanks, gentlemen. This is perhaps more a comment than a question. Thanks for your comments around communication between DCJ and LAHC. As you mentioned, as local members we do anecdotally tend to hear of, I suppose, silos operating and I have been sitting here trying to think through some solutions base in operations and processes, because the endeavour that you are showing at the top anecdotally I do not know whether it has been seen throughout your organisation in that regard. I do not know what feedback you are getting from within your own DCJ team as to what is happening at the ground level. I do not know whether, again, from our space, knowing where things are from a gateway perspective where a digital inquiry might be up to, but I certainly reiterate as local members the continuing concern that we hear or the perception around the vision of services and the impact that that may be having. Thank you.

Mr VEVERS: Thank you for your comments. I do not say we always agree at the grassroots level with Land and Housing Corporation colleagues. They rightly bring a view about the asset, which we do not have because we do not have that level of expertise, and there will be occasions when, from an asset perspective, it is not viable or right to undertake repairs that the tenant wants and our staff will naturally tend to act somewhat as an advocate for the tenant, and we would encourage that to be the case. So I definitely am not saying we always agree, but we obviously do respect Land and Housing Corporation's decisions in relation to the asset. But do I think we have got to continuously reinforce this with our tenants? Yes. If I can give you an example, I went to give a face-to-face apology to one of our tenants where we had badly stuffed up in terms of carrying out disability modifications for her. I asked her if she would be willing to let us film that so that I could use that as a staff education tool.

She was a really wonderful lady, let us film it, and I am about to send it out to all of our staff so that we can understand when our communication falls down. What she actually said to me was, "I just felt so undervalued. I felt you didn't appreciate the importance of what we were doing because you never kept in touch with me." That is just an example of how we want to constantly reinforce with our staff that keeping in touch and communicating, even when there is not much news or it is bad news, we need to do it. We still have a way to go and I just want you to know how important we know that is.

Mr CARDEN: I might just add something there around the comments around the value of the app. I think, if I understood you correctly, you were talking about how to manage the information to tenants around what is happening with repairs. Certainly a feature such as a repair tracker on an app would be useful and it is something that I have been talking to Land and Housing Corporation about for a little while now. So it is certainly on our road map in the future. There are some contract and system issues that prevent us from doing it right now, but the technology would allow us to do it once the opportunity is there.

Mr JUSTIN CLANCY: Thank you. Thanks, Chair.

The CHAIR: We are running out of time, but if I can just ask some questions, I guess, of opinion. Mr Vevers, I understand you do have opinions on a number of things, but you also have experience in the provision of social housing. You just used an example there where you fronted up and apologised to a person over the inadequacy or a stuff-up of a repair, and that woman said she felt undervalued. I guess that many people who live in some of our public housing stock probably do feel undervalued just because of the quality of the tenancy that they are in.

We are talking here about maintenance, about timing and adequate maintenance, but we are really, if I can use a metaphor, trying to put lipstick on a pig—they are just not particularly able to be made into a modern tenancy that can provide dignity to everybody. Certainly they might keep the water out—hopefully—if maintenance has been done in a timely manner, but they do not necessarily offer anything above and beyond that. Mr Vevers, you delivered a large number of homes under a stimulus package that was produced in 2010.

Mr VEVERS: Yes.

The CHAIR: Do you believe that the investment we have in there or the amount of money that is available to do reactive or scheduled maintenance on the existing housing stock is sufficient or adequate to look after public housing tenants to the standard that we should be as a large State and a caring Government?

Mr VEVERS: It is difficult for an official to answer that question. What I can say—and I think all of my colleagues around Australia would say the same—is we could make excellent use of additional funds. We really could make good use of that. But the decision on how much funds to allocate is obviously a matter for Government, with competing interests both in terms of maintenance and new build. Were, for example, the Commonwealth to invest in the way that it did in 2010, we would jump for joy at having that sort of investment. But I can only comment that far.

The CHAIR: I understand the difficulty in you going further than that but you certainly would have the ability to mobilise, do a lot more in this space and improve the existing housing stock to a much better standard and also provide more housing stock if those funds were available.

Mr VEVERS: Yes. It would be the Land and Housing Corporation that would undertake that work. But I do not have the slightest doubt about their ability to ramp up very significantly, as you mention, as we did in the past.

The CHAIR: We will have to ask the Land and Housing Corporation that question. I appreciate the fact that it falls within their domain of responsibility. I thank you, Mr Vevers and Mr Carden, for your appearance before the Public Accounts Committee. The Committee may wish to send you additional questions in writing. Your replies will form part of your evidence and be made public. Would you be happy to provide a written reply to any further question within 14 days?

Mr VEVERS: Yes, of course.

Mr CARDEN: No problem.

The CHAIR: Thank you very much for your attendance and evidence.

(The witnesses withdrew.)

MICHAEL CASSEL, Chief Executive, NSW Land and Housing Corporation, sworn and examined

MARK BYRNE, Head of Portfolio Management, Assets, and Executive Director, Maintenance, NSW Land and Housing Corporation, sworn and examined

REBECCA KRUMINS, Director, Stakeholder Engagement and Programs, NSW Land and Housing Corporation, sworn and examined

JIM HRISTOVSKI, Director, Operational Policy and Standards, NSW Land and Housing Corporation, sworn and examined

CATRINA KIM, Regional Portfolio Director, South East, NSW Land and Housing Corporation, sworn and examined

The CHAIR: I welcome the representatives from the NSW Land and Housing Corporation. Thank you for appearing before the Public Accounts Committee. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr CASSEL: Yes.

The CHAIR: Do you have any questions about that information?

Mr BYRNE: No.

The CHAIR: Would one of you care to make a brief opening statement?

Mr BYRNE: Yes, having made one at the previous hearing, I suppose I would probably like to just give a preamble into some of the observed conversations from today. I want to be clear that when we talk about value for money we talk about the provision of work at the best possible price considering the benefit while meeting the contractual requirements, particularly with regard to fitness for purpose, quality and timely completion. It is not just about the cheapest price at no cost in terms of quality and timeliness. Certainly, I want to talk about the pain-gain share arrangement that has come up this morning and talk to that. The contractors would be remiss if they did not make positive comments about acquiring greater planned maintenance, because their service fee for responsive is set based upon their tender and the mechanisms of the contract but their planned works is determined by a percentage value of the works to be provided. So, under the contract, it is an incentive for them to push work into planned works.

An example is asbestos—10 square metres. You have got to have a position somewhere to determine what work is responsive, which will be done a lot quicker than planned works. It is 10 metres, after research of former maintenance work determined that was the sweet spot in terms of saying, "This is what would happen most frequently, to this measure, that would mean that we should do it as responsive and in a timely manner". The notion of pushing 9.8 into planned works—planned works is going to take longer to perform and be to the detriment of the tenants. So the assertion that pushing it into planned works was a more satisfactory outcome for tenants is not something that is agreed upon or accepted by myself in this space. We continue to look at continuous improvement in what we do. Some of the contractors have acknowledged that. We continue to talk about how we can extract more and more from the contract. At the last hearing we talked about how we have made variations to the contract that did not require repricing or a retendering of the contract for the extension period.

These were, by and large, agreed upon in consultation with the four contractors that we are going forward with. They directly respond to improvements to the business outcomes around maintenance. We commend the negotiation process with those contractors. It was robust. It was based on audit reviews of the contractors for the previous two years. Equally, the fifth contractor was audited on the same basis and we had had ongoing conversations about the quality of their work and their performance. I certainly, if need be, can provide further information in terms of some of the comments made by that contractor. But I suppose when you are not offered an extension you have a different view to the four that were extended. I do not think I have anything more to add at this stage, Chair. I am happy for questions.

The CHAIR: Thank you for that. Obviously, the questions are drawn from submissions that have been made. There are submissions across a number of the head contractors as well as from other stakeholders in the space. But evidence to the Committee has suggested that better coordination and communication between yourselves, DPIE, the Department of Communities and Justice and other stakeholders engaged in the AMS contract would enable more efficient use of contractor resources. So what coordination arrangements are currently in place and will these be improved under the extended contract?

Mr BYRNE: I would recount the fact that we have not really moved away—apart from the machinery of government and under different ministries. We still operate as tenancy management and assets bound by the Housing Act and informed by exchange guidelines and other formal and informal meetings that encourage us to work together to get the same values out of our performance, which is to put roofs over people's heads and house the most vulnerable of our community together. Now when you are talking about all the moving parts in terms of just work orders and tenancies and the cohort becoming more and more complex in their needs as we go forward, with a greater allocation to priority needs tenants, there is a lot of opportunity or increasing opportunity if the communication fails. That can be human error or it can be systems—it can be any number of aspects. It can be the tenant's actual information as provided at any given time. But all of those moving parts do, at times, create issues for us in terms of communication. We work very hard in that space with DCJ and with our contractors, and with advocates, the tenants' union and other groups, to try and resolve those particular issues.

In respect of continuous improvement, we currently have a taskforce looking at disability modifications—the policy, processes and practices—because we want to improve in that area. We have done a new distribution of contractor scripting because we understand that there is confusion and communication concerns around how disability modifications are completed, and also planned works. Because responsive is quite clear in terms of the time frames while planned works is non-urgent works that we will schedule three to six months in advance. We do that to get the value for money. So we have done contractor scripting, which the contractors are saying is improving that interaction with tenants. It will take a little while to see whether it is improving the outcome for tenants themselves. We continue to review those matters where we get complaints or feedback that suggests there has been a service failure or gap and look at that. We unpack those case studies to determine if that is a failure of policy, practice or process and where we can improve that going forward for the benefit of all future maintenance inquiries.

So there are a number of ways that we are working with those stakeholders. There is a level of consultation. Can it be better? It always can be better and we are striving to do that through always reviewing and trying to drive continuous improvement, which will be part of what we do in lessons learnt for the next iteration of the maintenance contract. Of course, technology and those sorts of advancements come into play. We start to look, as we move into the future, more and more at artificial intelligence and other services that can be app-related and technology based so that we can do things better that are at the convenience of tenants. But, and I say but because I am always cognisant of the aging population and those throughout the spectrum of our tenancies that are not wedded to the new technology, that are not desirable of moving into that space and yet we still need to provide an effective service for them too.

The CHAIR: Okay. From the submissions and the evidence we have heard, there is obviously a significant difference in the profile of the stock that the different head contractors have. I am going to reference Mr Clancy as being more regional, but Mr Park, Mrs Davies and I certainly have a different profile of housing stock in our areas. The question is: Is sufficient flexibility built into the contracts for the respective head contractors to accommodate the tyranny of distance issues that challenge some of those more regional areas and those contracts? How is that managed? Because we have heard from some head contractors who are either satisfied or very happy with the situation, but others clearly are not and it may well be to do with the profile of the housing stock that they have.

Mr BYRNE: I will ask Ms Krumins to answer this one in a moment. I suppose it has got to be remembered that it is a commercial contract done under the procurement arrangements of government. We provided a lot of industry sessions before the actual contract went to tender to explain the contract and to explain what they needed to think about in their tendering, without telling them all of their commercial considerations. They were given an indication of the contract areas and the portfolio numbers. So they were informed when they tendered as to what the requirements were and what the geographical split would be in terms of the contracts that they would be tendering for. We expect that when they were tendering they had a genuine interest in securing that particular geographical area; rural and remote or otherwise. So having made that tender at the pricing that they had, we would expect that they would have made considerations. But I will hand over to Ms Krumins, who can answer that in more detail.

Ms KRUMINS: Sure, thank you. At the time of tender, the contractors were given a raft of data which included the list of properties which also had the property age with that data. The contractors were aware at time of tender of the age of the portfolio for which they were submitting a tender. In particular with regards to how they were going to deliver that, the responsive benchmark and the percentage service fee for planned works—so the two major types of work, aside from servicing work, that we do under the contract—the contractors were able to use that data that we provided, if they chose, to submit those benchmarks. So, for example, their responsive benchmark, which is a dollar figure for which they said that they would try to deliver the work to—it is kind of like a budget but it is more flexible so that the pain-gain mechanism was associated with that—that was to include all the work that they anticipated would need to be done to that portfolio. The data included historical responsive

works that we had provided to those properties as well—four years' worth. So contractors had a rough idea of the kind of work that we do, and the volume of work that we would need to do under those properties, given the age.

The benchmarks that they were tendering were to include—and, we anticipated, do include—both the amount of work that would need to be done in each of those properties, considering the age and also considering the distance. We have Joss and O'Donnell & Hanlon in particular that are our most regional contractors. They are based in those areas so they know what the distance is like. They know where they can get subcontractors from and the challenges that they would have with some subcontractors because they already work in those areas. They worked in those areas before they started this contract. We anticipated that they would include that information and the costs of doing that work in those benchmarks, and the same with their planned percentages as well. They get a percentage management fee over and above the actual cost of the work for planned work and that was to include any of those administrative costs or the travel, but bearing in mind, of course, that the work that we pay or the amount that we pay the subcontractors is the actual cost of the subcontractors.

So there is that flexibility that allows the head contractors to have the subcontractors include the costs that they are actually going to incur to do the work, rather than having a fixed cost like a schedule of rates would. So it allows some flexibility. If I can give you an example, say there was a hospital built in Orange. It allows the contractors to say, "It is going to cost us a little bit more to do this work in Orange." The subcontractors would actually put in their costs to do that work, given the extra costs for labour at the time. It allows that flexibility. The contract is quite flexible in that regard. But we anticipated that particularly the age and the travel costs, given the volume of work for the properties, was included in the benchmarks and the percentages the contractors submitted.

The CHAIR: In relation to the Orange example—if I have not missed something—you are talking about the take-up of contractors or subcontractors on other jobs? The market for contractors out there is now quite extraordinary. If somebody wants to do some work on their private property, they will struggle to get a contractor now. It is sort of a contractors' market, if you like, which must be putting pressure on head contractors to be able to maintain and keep contractors in a timely manner. One of the only mechanisms they would have would be with the dollar value they can offer. Do they have the capacity and flexibility to be able to do that through these variations in the market?

Mr BYRNE: One thing we have to premise this on is that they need to come and talk to us. They have been invited right through the contract to talk about it. Ms Krumins just mentioned that if that were happening they could come forward to us and discuss the local implications for the cost pressures on delivering the maintenance. We do not want a maintenance contractor to go broke; we do not want them to gouge us either. But a good viable contractor delivers good quality work and continues to be sustainable throughout the length of the contract. We want them to talk to us; that is the premise. If they do not come and talk to us and they just assume the absorbing of that, it is going to be difficult for us to deal with that. You might say people may be cognisant of that because we can hear about people moving to the bush and costs going up. We have to deal in this context all the time with mining towns like Cobar. When the mines are on, there will be an upward push on trade costs. When they are off, they will be clambering for us. We have got to strike a balance with contractors about having the discussion when it is on and when it pushes up, but when it relaxes, equally, they have got to be prepared to accept that prices should be reduced. There are mechanisms for it.

Ms KRUMINS: Yes. As well as the negotiation process as part of the quoting and planned work process, one of the reasons that has been built into the contract is for those particular local pressures so that the contractors can come to us. I note that some of the contractors this morning in their evidence talked about the schedule of rates and negotiation process, and having to provide additional quotations for the work that they are doing for planned work, but that is to allow some flexibility and to allow that conversation that Mr Byrne is talking about. There is a negotiation process built into the contract so the contractors can actually come to us and say, "We think your office estimate is a little bit low," because they are building a hospital in Orange. So it allows them to provide evidence to us that the costs that they are getting from their subcontractors are a little bit higher than previously, so that we can make any adjustments that their evidence demonstrates that we can reasonably make. There is quite a bit of flexibility in the contract for those pricing models.

Mr BYRNE: The office estimates are done independently to the business, by business accredited experts utilising the current market trends and market price availability. Of course, they are a static point in time so that is why we have the mechanism in the scope and quote process for that to be adjusted upon review.

The CHAIR: Mr Byrne, you have indicated that you have been listening to evidence this morning, part of which goes to flexibility. This morning reference was made to what would otherwise be a relatively minor improvement for an elderly person. I think it was a handrail to a toilet. Prima facie you would have to say that that was an extraordinary waste of time and money to argue over that one particular issue. Was there more to it with

a series of events, instances or examples? If such an example were challenged to that level each time, the administrative overheads would be rather extraordinary.

Mr BYRNE: What I would say in response to that is that across 550,000 work orders, \$200 or \$300 does add up. It depends upon the contractor and the history in terms of whether they are perpetually giving us quotes above. What I will say is that the tenant satisfaction in that, I would imagine, was pretty poor. We have a method of escalation to deal with these sorts of matters, together with regular meetings with their executive to report on these sorts of trends or issues so that we continuously improve the interactions at that operational level so those sorts of things would not happen. I am not familiar with that particular case but on the face of it, as you have suggested, I would not be satisfied with that outcome.

The CHAIR: I think you are right. The tenant certainly would not have been and they would not have been interested in the machinations of the bureaucracy.

Mr BYRNE: And equally we are as interested in the liability and risk, not just the possible injury to the tenant or the amenity frustrations for that tenant. However, there are a whole lot of things, particularly around that contract provider that may influence how we dealt with that one to some extent, but not completely.

The CHAIR: Thank you.

Mr RYAN PARK: Thank you for your attendance. We have heard from contractors. We have had site visits. We have heard from tenants. We hear from tenants every day. This Committee is obviously about making recommendations. What are the one or two things that you think should be done to improve the way that maintenance, in particular, but also social housing new stock is delivered in New South Wales? You are the agency with the task to do that. What things could make the delivery of that more effective?

Mr CASSEL: Mr Byrne, you talk to the maintenance. I will deal with the new products.

Mr BYRNE: Is the segue around new products, Mr Park? I would have to say that, the lower the average age of the portfolio, the better I am going to have in dealing with the maintenance. We have talked at the first hearing about property ages. Properties are at average 41 years of age now and increasing in age. The more money that can be provided into the new supply and the ability to put more product out there and redevelop product is going to have a direct impact on the amount of cost I have to put into maintenance and the frequency that I am dealing with the older stock in terms of maintenance.

In terms of what we can do better or what we would like to see better for the future—there is still a level of governance that needs to be required around this, a streamlining of governance, a simplifying of the contract. It is been obvious to us, through this contract, that AMS Contractors have struggled with the interpretation of this contract and what it means to them. They are still talking about transfer of risk, but that is what we are paying them for. That was part of being a facility-management-style contract. So, to move forward, we need to simplify to be able to do that lift conversation with anyone. Thirty seconds—"How does this contract work?" It needs to be reflective of what community expectations are in terms of how it works. Tenants need to be able to understand how it works more easily because telling them the plan works as this and responsive as that does not resonate very well with them. They are looking just for the outcome of the standard of their property.

I think we want to be looking closely at how we develop the datasets and be able to utilise that better with an enhancement to IT systems to be able to forward program more targeted than we have in the past. Currently the budgets are really allocated on a property number basis per region. We want to be more and more moving into most need based upon empirical evidence, which is the property assessment surveys. We will be doing all of the portfolio over a three-year period. So it is better information, it is better communication and it is simplifying the contract so that we do not have the dispute or the disruption because the contractors are not ready for this style of contract.

Mr CASSEL: In regard to the improving or bringing online more and more projects or keys in doors, as we like to refer to it, there are always financial challenges, although I do note that in the last two budget cycles we have received significant funding from Treasury. Typically, we remain off budget. That means we have to fund ourselves. That involves, obviously, selling properties. We have got a program where we look to divest properties that are either no longer suitable for the cohort that we house or are too expensive to maintain. That includes heritage properties, which are not only expensive to maintain but also difficult to do the disability modifications to that lots and lots of our tenants are now requiring.

Our biggest increase in stock was back in 2010, which I think the Committee discussed previously with Mr Vevers when he was up here. But at this point in time we are moving towards completing approximately 400 this financial year. We are getting close to the end of the financial year. So that number is getting a lot firmer

as we go. But we will be down to the last day. We should double that number next year—if not more. Then, the third year out from that, there is the opportunity to do significantly more.

One of the things we are actually focusing on at this point in time is having approvals ready to move forward with, so development consent in place. The challenge of relocating people when you are trying to bring new stock on and divest the old stock is also significant. We work continually with DCJ, being the tenancy manager, to make sure that we have a very coordinated and very sympathetic approach to all of that. But that is sometimes challenged as well. So I want to be clear in what I am saying. There is multiple inputs to bringing new stock on. It is not just funding. It is planning approvals. It is the right location. It is the speed at which you can do that and then working with local councils on both their housing strategies and their planning strategies to make sure we are putting the right stock in the right locations.

Mr LEE EVANS: Thank you very much for coming along again today to the Committee. When you are looking at a property and over the next three years you are gauging what properties are viable, how long is the lead time for a property? If you identify it as unusable or to be moved on or the land could be used, what is the time period? Is that a two-, three-, four- or five-year period in which you have to plan to get residents out of the particular establishment and move then on and then you can reuse that land? What is the time line?

Mr CASSEL: We do not have a specified time line. I can talk about averages. Obviously, those properties that are not tenanted—somebody has decided to move on to a different location, or we have provided them opportunities that they have taken up to move elsewhere—are the easy ones to decide very, very quickly. There are others that sit in a basket that they come up for repair, or they have been made vacant, and we look at them and say the capital cost to bring that back up to the standard that we need is just too significant. We will look to either divest or bulldoze and rebuild there. Then there is those with tenants that are very difficult to relocate, whether it is very specific needs that they have or things in that nature—they can take a long time. So we may say that particular property there—we need to start work now to find a new property for that person that suits all their requirements. Even though we would like to get rid of it tomorrow, it could take a few years for us to actually find a property or build a property. We also use what we call a headleasing program, where we will go to the private market and Land and Housing Corporation will enter into a lease with the owner of that property and then sublet it to our tenant to try and juggle that change.

I have had some properties that have been ring fenced and sitting in the system as ring fenced for three years. The moment it becomes vacant, yes, we will divest it. I have had others that have just come in opportunistically, and we have gone, "Let's sell that." There is others that Mr Byrne's team will put into the system, where they say, "Look, the cost to repair that one—it's got structural damage, it's got termite damage. It is a 1940s, 1930s home. We are just wasting our time trying to do it up." We will move on that as well.

Mr LEE EVANS: What comes to mind, because I have lost sleep over it, is that Petersham property. Ultimately, I do not think the tenants themselves would be having a great time there. It is not necessarily the best place in the world, but it is a valuable property in the centre of Petersham, which would be a valuable property for some boutique hotel type arrangements, although you have the property behind that is reasonably modern. That to me is a walk-up start. The tenants themselves may be hanging on because it is right in the middle of Petersham, but at the end of the day is it fit to purpose for them?

Mr CASSEL: We deal with a lot of those. That one is a bit unique—

Mr LEE EVANS: It is quirky.

Mr CASSEL: But at the end of the day there will be tenants in there, I guarantee you, who say "I don't want to move". There was something on ABC Radio that aired recently around Airs and Bradbury and how we are doing those relocations progressively and we are redoing up those suburbs. It was interesting they interviewed some tenants who had been relocated. They said they were devastated when they were told they had to be relocated but now they are back and they are saying, "We don't know what we were worried about." Others have been relocated and when we offered for them to come back they said, "No, we don't want to come back. We love this new place. What do we want to go back there for?"

The business, I guess, deals with change continually and that change is at a tenant level. For us, it is a process we work through but the tenants are the ones, I guess, who have to deal with the more significant change when we come to say, "We want to divest this", "We want to do this or we want to do that". The larger number of tenants in one location, the more difficult that obviously becomes. If you ask me would that be a good one to divest, I have seen the upkeep costs on that property and I would suggest, yes, it would be. Is it easy to achieve? No, it is not.

Mr BYRNE: I think what supports that notion going forward is our new portfolio strategy which talks about reducing the number of non-fit for purpose, of which heritage sort of slots into that, and looking at how we

can do that. Even developing a disposal program—remembering that what we sell under the Housing Act must be spent on social housing, so it comes back into us, and it is the revenue that drives our capital program and our acquisition redevelopment program—there is not a lot of community support, particularly in the community where we may be looking to target relocations. Equally you have got to have somewhere for that person to go and that they can see it tangibly where they are going. So forward-creating vacants and having them ready and offering them to those people puts it at time line delay as well. So it is a sophisticated engagement process and one where these people in a lot of instances are so connected with that house; they have got an emotional attachment, they have got stability. Anything that makes them feel that they are going to lose that stability will mean for some an emotional response in which they will not want to leave. You have got to have that balance. I think I said last time "commercial mind and social heart" and getting that balance right and sometimes that creates complexities.

The CHAIR: Did that answer your question?

Mr LEE EVANS: Yes, I can sleep tonight.

Mr JUSTIN CLANCY: Thank you again for being present at the inquiry. You talked about assets. Has the Government's property index public portal been of assistance in your work or is it too early to say?

Mr CASSEL: At this point in time it is not really offered us much opportunity where it is in its infancy. Will it eventually? I am not sure. I think where we are having the most success at this point in time is not those larger transactions but smaller transactions and in partnership with community housing providers, where they will come to us and say, "We think we can make it work in this location where we are already managing properties. We think we can make this work", and we have created a way for them to deal directly with LAHC under certain values. So that has started a process of community housing providers thinking more proactively about what would work in areas that they are already working.

We are moving forward because, I guess, the time lines are shorter on a lot more smaller projects whether they are new age boarding houses, dual occupancies or complexes up to about 20 or 30 units, we find we can get through those in around a two-year period by the time you start to plan, decant, build and get somebody back in. Whereas on other large projects the planning process can start and the first person finally moves in eight to 10 years later. Because they are so large, you have to move through rezonings and then development applications. You have got to find the right contractor. Those contracts are large and will go on for many years, so they are complex tenders, and then you do the demolition and the rebuild. We find that we are having more success with smaller projects that we can get in, turn over quickly and move through, and that is what has allowed us to increase our numbers off the back of the Government's stimulus funding.

Mr BYRNE: We are doing more in regional areas than we have done previously, as a proportion of all new builds at the moment and our dual occupancy program is targeted to regional areas.

Mr CASSEL: Yes, the nuance around that is we have a lot more vacant land in regional areas than obviously in the city of Sydney. So it is easier to identify property and say, "Right, we can actually start building on that without demolishing or relocating anybody." We can get in front of that program by seeding new housing and then you can offer that to either people on the waiting list or people looking to relocate. That helps the tension. You have got something tangible to show them what they will relocate into.

Mr JUSTIN CLANCY: Mr Byrne, my final question is to you. Thanks for touching on earlier about continuous improvement. That is a conversation we have had over a period now around data analytics and app-based software. One of the head contractors spoke about what he is doing on an app-based software. I asked him, for consistency, is it good to drive that perhaps through rather than getting each head contractor to set up their own app-based consumer portal in that regard? Do you have a view in that regard?

Mr BYRNE: I do. I think we are starting the initial steps around that with the next iteration of the maintenance contract. We are already talking to Service NSW and the Department of Customer Service around what opportunities may fall for us there but equally unpacking the maintenance contract and the interactions with tenants to see how we can improve in that space. We are doing more work with the application called Assetic which enables us to manipulate and develop forward programs a lot better with consistent data. We are talking to expertise within the business around GIS [geographic information system] and looking at hotspots vegetation management because they lead to roof and gutter failures which lead to water ingress which lead to mould. So it is getting in front of that maintenance as a good asset manager.

We are starting to look at all of that. It is never good for us because of the complexity of our business to be the groundbreaker. It is always good to sort of move with the robustness of other applications but definitely for the way that we have to work across multiple contractors' contract areas. It is something that we want to develop in-house and have some control and visibility, particularly around the performance of our portfolios so that we can inform the portfolio strategy, the divestment of properties and what we do next with the portfolio, rather than,

as we can be, reliant upon the contractor. With no disrespect to them, we have some very favourable relationships but their motivation is a little bit different to ours in terms of creating programs that optimise profitability and autonomy. Our own audits have found that we are not quite ready for that.

Mr JUSTIN CLANCY: I want to fire a little bit of a left-field question. One contractor raised an issue around hoarding and its impact on their ability to access property for works. Obviously, there is also a social element to that. Are there ways that we can address that?

Mr BYRNE: I will bring forward Catrina Kim because she is one of our regional portfolio directors and deals closely with tenancy interaction with DCJ.

Ms KIM: The hoarding and squalor issues and excessive rubbish removal, yes, I think I mentioned at the last hearing. We have a really robust relationship with the Department of Communities and Justice [DCJ]. Our staff on the ground meet with DCJ on a regular basis and some of those ones, whether it requires some of the support services that are required for tenants to be able to self-motivate and remove that excessive rubbish, is one thing. The other one is around the kind of service visits that DCJ undertake, and that is more meaningful. So we have that regular contact and I think the advantage of our staff is that some of our staff are co-located. They are located together with our tenancy managers. So on a daily basis when I sit there in an office in Coniston, they are regularly talking about taking appropriate actions.

The other one around it is the contract enhancement we talked about as well, moving forward and extending the contract. We have changed the programs, the local servicing program, which actually identifies it is mandatory for contractors to identify hoarding and squalor issues and property care issues. Mr Byrne talked about the data and having the right data. We will extract that data from our contractors and we use that data in our regular meetings with our tenancy managers with DCJ. It is more about preventative maintenance than anything else.

You know, contracts talk about property maintenance. It is about early intervention, so our staff will be working with DCJ tenancy managers around providing support for our tenants and addressing those hoarding, squalor and property care issues. Because a lot of it is about providing them with some supports with NGOs in the locations so that they are given the right tools to manage the property care issues. Moving forward we will have the more robust data that will enable us to manage that but it is going to be an ongoing issue. I think it is only through collaboration with DCJ that we can actually combat that issue.

Mr BYRNE: One of the things that we are doing in collaboration with DCJ—and we are quite excited about it, to be honest—is a Set for Success project whereby in the first six weeks 100 per cent of new tenancies will be visited by DCJ tenancy managers. In the six-week period they will receive SMSs and other information about accessing our YouTube presentations that we talked about to get a grounding in how the maintenance contract works, how you get responsive maintenance done, what you do with vermin and all of those things. Then at that six-weekly catch-up going through: Did you understand it? Did you need any more support? Do you know what you are doing with maintenance? That will be one way that we will start—and that is why it is "Set for Success"—to establish a solid foundation living in public housing as to how you work in that system and what your obligations are and the mutual obligations.

The one thing that is probably broader than this inquiry and may be an inquiry of its own is the support to an ever-increasing challenging cohort. I have great empathy for my DCJ colleagues and community housing providers [CHPs] that the people we are now tenanting are more and more from the priority wait list that present with more complex issues. That is difficult for DCJ to negotiate broader than their own business to get the support that is needed to wrap around those clients. I must say that a more frequently used phrase across our two businesses is that getting a lease is not a destination; it is the start of a journey towards getting greater functionality in your home and in your life. Unfortunately, it does not always happen in terms of the accessibility to support throughout the broader government and NGOs.

Mr JUSTIN CLANCY: Thank you, Mr Byrne. Thanks, Chair.

The CHAIR: Thank you. I understand Mrs Davies is satisfied. I am not sure if Mr Park wishes to ask anything else. If not, I will ask another question on the AMS. I hate to jump around so much but the AMS is so much part of this whole issue. Concern has been expressed that the current AMS contract is complex and difficult to understand and that the administrative hurdles and cost burdens are disproportionate and ever increasing. How will these concerns be addressed in the extended contract? Let me say I understand that there is probably a different level of capacity and understanding of the ways that head contractors understand as to how that works, but I would appreciate some understanding of whether or not there is agreement from Land and Housing that there are unnecessary complexities in there and whether things can be improved in that space.

Mr BYRNE: I will hand over to Ms Krumins in a moment. My preamble on that would be that I think that the contract was clearly stated and put before contractors in terms of the tender and the documents. I do not believe that the contractors were ready in the sector to embrace a contract of that style. They were very much wedded to their schedule of rates and so were the subcontractors. While there was some maturity in some of the head contractors, I probably think when reality struck and they took it to the next level and gave the work out, it was quickly realised that it was difficult to supervise, get quality, understand and deal with the realities of the abatements and the pain-gain share.

Expert determination was called for in one instance by one of the contractors on one of the clauses and it was expert determined that the methodology was sound but they would have asked us to have done the benchmark numbers a bit earlier in notifying the contractors in the previous year. So the methodology was sound by independent determination. However, it is not an easy contract to describe to people and to explain, whether it is the level of what we can get through in two one-hour sessions with a hearing and supplementary documents. It still will not give justice to the contract. So, in that instance, I would say to you it is a complex contract. Does it have to be as complex? We are reviewing that for the next iteration because I need to be able to communicate in 30 seconds how it works. I need community to understand how it works in 30 seconds to frame expectations. In terms of the contractors, some have been very supportive and have resonated with the contract right from the outset. Others took some time and others never got there.

Mr CASSEL: Could I just add to that? When we spend \$500 million a year on maintenance, there will always be some complexity in those contracts. Those contracts are written by lawyers, then when something goes wrong they are interpreted by lawyers, but in the meantime they are interpreted by the people who are, I guess, more functioning in management or construction-type activities. It is always a balance, I have found, on a large contract, a large dollar contract, versus say a very simple contract that is not worth very much money to use. I appreciate that the contract will be complex in some areas; in some areas it is very easy to use. But with the amount of money and oversight that we need, there is always going to be a level of complexity within it.

Ms KRUMINS: Yes. I was going to echo what Mr Cassel was saying as well. Maintenance is actually complex and a maintenance contract of this size, when you are dealing with multiple different types of work in multiple different locations and multiple challenges with complex tendencies and the tyranny of distance and a large dollar value, particularly in tenanted properties, it is a complex environment to work in. So there is always going to be some complexity in the contract. Given that, we are trying to make it as simplified as we can but there will be some complexity. In the contract enhancements we have removed some of the complexity by removing things like the pain-gain mechanism, which we felt was delivering constant dispute with the contractors over there because it is a complex mechanism. Understanding how that mechanism works is very complex and we felt that the contractors were not really quite there with understanding that, so we removed that. We removed that from the vacant process earlier—a couple of years ago—and removed that from the responsive process for the contract extension.

We simplified some of the KPIs and focused then more on the kinds of things that we want to get the contractors to focus on. We looked at, as I said, the commercial principles to reduce the administration a little bit so that we can focus the contractors on doing the work that they need to do rather than an overly burdensome contract and the commercial principles that go along with that. We looked at various things, like scripting, that would make it a little bit easier for the contractors to work with the tenants and to communicate with the tenants and other stakeholders so that some of the complexity around understanding when maintenance is going to be done and how it was going to be done would be reduced as well.

But there is always going to be some complexity because it is a very large contract and it is a complex environment. I think I talked last time about the criticality matrix and how, although we can prescribe some of the work that needs to be done, we are never going to be able to cover off every single instance of maintenance that needs to be done. So there needs to be some flexibility in the contracts to allow for some assessment by whomever is doing the assessment, given different scenarios and different types of work that need to be done, escalated work for people with complex needs and those sorts of things so there will be some complexity. But we are trying to reduce the complexity both in the extension as well as in the new contract. We are constantly looking at that, particularly in that environment of continuous improvement.

The CHAIR: I look forward to seeing that.

Mr BYRNE: I want to reaffirm that in removing Pain and Gain—which was a mechanism to drive incentive for dealing with volumes and costs and getting it right across responsive and vacants—when we negotiated the Pain and Gain to be removed for the extension, we negotiated an upward shift in the percentage of dollar value in jeopardy for abatement if they failed on the KPIs. So all the way we are looking at value for money

and protecting through governance the taxpayer and community dollars to make sure it is going at the sharp end of maintenance delivery. I just wanted to affirm that.

Mrs TANYA DAVIES: I have just been thinking about an answer to a previous question in relation to the elderly lady tenant who the occupational therapist [OT] requested a handrail to be installed in the bathroom. I refer to the to and fro that that request went through after it was originally priced at around \$850. Your answer was in relation to the scale of the housing stock that you are responsible for and, of course, making sure that taxpayers' dollars are spent as affordably as possible. The eventual job that was undertaken was around about \$200 less than what was originally quoted yet the time frame that was experienced was about five months.

My question is in relation to the risk rating that you applied to this work request because while you, as a department of government, may have saved \$200, the risk to this lady falling and, therefore, being admitted to hospital could have then sent the cost to the health department into the thousands and thousands. How do you assess a maintenance request in accordance with the risk of not doing that in a timely fashion? That would probably be nice to do.

Mr BYRNE: I will talk to disability mods rather than the generic in terms of risk rating to give you an example. The exchange guidelines at the current status is that they would normally approach their tenancy managers, who have all of their historical information about their risk and need. They have that regular client service visit. They are building a rapport with them so there would be a conversation there that would identify risk. The OT would be involved where they are required, if it is a minor or major modification. There is a form that is to be completed by OTs to indicate the criticality of the work or aspects of the work. The contractor has an obligation to make safe.

The final works may not be achieved at that time but my expectation would have been, if there was an assessment and an escalation at that time of that risk there may have been a temporary handrail put in there in the interim, which would have mitigated some of that risk. It appears that that did not happen, which, again, as I mentioned earlier, it is not to my satisfaction how this one has occurred. It is one of those case studies with continuous improvement that we would want to explore. What equally happens in this instance is that I can see that the OT was involved in further discussions and sometimes it is about the OT reassessing their position in terms of what is required and essential and then us being able to deliver it, hence there was a different cost.

I cannot be sure in this instance as to the circumstance but our process, if applied, and the escalations would have occurred in accordance with our forms and processes, we would not have been talking in this manner about this instance and the tenant would not have suffered in the way that they did. One for us to acknowledge and to do better in the future.

Ms KRUMINS: I could add to that too, the contractors are aware—and we are consistently advising contractors—that if they have these sorts of instances come up where they cannot reach agreements they need to escalate those matters. I am not sure if this matter was escalated—I am not across the detail of it—but certainly there is a process where the contractors can escalate anything that they feel is not being resolved in a timely manner with us so we can jump on it as an executive and move through it and get it done very quickly.

The CHAIR: The answer is that it is taken on board as an example of something that should have been dealt with at a higher level and maybe escalated. Mr Cassel, you have come to this role from Hunter & Central Coast Development Corporation, as I am sure everybody is aware—I am well aware of it. I imagine you did not take this job on to come in and slightly manage bit by bit modest incremental improvements to a very challenging system. I would imagine that you wanted to examine the paradigm of delivery of public housing and improve on it. I certainly hope you would. But a big part of it to me seems to be the constraints around the funding model. You have a limited access to funds that you are working with. As I have mentioned earlier today, you are drawing down from rent income; we are talking about lower socio-economic people largely in this situation. Therefore, your capacity to raise funds is not great.

Are you, Michael Cassel, banging on the door of the Minister and arguing for them to get out there and find more money from the State to do a reset, to lift the quality of housing stock to address the fairly run-down state of much of it? I think it is housing stock that probably most of us here in this room would choose not to live in if that was an option. What are you doing there, if I could be so bold, to try to change the funding paradigm for public housing stock in New South Wales?

Mr CASSEL: Thank you for that question, I think. You are right: I moved from a role that I think I was quite successful in shifting the paradigm and increasing what was occurring in Newcastle and the Central Coast. It is obviously a significantly bigger business. We turn over roughly \$1.2 billion a year. There is around, on any given day, between 650 and 700 staff employed in the organisation geographically spread across the entire State. We integrate with community housing providers along the way. The first order of business for me was to look at

the age of the stock. As I have commented to my colleagues regularly, I am not sure we are doing the right thing if we are putting new tyres on the 1940-year-old Ford Falcon, or whatever it was called back then.

We are continually looking at how we can procure cheaper, given the average cost of dwelling is down by around 20 per cent in the time that we have been there. A lot of that is because we are looking to do smaller projects that will move through the system quicker. We are continually putting forward opportunities for government to spend on social housing and I commend the Government. In the past two years, as I said, they have provided us significantly more money and I know that Minister Pavey is continually fighting for that. She does not take "no" from me too well so I do not deliver a no too often. We have provided pathways to bring more private and not-for-profit capital into the market through partnering with community housing providers, and we are piloting several different methods from everything from where we lease the land and allow homes to be on there for up to 49 years. The land then comes back to us because that has been one of the great protections for the business—maintaining and owning the land—because it is the land that appreciates, not the buildings.

We are working very hard with the National Housing Finance and Investment Corporation, who raise bonds, so that lowers the cost of debt for community housing providers and also brings loans to councils and LAHC that are based on a percentage of that being a grant. So if we are looking to install new infrastructure, for example, they may fund us \$40 million but we need to only pay back \$30 million. That brings more and more money in. We are working constantly with the Aboriginal Housing Office, where they will manage more and more properties because the Commonwealth rent assistance comes into play and brings more money in. We are working on processes now where we can obtain that seed funding to do the new developments so that we can show people what they will be relocating to.

That lowers their tension levels with the change process and allows them to understand that the place that they will be moving to is not only new but they will be able to move around it a lot easier, it will be more of a community than what they are living in and the concentration levels will not be so high. So there is not a dollar figure I can put on it. The biggest contribution over the past 20 or 30 years was made by the Commonwealth Government under Nation-building. Obviously, if something similar was offered, I think we would be able to stand up and deliver that based on the way we have been able to turn around only doing 153 homes last financial year to just above 400 this financial year and above 800 next financial year. That is a pretty clear indication that we have the capacity inside the business to do that.

The CHAIR: I will not challenge you more on that. Obviously, this is going to take some time. I think Mr Byrne would like to make a comment—I would not be surprised if he did.

Mr BYRNE: Thank you, Chair. I just want to add that what we add to what Mr Cassel is endeavouring to do across the board is that we enhance the reputation of our business in our can-do attitude. We have been able to apply \$160 million of stimulus to bringing forward maintenance work. With \$70 million this year and \$90 million next year we already have \$135 million committed. We look like we will run that program through by January 2022 and we will be looking for any money that people give us because we can ramp up—we have shown that we can get the work done—and we are prepared to do that.

We have an adaptable contract, we have contractors who are prepared to work with us in the volumes that we need to get through and that is where we add value to what Mr Cassel is trying to achieve—the fact that we have the reputation that we can get it done. Over the years we continually look at—and I understand other Committee members are looking at that social experience going forward—increasing the social experience in maintenance through some of our innovations and ideas for the next contract. But, equally, since 2011-12 to now, we still have similar budgets but we are driving out 30 per cent to 50 per cent more in maintenance activity. So we are doing more with the same amount and getting to that quality in terms of the maintained standards of our properties.

The CHAIR: With that, I think we have reached the conclusion of the hearing today. I thank you all for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within 14 days to any further questions?

Mr CASSEL: Certainly.

The CHAIR: Thank you. That concludes our public hearing for today. I place on record my thanks to the witnesses, the Committee members for their contributions and to Hansard and Committee staff, whose work makes these hearings possible.

(The witnesses withdrew.)

The Committee adjourned at 13:45.