2010

# THE LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

# ACT GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS REPORT N0.5 2009

## AUDITOR-GENERAL'S REPORT No.4 2008 INTO PUBLIC HOUSING MAINTENANCE

**Presented by**
**Joy Burch MLA**
**Minister for Disability, Housing and Community Services**

6-5-2010

**Government Response Overview**

| Recommendation | Government View |
|---|---|
| 1. The Committee recommends that the Government report to the Assembly by the last sitting day in March 2010 on the progress and effectiveness of the Government's implementation of the Auditor-General's recommendations. | Noted |
| 2. The Committee recommends that, given the size of the contract and the fundamental importance of the services provided, another audit be undertaken before the next letting of the contract and that tenants' views be sought as part of the audit. | Agreed in part |
| 3. The Committee recommends that the Government amend its procedures for determining whether the Total Facilities Management contract will be extended to ensure that a renewal is made at least six months before it expires. | Agreed |
| 4. The Committee recommends that upon renewal of the Total Facilities Management contract, or the appointment of a new provider, the Government report to the Assembly on the details of the contract as well as a statement of reasons for the renewal or appointment. | Agreed |
| 5. The Committee recommends that the Government report to the Assembly on how it will fund the adequate maintenance of all its public housing dwellings by the last sitting day in March 2010. | Noted |

**Government Response to the Standing Committee on Public Accounts**

**Recommendation 1**

**The Committee recommends that the Government report to the Assembly by the last sitting day in March 2010 on the progress and effectiveness of the Government's implementation of the Auditor-General's recommendations.**

**Noted**

The Government agrees to report to the Assembly on the progress and effectiveness of the implementation. The Government submission of June 2009 to the Standing Committee on Public Accounts advised all recommendations were either implemented or their implementation was imminent. All have now been implemented. An update on each of the recommendations including a statement on their effectiveness is at Attachment A1.

**Recommendation 2**

**The Committee recommends that, given the size of the contract and the fundamental importance of the services provided, another audit be undertaken before the next letting of the contract and that tenants' views be sought as part of the audit.**

**Agreed in part.**

While the Government would have no objection to a further audit, this is a matter for the Auditor-General who has the sole responsibility to undertake such audits. The Government will consult with tenants prior to the letting of a new contract in 2012. An appropriate mechanism would be through Housing ACT's tenant participation group, the Joint Champions Group. It should be noted that during 2009, a working group of the Joint Champions Group considered a range of maintenance issues and provided feedback to Housing ACT.

**Recommendation 3**

**The Committee recommends that the Government amend its procedures for determining whether the Total Facilities Management contract will be extended to ensure that a renewal is made at least six months before it expires.**

**Agreed**

In December 2009 (some seven months prior to the expiration of the existing contract) the Department of Disability, Housing and Community Services commenced negotiations with Spotless on the possible extension of the contract. The terms of the contract extension have been agreed and a Deed of Variation was executed in early March 2010.

**Recommendation 4**

The Committee recommends that upon renewal of the Total Facilities Management contract, or the appointment of a new provider, the Government report to the Assembly on the details of the contract as well as a statement of reasons for the renewal or appointment.

**Agreed**

A copy of Deed of Variation to extend the contract is at Attachment A2. The Statement of Reasons for the extension of the contract is at Attachment A3.

**Recommendation 5**

The Committee recommends that the Government report to the Assembly on how it will fund the adequate maintenance of all its public housing dwellings by the last sitting day in March 2010.

**Noted**

The funding methodology for the maintenance of public housing is set out below.

The provision of government housing in the ACT dates from the early days of Canberra's development where, over time, housing was provided to attract workers to meet major construction programs resulting in a legacy of a large proportion of Government housing. This means that around 8% (approximately 11,500) of all ACT residential dwellings are public housing properties. The same legacy means that the housing stock has an average age of 32 years and is amongst the oldest public housing stock in Australia. The age and structure of the portfolio presents considerable challenges for maintenance and rejuvenation of the stock.

In managing the maintenance of public housing properties expenditure needs to be channelled to those properties that are in greatest need of maintenance and in areas that are sustainable in the longer term. It is recognised that well directed maintenance expenditure helps to deliver the overall housing strategy, as well as protection of the asset and the community safety.

To inform the strategy, condition audits of all public housing properties are being undertaken progressively with an expectation that this will be completed by 30 June 2012. In addition condition standards have been developed to provide a consistent basis for the audit of all the properties. Maintaining the portfolio to agreed standards ensures appropriate amenity and safety for tenants and the preservation of the assets.

Well directed maintenance expenditure helps to deliver the overall housing strategy and as such there has been a concerted effort towards planned rather than responsive maintenance. Currently approximately 73% of the maintenance budget is directed to planned maintenance.

In 2009-2010, \$35m was allocated with the Housing ACT Capital Program to maintain public housing portfolio which is currently valued at approximately \$3.8b of which the buildings are valued at \$1.2b. This allocation of maintenance funding includes an appropriation of \$2m per annum to improve the energy efficiency of public housing dwellings.

Over the past four years, Housing ACT has spent \$30m per annum, on average, on maintaining its public housing dwellings. This equates to an average expenditure of over \$2,600 per dwelling each year.

The annual expenditure includes the cost of undertaking urgent repairs, ongoing maintenance and the cyclical upgrade costs to replace or refurbish aged and worn fixtures. The level of expenditure meets Housing ACT's target of spending 2.5 % of the value of the building in the portfolio.

The level of expenditure on repairs, maintenance and refurbishing of the public housing dwellings is dependent upon the funding that Housing ACT can derive from its tenants through rental receipts. The targeting of housing assistance to those with high and complex needs means that in the great majority of cases, the only source of income to the tenants is Centrelink benefits. The rent paid by these tenants is capped at 25% of their assessable income and as a consequence the return to Housing ACT from this source is unrelated to the value of the stock or the cost to maintain and operate the properties. It is also unlikely to change significantly over time.

It should be noted that this is not limited to the ACT. The maintenance costs per dwelling across all states and territories, excluding the capital upgrade/refurbishment costs as reported in the 2006-2007 *Housing Assistance Act* Annual Report issued by the Department of Families, Housing, Community Services and Indigenous Affairs (Commonwealth) range from a low of \$1,357 per dwelling in Victoria to \$3,076 per dwelling in the Northern Territory. The Australian average was \$1,690 per dwelling, with the ACT costs being above this national average.

Notwithstanding this the Government believes this level of allocation is appropriate at this time.

# ACT GOVERNMENT RESPONSE TO THE RECOMMENDATIONS OF THE AUDITOR-GENERAL'S REPORT NO 4 OF 2008 "MAINTENANCE OF PUBLIC HOUSING"

**Recommendation 1**

Housing ACT should review and regularly update the Contract Management Plan in accordance with better practice; and require staff to follow the Contract Management Plan in the management of the Total Facilities Management contract with Spotless.

**Agreed**

The Government agreed that the Contract Management Plan be finalised and that this will aid the better management of the contract, noting the measures already in place. Specifically it would provide a basis for the development, jointly with Spotless, of a Contract Operations Plan. All staff will be issued with a copy of the plan and are trained in the use of the document.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation of Recommendation 1**

The Contract Management Plan has been issued to all staff and now forms part of the day to day management of the contract. It has been effective in assisting staff within Housing ACT and Spotless to deliver consistent and correct advice and also to ensure the contract is managed efficiently and within the provisions set out in the contract.

This recommendation has been implemented.

**Recommendation 2**

The Government should adopt a consistent method for tracking the actions of each of its housing maintenance governance committees, with a view to facilitating the efficient handling of committee business.

**Agreed.**

The Government agreed a standard minute template and a clear action list to be used across all three levels of governance committees be developed. The template is to record completed action items from the other committees, responsible officers and an escalation process.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation of Recommendation 2**

The standard minute template and action list now used across all three levels of governance committees is providing clear escalation lines and aides in the effective management of issues. This process has proved to provide clear processes for escalation between the committees and a clear method to track maintenance works resulting in a reduction in the number of issues raised in the contract.

This recommendation has been implemented.

**Recommendation 3**
Housing ACT should prepare and implement a risk management plan specifically relating to the risks for the management of the TFM contract.

**Agreed.**

The Government will implement a Risk Management Plan based on AS/NZS 4360:2004 that identifies a schedule of risks specific to the TFM contract. This plan is to be incorporated into the Contract Management Plan.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation of Recommendation 3**

The Risk Management Plan based on AS/NZS 4360:2004 identifies a schedule of risks specific to the TFM contract and is subject to regular examination and updated as required when new risks are identified. The plan has been incorporated into the Contract Management Plan.

This recommendation has been implemented.

**Recommendation 4**

Housing ACT should simplify the range of review types in its Quality Assurance framework to improve efficiency in planning and managing the whole review program.

**Agreed.**

The Government has reviewed and simplified the range of reviews in the Quality Assurance framework and has strengthened the definition of the objectives and purpose of each review.

**Status and effectiveness of Government's implementation of Recommendation 4**

The revised Quality Assurance framework has enabled more targeted reviews which in turn make detailed recommendations that result in a greater impact on the management of the contract.

This recommendation has been implemented.

**Recommendation 5**

Housing ACT should:

- improve its guidelines for the conduct of reviews of work done by Spotless and its sub-contractors;
- sufficiently resource its Quality Assurance program;
- endeavour to conduct all reviews in accordance with the revised guidelines; and
- require Spotless to report regularly and comprehensively on the outcome of its reviews of work orders.

**Agreed.**

The Government will amend the guidelines that support Quality Assurance activities such as responsibilities, objectives and timeframes which instructs and guides the review process. The Quality Assurance Framework will also set the guidelines by which all reviews are undertaken to maintain quality and consistency within the reviews. Audit Reviews with recommendations and implementation plans will be included in the agenda of meetings of the Contract Operations group.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation of Recommendation 5.**

The guidelines that support Quality Assurance activities such as responsibilities, objectives and timeframes which instruct and guide the review process now include clear directions and processes. With the inclusion of Audit Reviews with recommendations and implementation plans in Contract Operations Group and Contract Management Group meetings, the recommendations have immediate impact on the management of the contract. The result has seen improved outcomes for clients with a reduced risk of sub-contractor failure to deliver services.

This recommendation has been implemented.

**Recommendation 6**

Housing ACT should follow-up on complaints to check with tenants whether the agreed action has occurred; and systematically analyse complaints through each of the complaints mechanisms – through Spotless, through DHCS and through Ministerial correspondence – to identify opportunities for improvement.

**Agreed.**

The Government agreed that there should be follow up action on tenant complaints. There have been improvements in the complaints management process relating to complaints which should assist in analysing trends on different complaints types, record finalised complaints and outcomes.

Trends analysis will be provided to tSpotless on a fortnightly basis through one of the governance committees. Spotless will also provide trends analysis on all of their own internal audits with results and trends identified referred to the relevant governance committees for follow up action and review.

This recommendation has been partially completed with completion due by end of this financial year.

**<u>Status and effectiveness of Government's implementation of Recommendation 6.</u>**

Complaints are now entered into a database which facilitates the creation of management reports to detect and analyse trends. Trends analysis is provided to the Spotless through the governance committee meetings including trend graphs and site analysis. Spotless also provides trends analysis on all of their own internal audits with results and trends identified referred to the relevant governance committees for follow up action and review. The result of implementing this recommendation has seen maintenance complaints drop to three year lows during the 2009-10 financial year.

This recommendation has been completed.

**Recommendation 7**

Housing ACT should take measures such as regular reviews to ensure the Spotless call centre, which receives maintenance calls from tenants and Housing Managers and allocates work to maintenance sub-contractors, is operating as required by the contract.

**Agreed.**

The Government will conduct a major review of the Call Centre operations through an external consultant. The consultant will establish a framework for all future reviews which will be undertaken internally on a six monthly basis at both our Canberra and Sydney Call Centres.

This recommendation has been completed.

**<u>Status and effectiveness of Government's implementation of Recommendation 7</u>**

The review of the Call Centre, undertaken by Maximus Solutions, made 11 recommendations. These recommendations are progressively being implemented. As a result of the recommendations implemented to date, the call abandonment rate has been driven to all-time contract lows with November and December 2009 at rates of fewer than 1%. A follow up review of the Call Centre is currently underway and is expected to be finalised in early 2010.

This recommendation has been completed.

**Recommendation 8**

Housing ACT should:

- review the use of formal processes (such as Non-Conformance Notices) to address the continuing lateness of responsive maintenance;
- establish controls on Spotless' practice of adjusting target completion dates for work orders and monitor the extent of, and the justification for, such adjustments; and
- review the Key Performance Indicators with a view to giving more emphasis to responsive maintenance.

**Agreed.**

The Government will establish a protocol where under performance against any Key Performance Indicator for two consecutive months will be referred from the Contract Management Group to the Joint Consultative Committee. The Government will develop through the management information system, Homenet, a module that will monitor and report on completion date movements. A process of reviewing the completion of "on time of work orders" through the Performance Management System and its relevant Key Performance Indicator has commenced. The Government will increase the ranking of this Key Performance Indicator as part of a total review of Key Performance Indicator.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation of Recommendation 8**

Spotless performance against the Key Performance Indicators is currently at all time contract highs. The Government has implemented system changes within the management information system, Homenet, to monitor and report on completion date movements. Completion times are consistently performing at high rates within reduced completion date movements. Additional focus will be placed on completion date movements to ensure that clients are receiving the best possible service within existing resources. The Key Performance Indicator has been reviewed as part of the contract negotiations with an increase in the weight allocation to timeliness.

This recommendation has been implemented.

**Recommendation 9**

Housing ACT should:

- clearly define the criterion used to determine its involvement with Spotless' selection of sub-contractors; and
- agree with Spotless on the selection process, strategy and evaluation criteria before the tender of sub-contracts, consistent with the Government Procurement Policy and Guidelines.

**Agreed.**

The Government has advised Spotless of the requirement for the tendering of planned maintenance works to be consistent with the ACT Government procurement guidelines. Spotless have been issued with a directive defining levels of Government involvement in the procurement process at the Contract Management

Group. Training for all relevant Spotless staff on ACT Government Procurement Guidelines has been initiated.

This recommendation has been implemented.

**Status and effectiveness of Government's implementation**

Through revised procurement processes, greater transparency has resulted in greater contractor choice and an improved financial outcome. Procurement training for all relevant Spotless staff on ACT Government Procurement Guidelines has been undertaken and refresher training will be initiated during 2009-10 to ensure skills and knowledge are current.

This recommendation has been implemented.

**Recommendation 10**

Housing ACT should reconsider the approach to encouraging innovations, to emphasise their impact on cost-effectiveness of the service delivery rather than the number of innovations per year.

**Partly Agreed.**

The Government believes that there is a range of benefits potentially flowing from an ongoing focus on innovation in addition to those of cost effectiveness. These include support for process improvements within Government, improved outcomes for public housing tenants and support for the broader Government objectives (such as encouraging Aboriginal and Torres Strait Islander employment).

As a balance, innovations will be removed from the Performance Management System's Key Performance Indicators but retained as a standing item in the Joint Consultative Committee agenda to emphasis the Government's expectations in this area

The elements of the recommendation that are agreed have been implemented

**Status and effectiveness of Government's implementation of Recommendation 10**

As a result of the consistent high level focus on Initiatives at Joint Consultative Committee meetings, the negotiations on the contract extension have led to Spotless agreeing to hard targets for the employment of key cohorts of the Department. These measures will be implemented over the remaining two years of the contract delivering real employment outcomes for social housing clients.

The elements of the recommendation that are agreed have been implemented.

**Recommendation 11**

Housing ACT should better define, and communicate to Housing ACT staff, the criteria for issuing Non-Conformance Notices and Instructions.

**Agreed.**

The Government agreed that there are considerable benefits in making the process of raising Non-Conformance Notices more transparent to staff. A new process is to be implemented that will allow all relevant internal stakeholders to recommend the issue of Non Conformance Notices to Spotless. The Government will also incorporate reviews through the governance committees that will address trends with an escalation protocol to the Contract Management Group.

This recommendation has been implemented.

**<u>Status and effectiveness of Government's implementation of Recommendation 11</u>**

Staff within the Department are now aware of the process of raising non-conformances and are encouraged to raise all issues whether isolated or systemic with the Contract Management Team. The early referral of issues by staff at the coal-face has resulted in the identification of problems such as the underperformance of the call centre. This has resulted in the improvement of business processes. These have seen greater and more transparent service provision to clients.

This recommendation has been implemented.

**Recommendation 12**

For any future extension of the contract, DHCS should better plan and negotiate the extension, well before the period set out in the contract.

**Agreed.**

The Government agreed that it would be preferable to conclude the negotiation for any further extension well before the period set out in the contract. Future contract extensions will be programmed with progress tracked through the Joint Consultative Committee.

This recommendation has been implemented.

**<u>Status and effectiveness of Government's implementation of Recommendation 12</u>**

The decision to enter into contract extension negotiations was made in October 2009 some 8 months prior to the expiration of the contract in June 2010. A timely decision has enabled the Department to ensure improvements could be made to the contract with adequate lead time for implementation without disadvantage to either party. Negotiations were finalised in December 2009 with the deed executed in early March 2010.

This recommendation has been implemented.

AUSTRALIAN CAPITAL TERRITORY

# DEED OF VARIATION

**Dated** ____________________ 2010

**Parties**

**COMMISSIONER FOR SOCIAL HOUSING**

**SPOTLESS P&F PTY LTD**
**ACN 072 293 880**

**VARIATION OF AGREEMENT FOR PROVISION OF TOTAL FACILITY MANAGEMENT SERVICES**

**Prepared by**

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**PARTIES:** **COMMISSIONER FOR SOCIAL HOUSING**, a corporation sole established pursuant to section 9 of the *Housing Assistance Act 2007* acting through Housing and Community Services, a business unit of the Department of Disability, Housing and Community Services **(HCS)**

**SPOTLESS P&F PTY LTD ACN 072 293 880** having its registered office at Level 3, 350 Queen Street, Melbourne in the State of Victoria **(Total Facility Manager)**

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## BACKGROUND

A. The HCS and the Total Facility Manager executed an agreement **(Contract)** on 27 June 2005 in relation to provision of total facility management services **(Services)** for the Commissioner for Social Housing's public housing dwellings.

B. The Term of the Contract was extended pursuant to clause 3 of the Contract to 30 June 2010.

C. On 17 March 2009, the parties entered into a deed of variation **(First Deed of Variation)** which set out various amendments to the Contract, effective from 5 December 2008.

D. The parties have now agreed to further vary the Contract in accordance with the terms of this Deed.

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**IT IS AGREED** by the parties as follows:

## 1. Effective Date

The variations to the Contract described in clause 2 of this Deed, take effect from 1 July 2010.

## 2. Variations

(1) The Term of the Contract (as defined in clause 1.1 of the Contract) is extended by agreement to 30 June 2012.

(2) The variation set out in clause 2(1) of the First Deed of Variation is deleted.

(3) The First Deed of Variation is amended by deleting the words "1 July 2009 to 30 June 2010" in Background Recital C.

(4) The following definitions are added to clause 1.1:

"**Speciality Maintenance**" means all maintenance that is not Routine or Regular Maintenance including, but not limited to, whole of multi-unit fire safety upgrade works, whole of multi-unit complex upgrades, residential sprinkler installations and specialist commercial or semi-commercial works such as kitchen installations in a child care centre.

"**Routine or Regular Maintenance**" means maintenance that is agreed between the parties to be maintenance works of a nature that would ordinarily be undertaken in a Dwelling or OPA.

"**Condition Audit Data**" means information collected or prepared whilst undertaking a suitability and status inspection, known as a condition audit.

(5) The definition of "**Base Management Fee**" in clause 1.1 is amended by deleting (b) and adding:

(b) for the years commencing 1 July 2006 and 1 July 2007 and the period 1 July 2008 to 4 December 2008 (on a pro rata basis), the amount calculated in accordance with the formula specified in **Item 2 Schedule 3**;

(c) for the period 5 December 2008 to 30 June 2009 (on a pro rata basis) the amount calculated in accordance with Background C of the First Deed of Variation;

(d) for the year 1 July 2009 to 30 June 2010:

(i) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is $38 million or less, the amount of $5,350,958.25; or

(ii) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is more than $38 million, the sum of $5,350,958.25 plus the Variation Fee (as defined in Recital C of the First Deed of Variation).

(e) for the year 1 July 2010 to 30 June 2011, the amount will be the sum of:

(i) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is $35 million or less, the amount calculated in accordance with the formula:

$$X = Y \ x \ \frac{50}{100}\left(\frac{LI2 - LI1}{LI1}\right) + Y$$

Where:

X = the Base Management Fee for the year 1 July 2010 to 30 June 2011;

Y = $4,998,958.25;

LI1 = the last published index value for the Labour Price Index Australia (referred to in Item 2 of Schedule 3) as at 31 March 2009;

LI2 = the last published index value for the Labour Price Index Australia as at 31 March 2010.

or

(ii) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is more than $35 million, the amount calculated in accordance with subparagraph (e)(i) above plus the Supplementary Amount;

AND an amount of $104,500 (including GST) to provide for the employment by the Total Facility Manager of an additional supervisor to assist in employment initiatives for Aboriginal and Torres Strait Islander people, tenants or occupants of a Dwelling and people with disabilities.

For the purposes of subparagraph (e)(ii) above and subparagraph (f)(ii) below, the **Supplementary Amount** will be an amount agreed between the parties and will be no more than the sum of:

A. for Specialty Maintenance, 10%; and
B. for Routine or Regular Maintenance, 8%,

of the amount above $35 million payable by HCS to the Total Facility Manager under the Contract for the financial year.

(f) for the year 1 July 2011 to 30 June 2012:

(i) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is $35 million or less, the amount will be the amount calculated in accordance with the following formula:

$$X = Y \ x \ \frac{50}{100}\left(\frac{LI2 - LI1}{LI1}\right) + Y$$

Where:

X = the Base Management Fee for the year 1 July 2011 to 30 June 2012;

Y = the Base Management Fee payable for the period 1 July 2010 to 30 June 2011 (excluding the amount of $104,500 referred to in subparagraph (e) above for the provision of an additional supervisor);

LI1 = the last published index value for the Labour Price Index Australia (referred to in Item 2 of Schedule 3) as at 31 March 2010;

LI2 = the last published index value for the Labour Price Index Australia as at 31 March 2011.

or

(ii) if the total amount payable by HCS to the Total Facility Manager under the Contract in the financial year is more than $35 million, the Base Management Fee will be the sum of the amount calculated in accordance with subparagraph (f)(i) above plus the Supplementary Amount.

(6) **Item 2 of Schedule 3** is amended by deleting the words "1 July in each year" in the second paragraph and inserting the dates "on 1 July 2006, 1 July 2007 and 1 July 2008".

(7) The definition of "**Bonus**" in clause 1.1 is amended as follows:

"**Bonus**" means the percentage specified in the table below applicable in each financial year when the Total Facility Manager has exceeded the minimum requirements of the Performance Management System, calculated in accordance with the terms of the Performance Management System:

(a) From the Commencement Date to 30 June 2010:

| Totalled Score | Percentage to be Added to Base Management Fee |
|---|---|
| 9 | 0.00% |
| 10 | 0.75% |
| 11 | 1.50% |
| 12 | 2.25% |
| 13 | 3.00% |
| 14 | 3.75% |
| 15 | 4.50% |

| | |
|---|---|
| 16 | 5.25% |
| 17 | 6.00% |
| 18 | 6.75% |

(b) From 1 July 2010 to 30 June 2012:

| Totalled Score | Percentage to be Added to Base Management Fee |
|---|---|
| 9 | 0.00% |
| 10 | 1.50% |
| 11 | 3.00% |
| 12 | 4.50% |
| 13 | 6.00% |
| 14 | 7.50% |
| 15 | 9.00% |
| 16 | 10.50% |
| 17 | 12.00% |
| 18 | 13.50% |

(8) In **paragraph 4.1 of Schedule 7,** for the period 1 July 2010 to 30 June 2012:

(a) the last sentence of the first paragraph is amended by replacing "6.75% or -6.75%" and with "13.5% or -13.5%" so that the annual maximum percentage of Bonus or Discount to be applied to the Base Management Fee is 13.5% or -13.5%, as applicable;

(b) where appearing in the second paragraph, "0.75%" is replaced with "1.50%";

(c) where appearing in the third paragraph, "0.375%" is replaced with "0.75%" and "6.75%" is replaced with "13.50%";

(d) the formula in the fifth paragraph is deleted and replaced with:

$$X = OPR\ x\ \frac{(\underline{BMF}\ x\ 1.50\%)}{2}$$

(9) The table in **paragraph 4.1 of Schedule 7** is:

(a) from the Commencement Date to 30 June 2010:

| Totalled Score | Overall Performance Rank | Percentage to be applied to the Base Management Fee |
|---|---|---|
| 18 | 9 | 6.75% |
| 17 | 8 | 6.00% |

| | | |
|---|---|---|
| 16 | 7 | 5.25% |
| 15 | 6 | 4.50% |
| 14 | 5 | 3.75% |
| 13 | 4 | 3.00% |
| 12 | 3 | 2.25% |
| 11 | 2 | 1.50% |
| 10 | 1 | 0.75% |
| 9 | 0 | 0.00% |
| 8 | -1 | -0.75% |
| 7 | -2 | -1.50% |
| 6 | -3 | -2.25% |
| 5 | -4 | -3.00% |
| 4 | -5 | -3.75% |
| 3 | -6 | -4.50% |
| 2 | -7 | -5.25% |
| 1 | -8 | -6.00% |
| 0 | -9 | -6.75% |

(b) for the period 1 July 2010 to 30 June 2012:

| Totalled Score | Overall Performance Rank | Percentage to be applied to the Base Management Fee |
|---|---|---|
| 18 | 9 | 13.50% |
| 17 | 8 | 12.00% |
| 16 | 7 | 10.50% |
| 15 | 6 | 9.00% |
| 14 | 5 | 7.50% |
| 13 | 4 | 6.00% |

| | | |
|---|---|---|
| 12 | 3 | 4.50% |
| 11 | 2 | 3.00% |
| 10 | 1 | 1.50% |
| 9 | 0 | 0.00% |
| 8 | -1 | -1.50% |
| 7 | -2 | -3.00% |
| 6 | -3 | -4.50% |
| 5 | -4 | -6.00% |
| 4 | -5 | -7.50% |
| 3 | -6 | -9.00% |
| 2 | -7 | -10.50% |
| 1 | -8 | -12.00% |
| 0 | -9 | -13.50% |

(10) The definition of "Dwelling" in **clause 1.1** is amended by adding at the end of the definition "where the dwelling details are stored on HACS computer information management system currently known as Homenet".

(11) The definition of **"Discount"** in **clause 1.1** is amended as follows:

**"Discount"** means the percentage specified in the table below applicable in each financial year to the Base Management Fee according to the level of performance of the Services delivered against the minimum requirements of the Performance Management System, calculated in accordance with Performance Management System:

(a) From the Commencement Date to 30 June 2010:

| Totalled Score | Percentage to be Discounted from Base Management Fee |
|---|---|
| 0 | 6.75% |
| 1 | 6.00% |
| 2 | 5.25% |
| 3 | 4.50% |
| 4 | 3.75% |
| 5 | 3.00% |

| | |
|---|---|
| 6 | 2.25% |
| 7 | 1.50% |
| 8 | 0.75% |
| 9 | 0.00% |

(b) For the period 1 July 2010 to 30 June 2012:

| Totalled Score | Percentage to be Discounted from Base Management Fee |
|---|---|
| 0 | 13.5% |
| 1 | 12.00% |
| 2 | 10.50% |
| 3 | 9.00% |
| 4 | 7.50% |
| 5 | 6.00% |
| 6 | 4.50% |
| 7 | 3.00% |
| 8 | 1.50% |
| 9 | 0.00% |

(12) From 1 July 2010 to 30 June 2012, where appearing in the fourth paragraph of **paragraph 4.1 of Schedule 7**, "0.375%" is replaced with "0.75%" and "6.75%" is replaced with "13.50%";

(13) **Clause 4 of the Contract** is amended by adding **clause 4.5A** as follows:

4.5A From 1 July 2010, the Total Facility Manager must ensure specified target groups achieve employment and economic engagement through either direct employment or through its sub-contractors. Target groups are Aboriginal and Torres Strait Islanders, people with disabilities and tenants or occupants of Dwellings. Employment targets, where a count of 1 represents an individual, are as follows:

| Target groups | 2010-11 | 2011-12 |
|---|---|---|
| | | |
| Aboriginal and Torres Strait Islander persons | 2 | 4 |
| Tenants | 5 | 10 |
| Disabled Clients | 1 | 3 |

Performance against each target will be endorsed at the appropriate Contract Management Group Meeting.

(14) **Item 1 of Schedule 2** is amended by adding **paragraph (4)** as follows:

(4) From 1 July 2010, in addition to the Services set out in paragraph (2) above, the Total Facility Manager will provide an

after hours on-call representative who will attend in the case of fire, sewerage discharge, water flooding or other critical maintenance incidents.

(15) **Paragraph (3) of Item 2 of Schedule 2** is amended by adding clause (k) as follows:

(k) providing sufficient personnel and resources to ensure 100% of all calls to the Call Centre are answered within 10 minutes when operating under normal business conditions, where this does not include storm, bushfire and similar significant insurable events.

(16) **Paragraph (5) of Item 2 of Schedule 2** is amended by adding, at the end of the paragraph:

"The reports provided to HCS must include a section listing the top 10 performing and lowest 10 performing contractors. The Total Facility Manager must ensure that where the lowest 10 performing contractors are not meeting contractual requirements for timeframe, quality and assurances, he work with the underperforming subcontractor with the view to returning their performance to an acceptable level. This may include temporarily ceasing the allocation of work or in extreme cases ceasing the allocation of work permanently.

The top 10 performing contractors will be determined by consideration of the following criteria over an appropriate timeframe:

(a) the percentage of orders completed on time; and
(b) the number of non-conformance notices issued and accepted.

The lowest 10 performing contractors will be determined by consideration of the following criteria:

(a) the percentage of orders not completed on time; and
(b) the number of non-conformance notices issued and accepted.

(17) **Paragraph (8) of Item 2 of Schedule 2** is amended as follows:

The Total Facility Manager will comply with the following completion times for all responsive repairs and maintenance Works.

1. From the Commencement Date to 30 June 2010:

| | |
|---|---|
| Urgent | within 4 hours |
| Priority | within 3 days |
| Normal | within 14 days |
| Other | within 40 days |

2. For the period 1 July 2010 to 30 June 2012:

U4 (urgent 4 hours)
PND (priority by 6pm on the next business day)
P96 (priority 96 hours – 4 days)
N 20 (normal 20 days)
Other (up to 12 months, by the next 30 June)

(18) **Subparagraph (4)(b) of Item 3 of Schedule 2** is amended by replacing "31 May" with "31 March" and replacing the words "establish a program" with the words "establish and provide HCS with a draft program".

(19) **Item 3 of Schedule 2** is amended by adding **subparagraph (4)(c)** as follows:

(c) Within 30 days of receipt of the draft program referred to in subparagraph (b) above, HCS will provide comments to the Total Facility Manager. The Total Facility Manager will, by 31 May, establish a program of arrangements, including updating any specifications as required and procuring of services providers for the following financial year.

(20) **Paragraph (4) of Item 4 of Schedule 2** is amended by adding the following clause (i):

" (i) video footage, in an agreed format, outlining all items listed as Tenant Responsible Maintenance of each vacant property at the time keys for the property are returned to HCS;

(21) **Paragraph (8) of Item 1 of Annexure C to Schedule 2** is amended by adding subclauses (f) and (g) as follows:

(f) a review of the planned program and any revision necessary to ensure the program will be delivered in accordance with program milestones and on budget. The detailed report is to be provided quarterly in the monthly report for that month.

(g) Condition Audit Data in a format agreed by HCS and the total Facility Manager.

(20) From 1 July 2010, the Schedule of Rates set out in **Volume 2** of the Contract is amended by adding an additional category of "Bulk Schedule of Rates", details of which are to be determined by the parties.

(21) The Key Performance Indicators reflected in **Table 1B** will be revised from 1 July 2010 by inserting **Table 1C** (a copy of which is annexed to this Deed) which commences on 1 July 2010.

(22) The Key Performance Indicators reflected in **Table 4B** will be revised from 1 July 2010 by inserting **Table 4C** (a copy of which is annexed to this Deed) which commences on 1 July 2010.

**Table 1C: Key Performance Indicators effective 1 July 2010**

| Key Indicator Area | Key Performance Indicator | Weighting |
|---|---|---|
| Customer Service Satisfaction and Service Delivery | 1. Vacant Property Turnaround | **18%** |
| | 2. Call Centre and Customer Satisfaction | **20%** |
| Time and Quality | 3. Responsive, Planned and Programmed Works | **20%** |
| | 4. Audit Regime | **14%** |
| Value for Money and Initiatives | 5. Key Departmental Initiatives | **12%** |
| | 6. Financial Control | **16%** |
| **Total** | | **100%** |

**Table 4C: Summary scoresheet effective from 1 July 2010**

For the month ending________________________

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 1. Vacant Property Turnaround process – ensure time vacant properties are available for allocation is maximised | | | | | | | |
| 1.1 | Percentage of routine vacant properties returned in 10 days or fewer | 85% of routine vacant properties returned in 10 days or fewer<br>Score of >94% =6, 90-94% = 5, 86-90% = 4, 84% - 86% = 3, 80-84% = 2, 75 - 80% = 1, <75% = 0 | | | 7% | | Monthly |
| 1.2 | Percentage of non-routine vacant properties returned in agreed timeframes | 90% of non routine vacant properties returned in agreed timeframe<br>Score of >98% =6, 94 -98% = 5, 91-94% = 4, 89% to 91% = 3, 85-89% = 2, 80-85% = 1, <80% = 0 | | | 7% | | Monthly |
| 1.3 | Footage of vacated TRM appropriately identified in agreed format. | 95% of vacated TRM appropriately identified on video footage in agreed format. Score or 99%+ = 6, >97.5<99% = 5, >95.5<97.5% = 4, 93<95.5% = 3, >90<93% = 2, 85 - 90% = 1 <85% = 0 | | | 4% | | Monthly |

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 2. Call Centre – ensure operation of a professional call centre which provides approachable customer service operators who have a strong understanding of DHCS property standards and are empowered to make timely and accurate decisions in regards to responsive maintenance requests acknowledging that from time to time extraordinary weather events may affect performance. | | | | | | | |
| 2.1 | Ensure minimum callers hang up prior to being answered | Call abandonment rate of lower than 3% Score of <0.5% =6, 0.5 to 1.5% = 5, 1.5 to 2.5% =4 2.5 to 3.5% = 3, 3.5 to 4.5% = 2, 4.5% - 7%= 1 7%+ = 0 | | | 2% | | Monthly |
| 2.2 | Ensure calls answered in a timely manner – 90% | 90% of call answered within 1 minute Score of >98.5% =6, 96 to 98.5 = 5, 92<96% = 4, 89 to 92% = 3, 86 to 89% = 2, 80-86% = 1 <80% = 0 | | | 4% | | Monthly |
| 2.3 | Ensure calls answered in a timely manner – 97% | 97% of calls answered within 5 minutes Score or >99.5% =6, 98.5 to 99.5% = 5, 97.5 to 98.5% = 4, 96.5 to 97.5% = 3, 95.5 to 96.5% = 2, 92-95.5 = 1 <92%=0 | | | 4% | | Monthly |
| 2.4 | Maximise client satisfaction | More than 95% satisfaction of those tenants surveyed.<br>Score of 100% =6, 97.5<100% = 5, >96<97.5% = 4, 95<96% = 3, >90<95% = 2, 85-90% = 1 <85% = 0 | | | 6% | | Monthly |
| 2.5 | Maximise client satisfaction | Reduction in validated complaints (both TRM and otherwise) KPI Target = • 5% reduction for the quarter based on prior years quarter. 9%+ = 6 7%-9% = 5 • 6%-7%=4 • 4%-6%=3 • 2%-4% = 2 • 0%-2%=1 • <0% =0 | | | 4% | | Quarterly |

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 3. Efficient and Timely Delivery of Responsive, Planned and Programmed Works | | | | | | | |
| 3.1 | Implement a condition audit process that provides accurate planning information | Undertake 280 condition audits each month Score of 305+ =6, 295 to 304 = 5, 285-294 = 4, 275 to 284 = 3, 265 to 274 = 2, 220-265 = 1 <220 = 0 | | | 4% | | Month ly |
| 3.2 | Complete Urgent repairs in accordance with contract requirements | U4 repairs are completed on time Target 96% Score of 99.5% > =6, 98.5 to 99.5% = 5, >97<98.5% = 4, 95<97% = 3, >92.5<95% = 2, 85 - 90% = 1, <85 = 0 | | | 4% | | Month ly |
| 3.3 | Complete Priority 1 – 6pm next day repairs in accordance with contract requirements | PND repairs are completed on time Target 96% Score of 99.5% > =6, 98.5 to 99.5% = 5, >97<98.5% = 4, 95<97% = 3, >92.5<95% = 2, 85 - 90% = 1, <85 = 0 | | | 4% | | Month ly |
| 3.4 | Complete Priority 2 -4 days repairs in accordance with contract requirements | P96 repairs are completed on time Target 96% Score of 99.5% > =6, 98.5 to 99.5% = 5, >97<98.5% = 4, 95<97% = 3, >92.5<95% = 2, 85 - 90% = 1, <85 = 0 | | | 4% | | Month ly |
| 3.5 | Complete Normal 20 days repairs in accordance with contract requirements | N20 repairs are completed on time Target 96% Score of 99.5% > =6, 98.5 to 99.5% = 5, >97<98.5% = 4, 95<97% = 3, >92.5<95% = 2, 85 - 90% = 1, <85 = 0 | | | 4% | | Month ly |

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 4. Audit Regime – Ensure the contract deliverables are under a continuous improvement regime that would withhold external scrutiny | | | | | | | |
| 4.1 | Ensure quality assurance services are defensible | Undertake 5% audit of all work orders each month Score or >10% =6, 8 to 10% = 5, 6 to 7% = 4, 5 to 6% = 3, 4 to 5% = 2, 2 - 4% = 1 <2% = 0 | | | 4% | | Monthly |
| 4.2 | Ensure compliance of TFM with contract terms and conditions | Fewer than 6 Non conformances for works and documentation per month and 0 Instructions Score or 0 =6, 1 = 5, 2 = 4, 3 = 3, 4-6 = 2, 6+ = 1 Instructions =0 | | | 6% | | Monthly |
| 4.3 | Ensure quality assurance services are defensible | Maximum 1.5% rejection rate based on value of work claimed per month. Score or <.5 =6, <1.0 = 5, <1.5% = 4, 1.5% = 3, <2% = 2, 2 - 3% = 1 >3% = 0 | | | 4% | | Monthly |

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 5. Key Departmental Initiatives – Ensure the TFM is focused on delivering key initiatives of the department | | | | | | | |
| 5.1 | Encourage Economic Participation of key cohorts and discourage employment barriers | Employed Aboriginal and Torres Strait Islander people (people may only be included in one group under section 5) through the contract<br>2010-11 - 2 FTE 2011-12 – 4 FTE<br>2010-11 - >3 = 6, 2.5 – 3 = 5, 2 - 2.5 = 4, 1.5 – 2 = 3, 1 – 1.5 = 2, 0.5 – 1 = 1, <0.5 = 0. 2011-12 - >6 = 6, 5 – 6 = 5, 4 -5 = 4, 3 – 4 = 3, 2 – 3 = 2, 1 – 2 = 1, <1 = 0. | | | 4% | | Six-Monthly |
| 5.2 | Encourage Economic Participation of key cohorts and discourage employment barriers | Employed Tenants (peoplemay only be included in one group under section 5) through the contract<br>2010-11 - 5 FTE 2011-12 – 10 FTE<br>2010-11 - >7 = 6, 6 – 7 = 5, 5 - 6 = 4, 4 – 5 = 3, 3 – 4 = 2, 2 – 3 = 1, <2 = 0. 2011-12 - >14 = 6, 12 – 14 = 5, 10 -12 = 4, 8 – 10 = 3, 6 – 8 = 2, 4 – 6 = 1, <4 = 0. | | | 4% | | Six-Monthly |
| 5.3 | Encourage Economic Participation of key cohorts and discourage employment barriers | Employed people with a Disability (people may only be included in one group under section 5) through the contract<br>2010-11 - 1 FTE 2011-12 – 3 FTE<br>2010-11 - >1.5 =6, 1.25–1.5 =5, 1–1.25 =4, 0.75–1 =3, 0.5–0.75 =2, 0.25 – 0.5 =1, <0.5 =0. 2011-12 - >4.5 =6, 3.75 – 4.5 = 5, 3-3.75 =4, 2.25–3 =3, 1.5–2.25 =2, 0.75–1.5=1, <0.75 =0. | | | 4% | | Six-Monthly |

| Key Performance Indicators | Measure | Performance Target | Result | Score | Weight -ing | Weighted Score | Notes |
|---|---|---|---|---|---|---|---|
| 6. Financial Control – Ensure budget is met and controlled and that value for money decisions are made | | | | | | | |
| 6.1 | Maximise strategic expenditure through ratio of responsive repairs to planned maintenance | 2010/11 target to be determined at May 2010 JCC meeting<br><br>2011-12 target to be determined at May 2011 JCC meeting. | | | 8% | | Six-Monthly |
| 6.2 | Ensure planned work program is delivered to maximise client and asset benefit | Planned works expenditure less than 2% variance to rolling forecast measured six monthly against final agreed budget as at June.<br><1% = 6, 1 – 1.5% = 5, 1.5% - 2% = 4, 2 – 2.5% = 3, 2.5% – 3 = 2, 3% – 3.5% = 1, <3.5% = 0. | | | 4% | | Six-Monthly |
| 6.3 | Improve Value for Money through effective tendering methods maximising expenditure spread for clients and assets | Tendering of bulk SOR items result in a 5% decrease in weighted average cost of top 20 SOR items from 2009-10 to 2010-11. 2010-11 to be determined at JCC<br>>8% = 6, 7% – 8% = 5, 5.5% - 7% = 4, 4.5% – 5.5% = 3, 3% – 4.5% = 2, 1% – 3% = 1, <1% = 0. | | | 4% | | Six-Monthly |

**SIGNED AS A DEED ON** ........................................................................ 2010

| | | |
|---|---|---|
| **SIGNED** for and on behalf of the **COMMISSIONER FOR SOCIAL HOUSING** in the presence of: | ) ) ) ) ) ) | |
| ..................................................<br>Signature of witness | | ..................................................<br>Signature of Commissioner or Delegate for the Commissioner |
| ..................................................<br>Print name | | ..................................................<br>Print name |

| | | |
|---|---|---|
| Executed by **SPOTLESS P&F PTY LTD ACN 072 293 880** pursuant to section 127 of the *Corporations Act 2001*: | ) ) ) ) ) ) ) ) | |
| | | ..................................................<br>Signature of Director |
| ..................................................<br>Signature of Director/Secretary | | |
| ..................................................<br>Print name of Director/Secretary | | ..................................................<br>Print name of Director |

Affix common seal if required under constitution

**Note:**

| | |
|---|---|
| Date: | Must be dated on the date the last party signs the Deed or, if signed counterparts of the Deed are exchanged, the date of exchange. Also date the cover page. |
| Company: | Must be signed in accordance with section 127 of the *Corporations Act 2001* (Cwlth), for example, by 2 directors or a director and a secretary. Common seal may be affixed if required under the Contractor's constitution. |

**Attachment A 3**

## Statement of Reasons for the Extension of the Total Facilities Management Contract

The Total Facilities Management contract between the Commissioner for Social Housing (The Commissioner) and Spotless P&F (Spotless) commenced on 1 July 2005 for an initial period of three years. Both parties agreed to extend the contract for a further 2-year period as outlined in the provisions of the contract. The Deed of Variation that extends the original contract was executed on 17 March 2009. The 2-year period expires on 30 June 2010. The contract allows for a second two year extension. In determining whether to extend the contract, the following matters were considered.

1. Current Performance;
2. Ideal Target Performance;
3. Competition in the market; and
4. Cost Benefit Analysis.

### 1 - Current Performance

Spotless significantly improved its performance under the contract during the first three years and overall Spotless consistently delivered services above the required level. The level of service has continued to improve during the first extension.

There are six key performance indicators under the contract which are used to determine whether Spotless is delivering the services required under the contract. These are:

i. Vacants Turnaround Process;
ii. Call Centre – Complaints Management;
iii. Planned and Programmed Works;
iv. Audit Regime;
v. Delivery of Key Departmental Initiatives and Capital Works; and
vi. Financial Control

*i) Vacants Turnaround Process*

Vacant turnaround times currently average under 7 days and continue to be an excellent result. Housing ACT has a target of 28 days to re-let vacant properties. Spotless' consistent performance has contributed to the achieving of this Output target and compares favourably to other jurisdictions.

*ii) Call Centre and Complaints Management*

This item was a matter of concern earlier in the contract. However in recent months, Housing ACT has worked closely with Spotless on this issue. Consequently there has been a significant decrease in call abandonment rates and an increase in works order completion times. Housing ACT will continue to work with Spotless to ensure business rules and processes are reviewed and implemented during this half year period.

*iii) Planned and Program Works & (iv) Audit Regime*

During 2008-09 Spotless developed a detailed and strategic planned and capital works program for Housing ACT properties. The program was delivered in a timely manner according to the performance indicator. Both Housing ACT and Spotless tenant satisfaction surveys are consistently achieving scores above 90% in the majority of categories surveyed.

In relation to current performance relating to continuous improvement, Spotless has been consistently been achieving above contract requirements particularly in relation to property inspections.

Spotless has introduced a strategic property analysis system, which will improve the management and allocation of planned work. This system combined with an improved focus in quality assurance and continuous improvement has seen an intentional drive towards increased performance through the planning process.

*v) Delivery of Key Departmental Initiatives and Capital Works and vi) Financial Control*

Spotless has engaged a national manager to implement real employment outcomes for tenants and Aboriginal and Torres Strait Islanders. These employment initiatives highlight the organisation's commitment to this fundamental aspect of social housing delivery. The contract between Spotless and Housing ACT is important in delivering real economic participation for public housing tenants and Aboriginal and Torres Strait Islanders and will be strengthened through the second extension of the contract.

The Spotless financial performance has continued to improve with a responsive/planned ratio result of 28:72 in 2008-09. The target for 2009-10 is set at 26:74. In 2010-11, with the completion of maintenance work funded by the Commonwealth Government as part of its Nation Building and Jobs Plan, the target ratio will ease back slightly to 27:73 although still expected to be an improvement to the excellent result achieved in 2008-09. This still represents a significant improvement on previous years' targets and without stimulus funding aligns with a continuous improvement approach.

<u>2 - Ideal Target Performance</u>

The Performance Management System scores performance from 0 through to 6. A score of 3 is considered as acceptable however it must be noted that this does not represent a result of 50% but rather the target level of performance has been met.

In some instances, such as work order administration acceptance rate, a target of 98.5% is considered acceptable and would attract a score of 3. In this particular KPI, Spotless achieved 99.09% for September 2009 and attracted a score of 5 which equates to good service.

Benchmarking targets is however difficult. A report published by the Victorian Auditor General in 2007 shows that Victoria is able to consistently achieve completion rates in the metropolitan area of 95% or higher across its three categories. Victoria does however have more generous timeframes with 24 hour targets for urgent work and 7 day targets for priority work – normal work is currently consistent with Housing ACT at 14 days.

NSW has a variety of categories including 4 hours, 24 hours, 48 hours, 72 hours and 21 days. Housing ACT targets are currently ambitious and achieving these targets can be difficult – the Spotless performance is therefore considered to be of a high standard. Spotless and Housing ACT are exploring options to better align the timeframes to community standards including improving service delivery where it is required such as urgent and priority work.

Eleven general non-conformance notices were issued to Spotless in the first quarter of 2008-09. These were primarily around the Planned Maintenance Program and specific properties. However during the July to December 2009 period, only 3 non-conformances were issued. Cure Plans issued by Spotless were fulsome in their response and have been accepted by Housing ACT. This is a significant reduction and is considered very low against the revised acceptable target.

3 - Competition in the market

This criterion was expected to be the most difficult of the criteria for analysis. Information from other State and Territory jurisdictions was sought on models of service delivery however jurisdictions preferred not to formally respond.

Procurement over the past few years for the NSW Department of Housing saw more of a shift within existing contractors rather than a major shift in the actual contractors. Spotless although ceasing services in some areas, is now the contractor in other areas of NSW. The same is for Transfield Services with both Spotless and Transfield the two primary contractors for NSW Department of Housing.

ACT Procurement Solutions indicated that no other ACT Government Agency has recently conducted facility management contracts similar to that of Housing ACT. Given the original intention of the contract is to build a long term commercial relationship, (through the inclusion of 2 extensions) it is reasonable to seek an extension at this time.

It was considered that there are few options (other than Spotless) at this time to provide a single provider total facilities management model (TFM) for property maintenance.

4 - Cost benefit Analysis

Initial investigation into each jurisdiction's method of maintenance delivery has revealed that the ACT is still the only jurisdiction that delivers maintenance under a single provider TFM model.

Several jurisdictions have outsourced facilities management or head contractor models. Queensland undertakes its maintenance via an in-sourced head contractor model and is charged a flat rate as a management fee.

A summary of the costs to employ Spotless is outlined in Table 1 below.

Table 1 – Summary of 5 years management fee compared to reimbursable work

| Year | Budget $m | Fee (1) $m | Percentage | Fee (2) $m | Percentage |
|---|---|---|---|---|---|
| 2005-06 | 29.0 | 4.461 | 15.4% | 2.997 | 10.3% |
| 2009-10 | 38.0 | 5.351 | 14.1% | 3.594 | 9.5% |

(1) Total Management Fee including call centre operating costs and planning fee costs.
(2) Fee payable excluding call centre operating costs and percentage of strategic planning costs.

The table above outlines the management fees payable to Spotless for managing the works under the contract. The second set of fees is an amended set of costs allowing for the removal of call centre operating costs and also an allowance for strategic operating costs. (In other jurisdictions, the call centre is managed by the housing authority and so too is the strategic allocation of planned works.)

As can be seen from the above, adjusted percentages range from 9.5% to 10.3%. These rates demonstrate very favourable value for money to Housing ACT.

In the absence of comparable management fees from other jurisdictions, Housing ACT has considered fees from other management based contracts where the Territory retains risk. These range upwards from 14%. Thus Spotless rates are comparable even prior to the removal of call centre operating costs.

**Tender or Extension**

Re-tendering when there are provisions to extend the current contract should only be considered where the expected financial benefit outweighs the cost to tender and any allowance for reduced service delivery during the start up phase.

In determining whether to go to tender or to extend the existing contract with Spotless, it was considered that the contract with Spotless delivers significant value for money to Housing ACT. This has improved over the duration of the contract as additional funds have been allocated with only marginal increases in management fees.

As set out above, a number of issues including value for money, employment initiatives and the reinvestigating and refining of performance indicators were considered in the contract renegotiations.