



## Summary of our report

# Earthquake Commission: Managing the Canterbury Home Repair Programme – follow-up audit



In 2013, we published a report on the performance of the Earthquake Commission (EQC) in managing the Canterbury Home Repair Programme (the programme). We found that EQC's performance had been mixed. This report looks at EQC's progress in addressing the recommendations we made in our 2013 report.

### Progress since 2013

Since 2013, EQC has made improvements to all of the areas of programme activity that we made recommendations for, including introducing an initiative to give customers more certainty about repair time frames, rationalising repair hubs to support more consistent repair processes and practices, and introducing more consistent and complete performance indicators.

### It is difficult to assess EQC's overall performance in managing repair quality

We found it difficult to assess EQC's overall performance in managing repair quality, even though EQC has improved its understanding of repair quality since our 2013 report.

On one hand, there are problems with the quality of some repairs. On the other hand, many thousands of people are residing in repaired houses. Homeowners' perceptions of the quality of repairs depend heavily on their individual circumstances and experiences.

Some of the programme's repair work has not met the requirements of the Building Code, as found in the Ministry of Business, Innovation and Employment's 2015 report about 101 home repairs in Canterbury. Although that report's findings are not statistically representative of the whole programme and are about a small number of all repairs, they indicate problems with some programme controls for some repairs. That report has also resulted in EQC intending to recheck the repair files of 3600 homes (as at 28 August 2015).

EQC estimates that about 8%-10% of homes repaired in the programme have needed some aspect of the repair work to be remedied. However, EQC's survey of customer satisfaction immediately after repairs have been completed shows that 84% of surveyed customers were satisfied or very satisfied with the quality of repairs in 2014/15. EQC has continued to support good health and safety practices.

### Repair costs have continued to be well managed

As at 30 June 2015, about \$2.7 billion had been spent on the programme. Of this, about \$399 million has been spent on programme management and claims administration, including \$340 million on

#### Vital statistics:

- 58 pages
- Presented to Parliament on Tuesday 1 December 2015
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Fletcher Construction's project management services. About \$258 million of this is direct project management costs, including staff and facilities. The remainder is the margin on repair costs paid to Fletcher Construction.

EQC has continued to manage repair costs well. The increase in repair costs since February 2011 is below the Canterbury inflation rate for new houses in Canterbury. The rates ceiling approach used within the programme to control actual repair costs has continued to be effective.

Since 2013, the project management component of the programme's total costs has increased. The programme's project management costs are generally indicatively at the upper end of multiple New Zealand indicators of project management costs as a proportion of building costs. Viewed from another perspective, EQC's claims-handling costs are in the middle of a large reinsurer's experience of those costs for a range of international jurisdictions.

### **There are still repairs to be completed**

According to EQC, 66,252 repairs had been "practically completed" as at 30 June 2015. Although considered to be "practically completed", some of these repairs still require further work, such as a repair to a garage or drainage work, to be fully completed.

As at 30 June 2015, EQC estimated that there were an additional 1018 primary substantive repairs in progress (yet to be practically completed) and 1767 primary substantive repairs yet to start. An estimated 2923 repairs already carried out require further investigation to determine whether they need additional work to be fully completed.

### **Complaints could be better managed**

Although EQC has made improvements to how it manages complaints, it cannot easily identify all complaints about the programme, has no formal mechanisms for using complaints information to improve its processes, has not fully integrated complaints systems between EQC and Fletcher Construction, and could improve its resolution of complaints. The nature of EQC's customer interactions has been the subject of many complaints. EQC has received advice on how to improve its customer service and has made this advice publicly available.

### **Effective management of repair costs but mixed customer experiences**

Two aspects of the performance of the programme are particularly notable. The first is EQC's effective management of repair cost inflation – meaning that repair costs appear to be economic in the circumstances. The second is EQC's mixed performance in terms of customer interactions and experience – meaning that the programme has not been fully effective in the circumstances for some customers, including some vulnerable people.

### **Lessons are being learned and identified**

EQC has started to record lessons learned from the programme and is committed to being able to deal with large-scale events in the future. For example, EQC has recognised that a long and complex process to resolve claims has caused distress to homeowners and that this has been compounded by dissatisfaction with the quality of EQC's communications. It is important that these lessons are well understood in case they are needed in the future.