



Date: 29 March 2018

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Level 4, 2 Cavill Avenue
Ashfield
NSW, 2131

Dear Sarah,

Asset Management Framework

The NSW Federation of Housing Associations (the Federation) welcomes the opportunity to make a submission in response to FACS' draft Asset Management Framework (AMF). We have, of course focused our response on the framework. Our members do however have a keen interest in contributing to a more strategic review of all the regulatory and contractual requirements placed on community housing providers. We believe that the forthcoming review of the National Regulatory Scheme for Community Housing (NRSCH) and the NSW enabling legislation provides an excellent opportunity to do this.

We have copied this response to Humair Ahmed, Director Community Housing and Pathways and Neil Quarmby the NSW Registrar as we have been engaging with them around aspects of the regulatory and contractual frameworks.

This submission on the Asset Management Framework has been developed in consultation with our members and draws upon their experience.

a) Asset Management Framework

The overall view is that the document is somewhat prescriptive and that additional requirements are now imposed that are over and above the required compliance for Registration, existing Property Lease and Community Housing Contract Compliance and Performance Management Framework. The Registrar has identified performance issues worthy of further deep dive assessments but with the exception of a marginal decline in repairs satisfaction traced to a small number of providers the sector has not been made aware of systemic asset management concerns. Understandably the sector is keen to address concerns that exist and that may have motivated the additional requirements. Could these be shared with the Federation?

There are some specific comments about the aim of the AMF; it states that the AMF is the foundation that ensures assets are aligned with social housing priorities, service delivery requirements and strategic goals; yet these priorities, requirements or goals are not specifically mentioned in the document, or referenced. The section regarding the aim of the AMF also implies the scope is limited to

maintenance (last paragraph), but the asset management plan actually calls up collaborative planning that should involve discussions about fitness for purpose, disposals, replacements and neighbourhood renewal.

b) Asset Life-Cycle Management

The AMF mentions replacement programs but there is no provision for replacement programs in Future Directions. All programs accessible by CHPs (Communities Plus, SAHF and SHMT) have quarantined outcomes and restricted use of rental income and there is no capital works program which enables CHPs to refresh uneconomic stock. It would be useful to get some clarification on what these replacement programs are.

Also on this point, the AMF says that "LAHC will manage property replacement programs". Can it be clarified if LAHC will manage demolition and replacement of burnt out dwellings, or is this limited to redevelopment? It would be more useful to say that both LAHC and CHPs may identify dwellings that they consider no longer fit for use or economical to maintain, or that may provide excellent redevelopment and uplift opportunities. For example a CHP may purchase a neighbouring property and create a redevelopment opportunity. In this case a process should be established to receive and evaluate such proposals, outside of the LAHC run programs like Communities Plus.

In the planning section (page 7), the key components are all very general in nature and provide little guidance as to how any collaboration is intended to operate. This could be clarified by indicating a notional frequency of collaboration meetings, at what stage of the financial year, with whom and about what. With such generalisations we risk duplicating effort or allowing gaps in planning.

The evaluation section (page 10) implies that CHPs have no role in program evaluation. This should be reviewed with a view to rewarding.

c) Standards & Regulation

The section on Disability Discrimination Act (pages 11 & 12) has a lot of information about NDIS and SDA but what would be more useful is the conditions under which LAHC would agree that a property is eligible for SDA.

It will be very difficult to achieve PAS (page 16) for exactly 33.3% of portfolio each year. Instead the requirement could be 'a minimum of 30% of the portfolio in any year, provided that any shortfall below one third is caught up in the next financial year'.

Page 11, footnote 3 says:

- Maintained Standard is defined as representing a standard which complies with the Residential Tenancies Act 2010 and LAHC standards, in which a dwelling has no major safety faults, no more than two major functional faults, and no more than three minor safety faults, and the total

amount calculated to rectify identified safety and functional faults does not exceed \$5,300 for a cottage/townhouse/villa or \$3,200 for a unit.

However this is different to the amount presented at the Federation Exchange PAS presentation on 15 March 2018 (faults does not exceed \$5,500 for a cottage/townhouse/villa or \$3,500 for a unit). Could you clarify the correct amounts?

d) Policy Requirements

Regarding structural repairs (pages 19-21); the AMF refers to a structural engineer's report that will be required by LAHC before giving consent to undertake the necessary structural repair work. These reports could cost CHPs in the vicinity of \$2000-\$3000 or upwards. Could LAHC confirm whether CHPs would be reimbursed for these reports in addition to the actual cost of repairs? Could LAHC also clarify how wilful damage and negligence will be proven?

It seems excessive that CHPs must seek LAHC approval for all alterations (pages 23-24) for properties managed under the Short Term lease. For example, would installation of air conditioning require LAHC approval? Also do all disability modifications require LAHC approval such as bathroom grab rails? Could LAHC specify the time frame for assessing these alteration requests given any delay in response from LAHC has the potential to adversely impact on tenants' satisfaction? Similarly, a timely response is required from LAHC for all matters that require their prior approval, e.g. insurance claims etc.

The time limit for non-health and safety disabled modifications (page 23) is too short, as these works, like ramps and hoists etc. can be complex, requiring specialists and ordering of equipment. The AMF could be reworded to say that the works are to be carried out as promptly as reasonably possible while considering the tenant's needs.

Page 26. footnote 12 says:

- Latent asbestos is defined as asbestos of 10sqm or more requiring removal in a single maintenance activity whether disclosed in the LAHC Asbestos register or not and as agreed by LAHC

This section nominates 10 square metres of asbestos being the threshold for determination as latent asbestos. Other documents mention 10 cubic metres. Could LAHC clarify this?

e) Maintenance Programs

There are some examples where the AMF is overly prescriptive. For example, how will keeping grass and weeds less than 150mm on vacant land be monitored and enforced (page 33).

CHPs are required to undertake an annual compliance assessment for each property managed under the SHMT Leases to ensure compliance with legislative obligations (page 31). This however should

only be post AMS contract expiry. The AMF document should include the mandatory scope of the required Annual Compliance Assessment or provide a reference to it elsewhere.

f) Strategic Portfolio Management

Can CHPs be consulted in all aspects of portfolio planning (page 37-38) including disposal and redevelopment to ensure any withdrawal of property does not come as a surprise and CHPs are able to manage their maintenance budget appropriately. While it is acknowledged that LAHC makes disposal decisions, this section should provide a clear process for CHPs to nominate properties for consideration for redevelopment or sale.

CHPs should also be given the opportunity to redevelop small scale LAHC sites which they currently manage and should not have to tender for management where they maintain registration and particularly in whole of location transfer areas where it is the only operator. Greater consideration should be given to local demand as opposed to overall demand as it will continue to result in a drain on properties being retained in regional areas.

g) Reporting and Review

Biannual and annual engagement meetings will be held with all CHPs (page 39), but inevitably these will be at a high level. It would be useful if more regular communications were held at head office level and locally on a more regular basis to resolve local operational issues regarding property care, contractor issues, structural issues, insurance etc. There is no mention how such arrangements will operate in the AMF. Engagement meetings also need to align with budget and planning discussions so that an informed Annual Asset Maintenance Plan can be designed.

For further information, please contact Leoni Lynch, on 02 9281 7144 or by email LeoniL@communityhousing.org.au.

Yours sincerely,

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