

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE (PAC)

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDIT REPORTS JULY 2015 – JANUARY 2016**

At Jubilee Room, Parliament House, Sydney on Monday, 22 May 2017

The Committee met at 9:30 am

PRESENT

Mr B. Notley-Smith (Chair)

Mr S. Bromhead

Mr M. Daley

Mr L. Evans

Mr G. Piper

Mr M. Taylor

The CHAIR: Thank you for attending this public hearing being held as part of the Public Accounts Committee's follow-up with the Auditor-General's Performance Audits. Today we will be taking evidence relating to selected Auditor-General's performance audits from July 2015 to January 2016. My name is Bruce Notley-Smith. I am the Committee Chair and member for Coogee. With me today are my colleagues the Deputy Chair, Mr Mark Taylor, who is the member for Seven Hills; Mr Stephen Bromhead, the member for Myall Lakes; Mr Greg Piper, the member for Lake Macquarie; and Mr Lee Evans, the member for Heathcote. I now declare the hearing open and welcome Mr Ian Goodwin, the Acting Auditor-General, and Ms Claudia Migotto, from the Audit Office of New South Wales, who will be with us for the entire hearing to provide additional information as required. Our witnesses for the first audit are from a wide range of New South Wales government agencies. Thank you all for appearing before the Public Accounts Committee today to give evidence.

ANTHONY WING, Executive Director, Transport Policy, Transport for NSW, sworn and examined

NEIL ACKLAND, Executive Director, Financial Management Transformation, New South Wales Treasury, affirmed and examined

SCOTT WHEELER, Director, Productivity and Regulatory Reform Branch, Economic Strategy Division, New South Wales Treasury, affirmed and examined

THOM THORNTON, Director, Audit & Risk Unit, Corporate Services, Department of Justice., sworn and examined

PHIL MINNS, Deputy Secretary, Corporate Services, Department of Justice, sworn and examined

ROSS DUNCOMBE, Acting Director, Finance and Business Services, and Chief Financial Officer, NSW Police Force, sworn and examined

JENNY DONOVAN, Executive Director, Centre for Education Statistics and Evaluation, Department of Education, affirmed and examined

PETER RIORDAN, Deputy Secretary, Corporate Services, Department of Education, sworn and examined

NIGEL LYONS, Deputy Secretary, Strategy and Resources, NSW Health, sworn and examined

ELIZABETH KOFF, Secretary, NSW Health, sworn and examined

IAN GOODWIN, Acting Auditor-General, Audit Office of NSW, sworn and examined

CLAUDIA MIGOTTO, Acting Assistant Auditor-General, Audit Office of NSW, affirmed and examined

The CHAIR: Mr Wheeler, would you like to make an opening statement?

Mr WHEELER: No.

The CHAIR: In the context of your agency how do you define productivity and differentiate it from efficiency?

Mr WHEELER: Productivity and efficiency can be one and the same in many instances, but we can probably think of productivity as a measure of outputs relative to inputs. So you are looking at the volume of activities. Efficiency can bring into play the question of cost. You might have a situation where there is increasing productivity but, perhaps, a reduction in efficiency as a result of more expensive inputs.

The CHAIR: Dr Ackland, would you like to make an opening statement?

Dr ACKLAND: No, thank you.

The CHAIR: Do you think productivity is difficult to measure and to apply generally in the public sector?

Dr ACKLAND: Yes, for a range of reasons. The inputs are more difficult to measure, and benchmarking outputs are complex, particularly because in many cases you do not have like services or like producers with which to make comparisons.

The CHAIR: Do you have any views about how productivity trends can be better captured for your agency?

Dr ACKLAND: For Treasury?

The CHAIR: Yes.

Dr ACKLAND: I think Treasury probably characterises one of the most difficult areas that exists in all government departments where your output is effectively policy advice or guidance, so measuring productivity in terms of the relationship between the quality of your advice and inputs is extremely difficult. In that policy space you are really relying on the qualitative judgement of the advice that is coming out.

The CHAIR: As the lead agency tasked with providing guidance to the New South Wales Government on how to measure and report on productivity and efficiency, what are the current impediments to achieving this?

Dr ACKLAND: That has been a key focus of the Financial Management Transformation project, which broadly has an agenda about promoting productivity in the public sector. The approach that we have taken focuses on the quality of information, the availability and transparency of that information and

accountability around linking performance or funding to the actual achievement of outcomes in relation to different services. To actually get that close linkage of measurable, quantifiable outcomes and outputs and linking that back to funding is the challenge that jurisdictions across the world face in the delivery of government services.

The CHAIR: So are there common trends and factors to enable measurement of productivity and efficiency across agencies?

Dr ACKLAND: I think I understand the question right. The Financial Management Transformation project at the moment is undertaking a broad, whole-of-government approach to systematically measuring outcomes and performance against and incorporating that into the budget process. That is a fairly substantial process that is underway to help promote productivity in the public sector.

The CHAIR: What have been the findings from the internal review of the guide to economic performance measurement?

Dr ACKLAND: The findings from the internal review, which is Mr Wheeler's area, but it is fairly—

The CHAIR: Either one or both of you can answer.

Mr WHEELER: We have found for the guide that, while the technical content remains accurate, the guidance within it for agencies had not properly provided any meaningful assistance to agencies. There had not been any evidence of a great take-up by agencies of the assistance in the guide, so we concluded that the guide should be withdrawn and we think about the way we provide assistance to agencies in a context of the advice through Dr Ackland's Financial Management Transformation [FMT] program. The guide was written 16 years ago and it was focused on outputs principally, whereas over that intervening time the focus now has shifted to measuring outcomes. So rather than update a guide that was out of step with the focus that is being taken now, our view was that it was not providing any real help for agencies now and so we should rethink how to provide more meaningful assistance.

The CHAIR: To what extent does wages policy impact on productivity and efficiency measurement?

Mr WHEELER: It certainly helps with efficiency in terms of maintaining greater control over costs in the public sector. Wages costs are probably 50 per cent of total expenses, and over the last several years I think the Government's wages policy has kept wages growth at around or under 2½ per cent. That has made quite a significant contribution towards containing the costs.

The CHAIR: Mr Goodwin, do you have any comment?

Mr GOODWIN: I have no real comment other than to acknowledge some of the responses from Treasury around productivity versus efficiency. Our report looked at productivity from those inputs, focusing mainly on labour. I think the wages policy is a natural disruptive tension to the point that, as Mr Wheeler pointed out, productivity and efficiency are not necessarily measuring the same thing. You can attain productivity but it might cost you more in terms of monetary units, depending on the circumstances. The only other point I would make is to acknowledge Dr Ackland's comment about the Financial Management Transformation project. The observation I would make, which is beyond the scope of this report but is an important observation, is that the FMT is asking the questions that should be asked in terms of the important issue of performance measurement within the public sector. The only thing I would add to that is that I think performance measurement of the public sector is not necessarily always a quantitative measure, but you may need to find qualitative measures to be able to tell the rich story about how well or otherwise the public sector is performing.

The CHAIR: We will move on to Health, if you are happy about that, Mr Piper.

Mr GREG PIPER: I am quite relaxed about doing that.

The CHAIR: You are going to get a cricked net, because Health is at your right shoulder.

Mr GREG PIPER: I had done my homework and had noticed Ms Elizabeth Koff and Dr Nigel Lyons were there. It is nice to see Dr Lyons, whom I have not seen for quite some years since he left Hunter New England Health. I wish to comment on the material provided in the response to the Auditor-General's recommendations, which is a little esoteric. The Chair referred the earlier questions to Treasury and I will run through those questions as well. In the context of your agency, how do you define productivity and differentiate it from efficiency?

Ms KOFF: If I may seek your indulgence, do I have the opportunity to provide an opening statement first?

The CHAIR: Absolutely.

Ms KOFF: Thank you, I was seeking clarification whether to go straight to the definitional issues or I had the opportunity to put something forward. On behalf of NSW Health, thank you for the opportunity to make a statement to this inquiry around identifying productivity in the public sector. NSW Health, as you may be aware, is the largest health system in Australia, with a budget of just over \$20 billion, which accounts for approximately 28 per cent of the New South Wales Government's expenditure, so understandably people watch us like a hawk. The responsible stewardship of the health system is essential to ensuring prudent use of our budget and also managing the rising demand and consumer expectations of the health service. Accountability for our expenditure is important, and reporting of productivity and efficiency is an important part of this accountability. Since the Auditor-General's recommendations in August 2015, the ministry has continued to work with the health system and the community to become more efficient and more productive by focusing on delivering outcomes that are most valuable to patients.

Productivity and efficiency improvements are a central feature of NSW Health activities. However—and this is I think where the comment was that our response may have been esoteric—productivity and efficiency alone do not tell the complete story of the performance of the health system. We can work harder and faster to be more efficient and produce more episodes of care. However, if we are not treating according to best practice, or we risk patient safety in doing so, we are neither productive nor efficient in the health system. We consider quality and safety, effectiveness and value of the care we provide to be important partners of the productivity and efficiency equation. Because there is not a single measure that gives a meaningful representation of productivity and efficiency in our complex health system, our approach has been to incorporate productivity and efficiency elements within our system's strategic priorities and within our governance and performance framework.

I will mention a couple of those areas briefly, if I may. In system governance and performance management, the Auditor-General's report on inpatient hospital services discussed our activity-based funding model. This model sees the annual purchasing activity by the Ministry of Health from districts through an annual service agreement. The agreement, inter alia, outlines clinical activity to be purchased on the basis of a determined State average price for that activity. This price is then applied to the currency of the nationally weighted activity unit [NWAU]. The State price inherently includes efficiency, effectiveness and appropriate measures, and when combined with purchasing methodologies year on year, local health districts, the managers of our hospitals, are becoming more efficient and effective, and appropriate in their care. This is reflected in the maintenance or cost containment of our cost of activity per episode of NWAU over the past five years.

Activity-based funding [ABF] brings transparency to budget allocations and links it directly to care, and enables benchmarking and comparisons of performance. In addition to the ABF, the ministry's Program Management Office [PMO] supports local health districts to identify and implement productivity and efficiency objectives. Projects under this initiative include timely discharge—patients do not need to stay longer in hospital than is necessary—increasing use of hospital in the home or different models of care servicing aged-care facilities. The service agreement strengthens the purchasing framework and the PMO will continue to be the mechanism by which NSW Health sets out productivity and efficiency objectives.

Since the audit report was published in 2015, the safety and quality strategy has been implemented across the State in NSW Health. We are doing initiatives such as electronic medication management to reduce medication errors and adverse events, which will result in us being more efficient and productive in our care. To the indicators referenced in the report, staphylococcus aureus—commonly known as golden staph—infection rates have continued to reduce, and life expectancy has also shown an increase over the period from 2012-14 to 2013-15.

In our purchasing we are adjusting for quality. We want to incentivise good quality care that equates to efficient and productive care, and this is seen in our fractured neck of femur guidelines and stroke management, where premium payments are made for good quality care. Managing for quality and safety will make us more productive and efficient but most importantly it makes it better for patients. Our other initiative around Better Value Healthcare focuses on moving from volume to value. Value-based health care requires us to purchase from providers, have a comprehensive understanding of costs and deliver the best outcomes for patients. We have been working with Treasury and the Department of Premier and Cabinet around our better value care program to look at optimising our resources to get the best outcomes for patients. We have eight clinical areas on which we focus.

Finally, I would like to mention reporting. The communication and reporting of our productivity trends is contained within our annual report of NSW Health and the reporting of the Bureau of Health Information [BHI]. The bureau reports to the Minister and to Parliament annually on the performance of the New South

Wales health system. In their most recent report the BHI found that no comparator country spent less per person and had better health outcomes than New South Wales. This, we believe, is a strong reflection of the efficiency and performance of the New South Wales health system. In conclusion, NSW Health is actively driving productivity and efficiency through our governance and performance framework and our strategic priorities of quality and safety and better value health care. We believe this will improve patient-centred care delivery that delivers the outcomes that matter most to patients. Additionally, we believe it will ensure the sustainability of the health system, which is something I know is valued by every member of the community, our clinicians and the Government. Thank you.

Mr GREG PIPER: Thank you, Ms Koff, for that comprehensive opening statement. My reference to the report being esoteric was not a criticism. I am trying to reflect the complexity of what we are dealing with here and what you are managing—I appreciate that. I think that you have answered some of the questions I was going to ask.

Ms KOFF: That is good.

Mr GREG PIPER: But that is no reason we cannot ask them again and be specific for the purposes of our record. I will ask the first question of each of the agencies: In the context of your agency how do you define productivity and differentiate it from efficiency? I think you did touch on that.

Ms KOFF: I think it was touched on in the earlier commentary by Treasury in that efficiency relates to the dollar value, and that is the way we interpret it. There is actually a dollar measure of what we are doing to demonstrate efficiency. The productivity then can have different units or metrics to determine what the outputs are for what you deliver in the care. As I mentioned, the most important thing from our perspective is that in healthcare delivery especially they cannot be purely dollar measures or units of productivity; they have to relate to the outcomes that we deliver. That is the critical hook around quality and safety and value for patients in the system that really are the bookends of what we are looking at with efficiency and productivity.

The other comment I would make, if I may, is that in dealing with the health system, efficiency and productivity are two terms that do not sit well with clinicians, quite frankly and if I am honest. If we go to clinicians and say, "You have to be more efficient; You have to be more productive," they do not go into healthcare delivery to actually be more efficient and be more productive. They go in to provide the best care and the safest care that they can. We believe better value care is a narrative that assists us in driving an efficiency and productivity agenda whilst putting the patient outcome at the centre of what we are trying to do.

Mr GREG PIPER: Well said. The next question goes right to the heart of what you were just saying: Do you think productivity is a difficult measure to apply generally in the public sector? It is a generalised question, but you will be answering it from your perspective.

Ms KOFF: One thing in health care is that we collect lots and lots of data, we collect lots and lots of information. It is your interpretation of that productivity that we can do, but if it is not viewed through the lens of the outcome we are achieving for that, I believe it does not have the intensity of meaning that it should have. I would always say we can measure productivity on many fronts. However, it needs to be linked with those quality and value indicators.

Dr LYONS: Clearly we look at things around efficiency, effectiveness, appropriateness, and increasingly the outcomes of care that is provided. In addition to the things that Ms Koff has outlined about our approach, we have been very active in ensuring that we can demonstrate the cost of providing care. Since the Auditor-General's report was handed down, further work has been undertaken to move beyond looking just at acute inpatients in emergency departments to looking at a whole range of other product lines, as we call them, in terms of patient care delivery; that is, things like subacute care, which is rehabilitation and palliative care. We also look at non-admitted patients; that is, those people who are cared for in outpatients settings or in the community.

We are now moving to look at how we can use the same sorts of principles to define how we provide mental health care as well. We are starting to think about how we can cost and assess the way we provide care. Looking at the inputs and the resources consumed for delivering are important components of that. We have developed a much more sophisticated approach. However, as Ms Koff outlined, it is increasingly important to look at the quality, the safety, and the clinical outcomes and marry those together. That is where we are headed very strongly in the future.

Mr GREG PIPER: Do you have any views about how productivity trends can be better captured by NSW Health?

Ms KOFF: In terms of how we disseminate them, I think that is one of the issues. We actually record and document quite well. The project management officers I touched on and some of the initiatives we are looking at to enhance performance around some of those productivity issues do tend to occur in isolated pockets across the system. Part of our challenge is then to get state-wide coverage of some of those initiatives. The Agency for Clinical Innovation is a mechanism or an organisation within NSW Health that assists us in distributing those models of good practice. As I touched on, the Bureau of Health Information reporting and the publication of that reporting often creates a very useful competitive tension among some clinicians, districts and hospitals that assists in driving some of the improvements we are seeking. They are the two mechanisms by which we can disseminate and measure. However, my desire would be to do that more systematically across all services rather than have discrete pockets of excellence in various districts.

Dr LYONS: The other challenge for us is the complexity of health and how we can produce something which is concise and which identifies simply how we are performing to be able to assess that over time. That is a big challenge for us. As Ms Koff has indicated, one of the ways to do that is to look at the State price, which we are now publishing in our annual report, and to look at those trends over time. The pleasing thing from New South Wales's point of view is that our State price has been under national efficient price consistently since those figures were produced. That demonstrates that we are operating at a price that is reflected underneath the rest of the country.

The other comparator that might be useful to consider on an ongoing basis is the one that the Bureau of Health Information publishes each year in *Healthcare and Focus*. It looks at the cost of healthcare, the spending per person, and the life years lost. It then compares that with other jurisdictions, states and countries around the world. While we are performing well on that, it encompasses almost all the things we are talking about. The efficiency, the productivity, the quality and the safety measures, are summarised quite neatly. If nowhere is actually doing better than we are then we can all be comforted by that.

Mr GREG PIPER: While you are comparing the cost in other States as well, obviously New South Wales would have a head start because of the economy of scale in that we have a significantly larger population. Victoria might be equivalent because it is a smaller State and it is not as impacted by the tyranny of distance. Is that not one of the benefits?

Ms KOFF: I think your observation is astute. New South Wales represents roughly one-third of the national healthcare delivery. So it does have a strong influence on the national price. However, that being said, we still more consistently purchase services below the national efficient price. That is discretionary in the National Health Reform Agreement. They set a national price, but it is up to jurisdictions to decide whether they pay that national price for the activity unit, or, as we have consistently done in New South Wales, look at purchasing at a lower price. That starts driving that change of districts continuously having to provide their care more efficiently.

Mr GREG PIPER: I would like to ask some questions more specifically about the response that we have received. The first question relates to the reporting of the real costs of the national weighted activity unit. Can you expand on the nature and scope of the cost per NWAU, and the reasons for the commercial sensitivity involved?

Dr LYONS: We have deliberately looked at the State price because it is more appropriate from our perspective. If you look at the cost, it is always calculated historically, so we need to wait for coding classification and counting. Sometimes it can be up to two years before we get appropriate costing information. It will always be two years behind, or at least 18 months behind as it was in the most recent period. When we set the State price it is clearly taking into account the cost, but it is also reflective of the policy settings that we use in New South Wales, which are around incentivising for quality and safety, or providing appropriate care. Those factors are built in. We have some discount for things like re-admission rates, which are a sign of not being productive and potentially reworking depending on the patients concerned. That is the reason we have chosen to report the State price rather than the cost.

The other issue is that we have increasingly been thinking about whether or not the public sector should always provide care and whether other providers should be involved—that is, non-government organisations and potentially the private sector. If we were to publish the cost and we were to go into negotiations and were looking for better outcomes for the price of the services, that could potentially be an issue for us in terms of assessing or having others who might be responding to those market soundings or testing having information that we would rather was not in the public domain. That is the reason we have moved to price rather than cost.

Mr GREG PIPER: Without disclosing any sensitive information, would this unit be a good measure of productivity as referred to the audit report?

Dr LYONS: From our perspective, there is probably no better indicator than the price. The reason is that the price is determined based on the costing information. It is reflective of that and informed by the costing information that has those other components of setting some parameters that give us a drive for our services to deliver more appropriate and effective care, which is actually delivering more productivity. It is built into the price setting. That is why we have chosen to go with price. The price can be looked at on an annual basis, and trends and price can be looked at just as trends in costs can be looked at. It has the added benefits of those additional drivers built in to further improve on the performance of the system.

Mr GREG PIPER: I think you have answered the next question. What are the productivity measures which are currently utilised and which could be reported on publicly?

Dr LYONS: We have a comprehensive set of measures that are reflective of a range of different areas in our efficiency, effectiveness, appropriateness and quality. They are the areas that we believe reflect productivity, as we said before, because it is a complex service system. Ms Koff talked about the service agreements in place between the ministry and the local health districts, which are the service providers in our system, who manage all the public hospitals and services. There is a comprehensive suite of indicators—performance measures—that are agreed to and are in the public domain. The service agreements are published, so we can report performance on any or all of those measures. There is a very extensive suite of measures that are available.

Mr GREG PIPER: You have nothing more on that?

Ms KOFF: No. I was going to say that we are happy to put forward a draft of the service agreement for 2017-18 for the Committee's information if you are interested. It gives you a flavour of some of those indicators that Nigel was referring to.

Mr GREG PIPER: Are you satisfied with the level of guidance provided by New South Wales Treasury to assist you in this area?

Ms KOFF: Yes, definitely. I alluded to the fact that we have been working with Treasury and DPC about our Better Value Healthcare program. That is about getting the best outcomes for the investment of dollars that we are spending. The FMT program was touched on earlier. We have been actively working on that and attempting to enter all that information into the computer program to assist us with better management of our health service delivery. Inherently the Financial Management Transformation program is about understanding about the outputs and outcomes that we are trying to achieve in health for the investment of dollars.

Dr LYONS: I might just add a couple of things in relation to the support from Treasury. Treasury has been actively involved in our development of the better value care approach. It is an approach that every developed health care system around the world is thinking about using. It is about moving, much more, from inputs to outputs and asking, "What are the outcomes we are seeking to achieve?" It is about involving clinicians and patients—very importantly, patients and carers—in deciding what outcomes they want to see from the treatment they receive, measuring those and then looking at the resources consumed in providing that. These trends, the efforts that we are making, and the initiatives that we are putting in place, are at the forefront of what is happening in developed healthcare systems around the world.

The CHAIR: We will move on to education. Mr Riordan, would you like to make an opening statement?

Mr RIORDAN: Just very briefly. Education is at the forefront of our minds at the moment. There is a lot of activity going on between the Commonwealth and the State in relation to education funding. There is a choice for parents in education. They make choices for their children. They can choose the non-government sector or the government sector. So we compete in that environment.

We are experiencing a significant growth in student enrolments across the public system, which is not necessarily reflected across all jurisdictions. We are very keen to ensure that we deliver our services as efficiently and as effectively as we can. The overriding demand on the department is to ensure that students improve throughout their learning experience. Throughout the whole of the organisation—from schools, to back office and to head office—everyone is focused on that particular objective. We welcomed the Auditor General's report. In terms of Treasury's contribution, we also believe that the FMT project will give us a lot greater transparency over our environment. The program based budgeting approach will give us, for the first time, a real look inside the costs of providing education on a per student basis. Thank you.

Mr STEPHEN BROMHEAD: I will roll up some of these questions that we are asking the departments. How do you define productivity and differentiate it from efficiency? Do you think productivity is a

difficult measure in your particular department? Do you have any views about how productivity trends can be better captured for your department?

Mr RIORDAN: I will ask Dr Donovan to answer that question.

Dr DONOVAN: Yes, it is difficult to measure productivity in public service delivery, as we described before. In education we try to look at the effectiveness of the service delivery. In the last few years we have developed an accountability framework that allows us to capture information from all of our schools about the effectiveness of the service delivery across domains of learning, teaching and leading. Every year we ask our schools to self-assess against 14 elements on that framework. As a whole system we get an aggregate picture of the relative effectiveness of the service delivery across the whole of the system, which the schools use to inform their planning and improvement, and performance reporting to their communities.

Mr STEPHEN BROMHEAD: You have spoken about how you are progressing towards productivity improvement. Are there any impediments to the process?

Dr DONOVAN: One is that NAPLAN is the single consistent measure of the performance of our system, and it is a very limited and blunt measure. NAPLAN is a measure of years 3, 5, 7 and 9 students—not all students—annually. It measures literacy and numeracy, so it does not measure large areas of the curriculum that we are delivering. It is a measure designed to target the average student, not the student who might have significant learning needs and not the very gifted, talented students. So it is quite blunt and limited. Having only that one measure available to us across the entire system, which can be considered consistent and standardised, is a limitation.

Mr STEPHEN BROMHEAD: Are you satisfied with the level of assistance you get from Treasury? If not, is there anything else that would be of benefit to your department from Treasury—besides money?

Mr RIORDAN: Money is always good. The department has been quite fortunate in recent years to have had additional funding flowing to it from the State, and some more limited money from the Commonwealth. We are quite satisfied with the support Treasury provides. We work very closely with Treasury officers in the education area to ensure that we meet their needs and ours. I have no further requests of Treasury at this time.

Mr MARK TAYLOR: In relation to NAPLAN, what other areas would you examine to help show the productivity or efficiency coming out of the organisation?

Dr DONOVAN: As I said, NAPLAN targets the average student. We are about to begin a transition to NAPLAN being an online assessment. That is happening nationally. New South Wales is doing that with some caution. We want to make sure that the new delivery of NAPLAN is delivering benefit to our students, parents and teachers. When it moves on line it will be a better assessment. Students will be taken through a semi-adaptive computer program which will enable the test to measure their ability much more accurately. So a student who tackles the first few questions and does not do very well gets offered easier questions, so we can keep them engaged and, through the assessment, get a much more effective diagnosis of their skills. There will be a similar process for the students who perform better. So NAPLAN will be a better assessment over time. However, one of the things that Education is doing at the moment is looking at developing our own suite of formative assessments—assessment information that can be used by teachers and by the system to measure the effectiveness of learning.

The CHAIR: Mr Goodwin, do you have anything to add?

Mr GOODWIN: Not at this point, Chair.

The CHAIR: We will move on to the police, now. Mr Duncombe, do you have an opening statement?

Mr DUNCOMBE: I do not.

Mr MARK TAYLOR: Thank you, Mr Duncombe, and welcome to the Committee. Did you say earlier that you were acting in the position?

Mr DUNCOMBE: Yes, I am acting as director. That is not my substantive role. My substantive role is the general manager of management accounting and financial reporting. I have had a lot of previous involvement in relation to the audit report, which is the subject of today's examination.

Mr MARK TAYLOR: Excellent. Thank you. Mr Duncombe, are you able to assist the committee with an update of the implementation of the audit recommendations?

Mr DUNCOMBE: The audit recommendations require that the NSW Police Force investigate and look at how it may publish additional information regarding its productivity and its efficiency. It has published

in its annual reports, in the last two years, information which is contained in the Australian Bureau of Statistics report into government services, specifically in relation to policing services. That particular report compares head count numbers across the States compared to populations to give a ratio, which they use as a very crude measure of productivity. It also reports upon the cost per person across the State to provide a policing service, so we do publish that information. That in itself, as I said, is a crude measure, because the actual cost is a result of government policy in all organisations—that is, they say, "We want an extra 1,000 police," and I think Victoria is a good example because they will be putting on 2,600 police in the next six years, and automatically the cost to the State per person being provided with that service increases. NSW Police Force is in the same situation if government makes it appropriate that we increase our police numbers, which is a good thing in terms of providing the service, but it makes the cost to the State per person more expensive because the population does not change if you get an extra 500 police and so forth.

We are very transparent in that we have 100 or so indicators that we track and report upon and examine our commanders upon internally, which is part of our annual corporate plan. We also have the Bureau of Statistics Crime and Reporting [BOSCAR] to examine the actual performance of the NSW Police Force across 17 crime statistics, as well as breaking down those statistics further and examining the NSW Police Force's effectiveness in great detail. How we measure our own internal financial effectiveness as driving costs down and to provide as many frontline police, because we are constrained by government commitments that we still have a minimum authorised strength to provide services, the best way to do that is to look at our internal costing structures. The current Commissioner is very focused on reducing middle management or the hierarchy to make sure that we have the right amount of commanders and increase the number of frontline staff where possible.

Another difficulty with the NSW Police Force in relation to this particular area is that we are an emergency response organisation, and simply saying that we have the minimum amount needed to respond to the current amount of emergency calls does not allow us to maintain appropriate levels of response capacity, such as at the Macquarie Fields riot and Lindt cafe siege. It takes a lot of effort in relation to training and taking staff off-line to provide the sort of training that has been in the news recently regarding an active shooter. Further, the nature of crimes that are being committed now or will potentially be committed, which we are addressing, such as counterterrorism, has a very large component of surveillance and intelligence gathering that does not necessarily reflect in an incident or a crime or an arrest. It is something we are grappling with across the board.

Mr MARK TAYLOR: I think you covered most of this, but what work are you doing towards measuring output of policing activities in proactive policing?

Mr DUNCOMBE: I think that is something the Audit Office grapple with and our colleagues in Treasury grapple with, because it is about the outcomes. How do you measure something that was not occurring in an ideal world? Our number one rationale for being is to have a safer community, and in an ideal world you would not need a police force or you would need a minimum police force because events would not happen. Measuring things that do not exist is quite difficult. We can see how crime rates fall, but the issue would become that falling crime rates are great and perhaps we can start reducing the size of the Police Force. But would that decrease in police be a result of presuming that the reason crime rates are falling is because you do not need the police or because as soon as they move the crime rates go back up again? It is a very difficult question to grapple with. We have it across the board in relation to a number of crimes, whether it be patrolling the streets to make people feel safer and having police cars at the side of the road. In an ideal world you would have no tickets issued, which is not really a measure of whether you are being successful or not. The better measure is whether there are fatalities and incidents on the road. Measuring something that does not occur is quite difficult.

Mr MARK TAYLOR: What level of guidance and support do you get from Treasury assisting you in identifying these targets?

Mr DUNCOMBE: We are working closely with them, but I think they are grappling with the same difficulties, being that we are not producing things. Trying to measure what is a proper thing you need to measure in such a complex organisation, there is so much we need to measure. That means they are also grappling with what to measure. Proactive and preventative measures and measuring the severity and number of crimes is an output to some extent, and the resources that need to be addressed is another thing they and the NSW Police Force are grappling with. We as an organisation are looking at right-sizing as much as we can, given the ongoing incidents that occur in the various regions. That is a project that NSW Police Force has in place at the moment to try to optimise for the ongoing day-to-day incidents and make sure that we have the right number of people in the various areas.

Mr MARK TAYLOR: Is anyone from Treasury able to assist on measuring proactive-type activities? I suppose that is the same as preventative health, is it not?

Dr ACKLAND: It is, and I think FMT is a recognition of these issues across most of the government services. Ultimately it is the outcome and almost the preference for things not happening that government is focusing on, so FMT not only looking at outcomes but looking at a broad range of performance measures that are not just linked to efficiency or productivity but trying to be as broad and layered in terms of how we assess performance and its relationship to funding. In both the cases of preventative health and proactive policing, if you are getting a positive indication in terms of the outcome you are trying to achieve, trying to bring that to the fore in the budget discussions and the funding and the policy discussions relating to that sector is very much the overall agenda of FMT.

The CHAIR: In measuring the quality of the output, do you look not only at historical data but also a comparison of New South Wales to other jurisdictions? Presumably crime rates in Victoria, despite different economic circumstances and whatever else contributes to crime, would be pretty similar to other States.

Mr DUNCOMBE: New South Wales is performing very well. We have had people from other States recently visiting our executive and asking what we are doing, because we have been very meticulous in maintaining our statistics and capturing all the crime data, whereas some of the other States perhaps are experiencing increases in reported crime, but perhaps that is related to not being as meticulous or certain categories of crime et cetera. There was information in the news recently about Queensland, where it was thought there was room for improvement. The reason for that was their recent audit was not as satisfactory as it might have been. We have been quite meticulous, and other States are perhaps experiencing either increases in crime through reporting issues, or actual increases in crime. We believe we are one of the best performing organisations in the world in the policing sense and we try to be on top.

We talk about proactive policing; crime prevention officers; and intelligence gathering, whether it be at the local level—that is, who is recently out of jail and likely to reoffend, or letting people know we are there—or at the more serious and international level. We have got close cooperation with Federal authorities and the Australian Security Intelligence Organisation and so on as to various natures of cybercrime and what have you. But we do talk regularly. The commissioner and other deputies are on the Australian New Zealand Association Policing Advisory Agency. That is a forum where they discuss crimes, issues and innovative ways to address emerging crime or doing current crime better.

So, yes, we do compare, but I do not think they get out with the calculators in terms of a financial sense. They know they have got the resources from the existing Government. They have to live within that and maximise their outputs, outcomes and services within that. But then within what they do we are certainly glad to share ideas and compare and so on and so forth. But each agency has specific issues: Northern Territory, small population, vast area; Western Australia, vast area, and things like that; Victoria, relatively small area; and Tasmania. But we certainly do talk to other agencies.

The CHAIR: Mr Goodwin, do you have anything to add?

Mr GOODWIN: The only thing I would just acknowledge, Chair, is that with respect to the recommendation about reporting productivity trends in the annual report I note that the NSW Police Force have noted that that is what they are doing. To that extent I think the actions taken by the NSW Police Force adequately address the intent of our report's recommendations. I would just want to circle back on one point. The conversations that have occurred through education, health and the NSW Police Force just highlight a comment that was made at the beginning that measuring productivity in the corporate sector is not a straightforward proposition. It comes back to a comment that I tried to touch on at the beginning, which is that the work that Treasury is doing through the Financial Management Transformation is certainly important in terms of trying to modernise the management framework of the New South Wales public service, particularly around program based budgeting and reporting, with a policy that should focus on performance and results. It is not easy. I think some of the conversation just highlights that the measure of productivity is as much qualitative as it is quantitative.

The CHAIR: We will move on to transport. Mr Wing, do you have an opening statement you would like to make?

Mr WING: Mr Chair, I shall just respond to the question about what transport has been doing in response to the auditor's report. The audit office report was largely looking at Sydney Trains and the productivity measures for Sydney Trains. We have responded to it. We were essentially asked to report on a couple of measures, one being net operating cost per revenue car kilometre. That is a pure efficiency measure. It is basically saying: every time you run a train which carries a passenger or is available for passengers, how

much did it cost per kilometre? The second one is an effectiveness measure, which is net operating cost per passenger journey. One of the problems with the efficiency measure is that the car might be carrying one passenger.

We also want to look at outcomes: How many passengers are you actually carrying for your dollar? We were also asked to report on those over that period. We did that for Sydney Trains. We asked Sydney Trains to report on those for the last financial period. We backdated it three years as well to the point at which Sydney Trains came into being back in July 2013. Over that period, Sydney Trains' efficiency on both of those has improved. Their net operating cost per revenue kilometre has dropped from \$9.24 to \$8.83 and their net operating cost per passenger journey from \$6.32 to \$5.38. Those numbers are all in the annual reports. It is showing improvements in efficiency and effectiveness in an environment where patronage has grown steeply. At the same time, the Government has asked Sydney Trains to run a lot more services—so an extra 1729 services per week over the last five years. Running extra services in itself is a challenge for efficiency and to get efficiency improvements while in that same environment is a reasonable outcome.

We, however, face the same challenges as everyone else, which is that those are good measures of how efficiently and effectively we run the train system but they do not tell us whether people felt the trains were crowded or clean, whether they felt they were on time or how satisfied with them they were. The audit office also suggested this: We also report a number of partial measures of quality, the historic ones being peak productivity, or what used to be called on-time running; complaints data; and also in the last few years we have been reporting customer satisfaction. In some way customer satisfaction tends to roll up a lot of the other measures because it allows for the fact that different customers value different things, and it all gets reported together. Customer satisfaction has gone up over the last three years from 83.5 per cent to 90 per cent.

Overall the measures have been very useful as a reporting tool. We think they are great. We are reporting them to Parliament now. Our goal, obviously, is continuous improvement. We want to see continuous improvement in all these measures. We were also asked to consider whether we could do this for other operators. The audit report was primarily about Sydney Trains but we did look at whether we could do it for other operators. We have been able to extend that to NSW Trains. I will not go through the data but can provide some of that separately. NSW Trains now reports that in its annual reports to Parliament.

We have not been able to do it yet for private operators. There are existing contracts in place, so we still have to wait till those contracts come up. When they do come up, we will start to talk to private operators about perhaps starting to report some of this data as well. That would be private bus operators, ferry operators and so on. If I could just sum up, essentially we feel that the audit office report was very useful. We do face some of the same challenges as other agencies. We do work very closely with Treasury. We talk to them just about daily, I feel. They are very helpful in helping us come to the best kinds of measures we can implement.

Mr LEE EVANS: Thank you, Mr Wing, for that fantastic wrap-up. I have one question which has not necessarily been mooted. The cost to run a train for an hour compared to our revenue—what sort of difference is there? If you go through the timetable—every train that is running per hour—what is the gap? Is it significant?

Mr WING: We collect about 30 per cent of our costs for trains. I do not know what the per hour breakdown is, but I would assume 30 per cent would probably be true across all those measures—so, yes, it is significant.

Mr LEE EVANS: With retiring rolling stock and rolling stock coming in, will that change that equation in any way?

Mr WING: Well, as we get more efficient rolling stock, that is better. It is hard to see that making up the gap between 30 per cent and 100 per cent, but on the other hand some of that gap does reflect the benefits to society of running train services, keeping people off the roads, reducing congestion and so on. But, yes, certainly getting new rolling stock does improve efficiency.

Mr LEE EVANS: On the weekend I had a meeting with my community. You may be aware that my seat is probably the worst affected by the impacts of the current timetable. Do you think the expectations of gold pass holders who pay \$2.50 during the day are over the odds?

Mr WING: I guess the question is: Is \$2.50 a reasonable price? It is a longstanding price. It has not changed for a long time—that is certainly true. Having said that, during the non-peak period there is, after all, some spare capacity on the system. In that sense it is helpful to get people to use that spare capacity. If the \$2.50 price helps, that is useful during that period.

Mr LEE EVANS: To explain what happened over the weekend, I had several older gentlemen complaining they had to wait half an hour for a train during the middle of the day. I thought that was quite a good outcome for somebody who pays \$2.50, and I told them so. They got a bit upset about that.

Mr WING: I could perhaps comment.

Mr LEE EVANS: You do not have to comment on that. You have covered everything that I wanted to ask. You touched on the private transport operators and how often they report back on their productivity and efficiencies. Do they have a regular reporting schedule?

Mr WING: Yes, they report back regularly against the measures that they have in their contract. However, their current contracts do not have the measures that the Audit Office suggested, and they will not have them until we get to the next round of contracts.

Mr LEE EVANS: Thank you very much.

The CHAIR: We will now move on to the Department of Justice. Would anyone like to make an opening statement?

Mr MINNS: No, thank you.

The CHAIR: Can you provide more details regarding the multiple transformation projects referred to in your response to the audit report?

Mr MINNS: I preface my remarks by noting that today marks the commencement of my seventh week in the department, so there is a limited historical context of the operation. However, we are in the process of developing a comprehensive business case that goes to the operating model for all courts and tribunals in the system. We are seeking to have that work completed by the last quarter of this year for consideration by government according to the priority.

The business case is focusing on the current pain points that we have in the tribunal and court system related to delays and backlog. However, there is also an opportunity to fix immediate issues that impact service delivery and customer service standards. The expectation is that, subject to government support and approval, we would have a full redesign program from the 2018-19 budget year. It would be a multiyear strategy for reform that goes to all aspects of the service delivery model. We will in that process be very interested in understanding all the cost drivers that operate across the court and tribunal system.

There will be a great deal of cost modelling to understand the points that represent impacts on the efficiency of court delivery. We regard the kind of measures that were recommended by the Audit Office as being an important part of our doing that development work under the business case. The Audit Office noted that the department did not have the ability to perform the kind of detailed assessment that might be useful because of the absence of reliable data and metrics to comprehensively understand the courts' input, outputs and quality. It is the case that the work of the courts represents one of those areas where the challenges around productivity are probably fairly acute in the sense that we do not necessarily have the ability to track all the input that we are seeking to measure with a bearing on productivity. If we talk only about finalisations through the court system, that does not represent all the outputs that might flow through the system.

We have a sensitivity about tracking the time of judicial officers because of their independence. There is a range of factors that make the sort of productivity measures we are interested in a little bit challenging. Of course, the last one would be if we introduced quality and customer service measures to the equation. In that case, sometimes people's view about the outcome of their judicial process will have a significant bearing on their view about the quality and service. That is the context in which we operate.

However, if you think about the broader department, where we have Corrective Services, I have not even begun to reflect on what might be a view about productivity in that context. The aim of courts and tribunals reform is to see if we can find the opportunity in new service delivery models of using technology and different approaches to the operation of courts systems and court properties and the use of video technology and so on. It is a complete rethink of the model. In that process we would aim to drive down the costs and to produce more efficient outcomes to give us the capacity to reduce backlogs. We would expect an improvement in productivity. However, as has been said by everyone at the table, at the end of the day we are focused as well on effectiveness. Therefore, for us it is about a more effective justice system rather than just a speedy one or a very efficient one.

The CHAIR: Are you satisfied with the assistance you are getting from New South Wales Treasury?

Mr MINNS: To the limit of my current knowledge, yes. I certainly know that my colleagues at the table work well with them.

The CHAIR: Excellent. Acting Auditor-General, do you have any further comment?

Mr GOODWIN: No, I have no further comment.

The CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. If any of you are unhappy with that, please say so now. I take it that you all agree with that. Would you be happy to provide written replies within five days of receiving any further questions? I take that as a yes. Once again, thank you very much for appearing before the Committee today.

(The witnesses withdrew)

IAN GOODWIN, Acting Auditor-General, Audit Office of New South Wales, on former oath

CLAUDIA MIGOTTO, Acting Assistant Auditor-General, Audit Office of New South Wales, on former affirmation

SIMONE CZECH, Executive Director, Design, Innovation, Safety and Permanency, Department of Family and Community Services and

DEIDRE MULKERIN, Deputy Secretary, Commissioning, Department of Family and Community Services and

ELERI MORGAN-THOMAS, Executive Director, Service System Commissioning, Department of Family and Community Services, affirmed and examined

The CHAIR: I now welcome representatives from the Department of Family and Community Services. Thank you for appearing before the Public Accounts Committee today. Would any or all of you like to make an opening statement?

Ms MULKERIN: I would like to make an opening statement on behalf of my colleagues and myself.

The CHAIR: Thank you, Ms Mulkerin.

Ms MULKERIN: Thank you for the opportunity to provide more information about the progress of transferring out-of-home care services to the non-government sector. In 2008, the special commission of inquiry recommended Government transfer the delivery of out-of-home care services to the non-government sector. More than double the number of children are now cared for by the non-government sector and their carers than in 2011. As of March this year, 7,641 children and young people have been transitioned to the non-government sector. This represents 57 per cent of the 14,300 children in statutory care in placements managed by the non-government sector. This is a significant transformation of this sector.

The Auditor-General's report acknowledged the progress made, and contained eight recommendations that were, by and large, completed or well in progress when we reported back to this Committee in October last year. The original recommendation from the Wood inquiry is now more than eight years old, and research and evidence around child protection and out-of-home care services, policy contexts and the sector have continued to improve and change throughout that time. The Department of Family and Community Services [FACS] and the non-government sector are now embarked upon the next tranche of reforms, focusing on enhanced prevention services, targeted family preservation, earlier focus on decisions about the long-term stability and permanency for children and young people and, importantly, a cross-government and cross-sector focus on improved outcomes for children and young people.

These reforms were initiated following a review of out-of-home care services in 2016, led by Mr David Tune. His recommendations are now collectively referred to as Their Futures Matter reforms. The independent review concluded that the system was not sufficiently focused on improving permanency, safety and wellbeing outcomes for children, young people and their families. It also identified that the current system is not client-focused, but rather designed around programs and service models. A significant reorientation of the system to focus on making permanent care decisions earlier is currently underway. This work includes recontracting and recommissioning out-of-home care services in the non-government sector. These reforms will focus on ensuring that vulnerable children and their families receive tailored supports early to either prevent their entry into out-of-home care or decrease their length of stay in out-of-home care through prevention, restoration, guardianship or open adoption.

These reforms are very relevant to the Auditor-General's report. The number of children in care who are returned to their birth family has declined over the past few years, and the number of adoptions from out-of-home care has remained relatively stable—in part a reflection of the current funding model, offering limited incentives for the NGO sector to initiate adoption or return children to their birth families. These current reforms will incentivise and reward NGOs for focusing on permanency through funding preservation, restoration, guardianship and open adoption services; build in mandatory review periods to ensure the goal of permanency is achieved within a two-year period; and feature robust monitoring and regular reporting on how the reform is releasing benefits to children and families.

The Auditor General's report concluded that whilst FACS is progressing well towards the Government's goal of transforming all children in statutory care to NGOs, it was difficult to assess whether, as a result of this policy decision, the outcomes for children in out-of-home care had improved. An important new initiative to address this key question is the development and subsequent trial of a quality assurance framework

in four sites. The framework will allow the sector to continuously assess, assure and improve the quality of services provided and the results achieved by all New South Wales out-of-home care providers. My colleagues and I look forward to answering any further questions. Thank you.

The CHAIR: Thank you very much. The audit report highlighted a concern that the service provision guidelines have been in draft form since 2008. Have the service provision guidelines been finalised?

Ms CZECH: The service provision guidelines have now been superseded by the permanency support reforms that Ms Mulkerin just referred to. So they are still in draft. Rather than finalise those guidelines we thought—given the significant changes that will occur under the permanency support program—it was best to start from scratch. We have draft documents ready to be released on 1 October this year, when the new program commences.

The CHAIR: Does that cover the Aboriginal case management policy in the guidelines?

Ms CZECH: They are different documents. The Aboriginal case management policy is in development at the moment. Again, it will be ready for 1 October this year. The Out of Home Care Case Management Policy, which is a separate document, was updated last year, although it will need to be updated and is being updated in anticipation for the 1 October start date for the permanency support program.

The CHAIR: You may have answered my questions, but I need to ask them to get your answers on the record. The ministerial advisory group established targets in 2011 for the transfer of children in care. Some of the targets are expressed as both numbers and percentages. The use of both targets might be appropriate if the number of children in out-of-home care was static. However, this is not the case. The number of children in care has increased, making the two targets difficult to reconcile. Has any work been done to clarify these targets?

Ms CZECH: You are correct in saying that the out-of-home care population has certainly increased over the last few years. What we are actually seeing is increases that are not necessarily about children new to care, so being removed from their parents, but children are staying longer than ever before. Your report also highlighted that children are not exiting through restoration, guardianship and/or open adoption. We have made some changes to the way we report and monitor the targets. We are also re-calibrating our targets, again for the permanency support program, to align to the new packages that we will have in place that will mean children will need an initial case plan direction, which is a permanent case plan goal of restoration, guardianship or open adoption, and will work towards those targets in the first two years. That should free up placement capacity and enable the department to transition the remainder of statutory out-of-home care to the non-government organisation [NGO] sector.

The CHAIR: The report highlighted potential wellbeing measures such as children attending school, having fewer health problems and participating in sport and social activities. Can you detail the specific wellbeing outcomes the department is considering for inclusion in the quality assurance framework and NGO contracts?

Ms CZECH: As has already been mentioned, we have a quality assurance framework in a trial currently at four sites. That includes three non-government organisations, including one Aboriginal non-government organisation, and also one FACS district on the mid North Coast of New South Wales. The trial is looking at a range of domains. They include a permanency domain, which goes to the point I made about our children either going home when it is safe to go home, or if that cannot happen finding out whether they can live safely with relative or kinship carers, and if that is not an option whether they can be adopted, with long-term out-of-home care being the least preferred option for children and young people in out-of-home care.

Another domain is safety, so we monitor now but will do it and are doing it as part of the trial in a much more systematic and sophisticated way, looking at how safe children are in statutory out-of-home care. For example, how many risk of significant harm reports do we receive about children in out-of-home care, and making sure where we do receive those reports, that we have an appropriate investigation to ensure their safety. There is a range of wellbeing domains, which go to the point about how they are doing at school, what their health outcomes are like and also things like emotional regulation. We know that children in out-of-home care often experience a range of behaviours as a result of the trauma and abuse they have suffered. We are using some standardised tools, such as the strengths and difficulties questionnaire, so that we get a baseline in the first instance of how well children are doing and we can track them over time. The final area is the cultural and spiritual identity domain, which I have to say is a world first. We could not find a like tool to measure this domain, and we are developing that in partnership with our Aboriginal non-government organisation, Burran Dalai. We are a few months into the trial now, and it will run through to June next year at the very least, and we will look at a statewide rollout from that date.

Ms MULKERIN: The quality assurance framework is tracking information about individual children, so we will have a picture about the wellbeing, safety and permanency outcomes for every single child. We will then be able to pick up that information and have a place-by-place view, and be able to add that to other data that we have about educational attainment and health outcomes. Then we have other systems that give us an overall view of the whole sector, both the internal service delivery of FACS—we deliver out-of-home care services—as well as the non-government sector. Where we are going in this next round of recommissioning and re-contracting is to put us both on an even playing field, where we will be able to track the outcomes for children regardless of whether they are cared for a non-government provider or by the Government.

The CHAIR: How will the department's funding model support these outcomes?

Ms MORGAN-THOMAS: When the model was introduced, and we are currently in a procurement process with non-government organisations, we moved to a unit price. When the audit report was done we were on a single unit price and there were six categories of need that a child would have from general foster care, which is the lowest level at around \$43,000 a year, up to children in intensive residential care, which is over \$300,000 a year.

That fairly simple stepped model of packages attached to a child had some perverse outcomes. What we will do now in the new model is fund a package that is more closely tied to the individual needs of the child. It will not be a standard unit price—there will still be some standardisation in it but it will have more components. It is a more complex funding model. That has some difficulties for NGOs in predicting what their future is going to be like, but from the child point of view it is a lot better and fits in with the other things around looking at the child as having specific needs as opposed to a system-wide view.

The CHAIR: The report noted that there were some parts of the State without Aboriginal NGOs. It stated that the Aboriginal partnership model was a good approach to increasing the Aboriginal sector. However, at the time, no unaccredited Aboriginal agency had become independent of its partner. To address this, FACS is funding AbSec to assist Aboriginal partner agencies attain independent accreditation. How many unaccredited Aboriginal partner agencies have attained accreditation through the Aboriginal partnership project?

Ms MORGAN-THOMAS: It is still none, but we have done a considerable amount of work with AbSec to develop an industry capacity building project in a more structured way. The way we were doing it was going to get us there very slowly and we were unclear about that. Since then, we have done a significant piece of work with the Aboriginal sector to ask: What does the future look like? We can have efficient out-of-home care agencies but really that is the ambulance at the bottom of the cliff. What we want to do is stop Aboriginal children going into care in the first place. That means providing a system that is able to work in early intervention and early restoration and to do that community development and family work.

We have nearly finalised a capacity building strategy for the Aboriginal sector. We aim to finish that within the next month or so. There is some internal approval and then we have to identify funding to be able to do some of those things. It is a pretty critical part of our service delivery approach that we have got strong, well functioning Aboriginal agencies that are in their sector. We know a lot more now than we did two years ago about that and about what is needed in order to get there. Nobody in this country has really cracked how to do Aboriginal service delivery well with Aboriginal organisations. It is a very fragile sector in a very early stage of development. This is a fairly high-risk business. There is a lot at stake there to make sure that we get that bit right.

Ms MULKERIN: In terms of the kind of context, the new entries of children into out-of-home care for non-Aboriginal children is relatively stable—numbers are relatively stable or slightly declining—the opposite is true for Aboriginal children. Their rate of entry into out-of-home care continues to grow. We have an increasing population of Aboriginal children in out-of-home care. Our first preference is to place those children with their relatives, their kin, on country and for them to be supported by Aboriginal agencies, for all of the reasons that are obvious about strength of culture and what we know about history of dispossession and the impact that that has had on generations of Aboriginal families. As Ms Morgan-Thomas mentioned, we are in the middle of a 10-year process of building the capacity of Aboriginal agencies.

The CHAIR: You might have touched on this. Will 100 per cent of non-Aboriginal children in statutory care be transferred to NGOs by June this year?

Ms MULKERIN: No. And that is really the context that Ms Czech was talking about. We are likely to reach the actual number target that was originally set in 2012 but because the overall population of children in out-of-home care has continued to increase, what we will not reach is the proportion. The straight number was based upon the numbers of children in out-of-home care in 2011, but of course the total number of kids has continued to climb.

The CHAIR: Was it a mistake to make that numeric target back then?

Ms MULKERIN: At the time it was aspirational about the rate of growth of new children into out-of-home care, that that would stay stable, which has not proved to be true. One of the things Ms Morgan-Thomas mentioned was that, at the time that the targets were set, what was not understood was how the non-government sector worked as a market. What we did not understand by then was that, in setting a unit price that was focused on stability of placements, we were really asking the non-government sector to provide stability—to limit the number of moves that children have. By buying and pricing stability, basically, that is actually what we got, but we know now what we are really after.

We are after stability, for sure, but we are also after active work to make a decision about what is the best long-term placement for a child. If that is home, require NGOs to actively step into working with birth families to safely return a child home. If that is not possible, seek out extended family—grandmas, aunts and so on. If that is not possible, then move to a long-term decision that might be about adoption or guardianship. What we did not know then is that the unit price really cemented the stability measure. That has impacted on the numbers of children that are now in care, because the rate of restorations home for children who are cared for by the non-government sector is less than if they are cared for by a FACS carer. That is a long answer to your question.

Ms CZECH: The other point I would make is in 2012 the NGOs in the sector were accredited by the Office of the Children's Guardian. Family and Community Services were not accredited at the time. Part of the decision around 100 per cent transfer of statutory out-of-home care, as you know, came from the special commission of inquiry and Justice Wood's report. It was on the premise that they do it better and that they provide a minimum quality of care against a set of standards whereas Family and Community Services was unable at the time to meet that standard. That is different now. Five years down the track, each of the 15 districts of Family and Community Services is accredited by the Office of the Children's Guardian. They are very different times, I suppose, five years down the path of out-of-home care transition.

Mr MARK TAYLOR: In relation to the increasing number of Aboriginal children coming in, from your experience is that from a better identification system in the particular scenarios?

Ms MULKERIN: The factors that drive child protection work or the things that make children unsafe at home are drug and alcohol abuse, family violence, previous history of child protection matters—when your parent or somebody else in your family has been known to the child protection system—and mental health issues. As we know, Aboriginal people and communities are over-represented across all of those factors: mental health, drug and alcohol, and family violence issues. In the child protection system we see the combination of all of those vulnerabilities, which is why we see children in Aboriginal communities at a much higher rate than non-Aboriginal children. It is probably fair to say it is a combination of the vulnerabilities of children and their families. Our overall increase in reports to Family and Community Services is also a function of higher focus on overall child protection matters. For example, the royal commission has seen an increase in reports to the department.

Mr MARK TAYLOR: You mentioned in your evidence that the level of open adoption take-up has remained fairly stable. Are there any impediments in unlocking that? How would you foster increasing that number? Perhaps it requires a short dissertation.

Ms MULKERIN: It is a complicated question.

Ms CZECH: It is. In 2015-16, we had a decrease in the number of adoption orders made by the Supreme Court—it was 67. This year, with some investment from the New South Wales Government, to date we have achieved 98 adoption orders. That is this financial year. In addition to those the 98, 60 applications have been lodged with the Supreme Court. It is unlikely that all 60 will result in an order by the end of June, but they are in the Supreme Court awaiting a hearing by a judge. That is the result of an absolute laser-eyed focus on what we call an outstanding list of children who have been identified over the past few years as suitable for adoption. They are children who are unable to go home to live safely with mum or dad, or for whom there is no relative or kinship carer available.

The other important thing to note about open adoption is that we do not consider it appropriate for Aboriginal children and young people because of past practices, including the stolen generation. That is not to say that Aboriginal children do not get adopted. Legislation does allow it to happen, but only after very careful consideration, and if it is in the child's best interests.

The other point I make is that the permanency support reforms will, as I said earlier, ensure that a child's permanent case plan development is determined very early in their entry into out-of-home care. That means that we either have to rule restoration in or out, and look for family or kinship carers. If those three things

are not possible then open adoption for non-Aboriginal children is identified at that point. As Ms Morgan-Thomas said, with the revised funding model, the work that needs to be done to lodge an adoption application with the Supreme Court must happen in that two-year time frame. We are expecting the number of open adoption orders to increase as the reform is implemented from October this year.

Ms MULKERIN: However, it is unlikely that thousands of children will be adopted. It will be a relatively modest increase because more than 40 per cent of children in out-of-home care are currently placed with relatives or kin. Those children are with their grandmothers, aunts, cousins and so on. They are already within their family. They might not be with their mum or dad, but they are with their extended family. When you take that group out and most of the Aboriginal children, it is a much smaller group of children for whom adoption is the appropriate option.

Ms CZECH: Ms Mulkerin is right. The other thing I would add to that comment is that recently, as part of a business case to government for the new reforms in October, we had a look at a cohort of 7,000 children who had been in care for at least two years. In fact, they had been in their current placement for at least two years, but they had a parental responsibility to the Minister order—that is, an order from the Children's Court—until they were 18 years old. As Ms Mulkerin said, approximately 40 per cent of those children are Aboriginal. However, we think there is enormous opportunity in that cohort. In fact, we will review that over the next two years for both guardianship orders to be pursued where children are living safely with relative and kinship carers, and also for non-Aboriginal children exploring opportunities for open adoption.

Mr MARK TAYLOR: You say that there are 14,300 children in care. Do you have any idea how many families that represents? Obviously there would be siblings.

Ms MORGAN-THOMAS: It is often hard to tell.

Ms CZECH: It is difficult to provide an exact answer. I think the most recent data on siblings was that there are approximately 1.8 children in each family. That said, that was probably about two years ago. The data collection systems are not fantastic in this area at the moment. However, we are introducing a new case management system called ChildStory later in the year that will address some of the data collection issues that we now have.

Mr MARK TAYLOR: But we are probably dealing with 7,000 or 8,000 families rather than 14,000.

Ms MULKERIN: That is correct.

The CHAIR: The audit report found the department's dashboard reporting confusing and said that it did not adequately track progress against targets. For example, it did not report against targets from the Ministerial Advisory Group on the transition plan; targets for transfer of existing children in care or children entering care for the first time were overly complex; not all acronyms were explained, and it did not convey trends in key indicators such as adoption and restoration. How have these concerns been addressed?

Ms CZECH: We have made a number of changes to the out-of-home care dashboards and introduced a new dashboard—an open adoption dashboard. In relation to the out-of-home-care transition dashboard, the changes we made included statutory first-time-ever entries to non-government organisations. We removed the reference to Family and Community Service [FACS] regions because there was a change from seven regions to 15 districts to better reflect where the work was. We removed guardianship orders from the total out-of-home-care population count because under the care Act those children subject to guardianship orders are not considered to be in out-of-home care. Mind you, we still identified it separately on the dashboard.

We also removed data related to caring household consent to transfer. The reason for that was that it was confusing the dashboard in itself. It had lost its relevance from the first couple of years of the transition where the focus was on transitioning existing Family and Community Services carers from FACS to the non-government organisation sector. We also updated the Aboriginal out-of-home care and transition dashboard to reflect specific information about Aboriginal children and young people and to avoid duplication with the overall transition dashboard. As I said, we also developed an open adoption dashboard. It is in a similar format for tracking across districts both those children who we think might be suitable for open adoption and where they are in the process as well as how many adoption orders have been made over the financial year.

Ms MULKERIN: It is fair to say that it has been a big and complex piece of work. The information that was relevant at the beginning of the transfers was no longer relevant a couple of years in. The comments made about lacking numbers as opposed to proportions, as opposed to location, as opposed to type of care were just too complex. Ultimately, a couple of years in it was just not helpful. They were useful comments for us to take a step back and to rethink with our partners in the non-government sector what was useful for us to track the work and what was useful for them.

The CHAIR: Can you provide the Committee with copies of the latest dashboard?

Ms MULKERIN: Of course.

Ms CZECH: Yes, we can.

The CHAIR: Mr Goodwin, do you have anything to add?

Mr GOODWIN: Only one broad comment. I will allow our report to speak for itself. In saying that, I acknowledge the questions from the Committee about a number of the recommendations. By virtue of the complexity of the subject matter, some of them remain a work in progress. However, having heard the evidence presented this morning, I do not have anything further to add.

The CHAIR: Do members have any further questions?

Mr GREG PIPER: We were talking about kinship carers, and grandparents in particular. I do not have all the information here, but some concerns were recently raised with me about the ability of grandparent carers to receive State Government support if they are given court orders. Are you aware of any discrepancy or any changes?

Ms MORGAN-THOMAS: Are these children who are not in statutory out-of-home care?

Mr GREG PIPER: That is right.

Ms MORGAN-THOMAS: So they do not have an order from the court?

Mr GREG PIPER: They do.

Ms MORGAN-THOMAS: But not for child protection?

Mr GREG PIPER: I understand that is the case. I am trying to find out the details. I was wondering whether you were aware of it. If you cannot answer, that is fine.

Ms MULKERIN: I think that often two issues get confused and conflated. It happens from time to time that grandparents advocate for extra support when they are caring for their grandchildren and having been given care of their grandchildren by a Family Court matter. That is quite a different group of children from those children that the State supports through child protection and statutory out-of-home care. If you are a grandparent and you are a kinship carer and your grandchildren are placed with you via a child protection process then those grandparents are entitled to the same support as any other carers. It does happen from time to time that grandparent advocacy groups suggest that the State should also provide the same level of support to them, even though they are caring for their grandkids via the Family Court matter. They are not captured in the child protection out-of-home care.

Mr GREG PIPER: I am sure that that is probably what has been brought to me.

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

Ms MULKERIN: Of course.

The CHAIR: Thank you.

IAN GOODWIN, Acting Auditor-General, Audit Office of New South Wales, on former oath

CLAUDIA MIGOTTO, Acting Assistant Auditor-General, Audit Office of New South Wales, on former affirmation

KEN KANOFSKI, Chief Executive, Roads and Maritime Services, affirmed and examined

The CHAIR: Would you like to make an opening statement before we commence with questions?

Mr KANOFSKI: Yes, briefly. In February, 2014, the then Premier announced the Government's intention to complete a walkway across Anzac Parade in time for the International Cricket Council [ICC] Cricket World Cup in 2015, the ICC Cricket World Cup being a major international event which PwC says generated, on its own, \$145 million in direct spending, and attracted 53,000 international and interstate visits to Sydney. The Albert "Tibby" Cotter Walkway opened on 27 February 2015—approximately one year later—providing a high-capacity pedestrian and cycling link between the city and events at Moore Park. More importantly, it provided safe passage across Anzac Parade, which is a major arterial route carrying around 40,000 to 45,000 vehicles a day. The bridge achieves an integrated transport solution with the CBD and South East Light Rail project. It was delivered by Roads and Maritime Services [RMS] as a project identified in the New South Wales long-term transport master plan, and previously identified in the Centennial Park and Moore Park Trust plans.

The CHAIR: The audit found that the imposition of such a tight project deadline added significant costs without a compelling economic or financial analysis to support its construction. How extensive was the initial business case for the construction?

Mr KANOFSKI: The project was not subject to the normal business case, in the way we would subject it to today. That was one of the findings of the audit. There was a preliminary business case done, but it was not done in the same manner as they are now completed. We have accepted those audit reports. From our perspective, the Government made a decision that it wanted the bridge constructed. A preliminary business case was done but it was not of the same style and process as is now commonplace.

The CHAIR: Just remind us of the eventual total cost.

Mr KANOFSKI: The total cost was \$38 million.

The CHAIR: And the initial estimated cost?

Mr KANOFSKI: The initial estimated cost was \$25 million.

The CHAIR: The New South Wales Government procurement policy requires Treasury approvals to be submitted for joint ventures under the Public Authorities (Financial Arrangements) Act 1987. All agencies are required to obtain Treasury approval prior to entering into joint ventures. The audit report stated that RMS was not aware of this requirement at the time. What has RMS done to rectify this oversight?

Mr KANOFSKI: It remains unclear whether, in fact, approval was required. This was not a joint venture; it was an alliance contract. Having said that, we have now put in place a process where we consult with New South Wales Treasury on things that are of that style to test whether they think approval is necessary. I do not think that the audit reached a firm conclusion on whether approval was necessary or not. The audit, in fact, opined on the fact that the guidelines around that were not particularly clear at the time.

Now we err on the side of caution in terms of those styles of contracting arrangements—for example, the delivery partner model we have put in place on the Pacific Highway. That was subject to full consultation with New South Wales Treasury, and appropriate approvals through that process. We are erring on the side of caution as to what constitutes a style of contracting that requires that additional approval.

The CHAIR: The project was delivered using methodology called the CBD Alliance. Can you describe the nature of this particular alliance process and its benefits for this particular project?

Mr KANOFSKI: I will start with what alliance style contracting is. Essentially, instead of going to tender for a complete fixed-price contract, which requires you to put out a lot of information up front so that the private sector can accurately price the risks that it is taking on, an alliance style of contracting is where the principals—in this case RMS and the alliance contractor—form an alliance to manage the delivery of the overall design and construction of the contract, with incentives in place to minimise the costs and maximise the effectiveness of the delivery. It is a well-known and accepted form of contracting. In the end, most of the delivery, and therefore most of the cost, still ends up being subject to tendering processes, except that they are tendered out by the alliance company, not by RMS. In the case of the Albert "Tibby" Cotter Bridge, about 71

per cent of the expenditure was subject to tender through that process. In essence, when you enter into an alliance contract it is not that there is not then a subsequent tender process. There is. It happens in a slightly different way.

The benefit in this particular case was speed. We make no secret of the fact that a year was a relatively short period of time in which to deliver this project; that is not contested. Our alliance gave us the opportunity to go quickly. We already had a competitive lead bid alliance, so we were confident that the terms, in terms of the percentage of management fee, the sorts of incentive schemes and those sorts of things, had been competitively bid in the market for a relatively similarly sized project, probably a slightly bigger project than the case of Windsor Bridge. We also knew that the actual expenditure would be subject to further market testing, as 71 per cent of it was.

In our view it provided a balance between wanting to go quickly and avoid time delays, the fact that we could not go to a straight design and construct [D and C] contract in that time frame. It was very clear that we would not have had time to prepare. A lot of the information was being prepared concurrently, as opposed to a fixed-price contract when you get a whole range of information up front that you put to the market and then you go through a contracting process. It is a sequential process, but we simply would not have built it in time under that circumstance. The decision was made, balancing the need for it to go ahead quickly with the need for it to be competitively bid.

The CHAIR: A further factor contributing to the final cost was the involvement of the Heritage Council. Can you explain the involvement of the Heritage Council in the project?

Mr KANOFSKI: The Heritage Council was required to give approval under section 60 of the Heritage Act. We prepared an original design for approval by the Heritage Council. That original design was developed in collaboration with the NSW Government Architect, the heritage division of the Office of Environment and Heritage, heritage advisers Godden MacKay Logan, architectural and landscape designers Hassell, the Sydney Cricket and Sports Ground Trust and the Centennial Park and Moore Park Trust. We prepared a design that met all of those requirements and, in our view, met the heritage requirements. We put that design to the Heritage Council, and it was rejected. The Heritage Council made a number of changes, and those changes required us to redesign the bridge as part of the process.

In simple terms—and I am not a bridge engineer so I am not going to pretend that I can provide you with detailed advice in that regard—in essence the Heritage Council wanted the scale of the project slimmed down quite substantially and a number of piers removed. The upshot of that was it required a complete redesign of the bridge. It also required an additional 100 tonnes of steel in order to construct the bridge; obviously, if you have fewer piers then you need more strength. There was a combination of things that therefore increased the costs. In our view—and we have made this point publicly and otherwise—the original design was well capable of approval. We accept that the powers of the Heritage Council, in order to make a different decision, are very wide and do not require the council to provide much nexus between heritage and its decision-making. We accept that; the council chose to do that. But it did cause us quite substantial delay. It required the bridge to be redesigned and put us further behind in terms of additional acceleration required and also then made quite extensive changes to the bridge itself: 100 tonnes of steel, different lighting and a much more expensive balustrade cladding. We accept the Heritage Council had the powers to make those decisions and it did. We got on with the job of satisfying the council and building the bridge in the time frame that was required. We had independent experts assess what they thought the cost of that Heritage Council intervention was, and it is in the order of \$10 million.

The CHAIR: Roads and Maritime Services had made the assumption that because it had skilled heritage architects and other contributors on board, the Heritage Council would tick off the project.

Mr KANOFSKI: I do not know that we made the assumption that they would tick it off. With any style of approval, we accept that ultimately there is a final decision-maker and generally their powers are quite broad. I do think that in developing infrastructure, as we do with Department of Planning and Environment approval, we work with appropriate experts who understand the legislative requirements and various other requirements. We would give ourselves a very high probability, having worked with all the appropriate offices and people all the way through, that the final decision-maker might see their way clear to approve that, but we do accept that they did not have to. Where we differ from the Audit Office's requirements is, regardless of the time frame, the office of Heritage and Environment requirements required us to redesign the bridge. Even if we had not had the delivery time frame, we still would have incurred very substantial additional costs because they required us to redesign the bridge. It meant we did a whole new design, so we designed the thing twice, and it also meant substantial increases in the style of bridge. That was true regardless of the time frame.

The CHAIR: When was the Heritage Council first engaged in the project?

Mr KANOFSKI: What you do is engage the heritage office, who is the principal adviser, in a similar way to how you might engage the Department of Planning and Environment when the Minister for Planning is the consent authority. I do not have the exact time frames in front of me, but the heritage office, who is the principal adviser on heritage to the Heritage Council, was engaged virtually immediately upon us being instructed that we needed to deliver this bridge. We knew right from the start that heritage approval was going to be a significant part of this, and all the appropriate bodies were engaged. I do not have the exact dates, but I could provide those to you.

The CHAIR: You were relying on the advice of the heritage office that the design that you were progressing with would satisfy the Heritage Council?

Mr KANOFSKI: Would satisfy heritage requirements under the Heritage Act, yes. Bearing in mind that there is a whole range of things here; in addition to a heritage approval there is also a planning approval, which requires you to think about a whole range of other factors. We are in fact the approval authority under a review of environmental factors [REF] for that. We are required to consider things like aesthetics and all sorts of community impacts that might occur with the bridge that would be considered within the planning approval. We believed that the Heritage Council would confine its consideration purely to matters of heritage, but it is under no statutory obligation to do so.

The CHAIR: Was the Centennial Park and Moore Park Trust fully supportive of the initial design?

Mr KANOFSKI: Yes, it was supportive of the initial design.

The CHAIR: Did it support the project itself?

Mr KANOFSKI: Yes. There was a range of stakeholders' views. I do not think anybody was opposed to building the bridge; it has been in the Long Term Transport Master Plan and it has been in the Centennial Park and Moore Park Trust plan for quite some time. There was a lot of debate about where the bridge should go, but in the end a decision was made about where the bridge should go after considering a range of factors. As I said, the initial design had the support of all of those stakeholders.

The CHAIR: Could you speak to its location? Could you tell us why you chose that particular location?

Mr KANOFSKI: Absolutely. I would say that no one bridge in that location is going to be all things to all people. There is a range of different desires, desire lines, walking lines and other things in that area. The overwhelming reason for choosing that particular location was one, minimising the impact on the fig trees. That location had less impact on fig trees than any other location. The second overwhelming issue was that, after the construction of light rail with Devonshire Street being extended through Olivia Gardens, the preferred walking path from the two stadiums to Central station we believe will be Devonshire Street. It is not currently Devonshire Street because historically you could not get through, because the Olivia Gardens development was in the way. The Olivia Gardens development is no longer in the way.

When the light rail construction is finished, that will be the most direct route between the stadiums and Central station, which is a really important part of dealing with this bridge in the sense that the primary purpose of this bridge is to get event crowds across Anzac Parade, and it serves that purpose. We have evidence of 6,000 to 7,000 people using it on an event day, which is a substantial number of people not crossing Anzac Parade. There was a lot of support for a Moore Park Road alignment. It takes more trees, it was very difficult to construct and, although that is currently the desired walking route from Central station to the stadiums, our view is it will not be post the opening of light rail. Those were the considerations.

The CHAIR: You mentioned the use of the bridge during events. Do you have any figures on pedestrian traffic statistics outside of major events?

Mr KANOFSKI: Yes. It is about 985 people a day using the bridge. I think it is in the order of about three-quarters pedestrians and about one-quarter cyclists. But 363,000 over the 12-month period is about 985 per day, so 755 pedestrians and 230 cyclists use that bridge on a daily basis. In event mode for things like the A-League soccer derby on 20 February 2016, there were 6,400; on 27 May 2016 there were 8,100 for a rugby and AFL double-header in the area; on 27 August 2016 there were 4,450 people for Swans versus Richmond; and on 17 September there were 5,200 for the Swans versus Adelaide. Typically 15 per cent to 20 per cent of the event crowd is walking across that bridge.

The CHAIR: When is the figure of 985 per day from?

Mr KANOFSKI: That was from October 2015 to October 2016—a 12-month period.

Mr GREG PIPER: I am not sure if you gave an actual figure for the benefit-cost ratio [BCR]. Obviously this was a decision that was made by the Premier at the time, one imagines. Is there an actual figure—the magic figure of three, four or five that you would normally be looking for a BCR?

Mr KANOFSKI: No. And, as you say, we would normally do that. We certainly would do that now under the current assurance processes. But, no, there was not.

Mr GREG PIPER: I think I understood that, but has anyone subsequently run a slide rule over it and looked at it to test whether or not this was as poor an outcome as has been alleged?

Mr KANOFSKI: Not that I am aware of. When you look at pedestrian bridges, you really do need to consider their impact on traffic. That is the first thing to say. People say, "Oh, well." You could mount the same argument for any pedestrian bridge in the network. If we build a bridge over Parramatta Road that takes 200 people a day, is there really a cost benefit for that? If we build a bridge over Heathcote Road that takes 600 or 700 people a day, is there really a cost benefit for that? The answer, if you relate it purely, is that there is absolutely a benefit for those people in terms of safe passage and the fact that they are less likely to be involved in an accident and hurt or, worse, killed. That is part of the cost benefit, but one of the big impacts that pedestrian and cycle bridges have is they improve traffic flow quite a lot. I do not think we have done that exercise on this, but quite a lot of the benefit of building a pedestrian bridge is actually what it does for traffic congestion.

The CHAIR: What was that figure you gave the Committee on the proportion of major events patrons who use the bridge?

Mr KANOFSKI: It varies but it looks like it is about 15 per cent to 20 per cent on a particular day. It has gone up and down. Twenty per cent is probably the high mark and 12 per cent or 13 per cent is probably the low mark of proportion of the crowd number on that day that we counted on the bridge. It is around that order.

The CHAIR: Have any observations been made of the number of patrons still using the Foveaux Street option to get to Central as opposed to—

Mr KANOFSKI: I do not think we have done specific counts on that. To be honest, given where we are in the process and even in the way the decision was made at the time, I am not sure it is that relevant because we have not seen the completion of the light rail project. Therefore the complete walking route, which will become the desired walking route from both stadiums to Central station, which is really Devonshire Street, is not there yet. As a general proposition, are there people still using Foveaux Street? Yes, absolutely. But, as I said, we are building the bridge for a hundred years, not for the first two years of its life.

The CHAIR: Sure, but would it not be advantageous to get those figures now, prior to the completion of the light rail? You mentioned the significant alleviation of traffic congestion that is provided by a pedestrian bridge. Certainly that intersection of Anzac Parade, Moore Park Road, Flinders Street and Fitzroy Street—the top part of Foveaux Street—is gridlocked during major events. If those patrons were more attracted to using the Albert "Tibby" Cotter Bridge once the light rail is completed then perhaps having those figures now would demonstrate that case.

Mr KANOFSKI: I suspect we will do that. I would not say this for sure, but my view is we probably have a plan to do that before we do the wayfinding changes. With the opening of light rail, there is going to be some very substantial changes to wayfinding and signage. If we talk about the principle of how pedestrian and crowd movement is meant to work post light rail, it is that if you come out of the front of the Sydney Cricket Ground—and obviously the Sydney Football Stadium is in a similar sort of position—the fundamental design principle at that time will be that you quickly try and spread the crowd into three distinct areas.

You will go to the north to catch buses, to the south to catch the light rail, or straight down the middle to walk to Central station and over the Albert "Tibby" Cotter Bridge. The answer to your question is: yes, we will do some measures. One of the things we will be trying to measure at that time, when we get to doing those sorts of things and that complete redesign in 2019, is how successful that has been in directing people. It is probably not that helpful right now but certainly before we make the change it will be very helpful, because we will need to measure the success we are having in actually moving people.

Mr MICHAEL DALEY: I am just a little bit confused, Mr Kanofski. In your opening statement you said that the Albert "Tibby" Cotter Bridge provided an integrated transport solution. What you are saying is that it integrates people who will be walking to and from Central station through the Olivia Gardens, which will no longer be there. I do not understand what other modes of transport it integrates.

Mr KANOFSKI: It does provide safe cycle access across Anzac Parade, which is important. It does not link the east to the city cycle network. It was never intended to. As I said, one bridge cannot be all things to

all people. The primary design principle for the Albert "Tibby" Cotter Bridge was to deal with large-scale crowds coming out of the cricket ground and the football stadium. That is its primary purpose, but it does serve other purposes. As we can see, 270 cyclists a day are using it to cross Anzac Parade safely.

Mr MICHAEL DALEY: Forgive me if my timing is misplaced, but when you were given the political imprimatur to build a bridge the environmental impact statement [EIS] on the light rail had not been released and you did not know that Olivia Gardens was going to be knocked down.

Mr KANOFSKI: Yes, we did. The EIS may not have been released at that time, but that project was not planned in the last five minutes before it was released.

Mr MICHAEL DALEY: Is it not the case that one of the reasons for building the light rail and having the route go through Central station was so that people did not have to walk from the station to and from the Moore Park sporting areas?

Mr KANOFSKI: People will make a whole range of choices about their transport.

Mr MICHAEL DALEY: They will, and if they can catch a light rail service that is coming every two or three minutes during a peak event, they will not walk under the hill.

Mr KANOFSKI: Some people will continue to walk for whatever reason. They will continue to choose to walk because they want to avail themselves of hospitality along that route. They will continue to walk because they prefer that to walking over to the light rail station. It really depends on what journey they are taking. The light rail is a very important part of moving crowds to and from that precinct. However, it is not the only way crowds will get to and from there.

Mr MICHAEL DALEY: I have a broader question. Because Roads and Maritime Services was the proponent of that bridge it did not have to give itself permission to build over its own State road. If another agency had been the proponent—for example, Transport for NSW, NSW Health, or the Department of Education—would Roads and Maritime Services have had to give them permission to build over, on, or through the State road?

Mr KANOFSKI: Yes, that is correct.

Mr MICHAEL DALEY: So you have to give permission to Transport for NSW to build light rail through various intersections and at grade across South Dowling Street and things like that?

Mr KANOFSKI: We do have to give a range of approvals. Obviously, I have not come prepared today to talk about the EIS for the light rail.

Mr MICHAEL DALEY: No, it is just as a matter of principle.

Mr KANOFSKI: If you would like to talk about the EIS for the light rail, I am very happy to talk about it separately. As a matter of principle, Roads and Maritime Services is required to give approval for projects that affect State roads.

Mr MICHAEL DALEY: You are doing a good job of selling a political pup in talking about the Albert "Tibby" Cotter Bridge. I know you guys were given political riding instructions, but you have been asked to do an almost impossible task. You do not have to comment on that.

The CHAIR: Is that a question?

Mr MICHAEL DALEY: No, it is a statement.

Mr KANOFSKI: I did not take it as a question.

The CHAIR: On page 21 of the audit report, reference is made to the "NSW Commission of Audit Interim Report—Public Sector Management" dated 24 January 2012, which recommends that the Government consider implementing the national policy and guidelines for alliance contracting. The Government has yet to respond to that recommendation. Is your agency aware of that? If so, can you update the Committee on its implementation?

Mr KANOFSKI: No, I am not aware.

The CHAIR: Do members have any other questions or comments?

Mr GREG PIPER: Could we relocate that bridge and could it be put to some useful purpose in my electorate?

The CHAIR: If you can find a budget for it. A community building partnership might do it. Did I read that the bridge is heritage listed?

Mr KANOFSKI: No, the bridge itself is not heritage listed; it is on a heritage alignment. The Gregory Avenue alignment as an alignment is heritage listed. This is why we work so carefully with the Heritage Division. It is a very important and hugely significant heritage precinct, and it includes the Gregory Avenue alignment itself. When you walk from the Sydney Cricket Ground, you walk on the Gregory Avenue alignment. As I said, the alignment itself is heritage listed.

The CHAIR: An assertion was made in the media some time ago that an Act of Parliament was required to construct anything on that land. My understanding is that under the Centennial Park and Moore Park Trust Act that transport infrastructure does not require an Act of Parliament for the construction of any infrastructure in that area.

Mr KANOFSKI: The speculation in the media was a misreading of the Centennial Park and Moore Park Trust Act. This is not particularly precise, but section 19 of that Act says that if an appropriation of land is to be granted, other than subject to any other clause in that Act, it requires an Act of Parliament. We were granted permission under section 20 of the Centennial Park and Moore Park Trust Act. Clearly, section 19 does not apply. Obviously they were mistaken in making that assertion.

The CHAIR: They did not read that next section of the Act.

Mr KANOFSKI: Apparently.

The CHAIR: Mr Goodwin, would you like to make any comment?

Mr GOODWIN: I would like to make one clarifying comment on the earlier testimony. First, our report speaks for itself. I acknowledge that the recommendations were accepted and that the actions we have seen taken since then, by both Transport for NSW and Roads and Maritime Services, certainly address the intent of those recommendations. I would like to clarify the comment around time and the role of the Heritage Council in terms of the cost blowout.

We acknowledge in our report that costs certainly increased as a result of design changes required by the Heritage Council. We also acknowledge that time may have had an impact in terms of how decisions were reached and negotiated. However, we also acknowledge that the Heritage Council did the job for which it was appointed; it is an independent body charged with reviewing proposals that might impact on heritage values. Insofar as the preliminary business case is concerned, which was for the \$25 million cost, page 10 of our report notes that the cost estimate used in the preliminary business case was for a design that had already been rejected by the Heritage Council.

The CHAIR: Mr Kanofski, do you wish to add anything?

Mr KANOFSKI: I think we are dealing with dates of documents in the sense that the preliminary business case in its last iteration included that design. I would have to take that question on notice, because it may have been subject to that. Again, that business case was not developed immediately prior to that. There were a number of things happening simultaneously given the tight time frames we were given to build this thing. However, we clearly believe we put forward a design that was capable of approval and capable of construction at or very close to our \$25 million budget allocation.

The CHAIR: You said you would be happy to take that question on notice. Perhaps you can and provide the Committee with a more detailed time line with regard to the plans that were rejected as pointed out by the Acting Auditor-General.

Mr KANOFSKI: I am happy to do that.

The CHAIR: Thank you very much for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within five days to any further questions?

Mr KANOFSKI: Yes.

(The witnesses withdrew)

(The Committee adjourned at 12.08 p.m.)