

VICTORIA

---

Auditor General

Victoria

# Maintaining public housing stock

---

*Ordered to be printed by Authority.  
Government Printer for the State of Victoria*

---

ISSN 1443 4911

ISBN 0 9752308 0 8



---

AUDITOR GENERAL  
VICTORIA

The Hon. Monica Gould MP  
President  
Legislative Council  
Parliament House  
MELBOURNE

The Hon. Judy Maddigan MP  
Speaker  
Legislative Assembly  
Parliament House  
MELBOURNE

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance audit report on *Maintaining public housing stock*.

Yours faithfully

JW CAMERON  
*Auditor-General*

3 June 2004

# Contents

<b>FOREWORD .....</b>	<b>vii</b>
<b>1. EXECUTIVE SUMMARY .....</b>	<b>1</b>
1.1 Introduction.....	3
1.2 Was the OoH’s maintenance strategy adequate? .....	4
1.2.1 Did the strategy address legislative and policy requirements? .....	5
1.2.2 Did the strategy take account of the condition of properties?.....	5
1.2.3 Did the strategy identify risks and how to manage them?.....	5
1.3 How well did the OoH provide maintenance services? .....	6
1.3.1 How well did the OoH engage, manage and monitor contracts?.....	6
1.3.2 Was the OoH’s management of maintenance requests adequate? .....	8
1.3.3 Did the OoH adequately monitor DHS regional office performance? .....	9
1.4 Did the OoH adequately inform and consult with tenants?.....	9
1.4.1 Did the OoH adequately inform tenants? .....	10
1.4.2 Were the OoH’s efforts to obtain feedback from tenants adequate? .....	11
1.4.3 Did the OoH apply a complaints policy consistently? .....	11
<b>2. INTRODUCTION.....</b>	<b>13</b>
2.1 The Office of Housing .....	15
2.2 Legislation.....	17
2.3 Government policy .....	18
2.4 Initiatives.....	18
2.5 Conduct of the audit.....	19
<b>3. WAS THE OoH’s MAINTENANCE STRATEGY ADEQUATE?.....</b>	<b>21</b>
3.1 Did the strategy address legislative and policy requirements? .....	23
3.1.1 Policy .....	23
3.1.2 Legislation .....	24
3.1.3 Links between strategy, government and DHS policy .....	24
3.1.4 Conclusion.....	25
3.2 Did the strategy take account of the condition of properties?.....	26
3.2.1 Data about property condition .....	26
3.2.2 Backlog maintenance.....	29
3.2.3 Life cycle costing .....	30
3.2.4 Conclusion.....	30
3.3 Did the strategy identify risks and how to manage them? .....	32
3.3.1 Conclusion .....	33

<b>4. HOW WELL DID THE OoH PROVIDE MAINTENANCE SERVICES?.....</b>	<b>35</b>
4.1 Background.....	37
4.2 How well did the OoH engage, manage and monitor contractors?.....	37
4.2.1 Engagement of contractors.....	38
4.2.2 Management and monitoring of contractors.....	40
4.2.3 Conclusion.....	48
4.3 Was the OoH’s management of maintenance requests adequate?.....	52
4.3.1 Conclusion.....	54
4.4 Did the OoH adequately monitor DHS regional office performance? .....	55
4.4.1 Region performance monitoring .....	55
4.4.2 Managing maintenance expenditure within budgets .....	57
4.4.3 Managing turnaround times for vacated properties.....	59
4.4.4 Conclusion.....	62
<b>5. DID THE OoH ADEQUATELY INFORM AND CONSULT WITH TENANTS?.....</b>	<b>65</b>
5.1 Background.....	67
5.2 Did the OoH adequately inform tenants? .....	67
5.2.1 Informing tenants about legal rights and responsibilities.....	67
5.2.2 Informing tenants of service standards, policies and procedures .....	69
5.2.3 Conclusions .....	70
5.3 Were the OoH’s efforts to obtain feedback from tenants adequate?.....	72
5.3.1 Conclusion .....	77
5.4 Did the OoH apply a complaints policy consistently?.....	78
5.4.1 Conclusion.....	80

# Foreword

The Department of Human Services, through its Office of Housing, is the largest provider of social housing in Victoria. It oversees the delivery of secure, affordable and appropriate housing to low income Victorians in need of housing assistance. At 30 June 2003, it provided some 62 600 properties valued at \$10 billion to eligible tenants.

All states and territories face increasing demand for public social housing and it is important that the assets are maintained to an acceptable standard to meet current and future needs.

This study examines how well the Office of Housing maintains public housing stock.

This is the fourth audit of this topic area by my Office over the last 10 years. And, it is fair to say that, until recently, very little strategic progress had been made to address the underlying concerns expressed in our earlier reports. Some of these concerns, for instance over supervision of maintenance work, information on the condition of houses or poor tenant satisfaction, still remain.

However, recent reviews and actions taken by the department suggest renewed commitment to addressing the underlying issues. If this effort continues, it should result in ongoing improvements for public housing tenants.

I urge you to read this audit report and take note of the actions being taken by the Office of Housing.



JW CAMERON  
*Auditor-General*

3 June 2004



# 1. Executive summary



## 1.1 Introduction

---

The Office of Housing (OoH)<sup>1</sup> is a division of the Department of Human Services (DHS). Under the *Housing Act 1983*, the OoH (through the Director of Housing) provides support services and accommodation to homeless people and families, and housing assistance for low income Victorians. The OoH does this by building and maintaining public housing, with funds provided under the Commonwealth-State Housing Agreement (CSHA). In 2003-04, this agreement provided the OoH with \$725 million. At 30 June 2003, the OoH owned 62 663 properties, valued at \$10 billion.

The OoH is responsible for managing and maintaining properties, in line with the *Residential Tenancies Act 1997*. This Act sets out the legal rights and responsibilities of landlords and tenants, and requires the OoH to provide housing of an appropriate standard and properly maintain it. The OoH is also required to comply with government asset management policies.

In the last 10 years, expenditure on housing maintenance increased by 56 per cent, from \$45.7 million in 1992-93 to \$71.3 million in 2002-03. As public housing<sup>2</sup> stock ages, it costs more to maintain. Sixty-two per cent of all state-provided public housing stock is less than 20 years old and 38 per cent is over 20 years old.

Responsibility for the maintenance of public housing is shared between the OoH central office and 8 regional offices. While the OoH is responsible for all aspects of public housing, including the management of programmed maintenance (provision of routine fabric restorations such as painting, floor coverage and major carpentry works), regional offices are responsible for responsive (day-to-day responses to health, safety and security, breakdown and loss of amenity) and vacated property maintenance (carried out when a tenant leaves a property and before a new one moves in).

Three previous audits by us (1993, 1996, 1999) identified deficiencies with the OoH's management of housing maintenance. The OoH has since introduced a comprehensive range of initiatives, including:

- undertaking a housing office review (2001), which resulted in several important changes to the way in which staff do their work (deliver services)
- a maintenance review (late 2002) which examined all aspects of maintenance planning and service delivery. The recommendations are being progressively implemented

---

<sup>1</sup> The Office of Housing is also known as the Housing and Community Building Division within DHS.

<sup>2</sup> Public housing is also referred to in DHS documents as social housing.



- installing a new management information system (commenced end of 2002). When fully implemented, it will enable the OoH to improve the way it manages its properties
- a Maintenance Call Centre (September 2003). This centralises the management and coordination of tenant maintenance requests and frees-up housing staff so that they can concentrate on developing and strengthening relationships with tenants
- a *Public Housing Customer Service Charter* (September 2003) highlighting what tenants can expect from housing staff. This includes strengthening and re-emphasising the importance of client home visits
- updating all policies and procedures for tenants, asset standards, asset business rules and policies and procedures for asset maintenance, and training regional staff to apply these policies and procedures.

The OoH is currently considering adopting a housing management approach similar to that of the United Kingdom.

This audit examines the OoH's management of responsive maintenance of public housing stock and maintenance of vacated properties. We did not examine the maintenance of community housing or Aboriginal housing.

## 1.2 Was the OoH's maintenance strategy adequate?

---

The OoH's approach to managing housing maintenance was outlined in its 5-year Asset Management Strategy, its first, which was approved in February 2004.

In examining whether the OoH's maintenance strategy was adequate, we reviewed whether it addressed legislative and policy requirements, took account of the condition of properties and identified risks and how to manage them.

We concluded that the maintenance strategy adequately addressed government policy and legislative requirements, and identified risks and how to manage them. However, the strategy was somewhat undermined because of the unreliability and accuracy of property condition data. Without this data, the OoH cannot be certain of its maintenance requirements, including the estimated level of backlog maintenance. The extent to which properties have been maintained to the OoH's standards can also not be reliably determined.

Progress in addressing this deficiency has been slow.

### 1.2.1 Did the strategy address legislative and policy requirements?

The OoH has taken action to address the lack of a centralised and coordinated asset management strategy (raised in our previous audits).

The Asset Management Strategy meets the requirements of the government's asset management policy statement *Sustaining our Assets*, the asset management principles set out in the *Asset Management Series* and the *Residential Tenancies Act 1997*.

### 1.2.2 Did the strategy take account of the condition of properties?

The OoH Asset Management Strategy followed the *Asset Management Series* requirement to take into account the actual condition of public housing stock. However, at this stage, it could not accurately calculate the cost of bringing the stock up to the OoH standards because of the unreliability and accuracy of data, the lack of a life cycle costing approach and the implications of the maintenance backlog.

The OoH is taking steps to improve the quality of property condition data, and to provide more accurate and timely management reports by introducing a new management information system.

Property condition assessments are very important to maintaining the life of properties. At February 2004, only 76 per cent of the assessments required to be completed, at this time, had been. Subsequently, it appears very unlikely that the OoH will meet its full year 2003-04 targets for property condition assessments.

#### Recommendations

1. That the OoH meets its target of assessing all properties within 5 years.
2. That the OoH implements, as planned, a life cycle costing approach in calculating the current and future maintenance costs of its properties.
3. That the OoH develops a strategy to reduce the level of backlog maintenance.

### 1.2.3 Did the strategy identify risks and how to manage them?

The OoH Asset Management Strategy identifies a range of risks in managing public housing maintenance and has identified action to ameliorate these risks.

## **1.3 How well did the OoH provide maintenance services?**

---

The OoH uses contractors to perform maintenance works. In 2002-03, the total value of contracts was \$43.8 million. Contractors must meet the OoH standards and comply with relevant legislation. The Maintenance Call Centre receives all maintenance requests, coordinates contractors and processes contractor payments. Regional offices deliver housing support services to tenants.

In examining how well the OoH provided maintenance services, we reviewed how well it engaged, managed and monitored contractors, the adequacy of its management of maintenance requests and the adequacy of its monitoring of regional offices.

We concluded that urgent action needs to be taken to improve the OoH's management of contractors. Although the OoH is aware of and is addressing the shortcomings, there are significant exposures. The OoH cannot be certain all work it paid for has been provided, that the work meets the required standard and was performed within the required time frame.

Contracts are not always terminated nor contractors penalised for failing to meet contractual obligations. We estimate contractor overcharges could be \$2.7 million per annum and \$3 million for works that need to be rectified.

### **1.3.1 How well did the OoH engage, manage and monitor contracts?**

Although the OoH met most Victorian Government Purchasing Board requirements when engaging contractors, it did not assess the risks in the tendering process or develop a formal contract management plan. The OoH also did not develop a formal risk management plan for managing contracts.

There were adequate termination provisions in current contracts for underperforming contractors, but the OoH did not use them. Because the OoH's practice was to not renew the contracts of underperforming contractors rather than terminate their contracts, contractors in breach of their contracts still worked until their contracts expired. Some were awarded new contracts. This could result in continued poor service to tenants, poor value-for-money for the OoH and disrespect for a broader range of contractual obligations.

Compliance audits are essential to making contractors accountable, with 5 per cent of the total number of schedule contract orders audited each year. This small number of audits recovered considerable sums of money by identifying non-compliance with contracts. If the results of the small number of audits were applied to all schedule contract orders, then levels of overcharging, works that were not rectified, and large amounts of money not being recovered would undoubtedly be higher.

Given that the number of schedule contract orders audited, and the number of audits conducted, remained stable over this period, there is a growing problem with overcharging and unrectified works.

The benchmark for performance (97.5 per cent) is ineffective, as most contractors do not meet it. Instead, the OoH relies too much on an average weighted benchmark (95 per cent) to measure contractors' performance. Contractors are not encouraged to perform to the higher standard if the OoH in practice judges their performance by the lower benchmark.

The OoH is poorly served by a lack of clarity in the liquidated damages clause of contracts. A literal interpretation of the relevant clauses indicates that liquidated damages should be applied in all instances where works are overdue. However, it is reasonable to take account of mitigating circumstances.

Superintendent site instructions (SSIs) have lost impact from being overused. This loss of impact can undermine contract management and relationships between contractors and the OoH. The failure of most contractors to adhere to the SSIs means that although they may breach their contract, the SSIs are less and less effective in ensuring contractors comply with their contract. The OoH has recently developed measures to regain the intended impact of SSIs as part of the maintenance review exercise.

The extent to which the OoH managed the performance of head contractors varied. However, as a result of the maintenance review, the OoH has brought together the management of all maintenance contracts and clarified the roles and responsibilities of staff involved in maintenance. The OoH is also substantially revising its Maintenance Policies and Procedures Manual. Training key regional staff in contract management will ensure greater consistency in practice.

## Recommendations

4. **That the OoH develops risk management and contract management plans for tendering of maintenance contracts, in line with Victorian Government Purchasing Board guidelines.**
5. **That the OoH develops a risk management plan for the management of maintenance contracts.**
6. **That the OoH enforces the conditions of its contracts to ensure that all contractors perform to the required standards.**

7. That the OoH develops and uses objective performance criteria for the quarterly assessments of contractors.
8. That the OoH strengthens procedures to ensure that contractors complete all work before being paid.
9. That the OoH redraft its contract to better reflect the intent to exercise liquidated damages where appropriate, as reflected in good business practice.
10. That the OoH increases the number of compliance audits it carries out to encourage all contractors to comply with the conditions of their contracts.
11. That the OoH requires head contractors to increase the percentage of quality inspections reported to the OoH.

### **1.3.2 Was the OoH's management of maintenance requests adequate?**

The establishment of the Maintenance Call Centre is a good initiative. It has reduced much of the maintenance workload of housing services officers and resulted in consistently high levels of tenant satisfaction. It should ensure greater consistency in the way in which scheduled contract orders are raised. If the centre operates as expected, it should improve the delivery of maintenance services, including the management of maintenance requests and the timeliness of responsive maintenance. However, the number of customers called for feedback is small, being only one or 2 per cent of all schedule contract orders raised. This is a starting point that should be developed further, with additional feedback sought from tenants from culturally and linguistic diverse communities.

#### **Recommendations**

12. That the OoH evaluates the Maintenance Call Centre's effectiveness within the next 6 months, to determine progress in meeting its original objectives.
13. That the OoH increases the percentage of customer satisfaction surveys to 5 per cent to provide a more representative sample of tenants.
14. That the OoH conducts customer satisfaction call-backs of tenants from culturally and linguistically diverse communities.

### 1.3.3 Did the OoH adequately monitor DHS regional office performance?

While the OoH provides monthly performance feedback to regions, it does not have an effective approach to managing regional performance to ensure that maintenance-related targets are met.

Targets were not set for all of the housing maintenance responsibilities of regional offices. Although all regions had targets for turnaround times for vacated property maintenance, only 2 regions met their monthly target (one once, and the other 7 times in the 8-month period, July 2003 to February 2004). The turnaround time reflects a number of variables, including the timeliness of contractors in meeting vacancy re-letting standards and the work of regional staff in arranging allocation to a new tenant. The OoH is currently investigating this key performance indicator.

Regions are responsible for delivering housing services to tenants, but their accountability is not clear. While regular meetings between the OoH and regional staff occur, the OoH's housing regional agreement schedule does not have sufficient incentives and penalties to encourage the achievement of performance targets.

#### Recommendations

15. **That the OoH reassesses whether the existing approach for managing regional performance provides sufficient incentives and penalties to encourage targets to be met.**
16. **That the OoH reviews existing targets to ensure they better reflect the comprehensive nature of regions' maintenance responsibilities.**
17. **That the OoH reviews the Housing Regional Agreement Schedule to determine the scope for improving the quality of regional performance reporting.**
18. **That the OoH explores greater use of performance benchmarking and spreading of good practice across regions.**

## 1.4 Did the OoH adequately inform and consult with tenants?

---

Over recent years, the OoH has given more attention to tenants, recognising that their participation is critical to improving housing management and service delivery. This is important because the National Social Housing Survey results (2000, 2001, 2003) have consistently shown Victorian tenants had low levels of satisfaction with their public housing. Dissatisfaction with maintenance services contributed to these results.

In examining whether the OoH adequately informed and consulted with tenants, we reviewed whether tenants were informed of their legal rights and responsibilities, service standards, policies and procedures. We also examined whether the OoH's efforts to obtain feedback was adequate and its complaints policy was consistently applied.

We concluded that the OoH established adequate mediums to inform and consult with tenants but needed to develop a communication strategy to plan, deliver and evaluate its communications with tenants.

### 1.4.1 Did the OoH adequately inform tenants?

The OoH produces a large range of publications explaining the rights and responsibilities of the office and of tenants in English and in the most commonly used community languages. However, the OoH had not assessed tenant satisfaction with the various publications, or whether they preferred other media. Some tenants were not aware of these publications.

The OoH funded organisations to provide feedback about systemic issues regarding tenancies. The funded organisations concentrate on advocacy on behalf of individuals, rather than on analysis of systemic issues. The OoH is reviewing the role of the Public Housing Advocacy Program to improve its effectiveness.

#### Recommendations

19. **That the OoH periodically determines the extent to which its tenants (including tenants from culturally and linguistically diverse communities) are satisfied with the publications used for informing them of their legal rights and responsibilities, and of the OoH's asset standards, policies and procedures.**
20. **That the OoH develops a communications strategy to research, plan, deliver and evaluate the effectiveness of its communications with tenants.**
21. **That, in its review of the Public Housing Advocacy Program, the OoH considers whether tenants have sufficient opportunity to raise systemic issues.**

### 1.4.2 Were the OoH's efforts to obtain feedback from tenants adequate?

The OoH receives feedback annually from tenants through the National Social Housing Survey. Since 2003, the OoH has also begun to develop various mechanisms to collect tenant feedback (such as regional customer councils). It also collects a limited amount of feedback from tenants through its Maintenance Call Centre. However, the OoH and regions have made slow progress in developing regional customer councils, despite their development being a ministerial priority.

From the feedback collected through the National Social Housing Survey and the regional focus groups we conducted, tenant satisfaction with the way the OoH and regional staff manage the maintenance of their homes is low.

#### Recommendations

- 22. That the OoH develops a specific strategy to improve tenant satisfaction with maintenance.
- 23. That the OoH periodically monitors its initiatives to improve tenant feedback, to ensure they are achieving the intended outcomes.

### 1.4.3 Did the OoH apply a complaints policy consistently?

Although the OoH had not finalised its complaints policy, it was well on the way to doing so. This will ensure consistency across all regional offices in dealing with complaints about maintenance.

While it has an established procedure for dealing with tenant complaints, neither regional staff we interviewed, nor regional focus group participants knew about the procedure. The OoH needs to promote the existence of the complaints procedure, and train its staff to use it.

Neither the OoH nor regions consistently monitored complaints to identify recurring and systemic issues that may need to be addressed, such as poor contractor behaviour or poor quality of maintenance provided by a contractor. It needs to do so, and to make this part of contractor performance monitoring.

#### Recommendations

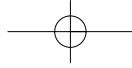
- 24. That the OoH ensures all tenants are informed of, and have access to, its complaints policy and to the procedures for lodging complaints.
- 25. That the OoH trains its staff to use the complaints procedure.



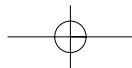
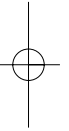
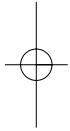
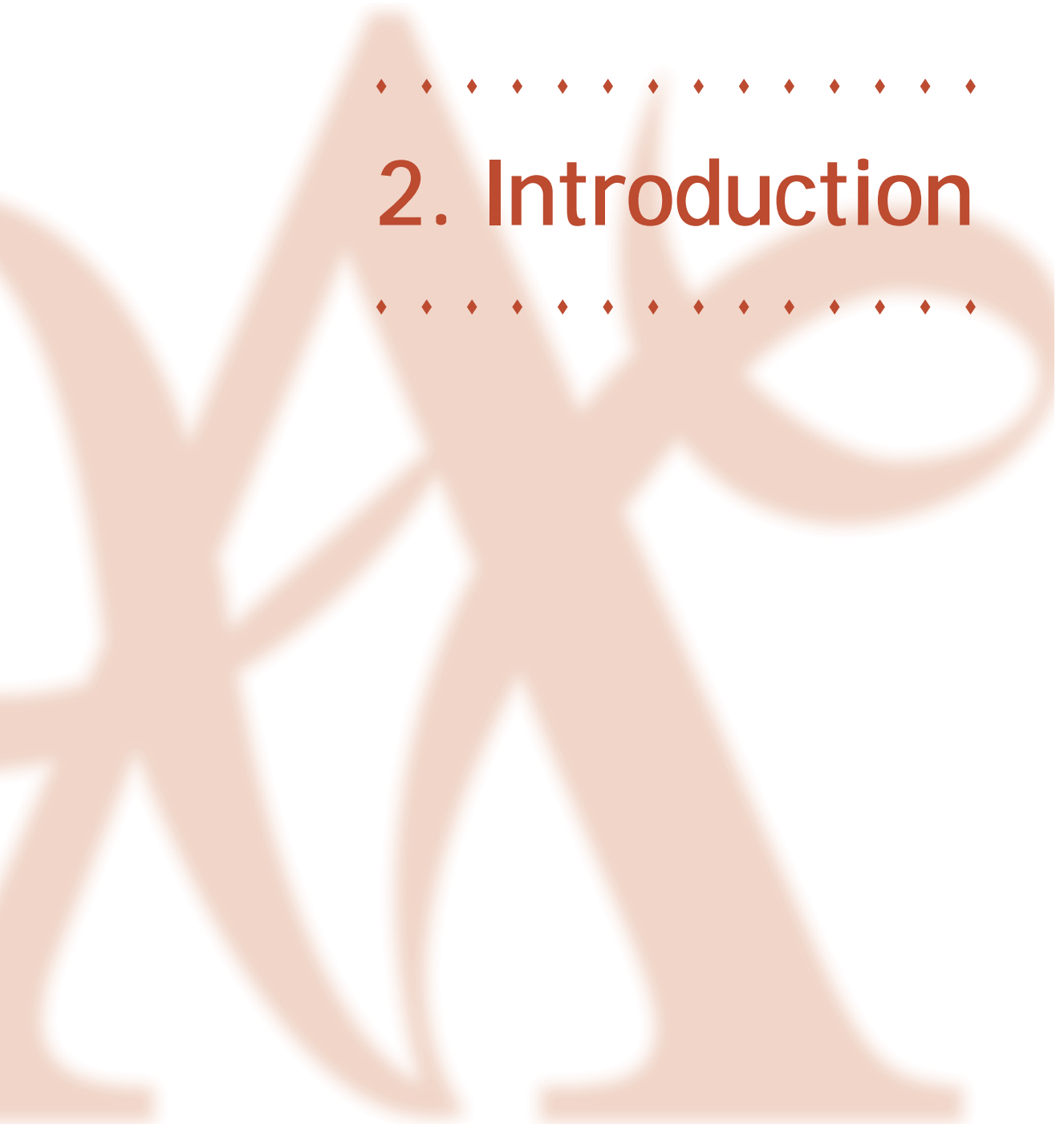
***RESPONSE provided by Secretary, Department of Human Services***

*Responses to individual recommendations are contained throughout the report.*

---



# 2. Introduction



## 2.1 The Office of Housing

---

The Office of Housing (OoH)<sup>1</sup> is a division of the Department of Human Services (DHS). Under the *Housing Act 1983*, the OoH (through the Director of Housing) provides support services and accommodation to homeless people and families, and housing assistance for low income Victorians.

The OoH does this by building and maintaining public housing, with funds provided under the Commonwealth-State Housing Agreement (CSHA). In 2003-04, this agreement provided the OoH with \$725 million.

At 30 June 2003, the OoH owned 62 663 properties, valued at \$10 billion. These properties were leased to eligible tenants. The broad eligibility requirements for public housing tenants were that applicants:

- were permanent residents of Australia
- had a weekly income not exceeding \$339 for a single person or \$565 for a couple
- did not have more than \$30 000 in assets (excluding personal belongings)
- were over 17 years of age
- had repaid outstanding OoH debts
- had not been evicted, had non-rent arrears or breached tenancy requirements in the 12 months before applying.

The OoH is responsible for managing and maintaining properties, in line with the *Residential Tenancies Act 1997*.

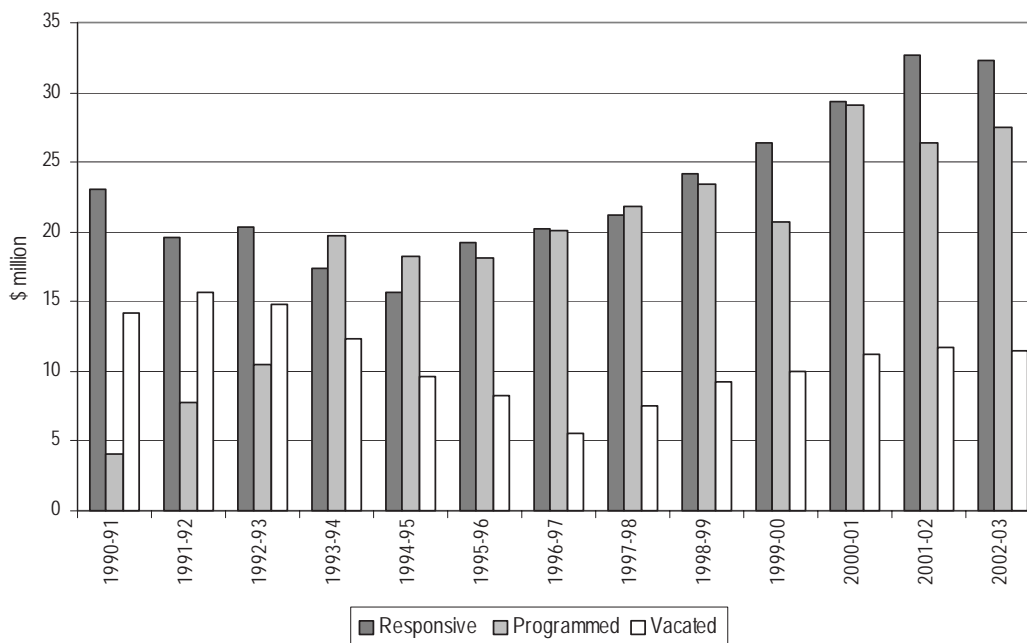
In the last 10 years, expenditure on housing maintenance increased by 56 per cent, from \$45.7 million in 1992-93 to \$71.3 million in 2002-03. As Figure 2A shows, in 2002-03, \$32.3 million was spent on responsive maintenance (45 per cent of total expenditure), \$27.5 million on programmed maintenance (39 per cent of total expenditure) and \$11.5 million on maintenance of vacated properties (16 per cent of total expenditure).

The OoH defined:

- “responsive maintenance” as day-to-day responses to health, safety and security, breakdown and loss of amenity
- “programmed maintenance” as the provision of routine fabric restorations such as painting, floor coverage and major carpentry works
- “vacated property maintenance” as maintenance carried out when a tenant left a property and before a new one moved in.

---

<sup>1</sup> The Office of Housing is also known as the Housing and Community Building Division within DHS.

**FIGURE 2A: EXPENDITURE ON RESPONSIVE, PROGRAMMED AND VACATED MAINTENANCE**

Source: Victorian Auditor-General's Office.

As public housing<sup>2</sup> stock ages, it costs more to maintain. Of all state-provided public housing stock 62 per cent is less than 20 years old and 38 per cent is over 20 years old. This compares with 46 per cent of public housing stock in New South Wales being less than 20 years old.

Detached housing and low-rise flats account for nearly 58 per cent of the total OoH stock. High-rise properties account for 11 per cent of total stock. The remaining stock consists of semi-detached properties.

Responsibility for the maintenance of public housing is shared between the OoH central office and the 8 regional offices. While the OoH central office is responsible for all aspects of public housing (including the management of programmed maintenance), regional offices are responsible for responsive and vacated property maintenance. Figure 2B shows the various responsibilities.

<sup>2</sup> Public housing is also referred to in DHS documents as social housing.

**FIGURE 2B: MAINTENANCE RESPONSIBILITIES OF THE OoH CENTRAL OFFICE, REGIONAL OFFICES AND CONTRACTORS**

Entity	Responsibilities
Housing Services Branch	Maintenance Call Centre
Strategic Asset Management Branch	Asset management strategy, asset management planning, policy and procedures. Compliance Audit Branch (from 1 April 2004)
Property Services Branch	Coordination and delivery of programmed maintenance, including major developments and upgrades Responsive maintenance Key relationship management of all contractors
Regions	Delivering housing support services through 357 regional staff and implementing the OoH policies and procedures Carrying out property condition assessments, and managing day-to-day responsive maintenance and feedback to contractors
Head contractors	Responsive maintenance and maintenance of vacated properties

Source: The Office of Housing.

By managing housing maintenance effectively, the OoH:

- maximises the number of properties available to tenants, and thus fulfils its purpose
- meets its legal obligations to tenants under the Residential Tenancies Act (which includes providing tenants with an appropriate standard of accommodation)
- minimises health and safety risks to tenants
- maximises the useful life of its properties.

## 2.2 Legislation

The *Residential Tenancies Act 1997* provides the legislative framework for the rental housing industry, and sets out the legal rights and responsibilities of landlords and tenants. Under the Act, the OoH is required to provide housing of an appropriate standard and properly maintain it. The Act allows all landlords (including the OoH) to take legal action in relation to its properties (e.g. action against tenants who maliciously damage property, and against those who have significant rental arrears).

The *Housing Act 1983* establishes the role and responsibilities of the Director of Housing. Its objectives include:

- to ensure that every person in Victoria has adequate and appropriate housing at a price within his or her means by encouraging the provision of well-maintained public housing of suitable quality
- to promote cost-effectiveness in the provision of housing.

## 2.3 Government policy

---

The Victorian Government requires public sector agencies to manage their assets efficiently. In December 2000, the Department of Treasury and Finance issued the government's asset management policy statement *Sustaining our assets*, which was based on minimising the risks of investing in infrastructure. The *Asset Management Series*, issued by the Department of Treasury and Finance in 1995, has more detailed guidance about the matters in the statement and is still current.

## 2.4 Initiatives

---

The OoH has introduced a comprehensive range of initiatives to improve the management of public housing.

In 2001, the OoH started the housing office review. It initially addressed the classification of housing officers. The focus of the review changed in 2002 to improve the way in which regional office staff deliver services to tenants and prospective tenants, in line with its greater commitment to customer service. The review resulted in several important changes to the way in which staff do their work.

In late 2002, the OoH started a maintenance review. This review examined how housing maintenance was managed by the OoH central office and by regional offices. The review looked at many of the issues covered by our audit. The review covered all aspects of maintenance from planning and delivery through to review, and specifically examined the roles of all staff involved in maintenance. The review was conducted with extensive consultation with regional and head office staff. It made recommendations about head office arrangements for maintenance. A number of the review's recommendations were implemented by the OoH.

At the end of 2002, the Department of Treasury and Finance approved a business case from the OoH to develop a new management information system. This would replace its outdated Integrated System for Information on Property (ISIP). The new system has become known as the Housing Integrated Information Package, or HiiP. It will enable the OoH to improve the way it manages its properties. The estimated cost of the package was \$42 million.

In September 2003, the OoH established a Maintenance Call Centre. It did this to centralise the management and coordination of maintenance requests, and to free-up housing staff from dealing with maintenance requests so that they could concentrate on developing and strengthening relationships with tenants. The centre also made the way responsive maintenance was provided more consistent.

In September 2003, the OoH developed and published its *Public Housing Customer Service Charter* which highlighted what tenants could expect from housing staff.

The OoH also strengthened and re-emphasised the importance of client home visits, which had been a longstanding policy. This is now known as the Client Home Visiting Scheme.

In 2004, the OoH executive approved a 5-year asset management strategy for public housing in Victoria.

The OoH has continued to update all policies and procedures relating to tenants and to train regional staff to apply these policies and procedures. It has also started to update (and provide training for regional staff about) its asset standards, asset business rules, and policies and procedures for asset maintenance.

The OoH is also considering adopting a housing management approach similar to that used in the United Kingdom. For example, it may introduce a best value framework (to benchmark regional performance) and establish housing associations as part of its current *Strategy for more affordable housing for low income Victorians*. This strategy aims to increase the stock of public housing by attracting investment from the private sector, and involve housing associations in the management of public housing.

## 2.5 Conduct of the audit

---

We audited the OoH's management of public housing maintenance in 1993, 1996 and 1999. Those audits identified:

- the lack of an effective preventative maintenance program
- inadequate records about the physical condition of properties
- the lack of a centralised and coordinated asset management strategy.

In this audit, we examined the OoH's management of responsive maintenance of public housing stock, and maintenance of vacated properties. We did not examine the maintenance of community housing or Aboriginal housing.

We examined the OoH's information and management systems, and interviewed senior managers and staff in head office as well as regional staff. We visited the Maintenance Call Centre, and properties on which maintenance had recently been conducted in the Gippsland, Loddon Mallee, Northern and Western regions<sup>3</sup>.

This audit was also informed by the work of the 2003 housing maintenance review and our previous audits.

---

<sup>3</sup> Northern Region and Western Region merged on 1 March 2004 to form North and West Region.

We surveyed all OoH regional directors and conducted small focus groups of tenants. Participants' comments are included throughout the report. While participants did not necessarily represent the views of all tenants, they did bring forward a range of views about public housing maintenance.

Representatives of the Victorian Public Tenants' Association, the Tenants' Union Victoria, the Housing for the Aged Action Group and the Vietnamese Women's Association were also consulted.

The audit was performed in accordance with Australian auditing standards applicable to performance audits and, accordingly, included such tests and procedures considered necessary.

---





# 3. Was the OoH's maintenance strategy adequate?



## 3.1 Did the strategy address legislative and policy requirements?

---

In assessing whether the Office of Housing's (OoH) maintenance strategy addressed legislative and policy requirements, we examined if the strategy considered:

- the government's asset management policy statement *Sustaining our Assets* and the *Asset Management Series*, issued by the Department of Treasury and Finance in 1995
- the OoH's legal obligations under the *Residential Tenancies Act 1997*.

### 3.1.1 Policy

*Sustaining our Assets* sets out the main principles for managing public sector assets. They are:

- asset management practices and decisions should be based on service delivery needs
- asset planning and management should be integrated into corporate and business planning, budgetary and reporting processes
- decisions about assets should be well-informed
- ownership, control, accountability and reporting requirements for assets should be clearly defined and communicated
- asset management should be consistent with the government's asset management policy framework and with best practice in government and industry.

The OoH's approach to managing housing maintenance was outlined in its 5-year Asset Management Strategy - approved in February 2004. This was the OoH's first such strategy, despite previous audit recommendations that such a strategy be developed. The strategy stated that the OoH's maintenance objectives were to:

- ensure that all social housing stock is adequately maintained, at an appropriate level of amenity and meeting proper standards of environmental sustainability
- prioritise capital works to support place-based improvement initiatives
- maximise the levels of social housing stock, while re-profiling to better meet individual client needs in strategic locations
- improve the quality of the asset management framework and business processes.

The OoH's Asset Management Strategy was consistent with the advice in the *Asset Management Series*. It was consistent with government policy as expressed in *Growing Victoria Together, Melbourne 2030*, the Neighbourhood Renewal Strategy, the Victorian Homelessness Strategy and the Victorian Greenhouse Strategy. The strategy included detailed and comprehensive data about public housing assets including their age, type (e.g. detached house, semi-detached house or low-rise flat), location, condition and amenity (e.g. quality of insulation or the security of the property).

### 3.1.2 Legislation

The OoH is required to comply with the *Housing Act 1983* and the *Residential Tenancies Act 1997*. The Asset Management Strategy cites the 1997 Act in the 2003-04 Housing and Community Building Division's<sup>1</sup> 5 objectives. The OoH cross-referenced this with the *Residential Tenancies Act 1997* in its maintenance policies and procedures. The division's objectives were to:

- provide housing assistance and intervention to support Victorians in housing needs, across the spectrum from crisis housing, private rental, transitional housing, community housing, aboriginal housing, public rental and home ownership
- sustain vulnerable households in secure affordable accommodation and ensure compliance with the Residential Tenancies Act
- manage \$10 billion of government assets prudently
- fund and regulate the commercial and service activities of housing providers
- lead in the revitalising of areas with concentrated disadvantage.

The OoH describes in detail its obligations under the *Residential Tenancies Act 1997* in relevant public housing maintenance policies and procedures.

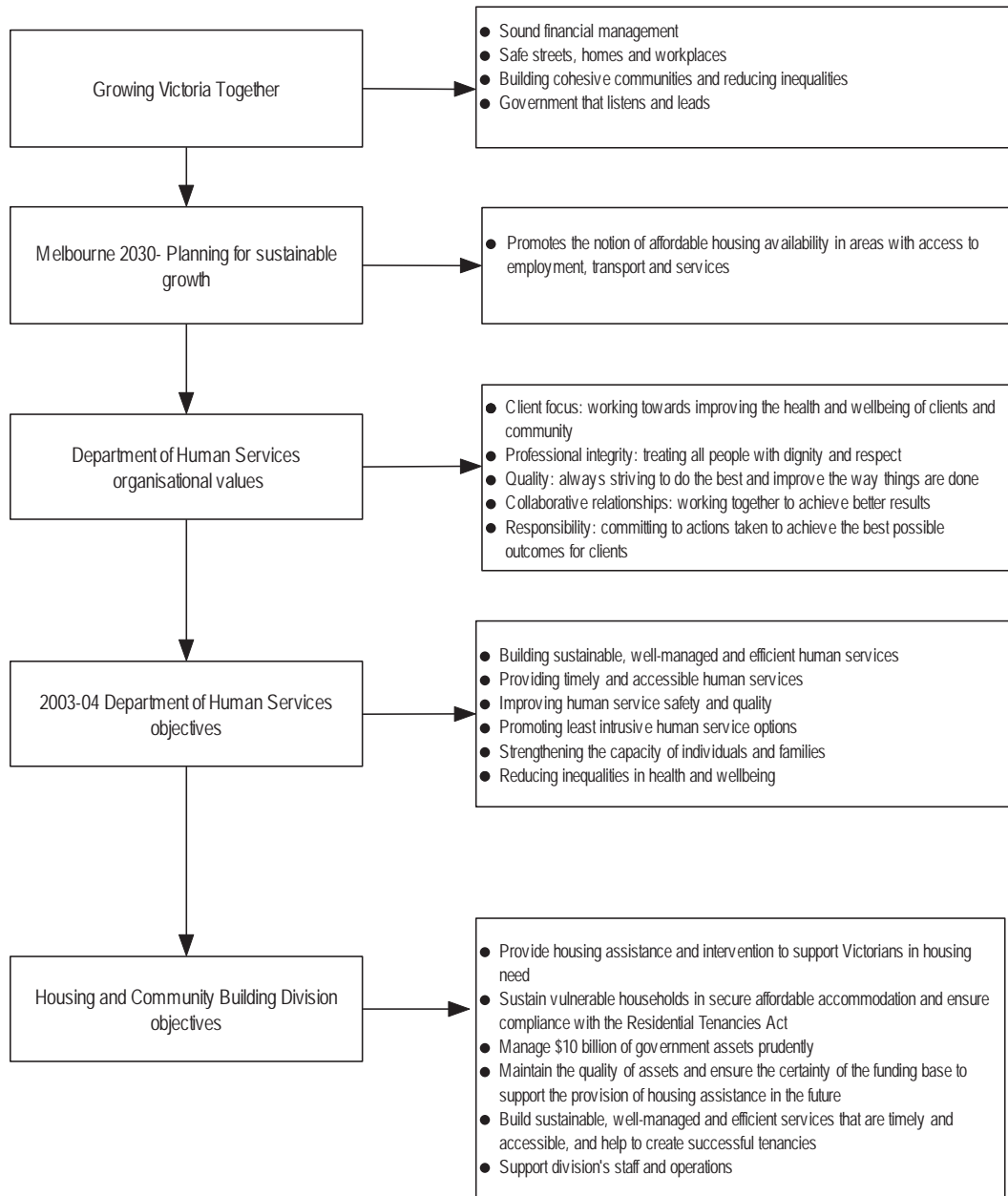
### 3.1.3 Links between strategy, government and DHS policy

The OoH has a 2003-04 business plan that includes its objectives and strategic priorities. As Figure 3A shows, the OoH's business plan clearly links *Growing Victoria Together, Melbourne 2030*, Department of Human Services (DHS) organisational values and 2003-04 objectives and strategic priorities. The objectives of the Asset Management Strategy are restated in the business plan.

---

<sup>1</sup> The OoH is also known as Housing and Community Building Division within the Department of Human Services.

**FIGURE 3A: OFFICE OF HOUSING - POLICY AND PLANNING FRAMEWORK**



Source: Housing and Community Building Business Plan, 2003-04.

### 3.1.4 Conclusion

The OoH has taken action to address the lack of a centralised and coordinated asset management strategy (raised in our previous audits).

The Asset Management Strategy meets the requirements of the government's asset management policy statement *Sustaining our Assets*, the asset management principles set out in the *Asset Management Series* and the *Residential Tenancies Act 1997*.

## 3.2 Did the strategy take account of the condition of properties?

---

In assessing whether the OoH's Asset Management Strategy took account of the condition of properties, we examined if it considered:

- the accuracy and completeness of data about property condition
- any (backlog) maintenance requirements from previous years
- current and future maintenance needs (through life cycle costing).

### 3.2.1 Data about property condition

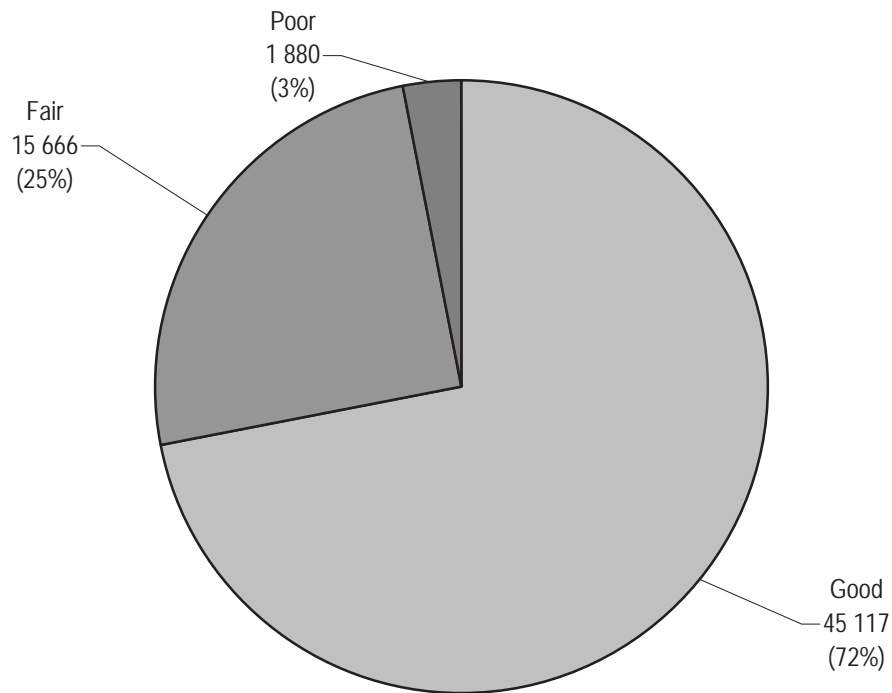
The 1995 *Asset Management Series* requires that in developing a strategy, the level of maintenance required for an asset should be clearly established. This is to be done by carrying out a condition assessment of each property.

In August 1996, the Department of Infrastructure's Office of Building issued guidelines about "condition assessment". This was defined as "a process which measures both the actual and required condition of a constructed asset. It also identifies the actions needed to maintain that asset at its required standard. Condition assessment is a basic public sector responsibility and is required by government".

The OoH expects that regional staff will assess the condition of all properties once every 5 years, using a standardised property condition assessment tool. This amounts to about 12 530 property assessments each year. Staff evaluate the condition of assessed properties against the OoH asset standards, and identify any maintenance needed to meet the standards. Staff estimate maintenance costs for a property by estimating each maintenance task needed. This estimate is based on a schedule of rates that identifies a cost for each maintenance item.

Each property is given a rating of "good" (needing less than \$5 000 maintenance), "fair" (needing between \$5 000 and \$20 000 maintenance) or "poor" (needing more than \$20 000 maintenance). As Figure 3B shows, at the end of 2002-03, 72 per cent of properties (45 117 properties) were considered to be in good condition.

FIGURE 3B: CONDITION OF PUBLIC HOUSING STOCK, AT 30 JUNE 2003



Source: The Office of Housing.

In December 2002, the OoH, concerned by the accuracy of its property condition assessments, commissioned consultants to review the OoH property condition survey and the Integrated System for Information on Property (ISIP) that the OoH used to record the condition of each property and maintenance on it. The consultants found:

- the method of recording data was not user friendly and many staff were not using it
- the database and its software was out-of-date and did not offer the functions needed
- quality control procedures and survey management appeared to have almost collapsed
- much of the data was inaccurate and the cost estimates made by staff were too low
- staff had lost confidence in the ability of the database to provide reliable information for planning future expenditure on properties
- there was no formal training for new staff, or reviews of training for existing staff.

Responding to this report, the OoH took action through the maintenance review and by appointing regional stock planners to develop annual regional stock plans in consultation with regional staff. It also intended to hold regular regional planning forums in each of the 8 regions and also reviewed the training provided to field service officers who undertook assessments.

Prior to the consultants' report, the OoH had already decided to replace its management information system with a new system now known as the Housing Integration and Information Program (HiiP). Work was tendered and a contract signed in 2003. The OoH expected that HiiP would be operational in 2004. The property condition module of HiiP was expected to be available in October 2003, but is now expected to be available in August 2004. As part of introducing HiiP, the OoH was reviewing all its databases and aimed to combine its various current IT systems into a single system. It also expected to train staff to use HiiP and conduct assessments more consistently across the state.

Before transferring data to HiiP, the OoH expected to assess and quality assure existing data. The OoH expected this to result in high quality HiiP data for all 62 663 properties.

Field service officers were required to inspect and undertake property assessment reports of all properties over a 5-year period.

To date, regions have struggled to meet this requirement. As Figure 3C shows, only 3 of the (then) 9 regions met their July 2003-February 2004 targets for property condition assessments. Two regions fell well short of target. We were unable to determine the reasons for this.

**FIGURE 3C: COMPARISON OF TARGETED AND ACTUAL PROPERTY CONDITION ASSESSMENTS, JULY 2003-FEBRUARY 2004 AND PERCENTAGE OF HOUSING STOCK BY REGION, AS AT 30 JUNE 2003**

	Target	Actual	Percentage above or (below) target	Regional stock as percentage of total stock
Grampians	466	468	-	5
Gippsland	509	685	35	6
Hume	716	611	(15)	7
Loddon Mallee	804	791	(2)	7
Eastern	807	997	24	8
Barwon South West	885	566	(36)	8
Western	1 768	1 544	(13)	18
Southern	2 101	1 195	(43)	21
Northern	2 292	1 332	(42)	20

Source: Victorian Auditor-General's Office.

The 2004 *Annual Report on Government Services* issued by the Productivity Commission provides details about the condition of public housing in all states, including Victoria. The most recent report (using 2003 data) included tenants' assessments of the conditions of their properties. As Figure 3D shows, tenants made quite different assessments of the conditions of different parts of their homes.

**FIGURE 3D: HOW TENANTS RATE THE 3 BEST AND 3 WORSE ASPECTS OF THEIR HOME**

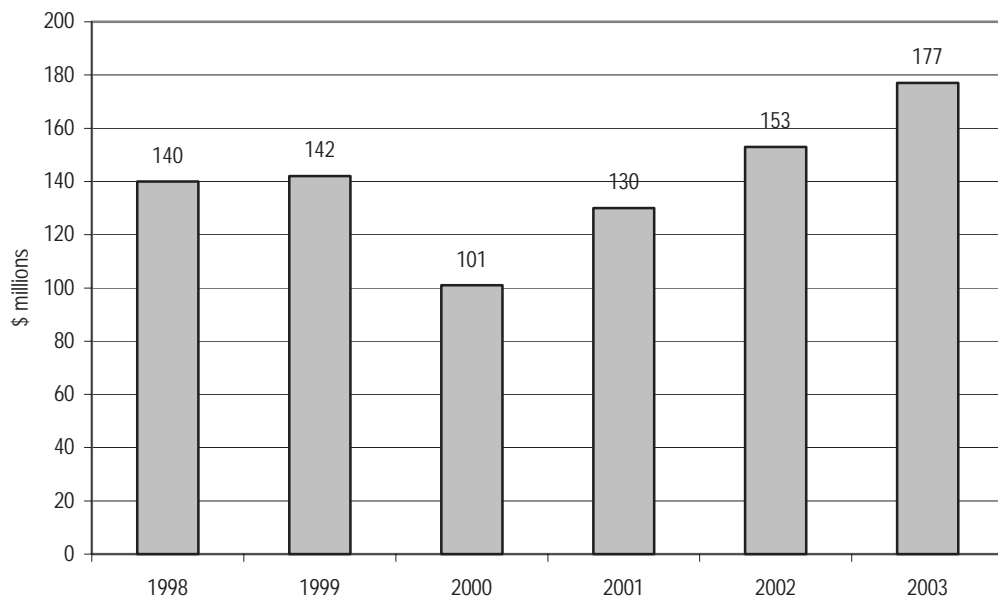
Aspect	Good	Average	Poor
Smoke detectors	86	10	4
Hot water system	77	17	7
Lighting	75	21	4
Floor finishes in living area	50	31	20
Bathroom and toilet	49	30	21
Interior paintwork	46	32	21

Source: Report on Government Services 2004, Vol. 2, Productivity Commission, Melbourne.

### 3.2.2 Backlog maintenance

The OoH Asset Management Strategy takes account of the level of backlog maintenance (maintenance identified in previous years but not carried out). Figure 3E shows the level of backlog maintenance between 1998 and 2003.

**FIGURE 3E: LEVEL OF BACKLOG MAINTENANCE**



Source: The OoH Asset Management Strategy (draft version).



In the last 10 years, the OoH has sold stock needing the most maintenance and replaced it. This has resulted in improvement of the average age of stock, and in reduced backlog maintenance. However, the level of backlog maintenance has increased since 2000 due to more accurate property condition assessments, more up-to-date costings of work required to bring properties up to standard and mandatory expenditure on items not directly affecting the property condition (such as installing fire sprinklers). There is no evidence at this stage that increases to the maintenance budget have made inroads to the maintenance backlog.

The draft Asset Management Strategy stated that, in 2003, the total estimated cost of backlog maintenance was about \$180 million. This assessment was not included in the final Asset Management Strategy. Nor did it address how the OoH would deal with the backlog.

### 3.2.3 Life cycle costing

“Life cycle costing” is the full cost of an asset over its life, including the costs of acquiring, controlling, operating and disposing of the asset.

The OoH did not use life cycle costing to calculate the current and future maintenance costs of its properties. However, the maintenance review called for the adoption of life cycle costing, and the OoH's Strategic Asset Management Division planned to use it for future work plans.

### 3.2.4 Conclusion

The OoH Asset Management Strategy followed the *Asset Management Series* requirement to take into account the actual condition of public housing stock. At this stage, it could not accurately calculate the cost of bringing the stock up to the OoH standards because of the unreliability and accuracy of data, the lack of a life cycle costing approach and the implications of the maintenance backlog.

The OoH is taking steps to improve the quality of property condition data, and to provide more accurate and timely management reports by introducing a new management information system.

Property condition assessments are very important to maintaining the life of properties. At February 2004, only 76 per cent of the assessments required to be completed at this time had been. Subsequently, it appears very unlikely that the OoH will meet its full year 2003-04 targets for property condition assessments.

## Recommendations

1. That the OoH meets its target of assessing all properties within 5 years.
2. That the OoH implements, as planned, a life cycle costing approach in calculating the current and future maintenance costs of its properties.
3. That the OoH develops a strategy to reduce the level of backlog maintenance.

### **RESPONSE provided by Secretary, Department of Human Services**

#### **Recommendation 1**

DHS supports this recommendation. The OoH will continue to use the Regional Service Agreement, monthly reporting and bi-annual business review meetings with regions to reinforce the completion of regional property condition assessment targets. Through the maintenance review, the OoH has confirmed the completion of property condition assessments as a crucial role of field services officers. The OoH will trial new mobile technology for data collection that is likely to substantially reduce the number of attributes collected and positively impact upon the time taken to complete the data entry on each property.

#### **Recommendation 2**

DHS supports this recommendation. Strategic Asset Management is working closely with the Housing Integration and Information Program (HiiP) project to implement the asset planning module. This planning model includes life cycle costing as one of its elements and will complement the data collected through property condition assessments.

#### **Recommendation 3**

DHS supports this recommendation. The maintenance review has already identified this issue as crucial to the OoH and will lead the organisational shift from responsive maintenance to programmed maintenance spending. Initially, our analysis will commence by:

- improving technology to enable reporting and analysis to better inform budget allocation
- improving our diagnostic capability in scoping maintenance
- working closely with the HiiP project in the development of the responsive repairs module
- ensuring the program planning processes are complementary to contract procurement timelines

- *analysing the budgetary impact of carry-over commitments and strengthening emphasis on preventative maintenance through programmed work*
- *giving attention to the maintenance backlog in budget development.*

### 3.3 Did the strategy identify risks and how to manage them?

---

In assessing whether the OoH's Asset Management Strategy identified risks and how to manage them, we examined if the strategy:

- assessed the current risks of managing public housing maintenance
- foresaw the risks that would result from funding changes, more demand for public housing, increased demand for maintenance and other future events
- included action plans to manage risks.

The *Asset Management Series* indicates that, "entities are responsible for developing 5-year asset management strategies for the assets under their control. The strategies should cover maintenance, refurbishment and energy management and include all operating costs". It also said, "planning for asset maintenance enables targeted action to be taken in a timely and cost-effective manner".

The *Victorian Managed Insurance Authority Act 1996* and the *Financial Management Act 1994* require the DHS to develop a risk management strategy. The DHS declared its intention to develop a risk management strategy in 1996. In 2000, the Risk Management Framework Project Team began developing a risk management framework for the department. The framework was approved in early 2004. The DHS plan to fully implement it in June 2004.

According to the OoH Asset Management Strategy "the key challenge ... is to develop a sustainable approach to the competing claims on asset investment funds over the next 5-10 years to fulfil government objectives". It added that the main risks in meeting this challenge were:

- the requirement to provide stock in lettable condition and respond to tenant expectations of amenity demand significant annual and ongoing investment in existing stock
- ongoing housing demands driving a push to increase stock numbers, and re-profile and redevelop existing stock to meet current applicant needs
- place-based planning objectives seeking to prioritise capital works to areas of social disadvantage
- financial imperatives seeing the retention of only "economic" stock, based on rates of return etc, which would reduce the capacity of the portfolio to meet need.

As Figure 3F shows, the OoH Asset Management Strategy had 5 objectives to address the challenges it faced in managing its properties. The strategy also identified future risks and action proposed to address each risk.

**FIGURE 3F: THE OoH ASSET MANAGEMENT OBJECTIVES AND ACTION PLANNED**

Objective	Action planned to achieve objective
Ensure that all social housing stock is adequately maintained, at an appropriate level of amenity and meeting proper standards of environmental sustainability.	Maximum available funding is to be allocated to support physical improvements and maintenance budget over the next 5 years with the aim of addressing stock condition and amenity. A strict "repair" rather than "replace" business rule for upgrading works has been introduced to achieve internal upgrades of at least 2 700 properties in 2003-04.
Prioritise capital works to support place-based improvement initiatives.	Capital works to support neighbourhood renewal and community building initiatives being undertaken in social housing estates. Over 700 properties in neighbourhood renewal areas will receive major upgrading work in 2003-04.
Maximise the levels of social housing stock, while re-profiling to better meet individual client needs in strategic locations.	A total of 2 200 units are to be acquired over the next 5 years, mainly through redevelopment and construction on existing sites, and with some property purchases. Nine hundred units will be provided through redevelopment of existing estates. 28 per cent of new acquisitions, will be in the outer Melbourne suburbs, and cities identified in Melbourne 2030.
Attract private sector funding to major capital works.	Growth in the social housing system will need to use private sector sources or capture funds through other OoH activities.  The OoH will work with external parties to better manage development risk, marketing activities and raising necessary venture funds.
Improve the quality of the asset management framework and business processes.	Strategic Asset Management's planning workflows, business processes and asset policies commenced in 2002-03 will continue in 2003-04 with a review of asset decision-making processes.  Stronger links between Strategic Asset Management and regional offices are being developed. Regional stock planners were recruited in 2002 and in 2003-04 regional stock plans will be developed.

Source: Office of Housing Asset Management Strategy, 2003-04 to 2007-08.

### 3.3.1 Conclusion

The OoH Asset Management Strategy identifies a range of risks in managing public housing maintenance and has identified action to ameliorate these risks.

---



# 4. How well did the OoH provide maintenance services?



## 4.1 Background

---

The Office of Housing (OoH) maintenance review started in September 2002. The review report was circulated to staff in March 2003. The report found deficiencies in the way the OoH provided maintenance services, including:

- there were multiple points of responsibility and accountability in the OoH, and a lack of clarity about roles and responsibilities
- there was no single point of contact for tenants
- contractors and contracts, particularly for responsive maintenance, needed to be better managed
- quality assurance and quality compliance systems needed to be improved
- information about assets was not good enough for planning and decision-making.

In January 2003, the OoH Executive recognised the ambitious nature of the review but did not allocate any additional resources to manage it. Several other major initiatives were being pursued in parallel, such as establishing the Maintenance Call Centre, the housing office review, the Neighbourhood Renewal Strategy and the Housing Integrated Information Project.

The OoH Executive formally endorsed the maintenance review's recommendations in December 2003.

In considering its approach to this issue, the OoH decided to undertake the review internally, rather than by engaging external consultants, to focus on internal cultural issues. It underestimated the resource implications of this work.

## 4.2 How well did the OoH engage, manage and monitor contractors?

---

In assessing how well the OoH engaged, managed and monitored contractors, we examined if:

- processes to select and terminate contractors were adequate
- management and monitoring practices ensured that contractors performed maintenance work to the standards required by the OoH.

The OoH uses contractors for maintenance work. The total value of responsive maintenance contracts in 2002-03 was \$32.3 million, and \$11.5 million for vacated maintenance. Contractors must meet OoH standards and comply with relevant legislation.

### 4.2.1 Engagement of contractors

In 2003-04, twenty-two 2-year contracts were awarded for responsive and vacated property maintenance. Contracts were awarded to 9 head contractors. Head contractors could, with the OoH's approval, sub-contract work but remained responsible for all performance under the contract. Contracts could be extended for 2 more years if performance was satisfactory.

Responsive and vacated property maintenance contracts were based on a schedule of rates that specified costs for each type of job. The value of contracts was not predetermined, but depended on the number of schedule contract orders<sup>1</sup> completed and on the type of work done under them. This type of contract was also used by the New South Wales Department of Housing.

The OoH's superintendent acted on behalf of the Director of Housing to manage responsive and vacated property maintenance contracts. This involved developing, planning and managing tenders, managing contracts and dealing with contractual issues that arose.

The Victorian Government Purchasing Board's (VGPB's) contract management process requires contract managers to:

- ensure that contractors fulfil their obligations and accept their liabilities under the contract
- ensure that contractors are treated fairly and honestly.

The OoH's contracts allowed for contractors to be penalised for non-performance (such as not finishing work on time, failing a compliance audit or not doing contracted works). Compliance audits are discussed later in this section of the report.

#### Selection of contractors

When selecting maintenance contractors, the OoH was required to comply with VGPB policies, including the *Procurement Process Guide*. The guide requires agencies to prepare whole project, risk management, probity, transition management and contract management plans.

The OoH conducted all tendering processes. Regional office staff were included on tender panels. There were separate tendering processes for responsive and programmed maintenance contracts.

---

<sup>1</sup> These are work orders under head contractors' contracts, issued by the Maintenance Call Centre or by regional staff.

Responsive maintenance contracts were awarded through public tender, in accordance with *Ministerial Direction No.1 Tendering Provisions for Public Construction*<sup>2</sup>. Contractors responding to a request for tender were required to establish their financial capacity and stability, technical capability, health and safety management, understanding of the service requirements, experience, resource availability, organisational capacity and quality assurance policies.

The OoH procurement process for responsive and vacated property maintenance did not meet all the requirements of the *VGPB Procurement Process Guide*. A probity advisor was involved in each tender. A risk management process or plan was not developed (as detailed below). The guide required a contract management plan that identified responsibilities, deliverables, performance measures and targets, and dispute resolution arrangements, to be developed. There was no contract management plan separate from the contracts. In 2002-03, the OoH used draft internal tendering guidelines. These were approved by the OoH Executive in April 2004. The OoH plans to review its internal guidelines and processes to ensure that they comply with all aspects of government tendering policies in the second quarter of 2004. The OoH has now brought together all the contract management functions into a single point. It also plans to adopt a consistent approach to contract management across both responsive and programmed maintenance. It already has ISO 9001:2000 accreditation for programmed maintenance contract management. It aims to apply for the same accreditation for responsive maintenance contract management.

## **Contract risk management**

One of the OoH's biggest risks is that contractors will not complete contracted maintenance, or will not complete it to requirements (on time, on budget, to the required quality and in the required quantity). The total value of contracts with maintenance contractors (some \$43.8 million in 2002-03) makes this a substantial risk.

The OoH did not have a formal risk management process for maintenance contracts, as required by the *VGPB Procurement Process Guide*. Staff who managed responsive maintenance contracts<sup>3</sup> used the terms and conditions in the contract to identify risks and treatments. While some risks were identified in the OoH's *Property Services and Leasing and Technical Services – Risk Control Measures*, there was no formal process to identify and assess risks, implement treatments and monitor and review the effectiveness of risk management.

---

<sup>2</sup> Authorised by the then Minister of Planning on 1 February 2002

<sup>3</sup> Responsibility for responsive maintenance contracts was moved to Property Services on 1 April 2004.



## Termination

The schedule of rates contract gives the Director of Housing the power to terminate the contract if the contractor does not comply with the contract's terms and conditions. The Director must take into account the requirements of the *Code of Practice for the Building and Construction Industry*, which requires that termination and litigation be the last resort. The Director of Housing can also suspend payment if the contractor:

- does not start or finish work within the time stated in the general specification
- carries out the works too slowly, as determined by the OoH's superintendent
- breaches the contract, or does not comply with a direction
- does work that is consistently substandard or non-tradesmanlike, or does not comply with the general specification
- makes false or misleading statements
- breaches any warranty in the contract
- consistently fails to pay any subcontractor.

If payment is suspended for any of these reasons, and the contractor does not give a satisfactory response within 7 days, the Director of Housing can take over, or terminate, the contract.

Despite the failure of most contractors to meet contractual requirements, only 2 contracts were terminated before their expiration date in the last 10 years. The OoH's practice was, in most instances, to terminate contracts of underperforming contractors when they expired. At the end of the 2001-02 to 2002-03 contract period, 3 contractors (covering 6 contracts) scored less than the average performance benchmark of 95 per cent<sup>4</sup>. While 2 contractors did not secure new contracts because of underperformance, one contractor had 2 of their 3 contracts renewed, despite consistent underperformance during the contract period. The OoH informed us that this occurred because, in their opinion, the contractor was capable of performing the contracts with a better alignment of contracts geographically. The Director of Housing can extend contracts despite nonperformance.

### 4.2.2 Management and monitoring of contractors

The schedule of rates contract requires contractors to assure that all goods, supplies and services are provided strictly in accordance with all the requirements of the contract.

---

<sup>4</sup> This concept is explained below under *Compliance audits*.

## Compliance audits

Compliance audits are part of the process used by the OoH to monitor the performance of head contractors, and their compliance with contracts. Compliance audits are conducted after maintenance is completed. They may be random, or on request by regional staff. Compliance audits might also be done when the OoH identifies a trend of non-compliance. Schedule contract orders worth \$50 to \$9 999 are audited at random. The OoH's Compliance Audit Branch develops an audit plan that requires head contractors to submit all documents relating to the schedule contract orders to be audited. The compliance plan forms the basis of the audit.

The OoH "scored" instances of non-conformance with schedule contract orders, the value of the defective work and the value of overcharges. It had a benchmark score for compliance of 97.5 per cent. Contractors who did not meet the benchmark for each audit could be charged \$4 000 for the cost of re-auditing. This could be waived if the contractor performed consistently over all jobs audited at 95 per cent or higher (average weighted benchmark).

Figure 4A shows the number of compliance plans developed, schedule contract orders audited and maintenance items on schedule contract orders since 1998-99. In 2001-02, 4.72 per cent of all schedule contract orders issued were audited, and 4.69 per cent in 2002-03.

**FIGURE 4A: COMPLIANCE AUDIT PLANS**

Year	Compliance plans developed	Schedule contract orders audited	Maintenance items on schedule contract orders
1998-99	505	10 518	39 383
1999-00	463	12 289	27 279
2000-01	382	13 609	63 227
2001-02	548	12 947	62 845
2002-03	406	14 164	60 046

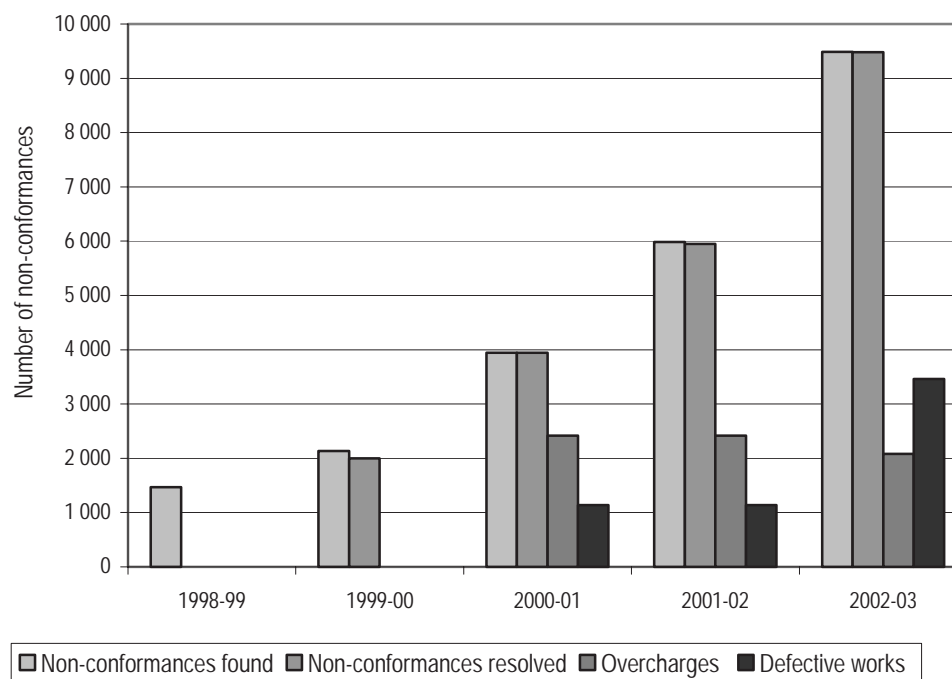
Source: Victorian Auditor-General's Office.

Figure 4B shows instances of non-compliance, overcharges and defective works from 1998-99 to 2002-03 that were identified by compliance audits<sup>5</sup>.

Despite the number of compliance plans, schedule contract orders audited and maintenance items on schedule contract orders being roughly the same over the last 3 financial years, the number of identified non-conformances increased by 141 per cent between 2000-01 and 2002-03. While the number of overcharges decreased in this same period by 14 per cent, the number of defective works identified increased by 204 per cent.

<sup>5</sup> Full data was only available from 2001-02.

FIGURE 4B: NON-CONFORMANCES TO CONTRACTS

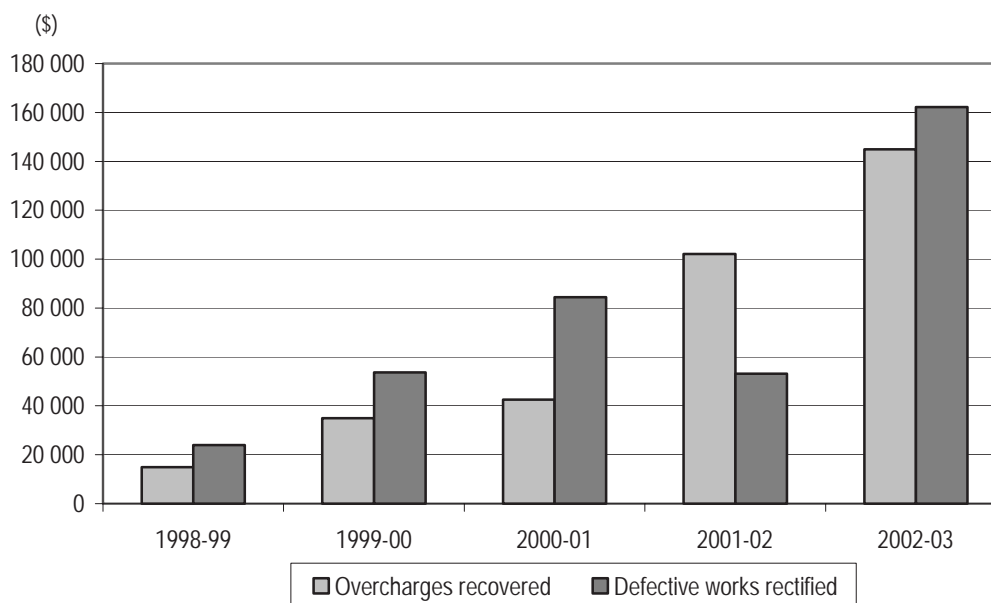


Source: Victorian Auditor-General's Office.

The OoH calculated the value of all overcharges. An overcharge was defined by the OoH as any moneys that were paid to a contractor for services or materials that were not used on a schedule contract order forming part of the compliance audit. Where overcharges were identified, they were recovered through deductions from future invoices. The OoH also estimated the costs involved in rectifying defective works. Figure 4C shows the value of overcharges recovered and of defective works rectified since 1998-99.

Between 2000-01 and 2002-03, there was a 240 per cent increase in the value of overcharges recovered from contractors, and a 92 per cent increase in the value of rectified works.

The OoH advised that this increase was due to the Compliance Audit Branch refining its inspection methods and better identifying trends. Additionally, during this time, the compliance process was automated from a manual spreadsheet system to an Integrated System for Information on Property (ISIP) module. Moreover, changes were made to the contract in 2001 that allowed the Compliance Audit Branch to resolve many non-conformances without referral to the OoH's superintendent. The combination of getting better at identifying defective works and overcharges, automation of processes and improved contractual ability to settle non-conformances all contributed to the significant increase in the value of rectified works.

**FIGURE 4C: VALUE OF OVERCHARGES AND DEFECTIVE WORKS**

Source: Victorian Auditor-General's Office.

On the basis of the Compliance Audit Branch audit sample of all schedule contract orders, we estimated the value of overcharges to be \$2.7 million annually, with an estimated \$3 million of works needing to be rectified.

Our analysis of compliance audit plans and contractor performance reports for 2 contracts in 2002-03 showed that the results of compliance audits in 2001-02 had been included in the totals for both contracts. This had the effect of increasing the contractor's performance score. Removing these audit results from the data showed that the contractor had twice not met the average performance benchmark. Re-auditing fees had not been imposed.

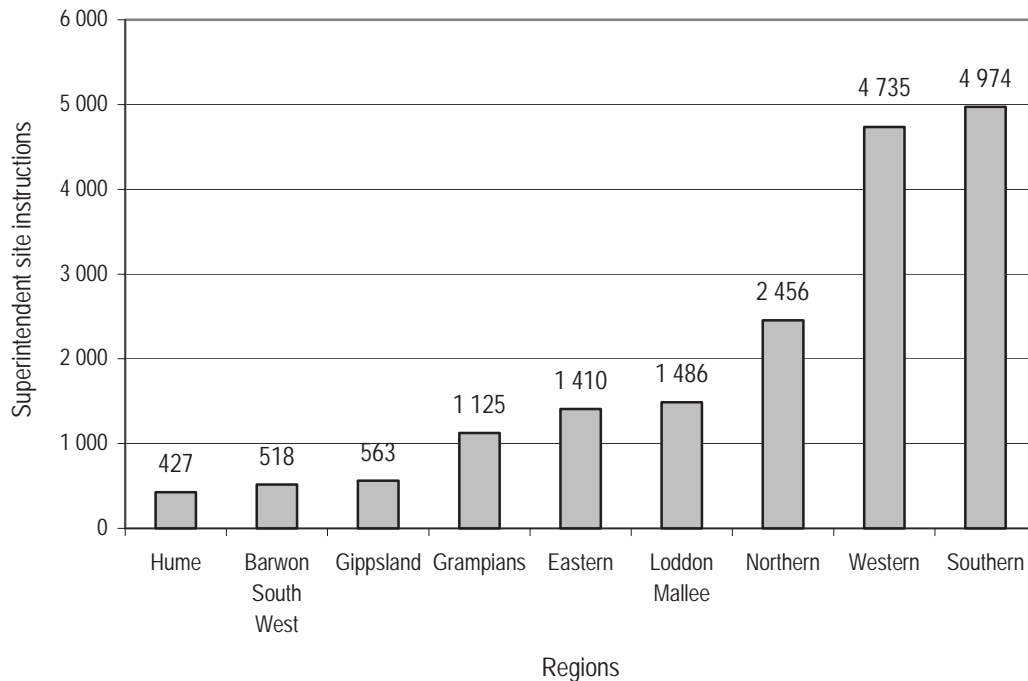
Despite the contractual requirement to score all audits conducted and count them toward the contractor's performance assessment, 6 audits were not scored. This led to an inaccurate picture of the performance of the contractor. Of the 17 audits we examined, none met the required benchmark of 97.5 per cent.

### Superintendent site instructions

Issuing superintendent site instructions (SSIs) to contractors are the main way that regional staff make sure that contractors meet their contractual obligations and are used as a communication tool. SSIs may be used to authorise variations in work, to request extra work, to instruct contractors to complete late work, or to rectify unsatisfactory work. Most SSIs are issued by regional staff as a result of tenants contacting the Maintenance Call Centre or regional offices to say that requested maintenance has not started or been completed. Contractors are required to act on these instructions immediately.

Figure 4D shows the number of SSIs issued in the 13 months to March 2004.

**FIGURE 4D: SUPERINTENDENT SITE INSTRUCTIONS ISSUED FROM MARCH 2003 TO MARCH 2004, BY REGION**



Source: The Office of Housing.

OoH central office staff (through the maintenance review) and regional staff interviewed by us believed that the force of SSIs had been weakened through overuse. SSIs are not always followed-up and enforced. The maintenance review also supported that view. The OoH did not have a benchmark for an acceptable number of SSIs given to contractors, but might take into account a high numbers of SSIs when considering whether to renew a contract. The OoH left it to regional staff to determine what was an unacceptably high level of SSIs.

The OoH has introduced training programs, strengthened the role of the superintendent’s representative, and will use the monthly and quarterly reviews of contractor performance to address the weakened impact of SSIs.

## Overdue works

The OoH's ISIP listed overdue responsive and vacated property maintenance work. OoH policy required urgent responsive maintenance work to be done within 24 hours, priority work within 7 days and routine work within 14 days. Vacated property maintenance work must be done within 14 days. Work that exceeded these times was considered to be overdue, unless further items were to be supplied, in which case the work was classified as "in progress".

Contractors could be penalised liquidated damages for late works. Contracts set liquidated damages of \$20 a calendar day for overdue responsive maintenance, and \$30 a calendar day for vacated property maintenance. At 30 March 2004, there were 4 359 properties where responsive maintenance was overdue. Some maintenance had been overdue since October 2002. Figure 4E shows overdue responsive maintenance for 1 October 2003 to 30 March 2004.

**FIGURE 4E: OVERDUE RESPONSIVE MAINTENANCE**

Contractor	Number of contracts	Number of late works	Average days late
Contractor 1	2	605	59
Contractor 2	5	1 319	42
Contractor 3	2	190	46
Contractor 4	3	275	53
Contractor 5	1	64	28
Contractor 6	3	515	37
Contractor 7	1	442	52
Contractor 8	2	213	40
Contractor 9	3	584	36
<b>Total</b>	<b>22</b>	<b>4 207</b>	<b>44</b>

*Note:* The number of late works in Figure 4E differs from the total of 4 359 provided earlier, as the total in Figure 4E does not include late works prior to 1 October 2003.

*Source:* Victorian Auditor-General's Office.

Vacated property maintenance was identified as overdue if the contractor returned the keys to the property more than 14 days after taking them. If so, liquidated damages could be applied. Data about these liquidated damages was collated manually at regional offices and submitted to the OoH. The data only recorded properties that had liquidated damages applied, and not properties that were eligible for damages but did not have them applied.

While regional staff could monitor all overdue work, they may only apply liquidated damages for overdue vacated property maintenance. Liquidated damages for all other overdue work could only be applied when the overdue work was identified in a compliance audit, subject to the superintendent's discretion. OoH practice was that claims could only be made for overdue work picked up in an audit, and not for work that was known to be overdue but had not been audited.

The process for applying liquidated damages for overdue works was unclear. While the contract specified that liquidated damages should be applied in all circumstances, this did not allow for discretion to be applied to assess the individual circumstances of each case. The OoH is not well served by the current wording of the clauses relating to liquidated damages in the general specification of the schedule of rates contract. The maintenance review recommended re-examination of those contracts. At the time of our audit, the OoH was developing a policy for exercising discretion about the application of liquidated damages.

### **Quarterly contractor performance reviews and monthly meetings**

OoH policy was for regional staff to have informal monthly and formal quarterly meetings with contractors. At the quarterly meetings, timeliness, quality of work and communication between the parties were discussed and minuted.

Contractors' timeliness, quality and communication were rated as "poor", "fair", "good" or "excellent".

The ratings were subjective and there was no process for staff to follow, or guidance, about making a rating.

The OoH intended to use the performance ratings as part of head contractor evaluation at the end of the 2-year contract period. The OoH had not developed a process to do this, but expected to do so by the end of September 2004.

The maintenance review found that many regions did not conduct meetings to review contractor performance. Before September 2003, only 2 regions conducted quarterly evaluation meetings. Since then, the conduct of quarterly meetings has been enforced by the OoH. An OoH representative has attended all meetings and the results of reviews have been recorded to use for performance assessments of contractors.

## **Quality assurance systems**

Contracts required head contractors to have quality assurance systems that were acceptable to the OoH. Contracts stated that the OoH would use these systems to monitor, evaluate and audit the head contractor's performance. The OoH Leasing and Technical Division staff did not know about this requirement, and did not use head contractors' quality assurance systems for those purposes. They regarded this requirement as unclear.

Under contracts, head contractors were required to inspect all works carried out by their staff and by subcontractors. All vacated properties and 5 per cent of schedule contract orders were to be identified on an inspection and test plan as having been personally inspected by the head contractor or their representative. They were required to submit this information monthly to the OoH.

Our inspection of properties showed that this system is not always followed. We saw work that had not been quality assured after it was completed. This included a large hole in a bedroom wall after the works were recorded as completed, rubbish in the yard of a property to be tenanted the afternoon we examined it, and appliances and fittings uncleaned.

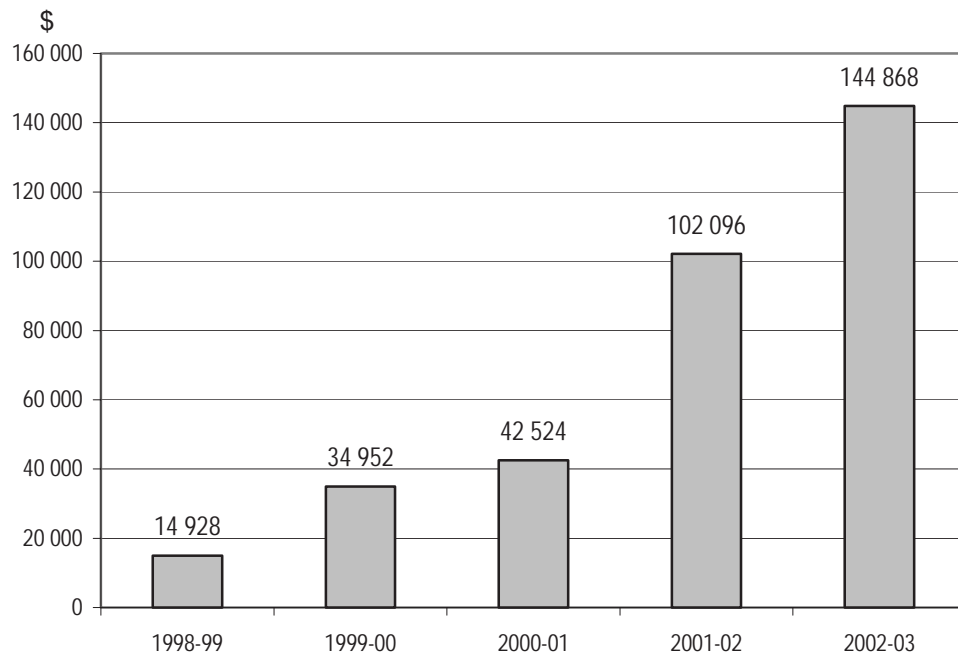
## **Incomplete work**

After a schedule contract order is completed, the head contractor is required to submit an invoice to be paid. OoH staff ensured that invoices were in the correct form and that the payments claimed corresponded to the original schedule contract order.

There were no processes to ensure that work was completed before payment was made to head contractors. However, there are limited processes in place to recoup payments from contractors where work is subsequently found not to have been completed. These processes include compliance audits and superintendent representative inspections. The Compliance Audit Branch recognised that successful delivery of maintenance services relied on the integrity of the contractors and mutual trust between the OoH and contractors. As identified in the maintenance review, the current system provides the opportunity for contractors to be paid for work they have either not performed or not completed. The OoH had referred specific cases of work paid for but not completed to the Department of Human Services' (DHS') internal audit branch for investigation. At the time of our audit, the outcomes of the investigations were unknown.

The cost to the OoH of paying contractors without establishing whether work was completed is highlighted by the value of overcharges recovered shown in Figure 4F. The overcharges recovered were based on samples of approximately 5 per cent of schedule contract orders.



**FIGURE 4F: OVERCHARGES RECOVERED BY THE OoH**

Source: Victorian Auditor-General's Office.

The OoH is currently reviewing the processes for strengthening contract management for responsive maintenance. There is a multifaceted approach to this review, including application for responsive maintenance contracts to be certified to the ISO 9001:2000 international standard, substantial change to the Maintenance Policy and Procedures Manual, training for key regional staff, monthly regional meetings with contractors, quarterly performance reports by regions and central OoH, and the establishment of a panel to review contractor performance.

### 4.2.3 Conclusion

Although the OoH met most VGPB requirements when engaging contractors, it did not assess the risks in the tendering process or develop a formal contract management plan. The OoH also did not develop a formal risk management plan for managing contracts.

There were adequate termination provisions in current contracts for underperforming contractors, but the OoH did not use them. Because the OoH's practice was to not renew the contracts of underperforming contractors rather than terminate their contracts, contractors in breach of their contracts still worked until their contracts expired. Some were awarded new contracts. This could result in continued poor service to tenants, poor value-for-money for the OoH, and disrespect for a broader range of contractual obligations.

Compliance audits are essential to making contractors accountable; with 5 per cent of the total number of schedule contract orders audited each year. This small number of audits recovered considerable sums of money by identifying non-compliance with contracts. If the results of the small number of audits were applied to all schedule contract orders, then levels of overcharging, works that were not rectified, and large amounts of money not being recovered would undoubtedly be higher.

Given that the number of schedule contract orders audited, and the number of audits conducted, remained stable over this period, there is a growing problem with overcharging and unrectified works.

The benchmark for performance (97.5 per cent) is ineffective, as most contractors do not meet it. Instead, the OoH relies too much on an average weighted benchmark (95 per cent) to measure contractors' performance. Contractors are not encouraged to perform to the higher standard if the OoH in practice judges their performance by the lower benchmark.

The OoH is poorly served by a lack of clarity in the liquidated damages clause of contracts. A literal interpretation of the relevant clauses indicates that liquidated damages should be applied in all instances where works are overdue. However, it is reasonable to take account of mitigating circumstances.

SSIs have lost impact from being overused. This loss of impact can undermine contract management and relationships between contractors and the OoH. The failure of contractors to adhere to the SSI's means that although they may breach their contract, the SSIs are less and less effective in ensuring contractors comply with their contract. The OoH has recently developed measures to regain the intended impact of SSIs as part of the maintenance review exercise.

The extent to which the OoH managed the performance of head contractors varied. However, as a result of the maintenance review, the OoH has brought together the management of all maintenance contracts and clarified the roles and responsibilities of staff involved in maintenance. The OoH is also substantially revising its Maintenance Policy and Procedures Manual. Training key regional staff in contract management will ensure greater consistency in practice.

## Recommendations

4. That the OoH develops risk management and contract management plans for tendering of maintenance contracts, in line with Victorian Government Purchasing Board guidelines.
5. That the OoH develops a risk management plan for the management of maintenance contracts.
6. That the OoH enforces the conditions of its contracts to ensure that all contractors perform to the required standards.
7. That the OoH develops and uses objective performance criteria for the quarterly assessments of contractors.
8. That the OoH strengthens procedures to ensure that contractors complete all work before being paid.
9. That the OoH redraft its contract to better reflect the intent to exercise liquidated damages where appropriate, as reflected in good business practice.
10. That the OoH increases the number of audits it carries out to encourage all contractors to comply with the conditions of their contracts.
11. That the OoH requires head contractors to increase the percentage of quality inspections reported to the OoH.

### **RESPONSE provided by Secretary, Department of Human Services**

#### **Recommendation 4**

*DHS supports this recommendation. The Maintenance Review commits the OoH to extending, to all its maintenance contracts, the quality assurance processes currently attached to programmed maintenance. This will provide certification to international standard for the quality management systems in responsive as well as programmed maintenance contracts. Certification will include the audit of risk management and contract management plans and compliance with the Victorian Government Purchasing Board guidelines.*

### **Recommendation 5**

DHS supports this recommendation. The maintenance review also recommended, and management have endorsed, the development of a risk management plan for responsive maintenance. In addition, the maintenance review resulted in the full range of maintenance services being amalgamated into Property Services, creating a single delivery agent accountable for production and maintenance. The delivery model will be supplemented by:

- the establishment of a Contractor/Consultant Review Panel
- the internal Contracts and Specifications Committee in Property Services
- contractor roadshows during 2004
- formalising regional input into contractor selection
- formal quality assurance in the contract management system for responsive maintenance contracts.

### **Recommendation 6**

DHS supports this recommendation. The maintenance review has already identified the need to strengthen the management of the performance of responsive maintenance contractors and has commenced additional business improvements:

- regions conduct monthly meetings with head contractors
- regions complete quarterly contractor performance reports
- central office conducts quarterly assessments of the performance of contractors
- the design of flowcharts for the escalation points and resolution of non-performance of contractors
- substantial revision to the responsive maintenance chapter in the Maintenance Policy and Procedures Manual to formalise strengthened performance management of responsive maintenance contractors
- training for regional staff in contract management in responsive maintenance contracts with a strong focus on the performance management of responsive maintenance contractors
- independent review function established in Strategic Asset Management.

### **Recommendation 7**

DHS supports this recommendation. Property Services will work closely with the HiiP project in the design of objective performance measures for the assessment of contractors and consultants. These assessment criteria will cover the full range of maintenance services across the OoH, responsive maintenance and programmed maintenance and upgrades, and will complement the assessments already conducted through the Department of Infrastructure Construction Supplier Register.

**Recommendation 8**

*DHS supports this recommendation. The maintenance review identified this risk issue among its priority matters in maintenance for the OoH. The matter was also referred to the DHS Internal Audit Branch for independent review and their recommendations in relation to systemic improvements will be implemented. The review model of the maintenance review has been approved by the Housing Executive and has identified the need to expand the review function to include the audit of work practices. This design work will involve central office and regional responses, and will be completed as part of the project plan for the maintenance review.*

**Recommendation 9**

*DHS supports this recommendation. The OoH has identified opportunities for improvements in the liquidated damages clauses and defects liability clauses, and will review the contract accordingly.*

**Recommendation 10**

*DHS supports the intent of this recommendation. The current methodology allows for the expansion of the sample to focus on identified risks emerging from trend analysis. The progress report for the maintenance review also identified the need to expand the independent review function across maintenance services, while recognising the convergence between independent review and quality assurance in contract management. The issue will be addressed through stage 3 of the work force analysis for the maintenance review, which is now under way.*

**Recommendation 11**

*DHS supports the intent of this recommendation. The priority for the OoH is to improve the quality of our monitoring processes. The Housing Executive has already approved the expansion of the independent review function across maintenance services and this element will form part of the work force analysis. The organisational realignment has already occurred by establishing separate entities for delivery and review.*

## **4.3 Was the OoH's management of maintenance requests adequate?**

---

In assessing whether the OoH's management of maintenance requests was adequate, we examined the performance of the Maintenance Call Centre in its first months of operation.

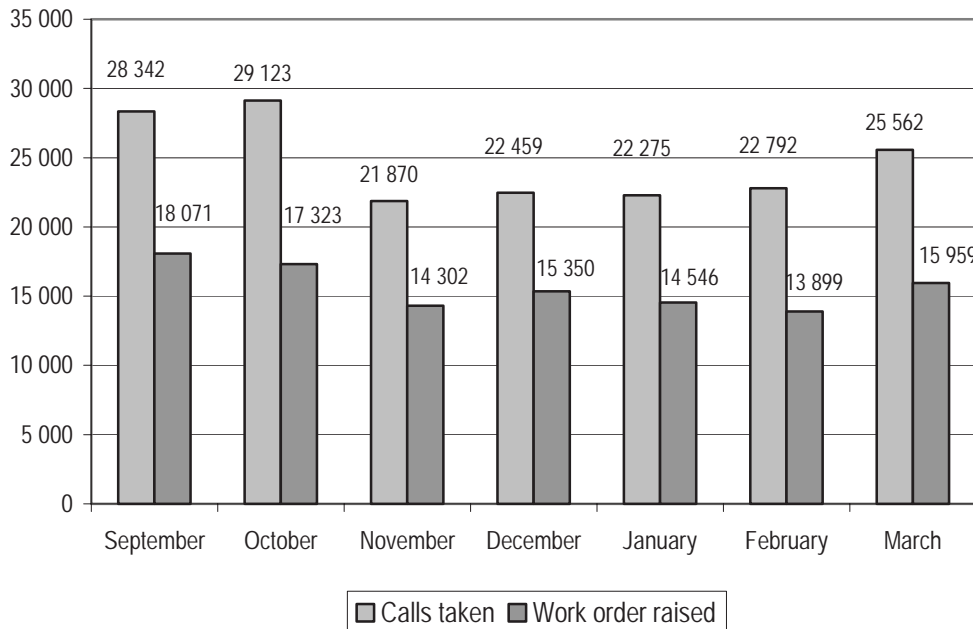
The OoH’s Maintenance Call Centre operates from 8.00 am to 4.30 pm, 5 days a week. It took its first calls in September 2003 when the fully operational call centre opened. Call centre staff process all requests by tenants for maintenance, coordinated responses by contractors, processed payments to contractors and called some tenants to see if they were happy with the contractor’s performance. The centre also offers an after-hours service for urgent maintenance requests.

Between September 2003 and March 2004, the call centre took 172 423 calls. It raised 109 450 schedule contract orders and made 3 153 customer satisfaction call-backs. Customer satisfaction calls were made randomly, but not to people from culturally and linguistically diverse communities. The OoH undertook 2 postal surveys of tenants including those from culturally and linguistically diverse communities. One of these surveys was sent out, in August 2002, in 9 languages. The other, in February 2003, was sent out in English noting that a translation could be provided by the regional housing office if required.

Most regional focus group participants were aware of the call centre and most felt that the centre had made it easier to request maintenance. Customer satisfaction surveys by the centre also showed high levels of satisfaction with the services it provided.

Figure 4G shows the number of instances of each type of activity, by month.

**FIGURE 4G: CALL CENTRE ACTIVITIES, SEPTEMBER 2003 TO MARCH 2004**



Source: Victorian Auditor-General's Office.

Tenants could still submit requests to a regional office. Many tenants did this, particularly those from culturally and linguistically diverse communities who preferred to have direct contact with staff. Regional staff did not deal directly with the contractor, but called the call centre on the tenant's behalf.

### 4.3.1 Conclusion

The establishment of the Maintenance Call Centre is a good initiative. It has reduced much of the maintenance workload of housing services officers and resulted in consistently high levels of tenant satisfaction. It should ensure greater consistency in the way in which scheduled contract orders are raised. We expect that if the centre operates as expected, it should improve the delivery of maintenance services, including the management of maintenance requests and the timeliness of responsive maintenance. However, the number of customers called for feedback is small, being only one or 2 per cent of all schedule contract orders raised. This is a starting point that should be developed further, with additional feedback sought from tenants from culturally and linguistic diverse communities.

### Recommendations

12. **That the OoH evaluates the Maintenance Call Centre's effectiveness within the next 6 months, to determine progress in meeting its original objectives.**
13. **That the OoH increases the percentage of customer satisfaction surveys to 5 per cent to provide a more representative sample of tenants.**
14. **That the OoH conducts customer satisfaction call-backs of tenants from culturally and linguistically diverse communities.**

#### **RESPONSE provided by Secretary, Department of Human Services**

##### **Recommendation 12**

*DHS supports this recommendation and will respond initially by:*

- *industry review - the call centre will be benchmarked against peer call centres by the Australian Telecommunications Association*
- *call centre to be quality assured to international standard for its quality assurance system*
- *customer satisfaction survey to be conducted annually by an external research company*
- *formal evaluation of the call centre's effectiveness after 2 full years of operation.*

### **Recommendation 13**

*DHS supports the intent of this recommendation. The OoH has already focused on business improvements by implementing changes to customer satisfaction surveys, including:*

- *contacting a random sample of tenants prior to payment, to confirm completion of work to standard*
- *aligning surveys with the questions asked in the National Customer Satisfaction Survey*
- *increasing the number of surveys undertaken*
- *increasing the number of customer call-backs.*

*Capacity to increase the percentage of customer satisfaction surveys to 5 per cent will be further examined.*

### **Recommendation 14**

*DHS supports this recommendation. The OoH will respond by ensuring the external research company conducts the annual customer satisfaction survey in community languages with an appropriate sample of tenants from culturally and linguistically diverse communities, based on data on tenant profiles.*

## **4.4 Did the OoH adequately monitor DHS regional office performance?**

---

In assessing whether the OoH adequately monitored performance by DHS regional offices in managing responsive and vacated property maintenance, we examined their processes to do so.

### **4.4.1 Region performance monitoring**

Each year, every one of DHS' 8 regional directors enters into a formal service agreement with the Director of Housing. The agreement identifies a number of key result areas and targets to be achieved by the region for the whole housing program (including maintenance targets).

Figure 4H shows the key result areas (and their components) that regional directors were required to achieve in 2003-04.



**FIGURE 4H: KEY RESULT AREAS AND COMPONENTS FOR REGIONAL DIRECTORS, 2003-04**

<b>Key result areas</b>	<b>Components</b>
1. Continuous improvement of service delivery	1.1 Provide service to those with highest priority needs 1.2 Provide a range of flexible services which can be tailored to meet individual needs 1.3 Grow affordable housing and expand choice 1.4 Develop business practices that promote efficient, effective delivery of services and greater consumer participation
2. Continuous improvement in the provision of maintenance services	2.1 Increased level of client satisfaction with maintenance 2.2 Provide robust and sound process for analysing the performance of contractors/ consultant– value-for-money, responsiveness, quality and compliance 2.3 Support the Housing and Community Building Division in its overall objective of moving to a preventative maintenance approach
3. Developing business and organisational capacity	3.1 Improve strategy, planning and performance management processes 3.2 Improve strategic decision-making and risk management at regional and local levels 3.3 Evaluate the capacity to manage change
4. Building a strong organisational culture	4.1 Implement workforce planning and succession planning 4.2 Build a skilled work force of people with competencies to match new role requirements 4.3 Build a strong and open organisational culture that rewards innovation, continuous learning and improvement 4.4 Implement team service agreements 4.5 Implement the tenant participation framework 4.6 Implement the customer service charter
5. Sound resource management	5.1 Integrate planning of capital and operating expenditure to maximise the connections between asset and non-asset interventions 5.2 Ensure sound budget management that maximises the income from revenue and achieves operating efficiencies

Source: The Office of Housing.

Regional directors were required to meet maintenance-related targets for:

- the number of property condition audits completed
- the level of unsubstantiated claims raised against tenants for property damage
- the average calendar days a property remained vacant.

Regional directors were also required to ensure that expenditure was kept within budgets.

The Housing Regional Agreement Schedule for 2003-04 stated that each regional director should assess the quality of regional housing activities at least twice every financial year against the customer service charter, Acts, delegations, policies, property standards, personnel policies, purchasing policies and service provision standards. The OoH referred to these assessments as bi-annual business reviews.

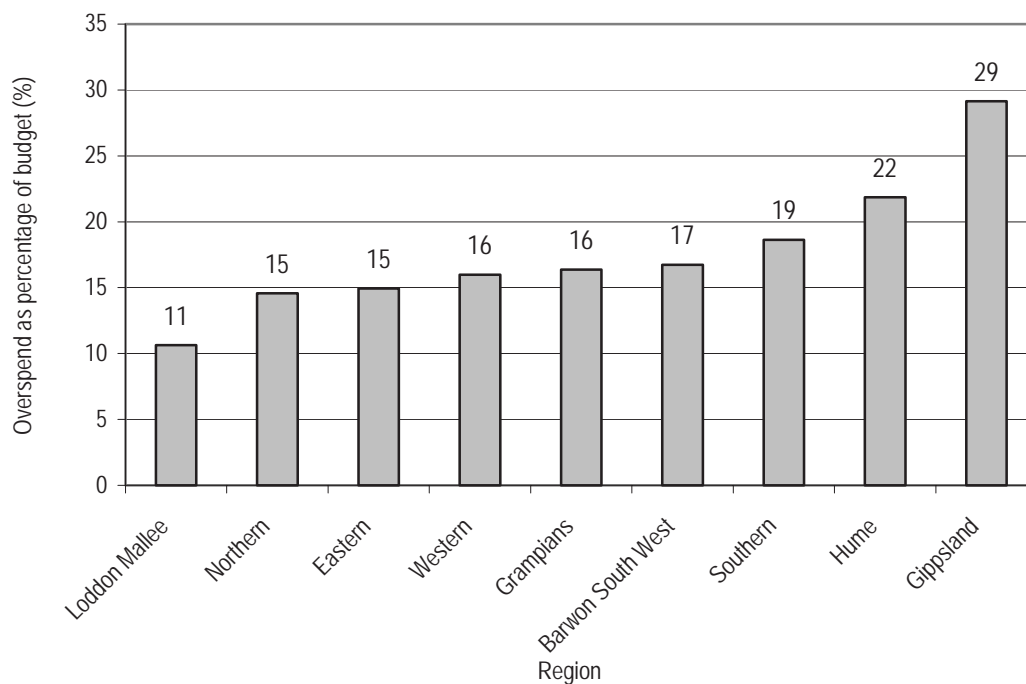
In 2003-04, all the then 9 regions submitted bi-annual business reviews to the OoH. The reviews varied in quality and content. While reviews generally reported against targets, they offered explanations as to why targets were not achieved, without necessarily identifying how they were going to meet targets in future.

Audit survey responses from 3 regional directors said that there were no incentives or penalties to encourage regional staff to ensure that targets were met. However, other regional directors outlined strategies, including weekly meetings with staff, to monitor and review performance against targets.

The OoH provided monthly data to each regional office (through the Housing Regional Agreement Schedule report) about achievement of targets statewide, and by all regions.

#### **4.4.2 Managing maintenance expenditure within budget**

All regions overspent their maintenance budgets between July 2003 and February 2004. Effective budget management is an important regional responsibility under the Housing Regional Agreement Schedule. Figure 4I shows the percentage by which they overspent.

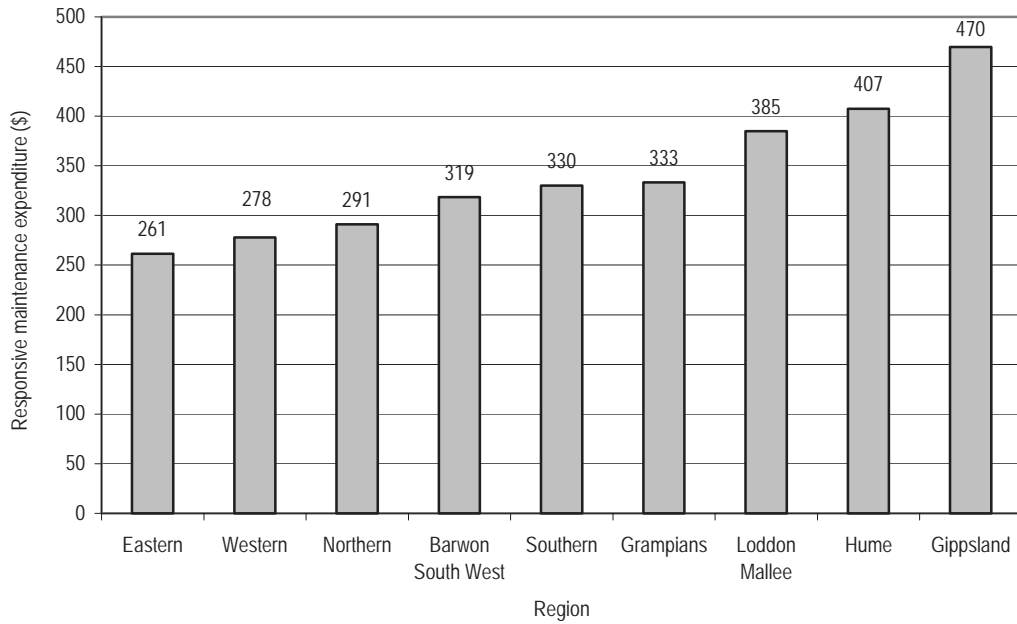
**FIGURE 4I: PERCENTAGE OVERSPEND OF REGIONAL RESPONSIVE MAINTENANCE BUDGETS, JULY 2003 TO FEBRUARY 2004**

Source: Victorian Auditor-General's Office.

The OoH executive discussed overspending of regional maintenance budgets, and the need for better management of these budgets, in April 2002, July 2002, March 2003 and November 2003. We were not able to determine why regions consistently overspent their responsive maintenance budgets. This issue of overspending of maintenance budgets in 2002 and 2003 was raised in the bi-annual business reviews.

The amount spent on responsive maintenance per property varied substantially from region to region. Figure 4J shows that from July 2003 to February 2004, Eastern Region spent the least per property (\$261) and Gippsland Region the most (\$470).

**FIGURE 4J: RESPONSIVE MAINTENANCE PER PROPERTY, BY REGION, JULY 2003 TO FEBRUARY 2004**



Source: Victorian Auditor-General's Office.

### 4.4.3 Managing turnaround times for vacated properties

Each region had a target for the average number of calendar days a property was vacant between tenancies due to the need for maintenance (in order to comply with the Residential Tenancies Act). As Figure 4K shows, no region consistently met its target between July 2003 and February 2004.

**FIGURE 4K: TURNAROUND TIME FOR VACATED PROPERTIES BY REGION, JULY 2003 TO FEBRUARY 2004 (MEASURED IN CALENDAR DAYS)**

	Barwon South West	Gippsland	Hume	Loddon Mallee	Grampians	Western	Eastern	Southern	Northern
<b>Target</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>34</b>	<b>34</b>	<b>35</b>
July	39	55	40	39	38	28	27	41	45
August	42	49	38	35	42	32	31	38	44
September	40	44	39	36	42	33	34	38	44
October	38	43	37	37	40	34	33	39	46
November	36	41	35	38	40	34	34	38	45
December	35	40	35	37	39	34	34	38	45
January	36	40	35	36	38	35	34	39	44
February	35	41	35	36	37	35	35	40	43

Source: Victorian Auditor-General's Office.

At the time of the audit, the OoH was considering further maintenance-related performance targets for regional offices. It was also considering requiring offices to develop performance improvement plans.

### Tenant damage to properties

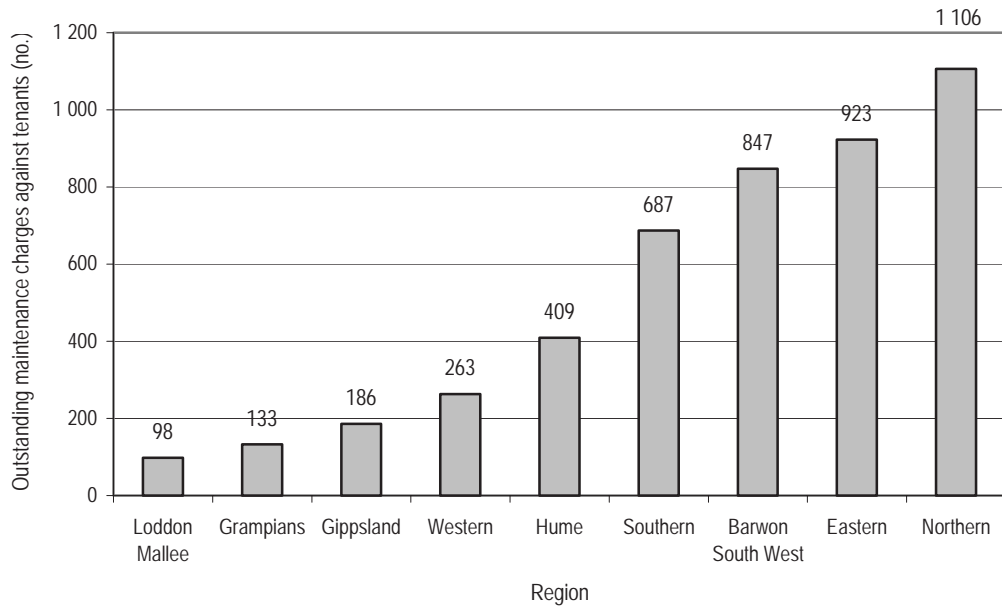
The OoH aims to recover the costs of repairing damage or neglect by tenants. To do so, the OoH applies to the Victorian Civil and Administrative Tribunal (VCAT) for compensation for the total cost of repairs to be recovered from the tenant. This is called a maintenance charge against tenants (MCAT). The VCAT tribunal then decides, based on the evidence available, whether the tenant is fully, partially or not liable for the charge, and makes an order against the tenant. Where tenants are found liable, they would in most cases be required to enter into agreements to repay the OoH the cost of damage.

The OoH aims to have all maintenance charges against tenants received within 60 days of the payment to contractor. Each region also had a target of no charges outstanding beyond 60 days for 2003-04.

At February 2004, the OoH had a total of 4 652 claims outstanding beyond 60 days that had yet to be considered by VCAT, worth \$2.4 million. This compared with 5 183 claims worth \$2.3 million at February 2003.

Figure 4L shows the number of outstanding MCATs beyond 60 days. The number varied substantially between regions, from Loddon Mallee Region with 98 cases to Northern Region with 1 106 cases.

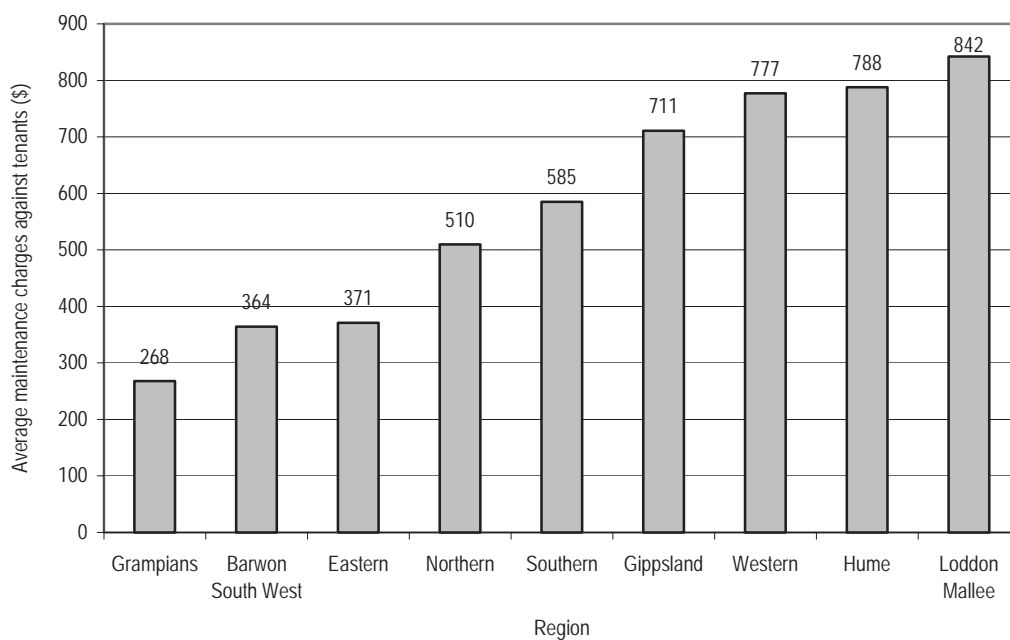
**FIGURE 4L: REGIONAL COMPARISON OF NUMBER OF OUTSTANDING MAINTENANCE CHARGES AGAINST TENANTS BEYOND 60 DAYS, IN FEBRUARY 2004**



Source: Victorian Auditor-General's Office.

The average regional value of these charges also varied substantially, from Grampians with an average value of \$268 to Loddon Mallee with an average value of \$842 (as Figure 4M shows).

In 2004, the OoH initiated a review of its existing procedures to determine how to improve the management of MCATs.

**FIGURE 4M: REGIONAL COMPARISON OF AVERAGE VALUE OF MAINTENANCE CHARGES AGAINST TENANTS, AT FEBRUARY 2004**

Source: Victorian Auditor-General's Office.

#### 4.4.4 Conclusion

While the OoH provides monthly performance feedback to regions, it does not have an effective approach to managing regional performance to ensure that maintenance-related targets are met.

Targets were not set for all of the housing maintenance responsibilities of regional offices. Although all regions had targets for turnaround times for vacated property maintenance, only 2 regions met their target (one once, and the other 7 times in the 8-month period, July 2003 to February 2004). The turnaround time reflects a number of variables, including the timeliness of contractors in meeting vacancy re-letting standards and the work of regional staff in arranging allocation to a new tenant. The OoH is currently investigating this key performance indicator.

Regions are responsible for delivering housing services to tenants, but their accountability is not clear. While regular meetings between the OoH and regional staff occur, the OoH's housing regional agreement schedule does not have sufficient incentives and penalties to encourage the achievement of performance targets.

## Recommendations

15. That the OoH reassesses whether the existing approach for managing regional performance provides sufficient incentives and penalties to encourage targets to be met.
16. That the OoH considers introducing new targets to ensure they better reflect the comprehensive nature of regions' maintenance responsibilities.
17. That the OoH reviews the Housing Regional Agreement Schedule to determine the scope for improving the quality of regional performance reporting.
18. That the OoH explores greater use of performance benchmarking and spreading of good practice across regions.

### **RESPONSE provided by Secretary, Department of Human Services**

#### **Recommendation 15**

*DHS supports the intent of this recommendation with regard to maximising the achievement of performance targets. The over-expenditure in responsive maintenance described in Figure 4I resulted in part from the demand "spike" associated with the introduction of the Maintenance Call Centre and the improvement in access to maintenance resulting from its roll-out across the state. Regions and the OoH are working closely to improve the accountability arrangements for expenditure control associated with the call centre. The OOH has commenced a project to review existing key performance indicators and feedback arrangements.*

#### **Recommendation 16**

*DHS supports this recommendation. The OoH has commenced business improvement initiatives in conjunction with regions, through the abovementioned project. For example, strategies to better understand the drivers underpinning vacancy turnaround time have already commenced with analysis of the contributing factors in a sample of regions; this will both assist in the promulgation of better practice and inform decisions about the adequacy of targets in the context of regions' broader maintenance obligations.*

#### **Recommendation 17**

*DHS supports this recommendation. The OoH has commenced work to streamline the regional performance reporting system.*



**Recommendation 18**

*DHS supports this recommendation. In conjunction with the 6-monthly business reviews with regions, the OoH will conduct operational forums with regional managers and housing managers. The Good Practice Unit will play a major role in sharing best practice across regions.*

---



# 5. Did the OoH adequately inform and consult with tenants?



## 5.1 Background

---

The Office of Housing's (OoH) *Guiding principles for effective consultation and participation* say that "tenant participation is critical to improving housing management and service delivery ... all engagement with tenants must invite and facilitate consultation and participation". It also says "tenants are involved from inception in setting the agenda, agreeing priorities and determining decision-making processes. They are well-informed and share responsibility in making decisions affecting them".

In the 2003-04 regional service agreement, regional directors were required to:

- establish regional customer councils and promote tenant participation activities in the region
- improve advice, support and service standards to applicants and tenants
- improve consultation and written communications with applicants and tenants
- improve staff training and development in priority areas, to improve service delivery
- participate in the Department of Human Services' (DHS) Quality In Services Project
- comply with the OoH customer service charter.

## 5.2 Did the OoH adequately inform tenants?

---

In assessing whether the OoH adequately informed its tenants, we examined if it informed tenants about:

- the OoH's and tenants' legal rights and responsibilities
- asset maintenance standards, policies, procedures and service standards.

### 5.2.1 Informing tenants about legal rights and responsibilities

The OoH is legally required to inform tenants about their legal rights and responsibilities. The OoH is required to give new tenants a copy of *Renting a home: a guide for tenants and landlords* publication, which explains what tenants and landlords must do to obey Victoria's residential tenancy laws. The booklet was updated in 2003 to reflect changes to the *Residential Tenancies Act 1997* that came into force on 1 July 2003.

The OoH has published many information leaflets for tenants. These include *Housing: your rights, your responsibilities, Repairs to your home* and the *Public Housing Customer Service Charter*. The OoH also sends tenants a copy of the quarterly *Tenant News* and provides all new tenants with *Renting a home: a guide for tenants and landlords*, published by Consumer Affairs Victoria.

The OoH provides quarterly written information to all tenants with their quarterly housing payment updates. Any new publications are included with these statements. These publications are also available in 9 languages.

The OoH funds the Public Housing Advocacy Program (PHAP) as an independent source of information and advice to current and potential public housing tenants, to help them understand their legal rights and responsibilities, and the OoH's policies and procedures. The DHS also funds the Victorian Public Tenants' Association, and Tenants' Union Victoria, to promote the rights of public tenants living in Victoria. The OoH expects these organisations to raise any systemic housing issues concerning tenancies, and to advocate on behalf of individual tenants.

In June 2003, the Statewide PHAP Reference Group endorsed a partnership agreement between PHAP agencies and the OoH. The agreement's mission was "working together to ensure prospective and current public housing tenants attain a sustainable tenancy in appropriate and affordable housing". Regional focus group participants said that PHAP agencies provided useful advice and support with maintenance issues. The OoH plans to review the PHAP. The aims of this review include: clarifying optimal roles and expected outcomes from the work of PHAP agencies and determining a "best practice" model to assist PHAP agencies in delivering the best outcomes for tenants and applicants.

Many regional focus group participants were not aware of the various publications produced by the OoH. Only participants who had recently become an OoH client had received an information pack containing a copy of each publication. This reflects the requirement of amendments to the Residential Tenancies Act from 1 July 2003. Participants who had been in OoH properties for some time were not aware of the publications.

A number of these participants did not remember seeing *Renting a home: a guide for tenants and landlords*. Nor were they aware of their rights under the *Residential Tenancies Act 1997*, and of the landlord's responsibilities (such as to repair a gas leak or a burst water pipe).

People from Vietnam and their families made up the largest single group of culturally and linguistically diverse tenants (3 042 tenants, or 3.3 per cent of all tenants). Although they were provided with general information about their tenancy, the Australian Vietnamese Women's Welfare Association advised that the Vietnamese translation of *You and your rights* booklet was not provided to Vietnamese tenants. The association, which helps tenants resolve maintenance issues, was also not aware of contractors' roles and responsibilities. The association also believed that many Vietnamese tenants were not aware of their right to ask for maintenance on their homes. This group is funded by the OoH to advocate for the tenancy rights of Vietnamese tenants.

## 5.2.2 Informing tenants of service standards, policies and procedures

In September 2003, the OoH launched its *Public Housing Customer Service Charter*. The charter, developed in consultation with tenants and staff, outlines the standards of service tenants could expect from the OoH. As Figure 5A shows, the UK Housing Inspectorate considers the clear setting out of service standards (such as is done in a charter) as one way of establishing a high standard of service.

### FIGURE 5A: ACHIEVING EXCELLENCE IN HOUSING MANAGEMENT: THE UK HOUSING INSPECTORATE'S FRAMEWORK

The UK Housing Inspectorate's inspection framework states "services should be delivered to the highest standard no matter where the tenant lives or who the landlord is". Examples of services the inspectorate would expect to be delivered to the highest standard, irrespective of local conditions, are:

- advising tenants of their rights and responsibilities
- handling complaints efficiently and sensitively, and offering redress where appropriate
- dealing with correspondence, emails and telephone calls to standards agreed by tenants and their representatives
- ensuring easy and equal access for all members of the local community, paying particular attention to those whose first language is not English, people with a disability and older people
- using plain language in all communications with tenants
- dealing with tenants in a courteous and open way on all occasions
- producing clear, well-publicised service standards for each element of the housing service
- operating an appointments system for repairs and other visits to tenanted properties.

Source: *Achieving excellence in housing management*, UK Housing Inspectorate.

In 2003-04, DHS required its regional directors to work with the OoH to:

- improve advice, support and services to applicants and tenants
- improve consultation and written communication with applicants and tenants
- improve staff training and development in agreed priority areas to increase the quality of service delivery
- comply with the customer service charter
- implement the Client Home Visiting Scheme in their region.

The OoH procedure for responsive maintenance requires that tenants should be told:

- when a contractor would visit their home to do maintenance work
- that they should ask the contractor for identification before allowing the contractor to enter their home
- that the contractor would ask them for their signature to verify that the contractor had attended the property and completed the works
- that their signature did not verify the quality of work done by the contractor
- that they should contact their DHS regional office if works were not completed satisfactorily or within the specified time.

Very few focus group participants had been provided with information about the OoH procedure for responsive maintenance. Many respondents were asked to sign a form by a contractor, but had not been told what they were signing. Nor were they given a copy of the form they had signed. The Australian Vietnamese Women's Welfare Association noted in their *2001-02 Annual Review* that "Vietnamese people are always asked by contractors to sign forms and the tenants have no idea what it is they are signing. They are unclear about when they should sign and usually have no clear understanding of when the job will be completed and by whom". The *2002-03 Annual Review* noted that "contractors often fail to attend at the specified time and this means that tenants often wait all day without the contractor attending. Other contractors would not give a time and tenants are expected to interrupt their daily and weekly commitments to remain at home until the contractors come".

Regional focus group participants had received tenants' newsletters and letters from the OoH that had, for example, told them about forthcoming maintenance programs. However, despite the *Public Housing Customer Service Charter* being mailed to all tenants, few participants recognised it when it was shown to them.

### 5.2.3 Conclusion

The OoH produces a large range of publications explaining the rights and responsibilities of the office and of tenants in English and in the most commonly used community languages. However, the OoH had not assessed tenant satisfaction with the various publications, or whether they preferred other media. Some tenants were not aware of these publications.

The OoH funded organisations to provide feedback regarding systemic issues regarding tenancies. The funded organisations concentrate on advocacy on behalf of individuals, rather than on analysis of systemic issues. The OoH is reviewing the role of the PHAP to improve its effectiveness.



## Recommendations

19. That the OoH periodically determines the extent to which its tenants (including tenants from culturally and linguistically diverse communities) are satisfied with the publications used for informing them of their legal rights and responsibilities, and of the OoH's asset standards, policies and procedures.
20. That the OoH develops a communications strategy to research, plan, deliver and evaluate the effectiveness of its communications with tenants.
21. That, in its review of the Public Housing Advocacy Program, the OoH considers whether tenants have sufficient opportunity to raise systemic issues.

### **RESPONSE provided by Secretary, Department of Human Services**

#### **Recommendation 19**

*DHS supports the intent of this recommendation. The OoH has commenced a project to review all current publications provided to tenants.*

*The rights and responsibilities of public housing tenants and the Director of Housing are specified in the lease agreement signed on commencement of tenancy, consistent with the Residential Tenancies Act 1997.*

#### **Recommendation 20**

*DHS supports this recommendation. The OoH has already identified this issue and a communications committee has been established. The committee plans, guides and monitors divisional communications activities, and the extent to which they achieve the communication objectives of key stakeholders.*

#### **Recommendation 21**

*DHS supports this recommendation. The OoH has commenced the Public Housing Advocacy Program (PHAP) review and will use the review to identify ways to sharpen opportunities for tenant participation.*

## 5.3 Were the OoH's efforts to obtain feedback from tenants adequate?

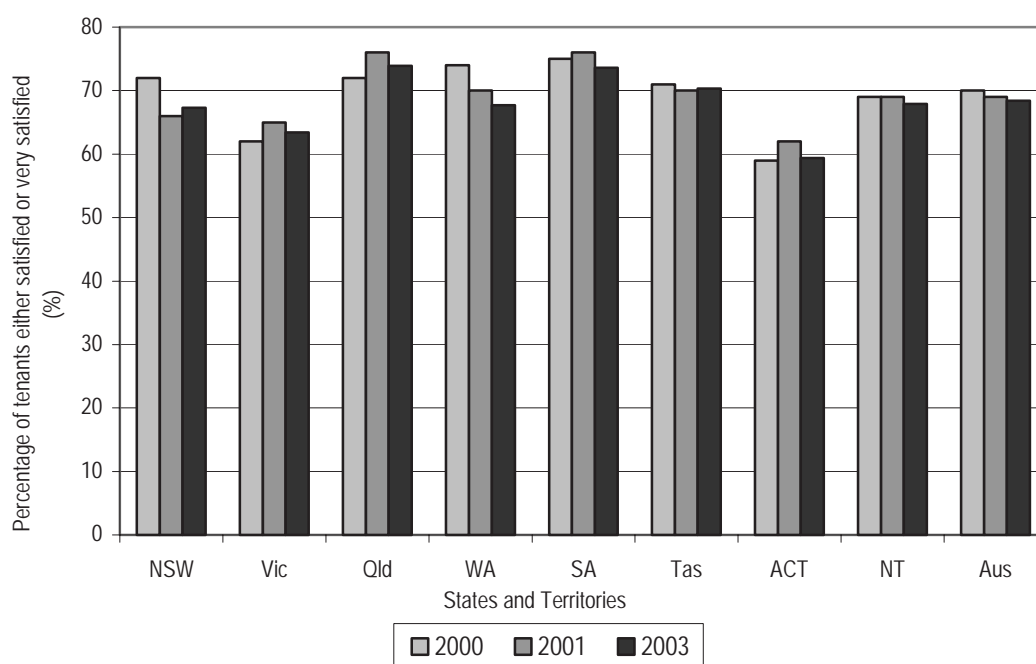
In assessing whether the OoH's efforts to gain feedback from tenants were adequate, we examined if:

- the OoH had adequate mechanisms to collect tenant feedback
- tenants were satisfied with the OoH's maintenance of their homes.

The 1999-2003 Commonwealth-State Housing Agreement required agencies to collect nationally consistent indicators and data for benchmarking purposes. These indicators and data are contained in the National Social Housing Survey – Public Housing. The agreement also requires the OoH's performance in terms of tenant satisfaction to be assessed against the National Tenant Satisfaction Survey. In 2002-03, the DHS target for tenants either satisfied or very satisfied was 95 per cent of the national average. It achieved 94.3 per cent of the national average. In 2002, the survey was not carried out nationally.

As Figure 5B shows, the Productivity Commission's *Report on Government Services 2004* reported that Victorian tenants were less satisfied with their public housing than tenants in all but one other jurisdiction. It also shows that the national level of tenants either satisfied or very satisfied has been falling since 2000 in 6 of the 8 states and territories. The report was based on data from the National Social Housing Survey for 2003.

**FIGURE 5B: INTERSTATE COMPARISONS OF TENANTS' SATISFACTION: 2000, 2001 AND 2003**



Source: Productivity Commission, *Report on Government Services 2004*, Table 16A.14.



Figure 5B shows that for the survey years 2000, 2001 and 2003, South Australia (with 74.9 per cent of tenants surveyed being either satisfied or very satisfied) and Queensland (74 per cent either satisfied or very satisfied) had the highest average satisfaction levels. The 2 lowest states were Victoria (63.5 per cent either satisfied or very satisfied) and the ACT (60.1 per cent either satisfied or very satisfied).

The main causes of dissatisfaction for Victorian tenants were the time taken to fix maintenance problems (48 per cent satisfied), staff knowledge about policies (54 per cent satisfied) and the efficiency with which maintenance requests were addressed (56 per cent). The OoH's policy is to keep administrative overheads low so that the maximum amount of funds can be spent on public housing. Consequently, the OoH has the lowest administrative overheads of all states.

In 2002, the OoH decided to collect data for the whole state and for each of its (then) 9 regions. The 2002 survey asked tenants for their views about information provision, about the knowledge and competence of staff and about emergency and non-emergency maintenance. It also asked tenants about the condition of their homes.

In January 2004, the OoH executive discussed declining levels of tenant satisfaction reported in the National Social Housing Survey and the need to develop an OoH-wide response to address this decline.

Figure 5C shows the percentages either satisfied or very satisfied, by region. The data showed that tenants in some regions were more satisfied than tenants in other regions.

**FIGURE 5C: VARIATION IN PERCENTAGES OF TENANTS VERY SATISFIED AND SATISFIED WITH HOUSING MAINTENANCE SERVICES IN 2002**

	Northern	Southern	Western	Eastern	Barwon South West	Gippsland	Grampians	Hume	Loddon Mallee
Emergency maintenance	64	64	61	73	67	66	58	81	79
Treatment by staff	66	68	62	70	74	79	71	79	82
Condition of home	57	63	61	63	55	49	58	54	76
Information provided	65	69	61	64	75	68	75	67	76
Non-emergency maintenance	51	59	58	51	73	71	68	62	64
Staff knowledge and competence	57	59	46	57	64	55	54	61	66

Source: National Social Housing, Survey with Public Housing, December 2002.

The OoH has only recently begun to actively seek tenant feedback on public housing maintenance. In 2003, the OoH held over 25 tenant consultation sessions across Victoria. These sessions sought tenant views about the new Maintenance Call Centre and about other maintenance issues. The OoH also consulted with other tenant groups (including the Housing for the Aged Action Group and Tenants' Union of Victoria) about the call centre and other maintenance issues.

In April 2003, the OoH established a Tenant Participation and Advocacy Team to develop and implement a participation framework through which tenants could be involved in decision-making. The OoH also planned to introduce regional customer councils in October 2003 to represent local tenant groups. The intention was that councils would meet with regional directors to discuss service quality, regional service priorities and major projects. Regional directors would report to the councils about the progress of maintenance. The OoH also planned to set up customer service panels and to conduct customer satisfaction surveys. As Figure 5D shows, both initiatives, along with 8 others contained in the OoH Quality Plan 2002-03, have yet to be fully implemented.

**FIGURE 5D: OoH QUALITY PLAN 2002-03: PROGRESS IN IMPLEMENTING PROJECTS, AT APRIL 2004**

Projects and milestones (by date)	Hume	Gipps-land	Loddon Mallee	Barwon South West	Grampians	Southern	North West	Eastern
Development of local asset management plans (by October 2002)	2	3	2	2	2	2	2	2
Strengthened cyclical component to maintenance/ condition assessments (by September 2002)	3	3	2	1	2	2	1	2
Development of monitoring framework (by February 2003)	2	1	2	1	1	1	1	1
Regional customer service councils established (by October 2002)	2	1	2	1	1	2	1	1
Establishment of tenant participation/consultation frameworks in regions (by March 2003)	2	3	2	2	1	2	1	2
Implementation of management training strategy (by September 2002)	3	2	2	1	1	3	1	2
Regional service delivery agreements (by January 2003)	3	3	2	1	1	3	1	2
Implementation of housing report card (by August 2002)	1	3	3	1	2	3	1	1
Implementation of team service contracts (by July 2002)	2	3	2	3	2	1	2	2
Implementation of quality action plans (by December 2002)	2	2	2	1	1	3	1	2

Note: 1 = Not yet implementing, 2= Currently implementing, 3= Fully implemented.

Source: Victorian Auditor-General's Office.

The OoH introduced customer call-backs in March 2003 to obtain feedback from its Maintenance Call Centre about the quality of service provided by maintenance contractors. Each month, call centre staff phoned 1.5 to 2 per cent of tenants who have requested maintenance, to ask whether the maintenance was done within the specified time, and whether they were satisfied with the maintenance. In November 2003, 86 per cent of tenants called (358 out of 417) were satisfied, rising to 89 per cent in December 2003.

In December 2003, the OoH strengthened the Client Home Visiting Scheme to improve its relationships with tenants. Under the scheme, housing services officers were expected to visit all new tenants within the first 6 weeks of their tenancy, and all other clients once every 2 years.

Figure 5E shows how 3 other states sought feedback from tenants.

**FIGURE 5E: SEEKING FEEDBACK FROM TENANTS**

**New South Wales'** Public Housing Customer Council is a forum through which tenants provide feedback to the Department of Housing about public housing policies and issues. The council's tenant members review and comment on the department's draft policies, and put issues of concern to tenants to the department.

**South Australia's** Housing Trust keeps a list of customers who want to "have a say" about issues or policies. The trust convenes focus groups of tenants, or interviews them by phone. The trust regularly advertises in the *Trust Talk Tenant Link* newspaper for tenants who want to have a say.

To provide feedback, tenants can also ask their local housing office for a customer complaints and feedback form.

**Queensland's** Department of Housing has tenant engagement at the heart of its housing strategy. The department has:

- published the tenant participation strategic directions statement – Working together in March 2000
- developed and conducted the Tenant Participation Program since 2001
- funded the Queensland Public Tenants Association to produce a manual about how to establish and maintain effective tenant groups
- developed the Public Housing Client Communication Strategy
- established local action agreements between the department's area offices and regional tenant groups, to improve services for public housing tenants
- provided an Information kit for new tenants.

*Source:* Websites of the New South Wales Department of Housing, South Australia Housing Trust and Queensland Department of Housing.

Figure 5F illustrates another approach to gaining client feedback.

**FIGURE 5F: THE COMMON MEASUREMENT TOOL**

The Common Measurement Tool was developed in 1998 by Canadian public sector managers to measure (on a scale) client expectations, client perceptions of service quality, client satisfaction, what clients see as important and what they want improved. The tool has core questions to measure the things about service that result in high levels of satisfaction. Some of these questions are below.	
Outcome measures	Question
Satisfaction -	
Timeliness	Overall, how satisfied were you with the amount of time it took to get the service?
Accessibility	Overall, how satisfied were you with the accessibility of the service?
Overall satisfaction	How satisfied were you with the overall quality of service delivery?
Performance -	
Fairness	Were you treated fairly?
Information	Were you informed of everything you had to do to get the service?
Extra mile	Did staff go the extra mile to make sure you got the service you needed?
Competence	Were staff knowledgeable and competent?
Access	Were you able to get through to someone without difficulty?
Waiting time	Did you wait a reasonable amount of time to be dealt with?
Navigation	Did you easily find what you were looking for?
Appeal	Was the service location visually appealing?
Information	Did the service have the information you required?
Privacy	Do you feel confident that your privacy was fully protected?
Outcome -	
Outcome	In the end, did you get what you needed?

Source: *The Common Measurement Tool User Manual*, Institute for Citizen-Centred Service, Canada.

### 5.3.1 Conclusion

The OoH received feedback annually from tenants through the National Social Housing Survey. Since 2003, the OoH has also begun to develop various mechanisms to collect tenant feedback (such as regional customer councils). It also collects a limited amount of feedback from tenants through its Maintenance Call Centre. However, the OoH and regions have made slow progress in developing regional customer councils, despite their development being a ministerial priority.

From the feedback collected through the National Social Housing Survey and the regional focus groups we conducted, tenant satisfaction with the way the OoH and regional staff manage the maintenance of their homes is low.

## Recommendations

22. That the OoH develops a specific strategy to improve tenant satisfaction with maintenance.
23. That the OoH periodically monitors its initiatives to improve tenant feedback, to ensure they are achieving the intended outcomes.

### **RESPONSE provided by Secretary, Department of Human Services**

#### **Recommendation 22**

*DHS supports the intent of this recommendation. Improvements to existing mechanisms for communication with tenants will be implemented by:*

- *the design and establishment of the Customer Service Panel by the maintenance review*
- *increasing the number of tenants surveyed by the maintenance call centre*
- *annual customer satisfaction survey to be conducted by an external research company*
- *identifying cost-effective approaches in response to National Customer Satisfaction benchmark data.*

#### **Recommendation 23**

*DHS supports this recommendation. The evaluation of existing mechanisms for engaging tenants will occur, initially, through the review of the PHAP Program.*

## **5.4 Did the OoH apply a complaints policy consistently?**

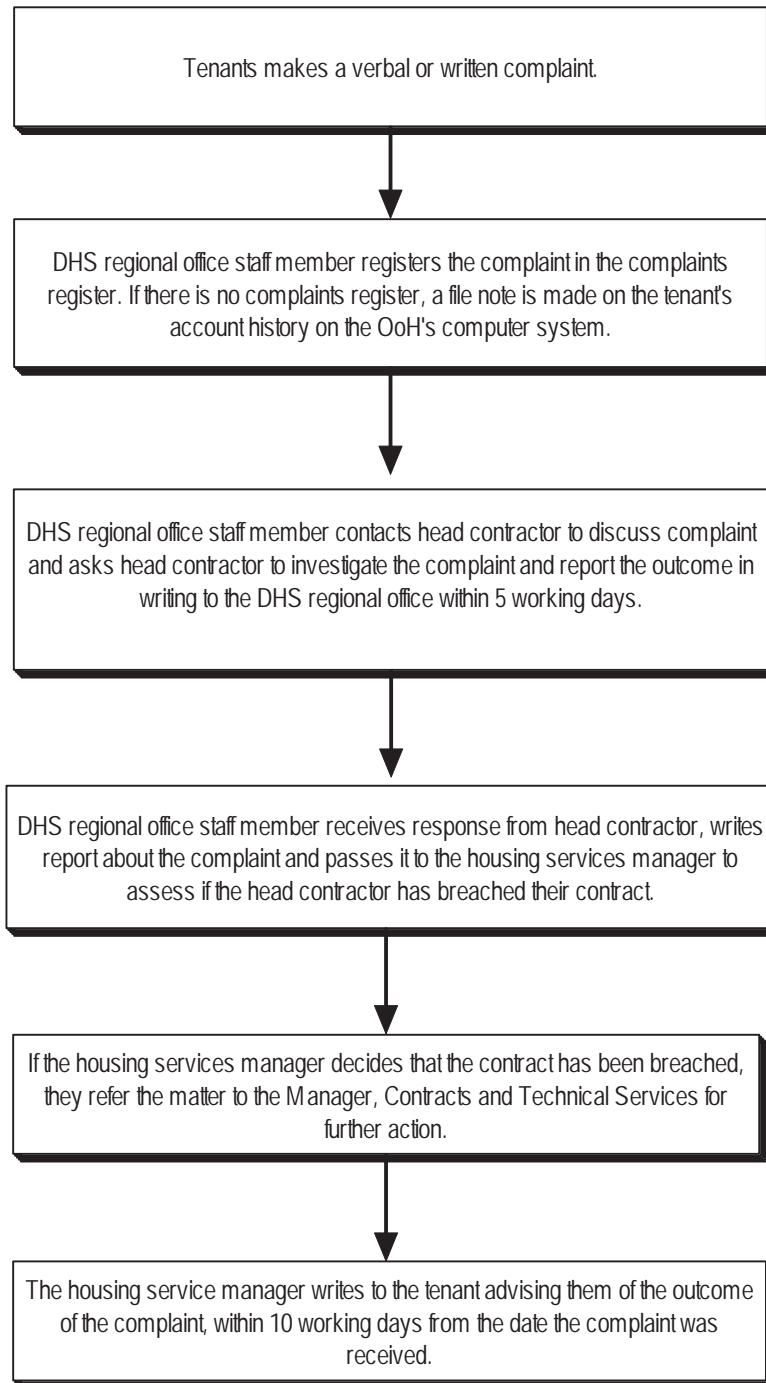
---

In assessing whether the OoH applied a policy consistently across all regions for dealing with complaints about maintenance, we examined if:

- it had a complaints policy, including guidance about what a tenant should do to make a complaint
- tenants were aware of the complaints policy
- it monitored complaints to identify and address recurring issues.

The OoH had a procedure about what to do if a tenant made a complaint about maintenance. Figure 5G shows this procedure.

**FIGURE 5G: THE OoH COMPLAINTS PROCEDURE FOR RESPONSIVE MAINTENANCE**



Source: Victorian Auditor-General's Office.

The OoH, centrally, has a system for managing correspondence, including complaints. It also has a client services help line to deal with general complaints (including maintenance complaints, which were referred directly to the region). However, each region deals with complaints differently. Southern Region has a complaints policy and monitors complaints regularly. Hume Region had formalised a regional complaints process and plans to analyse complaints to improve its service to tenants. Staff at the 4 regions visited were not aware of a policy or procedure for dealing with complaints about maintenance. Further, each of the 4 regions dealt with tenants' complaints case-by-case.

Regional focus group participants were not aware of a complaints policy or procedure. They did not know to whom they should complain (which is to the regional office). They made complaints to their regional office, and also to the call centre, to the OoH, to the Office of Fair Trading, to the Ombudsman, and to tenant advice and referral service providers under the Public Housing Advocacy Program.

The DHS Complaints and Whistleblower Unit is developing a "complaints management strategic framework" to ensure that complaints are managed consistently and appropriately within the whole department. In September 2003, the OoH established the Housing Complaints Improvement Project to review its procedures for handling complaints. This project, to be completed in August 2004, is aimed at streamlining complaint systems for tenants and is to be conducted within the DHS complaints management strategic framework.

### **5.4.1 Conclusion**

Although the OoH had not finalised its complaints policy, it was well on the way to doing so. This will ensure consistency across all regional offices in dealing with complaints about maintenance.

While it had an established procedure for dealing with tenant complaints, neither regional staff we interviewed, nor regional focus group participants knew about the procedure. The OoH needs to promote the existence of the complaints procedure, and train its staff to use it.

Neither the OoH nor regions consistently monitored complaints to identify recurring and systemic issues that may need to be addressed, such as poor contractor behaviour or poor quality of maintenance provided by a contractor. It needs to do so, and to make this part of contractor performance monitoring.





## **Recommendations**

- 24. That the OoH ensures all tenants are informed of, and have access to, its complaints policy and to the procedures for lodging complaints.**
- 25. That the OoH trains its staff to use the complaints procedure.**

### ***RESPONSE provided by Secretary, Department of Human Services***

#### ***Recommendation 24***

*DHS supports this recommendation. The OoH is leading a complaints improvement project focused on better access to, and improved consistency in, complaints resolution.*

#### ***Recommendation 25***

*DHS supports this recommendation. The complaints improvement project will design a policy and procedures manual and provide training for staff.*

---

# PERFORMANCE AUDIT REPORTS of the Auditor-General issued since 2000

---

Report title	Date issued
Represented persons: Under State Trustees' administration	May 2000
Building control in Victoria: Setting sound foundations	May 2000
Reducing landfill: Waste management by municipal councils	May 2000
Non-metropolitan urban water authorities: Enhancing performance and accountability	November 2000
Services for people with an intellectual disability	November 2000
Grants to non-government organisations: Improving accountability	November 2000
Implementing Local Priority Policing in Victoria	May 2001
Teaching equipment in the Technical and Further Education sector	May 2001
Managing Victoria's growing salinity problem	June 2001
Post-acute care planning (a)	June 2001
Management of major injury claims by the Transport Accident Commission	October 2001
Teacher work force planning	November 2001
Management of injury claims by the Victorian WorkCover Authority	November 2001
Departmental performance management and reporting	November 2001
International students in Victorian universities	April 2002
Nurse work force planning	May 2002
Investment attraction and facilitation in Victoria	May 2002
Management of roads by local government	June 2002
Managing Victoria's air quality	June 2002
Mental health services for people in crisis	October 2002
Management of food safety in Victoria	October 2002
Community dental health services	October 2002
Managing risk across the public sector	March 2003
Drug education in government schools	March 2003
Managing medical equipment in public hospitals	March 2003
Performance management and reporting: Progress report and a case study	April 2003
Fire prevention and preparedness	May 2003
Electronic procurement in the Victorian government	June 2003
Improving literacy standards in government schools	October 2003
Managing logging in State forests	October 2003
Addressing the needs of Victorian prisoners	November 2003
Beating the bugs: Protecting Victoria's economically significant crops from pests and diseases	April 2004
Delivery of home and community care services by local government	May 2004
Budget development and management within departments	May 2004
Managing emergency demand in public hospitals	May 2004

(a) This report is included in Part 3.2, Human Services section of the *Report on Ministerial Portfolios*, June 2001.

The Victorian Auditor-General's Office website at <[www.audit.vic.gov.au](http://www.audit.vic.gov.au)> contains a more comprehensive list of all reports issued by the Office. The full text of the reports issued over the past 10 years is available at the website. The website also features a "search this site" facility which enables users to quickly identify issues of interest which have been commented on by the Auditor-General.



---

AUDITOR GENERAL  
VICTORIA

---

### Availability of reports

---

Copies of all reports issued by the Victorian Auditor-General's Office are available from:

- Victorian Auditor-General's Office  
Level 34, 140 William Street  
Melbourne Vic. 3000  
AUSTRALIA  
  
Phone: (03) 8601 7000  
Fax: (03) 8601 7010  
Email: <comments@audit.vic.gov.au>  
Website: <www.audit.vic.gov.au>
- Information Victoria Bookshop  
356 Collins Street  
Melbourne Vic. 3000  
AUSTRALIA  
  
Phone: 1300 366 356 (local call cost)  
Fax: (03) 9603 9920