

**REPORT OF PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTS COMMITTEE**

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE**  
**AUDITS**

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**At Sydney on Monday 15 September 2014**

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**The Committee met at 9.45 a.m.**

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**PRESENT**

Mr J. R. O'Dea (Chair)

Mr B. E. Bassett

Dr G. Lee (Deputy Chair)

Mr G. M. Piper

Mr J. D. Williams

**GARY DUNNETT**, Acting Director Park Strategy and Services Branch, National Parks and Wildlife Service,

**MICHAEL WRIGHT**, Acting Deputy Chief Executive, National Parks and Wildlife Service,

**GRANT HEHIR**, Auditor-General, Audit Office of NSW,

**ROBERT CAMERON MATHIE**, Assistant Auditor-General, Audit Office of NSW, affirmed and examined:

**SEAN MICHAEL CRUMLIN**, Director, Performance Audit, Audit Office of NSW, sworn and examined:

**CHAIR:** I declare open the hearing of the Public Accounts Committee. Today we will be taking evidence in relation to two separate inquiries: first, the examination of the Auditor-General's performance audits from May 2013 to July 2013; second, the inquiry into tenancy management in social housing. We begin with the performance audit issues. The Committee has authorised the media to broadcast sound and video excerpts of its public proceedings, and copies of guidelines covering coverage of proceedings are available on request.

I welcome representatives of National Parks and Wildlife Service and the Audit Office of New South Wales. I understand the Auditor-General will be joining us later. We will be looking at the management of historic heritage in national parks and making the best use of public areas in the context of following up the Auditor-General's performance audits. Making the best use of public housing has an efficiency of sorts in the sense we will be looking at a separate inquiry topic of tenancy management in social housing. Do you have any queries concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr WRIGHT:** No.

**CHAIR:** Would representatives of the Audit Office like to highlight any issues?

**Mr MATHIE:** We will make a brief statement, if we may.

**Mr CRUMLIN:** We thank the Committee for the opportunity to appear before it today on this important subject. Heritage assets are an integral part of the community and its environment. The National Parks and Wildlife Service [NPWS] has become the caretaker of a substantial proportion of the State's historic heritage over the last 50 years. This audit examined how well NPWS manages the historic heritage under its care and control.

We found a number of projects which were well managed with excellent heritage outcomes, but we also found that while the Service has a statutory responsibility to conserve historic heritage it was trying to conserve too much. Spreading limited resources too thinly runs the risk that some of the most important historic heritage values will be lost. We recommended that the Service choose the most significant historic heritage assets and maintain them well. To do this the Service needed clear state-wide priorities for historic heritage management and better data on the condition and maintenance of its historic heritage assets. The Service also needed to adopt more creative responses to managing heritage assets including greater involvement of the private sector and volunteers.

Based on the submission provided for our review we are pleased to say the Office of Environment and Heritage and the National Parks and Wildlife Service have accepted all of the report's recommendations and are progressing well on implementing them. We note in particular that the Office has developed a draft New South Wales heritage strategy to guide public sector agencies on the long-term management of historic heritage. This is an important document that will guide the Service in establishing its own priorities. The staged approach outlined in the Office's submission is an appropriate response and is consistent with the recommendation time frames in the report. We thank the Service and the Office for the positive approach taken with the audit, both during its conduct and in response to its findings and recommendations.

**CHAIR:** Thank you. Would representatives of the National Parks and Wildlife Service like to make an opening statement? The Audit Office will be given an opportunity to make comments or raise issues towards the end of the process, but I ask that comments or questions are directed through the Chair.

**Mr WRIGHT:** From our perspective, the Auditor-General's report "Management of historic heritage in national parks and reserves" is an excellent and well-reasoned document and makes a number of very useful recommendations. In particular, it is helping National Parks and Wildlife Service to focus on the challenge of

prioritising efforts in historic heritage management to ensure we make sensible decisions in an environment where we are not able to resource, as the Auditor-General's office has indicated, all our historic heritage management requirements.

The first recommendation from the report was to develop a New South Wales heritage strategy to guide public sector agencies on the long-term management of historic heritage in a constrained resource environment. This has been developed by the Office of Environment and Heritage division, which has sector-wide historic heritage policy and regulatory functions. The strategy is designed for all public sector agencies responsible for the management of heritage assets, not just conservation agencies like National Parks and Wildlife Service or the Sydney Living Museums. This includes agencies like NSW Health and Sydney Rail.

The strategy remains a draft under review, although a copy has been provided to the Auditor-General's office for any comment. We believe it provides a number of useful emerging principles that are particularly relevant to the responsibilities of National Parks and Wildlife Service. These include: in a resource-constrained environment, difficult decisions sometimes have to be taken but should be informed by the best possible understanding of the value and significance of heritage assets; agencies need to know what heritage assets they hold; heritage assets should be included in wider asset stewardship strategies; wherever possible keep heritage assets in use, in their current use or through creative new adaptive uses; and undertake a portfolio-wide review and set priorities.

The other recommendations in the Auditor-General's report all relate to historic heritage management in the national parks system. The National Parks and Wildlife Service is in a unique position compared to most other government agencies. While most agencies only hold assets where they are required to provide core services—that is, historic heritage assets—core services for National Parks and Wildlife Service include the conservation of historic heritage. To put this issue in context, the New South Wales national parks system is about 9 per cent of the State. It has 11,000 historic places or sites registered on its Historic Heritage Information Management System. This includes 40 sites that are registered in the New South Wales State Heritage Register, such as Fort Denison and Goat Island in Sydney Harbour, Bare Island Fort at La Prouse, Smoky Cape Lighthouse, the Kinchega Woolshed and the Old Great North Road, which is one of a set of Australian convict sites inscribed on the World Heritage list.

Historic heritage in national parks is very diverse and includes things like old bottle dumps, extensive pastoral properties, defence fortifications, historic bridges, alpine and coastal huts and old mining infrastructure. Some of these were in very poor condition when acquired, with National Parks and Wildlife Service typically not being funded at the time to deal with all deferred and ongoing maintenance obligations. The transfer in 1992 of Goat Island to National Parks and Wildlife Service from the Maritime Services Board is a case in point.

We support all of the Auditor-General's recommendations, and in working to meet them our overall objective is to develop a more systematic, transparent and realistic approach to historic heritage and to fund heritage on the basis of statewide priorities via a rolling program. In addition to managing historic heritage, the National Parks and Wildlife Service delivers core functions around visitor infrastructure and services, fire management in some of the State's most bushfire prone areas, pest and weed management, biodiversity conservation and the protection of Aboriginal cultural heritage. We prioritise in these service delivery areas with initiatives such as our regional pest management strategies, the Save our Species program, reserve bio-management strategies, our sustainable tourism action plan and other regional operation plans.

Prioritising an extremely vast and diverse set of historic heritage items across New South Wales is a challenge. Given budget constraints and the range of other services we need to deliver, we cannot preserve all the historic heritage that is contained within the national parks system. However, without making difficult decisions around prioritising expenditure across the range of service functions, and then within the historic heritage space, potentially important opportunities will be missed and some heritage may be lost. Historic heritage has many sides. It forms part of the basic infrastructure that we rely upon for visitor facilities and park management services. Assets like bridges, wharves, picnic shelters, walking tracks and lookouts are often historic heritage items as well.

Historic heritage assets can attract visitors to parks, enrich their experience and educate visitors about the modern history of New South Wales. This multi-sided character of historic heritage offers a number of unique opportunities for park management authorities. The best stories of historic heritage involve adaptive reuse—use it or lose it. Adaptive reuse is the mainstay of heritage conservation across the globe and a strategy more suited to many NPWS assets. It offers opportunities to partner with business or community groups in ways

to reduce maintenance and operating costs and in some cases generate financial return to government or to the businesses involved. In response to the audit recommendations, we are progressing a staged approach to improving the management of historic heritage in national parks. As a first step, this involves improving the data we hold on the vast and diverse range of historic heritage assets in national parks.

We are developing an asset strategy to set priority areas across all asset classes, and by December 2014 we will have a comprehensive data set for all hard-roofed accommodation in national parks, all State heritage listed assets and our historic visitor precincts. We will then build on this by improving data for other historic heritage asset classes while also building the capabilities of the National Parks and Wildlife Service asset maintenance system. This is a SAP application we use to set cyclical maintenance regimes for all asset types. We will also create a statewide priority framework. This will be based on our successful historic asset revitalisation program, also known as HARP, which focuses on commercial and visitor opportunities around the revitalisation of our historic heritage assets.

That was identified by the Audit Office as providing rigour, funding certainty and realistic time frames for the completion of heritage projects. The statewide framework will also include asset stewardship principles which consider conditions, including significance, business relevance and the state of our historic heritage items. That will be used to set priorities and funding regimes for historic heritage more generally. As with our other core National Parks and Wildlife Service delivery areas, we are also developing clear performance measures which go beyond the qualitative data we currently derive from our state-of-the-parks report.

In conclusion, the core challenge for the National Parks and Wildlife Service is to extend the prioritisation principles we already have in our HARP program and link historic heritage assets to the maintenance scheduling capacity of our asset maintenance system for the entire range of historic heritage. As indicated in the Auditor-General's report, it will not be possible to invest resources into the active maintenance of assets that are of lower business relevance and conservation significance, and in some cases this will involve managed decay or decommissioning of some heritage assets. This is where it will be particularly important to bring the community along with us.

**CHAIR:** That was a fairly comprehensive opening statement. Indeed, looking at the questions we have prepared, a number of them have been touched on substantially so there may be some duplication in some of the questions but there is also the opportunity to flesh out one or two areas. Unless there are any other comments at this stage, we will commence questioning. Can you give us a better idea of the size and composition of the heritage state in New South Wales national parks? Obviously it is significant. It has been touched on in the report in terms of the magnitude of the challenge. Can you give us more of an idea of the breakdown of what is involved?

**Mr DUNNETT:** I guess my starting point would be that while there is a common perception that places are reserved as national park because they are wilderness, of course they are untouched landscape. The reality is that many and even most of the reserves that comprise the system are there because of their history. If I take an example like Sydney Harbour National Park, the reason we have bushland around Sydney Harbour is because there were a series of government installations, defence fortifications, quarantine stations, recreational parklands that generated a curtilage which has meant that those places have been kept available for public use in perpetuity. So in a place like Sydney Harbour, you are dealing with some hundreds of individual structures or items of heritage significance, and that situation is right across the State. So the heritage value of our parks is very much integral to those landscapes.

At this point in time we have more than 3,000 individual sites. If I take an example like Goat Island, that one place on the State heritage register has more than 40 individual buildings and structures in it. So we are dealing with a very significant number. Like all heritage, the more that you look in these places, the more you realise that there is an uncovered element, whether that is archaeological or by other means obscure to your knowledge. We are dealing with in excess of 10,000 individual places and items so it is a substantial quota and there are very few of our reserves that do not have some element of heritage value.

**CHAIR:** The challenge in trying to manage all those historic assets is obviously substantial, given the limited nature of the resources available. How much funding is currently allocated to management of those assets? What has been the trend with funding in recent times: has it gone up or down or stayed the same in real terms? What is the challenge with the backlog of any current maintenance needs that have not yet been addressed?

**Mr WRIGHT:** I preface a response to that question by saying that currently the way we allocate resources in National Parks and Wildlife Service is largely based on historic expenditure. We do not have a program budgeting approach within the National Parks and Wildlife Service at this point in time. Having said that, we have an ambition to move to a program budgeting arrangement with an allocation within the National Parks and Wildlife Service over the next 24 months. In the absence of a program budgeting approach, it is difficult for us to quantify in its entirety the amount we spend on historic heritage across the State. Historically, regions typically get an allocation and expend that allocation on a range of priorities—fire, pests, visitor infrastructure—in historic heritage. There are some headline programs that we run for historic heritage. We often receive direct funding from Treasury or through an allocation from the executive of OEH for major historic heritage initiatives. I think it is running at a figure of about \$7.5 million but I can get back to the Committee and confirm that figure. In addition, our HARP program is \$2 million per annum.

**CHAIR:** When do you think that new system will be in place? At the end of next year?

**Mr WRIGHT:** The intention is to hopefully move, at least commence a program budgeting approach within OEH in financial year 2015-16. We will not be in a position to have it fully rolled out at that time so it will be a work in progress, but our intention is definitely to move to a program budgeting framework which will allow us to much more efficiently report on our expenditure against particular service areas and also put us in a position to more appropriately prioritise expenditure.

**CHAIR:** And hand in hand with that I imagine the performance measures that are being considered would dovetail into that—

**Mr WRIGHT:** That is the intention.

**CHAIR:** —as a more comprehensive means of measuring and identifying what is occurring.

**Mr WRIGHT:** Correct.

**CHAIR:** To play hard ball, what have you done about that in the past year, given that it has been a year since these recommendations were made? You have said they were good recommendations, a good report. Why has it taken a year and why will it take more than another year to get that system in place?

**Mr WRIGHT:** In terms of the program budgeting system, it is not being driven solely by our need to get a better handle on how we prioritise the management of historic heritage; it is about expenditure across the entirety of the Office of Environment and Heritage. It is a significant piece of work, and I think it would be fair to say that program budgeting does not currently characterise the way that State public sector agencies do their budgeting. There is a piece of work that has been underway for a little while now within the agency so that is still coming to fruition. Following the report, we have certainly done some work thinking about how the Auditor-General's recommendations should be implemented.

It is fair to say that we have, to an extent, been waiting on the State level historic heritage framework strategy, which the heritage division within the Office of Environment and Heritage has been tasked to prepare. We now have a draft of that and that is informing our thinking, in addition to the recommendations from the audit about how we go about better prioritising our historic heritage items. I think one of the fundamental deficiencies we have currently is information, which is patchy around where our assets are. To actually improve the quality of the data set requires often fairly extensive field treatment; you have to have people out in the field, in the park system, collecting information and feeding that back into our asset maintenance system or our historic heritage information management system. That has certainly been a focus over the last 12 months.

**Mr DUNNETT:** I guess the other fundamental thing we have been doing over the last 12 months is an organisational realignment that sets us up for that program delivery and has allowed us to get clarity and organise our resources so that our fire stream, our pest stream, our historic heritage stream are much more coherent across the organisation in the way they deliver into regional New South Wales and into our administrative regions. It is much clearer, and that has been an organisation-wide major restructuring piece that we are coming to the end of.

**Mr WRIGHT:** Yes.

**CHAIR:** And you said that you will have a comprehensive data set in place by the end of this year.

**Mr WRIGHT:** For a certain set of historic heritage assets, correct.

**CHAIR:** Will that extend to Aboriginal heritage assets? If you follow the otherwise logical approach—let us invest in items where there is some business relevance or ability to use it so that we do not lose it—Aboriginal heritage might be seen as a little different. How is that treated in the context of your overall plans?

**Mr DUNNETT:** OEH more broadly has a very different role than National Parks in relation to Aboriginal heritage.

**CHAIR:** And there is quite a bit of Aboriginal heritage in national parks.

**Mr DUNNETT:** Yes. We very much take our cues on priorities for active management and interpretation of sites from local Aboriginal communities. While there are a number of situations where there are active interpretation programs that go on, the protection and conservation of Aboriginal heritage is much more focused on mitigating threats and removing opportunities for damage than it is the sort of active structural intervention you can take in regard to the historic heritage. It is much more dealt with at a landscape level. Again in historic heritage we have clear statewide significant assessment frameworks that give us good guidance about where the most significant and highest priorities for action are. In the case of Aboriginal heritage we do not have that organisationally driven understanding of where the most important things are. We do, however, through our reserve plan and management, have a good framework for engaging with local Aboriginal communities to understand the landscape areas of significance and put some focus into making sure that we are acknowledging it and respect those in our management programs.

**Mr WRIGHT:** It is fair to say that some of the issues that the Auditor-General has identified in the way National Parks and Wildlife Service manages historic heritage probably also reflect in the Aboriginal Heritage space as well in terms of data and inconsistency of approach in identifying priorities.

**CHAIR:** You talked about the statewide heritage strategy and how that has been developed in a more comprehensive sense across government. Are you satisfied that that strategy does adequately address your area, given that other departments have perhaps different characteristics, different needs? Has there been a tailoring of that strategy in part to specifically cater for the National Parks and Wildlife Service? In other words, will you tell me a little bit more about the strategy in terms of the outcomes that you hope to achieve through it, and what actions are proposed?

**Mr WRIGHT:** The strategy is still in draft form. It is high level and it is attempted to be as generic as possible in terms of its applicability across the sector to the historic heritage assets. No, it has not been tailored to the needs of the National Parks and Wildlife Service. There is not a lot more I can probably really tell you about that at this stage, given its draft form but I am certainly happy to provide a copy of that to the Committee once it is close to finalisation, if that would help.

**CHAIR:** When is it likely to be finalised?

**Mr WRIGHT:** My understanding is between now and the end of this calendar year once that consultation with agencies has occurred.

**CHAIR:** Have you read it comprehensively and are you satisfied with it in terms of the needs of the National Parks and Wildlife Service?

**Mr WRIGHT:** I think it is a very useful document in terms of augmenting the direction we have received from the Auditor-General's office in terms of how we go about setting priorities for managing historic heritage in a resource-constrained environment, yes.

**CHAIR:** In your submission you state that you have a working group to define internal priorities and outcomes for the management of historic heritage in national parks. Has that committee had an opportunity to look at the draft strategy? How will policies and outcomes from the statewide heritage strategy be impacted by that group? What influence has that group had and will continue to have?

**Mr DUNNETT:** The group has access to the statewide strategy. As indicated in the opening address there are some unique aspects of the circumstance of the national parks, which is that we are more confronted by

circumstances where the graceful decline, or the non-intervention option, is appropriate, given the scale. And that is a different circumstance from many other agencies who need to be able to demonstrate an ongoing active requirement for an asset to justify retaining that asset. We have another piece of work which is really about understanding what our obligations are where we take the watch-and-observe option rather than the active intervention option.

**Dr GEOFF LEE:** I have seen some great examples of the adaptive re-use and restoration of some of those heritage assets. I realise that you are putting together the strategy, the prioritisation and the database and finding all that information at the eleventh hour about 11,000 odd assets, which is no mean feat, and I also understand that most of the work in your responses is due by the end of this year, but have you any examples where you target the low hanging fruit? We all understand that we must use it or will lose it. Do you have good examples of any wins that you are targeting, besides waiting until the end of the year, where we can say, "This is really good; it makes sense to preserve it but also in an economic sense"?

**Mr WRIGHT:** Yes. I can talk about one example which is currently in train, that is, the market base expression of interest we have run for the Gap Bluff Centre. I cannot speak in detail about what is happening in that space because we are currently negotiating with a successful tenderer. If that negotiation concludes successfully, which I am hopeful it will in the next month or so, there will be an opportunity for an announcement about a significant private sector partner moving in to manage those heritage assets at Gap Bluff for a range of commercial uses while retaining the heritage fabric, including a function centre. That is an example of an asset which had a significant ongoing maintenance obligation imposed on the agency. Under this arrangement we will potentially see some significant investment from this private operator—some millions of dollars—upgrading the buildings in that precinct for commercial use with continued public access and for the presentation of historic heritage significance.

**Dr GEOFF LEE:** How many of those types of projects do you have? One or two?

**Mr WRIGHT:** There are more opportunities of that kind, particularly around Sydney Harbour and other parts of Sydney that we are currently looking at.

**Dr GEOFF LEE:** I imagine that that is the real opportunity: because you are living in a resource constrained environment picking the low hanging fruit for Sydney must be done. I understand why plans are carried out but sometimes we plan and plan and nothing gets done.

**Mr WRIGHT:** Yes, indeed. I suppose the example would be Goat Island. We are hopeful that in the first half of 2015 we will be in a position to go to market for private operators to revitalise and re-manage it and re-present Goat Island for commercial purposes and for public access and retention of significant heritage as well. That is another significant opportunity.

**Dr GEOFF LEE:** I think you really need a pipeline of significant opportunities that are achievable within a limited time frame. A pipeline of those activities would be a good part of your eventual strategy and pushing them through all the time—roll out one a month or whatever. Out of 11,000 assets one would imagine there are a few opportunities?

**Mr WRIGHT:** There are the opportunities, indeed.

**Mr GREG PIPER:** Mr Crumlin used the term "conserving too much", which has to do with much that has been said about prioritisation and terms such as "staged decay" or "graceful exit" for these assets. Clearly there are budgetary constraints, as has been alluded to, but what efforts have been made to get Treasury to increase the budget for the National Parks and Wildlife Service in this area? Have you been getting a reasonable percentage growth in the budget for these areas?

**Mr WRIGHT:** In respect of that question I would say we probably have not had a lot of growth in this area for quite some time. The \$2 million allocated to our historic asset revitalisation program has been at that level since commencement and it has not been escalated in real terms.

**Mr GREG PIPER:** When did that program commence?

**Mr WRIGHT:** I think that commenced in 1995, from recollection, so quite some time ago. We are involved in a dialogue with Infrastructure NSW, picking up on what Dr Lee suggested a little earlier, looking at

opportunities. Often it is the case that to bring these assets to market you need to make some sort of capital investment in the first instance so we have a constructive dialogue with Infrastructure NSW at the moment about potentially accessing some of, I think it is called, the Newstart Fund, from Infrastructure NSW.

**Mr GREG PIPER:** Is that Restart NSW?

**Mr WRIGHT:** That is the one.

**Dr GEOFF LEE:** A fantastic organisation.

**Mr GREG PIPER:** In relation to the Heritage Asset Revitalisation Program [HARP] using the separate priorities for funding—and I know that these things have been touched on, but so much has been said already it is hard to put it into context—will you tell me once again the principles for setting those priorities for funding of those assets?

**Mr DUNNETT:** HARP is about finding the sweet spot between sites of high heritage significance but also places that offer significant experiences to park visitors and have the capacity to generate a level of self-sustenance through support activities for those visitors. So that might be through accommodation or through café and food-based business. It is really picking those locations that tick all of those boxes of heritage significance, visitor need and the capacity to sustain an operation that can, to some extent, support itself. As Michael indicated, those sorts of examples we have quite commonly around the Sydney area where you have a high level of visitation—things like Fort Denison, Nielson Park, Athol Hall or Quarantine Station.

Our challenge in the HARP is to deliver that same logic into regional New South Wales where you also have to provide the attractor. An example of that might be Yarrangobilly Caves where it has had more than a century of existence as a tourist attraction but was getting really tired. So HARP has actually allowed us to upgrade the basic visitor infrastructure, the access infrastructure, improve the experience so that you have got a better prospect—and in this particular case it is being realised—of attracting people to that location to that attraction. HARP is all about picking those winners. It is not a large pool; it is only \$2 million a year but it is a rolling investment. It has been very deliberately structured to go for those low hanging fruit, as Dr Lee indicated.

**Mr GREG PIPER:** There is obviously a range of assets for which there are opportunities to bring in some funds towards the management but there must also be a lot of heritage assets that are quite remote and not well known that may well be of great interest but are difficult to access. Therefore, they are more likely to be left to gracefully retire or whatever. Do you engage with the community about which ones you are going to prioritise, in that sense?

**Mr WRIGHT:** Formally the process to typically do that is our reserve plans of management, which have a statutory community consultation process attached to them. So that is the opportunity to get community views about which historic assets in a particular reserve perhaps are not as important as others and should be left to decay. There are other planning processes we go through, for example, conservation management plans and other planning processes which also involve and engage the community. We have 14 regional advisory committees across the State and we certainly engage with our regional advisory committees around decisions involving the future of our historic heritage portfolio and, at a statewide level, the National Parks and Wildlife Service Advisory Council.

**Mr DUNNETT:** There is also a very real sense in which heritage never disappears. It may change in its physical form but it does not disappear. One of the major ways we continue that engagement with community is in fact through the interpretation of those places and in a lot of instances people are out there as discovery rangers doing the interpretation and keeping those places alive as local volunteers so there is a very active engagement through that process.

**Mr BART BASSETT:** You have talked about the asset management plan and then there is the heritage asset management plan so there are obviously two separate plans—your ongoing assets in total and then the heritage ones. Are they going to be one and the same document or are they going to run separately?

**Mr WRIGHT:** We have an asset maintenance system, which is a SAP computer application for plant maintenance so the intention for that system is to cover the entirety of our assets and produce cyclical maintenance plans; so we are talking about roads and other assets in addition here to heritage. It is the case that



we have some of our historic heritage assets in that larger asset maintenance system but not all. One of the things we are attempting to do in response to the Auditor-General's report is to actually move a larger set of historic heritage items into this asset management system, which then informs cyclical maintenance regimes.

**Mr BART BASSETT:** In the long run when all of this is in place you expect to have only one asset management plan, whether it is heritage or whether it is normal assets. Is that how it is likely to operate?

**Mr WRIGHT:** That is certainly where we want to head. It is fair to say that there is information on the historic heritage information management system which relates to heritage significance which does not lend itself to incorporation into a SAP computer module so we are still going to have a fairly separate database which describes the heritage significance of heritage items. But as to maintenance scheduling, the intention is to have all assets, including historic heritage assets, in that system.

**Mr BART BASSETT:** The Auditor-General recommended performance in managing historic heritage be measured. In your submission you say you are planning to implement clear performance measures. Where are you getting those performance measures from? Are you creating them yourselves internally or from the criteria that already exists from NSW Heritage and what kind of performance measures are being considered relating to the criteria that might be used in other areas?

**Mr WRIGHT:** Currently we are relying largely on qualitative performance measures which come out of our State of the Parks report and that data is primarily the views of staff on the ground as to how a particular heritage asset is being managed. By its nature it is subjective rather than quantitative. It is still a useful indication of how we are progressing because those staff are obviously expert and know what is happening on the ground. As to quantitative targets, it is still a work in progress. I know we are looking at what New Zealand has done in this space because I think they have been more successful in putting in place quantitative targets so we are certainly looking at what is happening in that jurisdiction.

**Mr DUNNETT:** The other group in there is that we need big measures for the 11,000 but we have a subset and the peak component of that subset on the State Heritage Register where we have vastly better information largely because we have gone through the formal exercise of preparing a conservation management plan for those sites. The heart of a conservation management plan is really understanding the current condition and what interventions are required to either maintain that current condition and stop deterioration or in fact enhance it. In those circumstances we have a much better understanding of what is needed to replace the integrity of a roof or to deal with drainage issues around it so that we can have a much finer grain of reporting and condition monitoring for those sites where you have made the investment and really garnered a complete understanding of the dynamics of the site.

**Mr JOHN WILLIAMS:** Most of the prepared questions have been answered but going outside the brief of the Auditor-General, one of the greatest threats to any strategy is that if you continue making acquisitions you are going to dilute available funding and we will end up with a greater heap of assets without the ability to maintain any of them. I see that in my electorate as your greatest threat going forward.

**Mr WRIGHT:** It is an issue in terms of the growth of the reserve system and ensuring there are adequate resources to match the obligations that imposes; it is definitely an issue and a constraint. This Government is very much focused on digesting some of the large acquisitions made by the previous Government; very much focused: where we do make additions to the reserve system, looking at additions where there are inholdings or lands adjacent to existing boundaries to actually reduce management costs as opposed to taking on significant new responsibilities. Harking back to a comment made a little earlier, often when those lands have come across, the historic heritage items in that land have often been counted as nil and perhaps not as well thought of in terms of ongoing maintenance as it should have been at the time.

**Mr JOHN WILLIAMS:** There has to be a time of consolidation if you have budgetary constraints. Certainly the criticism that comes to me from local landholders and local government areas is that the locks are put on the gate and no further action is taken. That clearly points to the fact that budgetary restraints have got to the point where you are limited in your ability to provide the services and normal practices in that area.

**Mr WRIGHT:** Yes.

**CHAIR:** I go back to the overarching nature of the statewide heritage strategy—I have not read it or seen it but I understand the Audit Office may have seen a draft and may want to comment following this

question. The nature of National Parks is different from other agencies such as Health where there is enormous scope for visitations of a more pleasant nature and tourism opportunities. The Audit Office report talked about the lack of resources to do the great work that you want to do; that there are sources of funding from some private sector organisations more of a benevolent nature, so you have some foundations and some community input. That is all great but an enormous source of potential funding is obviously the private sector, tourism operators, and the potential for some of those assets to be better utilised and in fact positively generate economic activity and wealth for the State is a reality.

You have touched on, and indeed the report touches on, a number of examples where that sort of partnership with the private sector has worked reasonably well—Fort Denison, the Audley dance hall, the Quarantine Station. One further example it touches on that I would be interested to get an update on is the Light to Light project but there must be a number of opportunities to more actively partner with the private sector. I note that the tourism industry has been somewhat critical in the past of National Parks and the way it has gone about things. Can you give us a sense that things have improved—maybe what has happened with the Light to Light project—and coming back to my question about the strategy, to what extent that strategy allows for the unique positioning of National Parks and Wildlife compared to some other agencies?

**Mr WRIGHT:** Coming back to the unique position of National Parks and Wildlife, the agency is constrained by the Act in terms of the uses that are permissible on-park so if there is a partnership with a private operator, effectively the use of that structure, for example, has to be consistent with those objects, which limits us to things like accommodation, education and the provision of food and beverage to park visitors. You cannot, for example, provide a lease to a company that wants to run an architectural business to form a park because that is not consistent with the objects of the Act. We are constrained in that sense as opposed to some other agencies. In some cases that limits our ability to attract viable private partners.

**CHAIR:** I see it the other way around. Rather than looking at it negatively, I say that positively you have features and attractions that are natural—

**Mr WRIGHT:** True.

**CHAIR:** —which others do not have.

**Mr WRIGHT:** That is certainly another way of looking at it.

**CHAIR:** I think there is much more on the upside. Can you give us an update on the Light to Light project because that is one that was touched on in the report as showing promise, but equally commentary suggests that perhaps we need to do more and maybe that is an example of where we have been successful?

**Mr WRIGHT:** Well, unfortunately I have to inform the Committee that where we thought we were being successful we are now not as successful as we thought we were because Auswide, the company that successfully tendered for that opportunity—and I cannot go into details here—is likely to go into administration for a range of reasons. With Light to Light, that was a unique opportunity but again that is the situation where you have a wonderful historic heritage asset with tourism potential quite remote from any population centres and transport. It is when you look at the commercial reality of some of the characteristics of these assets—I am not suggesting that that is what has caused Auswide to go into administration because there were some other issues there as well but it does often make some of these difficulties stack up in a pure business sense, which is why it is often the case that it is a matter of government partnering with a private sector provider, perhaps investing some enabling capital upfront to make the offer more attractive to the private sector.

**CHAIR:** I invite the Auditor-General or anyone from the Audit Office to make any comments or ask any questions based on what has been said thus far.

**Mr HEHIR:** No, we do not have anything.

**Dr GEOFF LEE:** Talking about some of the remote areas that clearly could never stack up in terms of commercial viability in any public-private partnership, why do we not just sell them and put restrictions on their maintenance as they are on the State Heritage Register? If we cannot maintain them and they are falling apart, what is the use of having them on the register?

**Mr WRIGHT:** That would require revoking that part of the reserve from the park by an Act of Parliament.

**Dr GEOFF LEE:** Or give them a lease.

**Mr WRIGHT:** It would then require finding a private operator who would be prepared to take on that lease. If you are talking about a significant piece of historic heritage it would often come with ongoing maintenance liabilities.

**Dr GEOFF LEE:** Like the lighthouse we were talking about; why do we not just sell it or lease it to someone for 99 years if we cannot afford to fix it? It is just going to fall down.

**Mr JOHN WILLIAMS:** It has to have some commercial value.

**Mr WRIGHT:** It has to have some commercial value. There will be the view that you are shifting the liability, if there is not a commercial opportunity, to the private sector.

**Dr GEOFF LEE:** That is what we want to do; we want to shift the liability to the private sector so the Government does not have it.

**Mr JOHN WILLIAMS:** They are a bit smarter than that.

**CHAIR:** What is the feedback from the private sector or business on the restraints? Is it just the maintenance cost or are there other obstacles? I understand the constraints about the use of the site but I would not see that as major given there is significant scope still to undertake tourist-related activities which supplement and complement national park.

**Mr WRIGHT:** Indeed, absolutely.

**CHAIR:** Are there other constraints to stop that sort of partnering occurring?

**Mr WRIGHT:** Mr Dunnett might want to talk about the Quarantine Station example in more detail because at one level that is a successful partnering with the private sector to present those significant items to the public but also derive a commercial return from them. But if you speak to the operator he would be quite frank in his view that the conditions that were placed on the development of that site unnecessarily constrain commercial viability and that perhaps a less stringent set of conditions which would, in his view, still protect the value of the assets would have been more appropriate.

**Mr DUNNETT:** The fundamental issue that the lessee for the Quarantine Station raises with us is the extent to which the set of conditions that are crafted in one decade can still do the job in a lease that is a long-term arrangement. So things like the carrying capacity of the site, which you can predict when you are in a planning environment but 15 years down the track you realise we can actually manage a site in a way that is sustainable, that touches lightly on it, and it could have coped with a larger carrying capacity. It is our ability to go back and redress those situations. That is specifically for the Quarantine Station.

I think generally the challenge for national parks organisations is that New South Wales tends to be quite a conservative framework for adaptive re-use in particular and if you look at the way that heritage structures are adapted to keep them alive in other jurisdictions there are a broader range of options. We tend to go back to accommodation and providing food for visitors again and again and there are statutory reasons for doing that, it fits comfortably within the Act, but there are a broader range of options. As an example, we have explored whether a site like Bare Island might have utility for dive shop operators, which are one of the key visitor uses around that particular precinct. We understand that we need to push the envelope a bit there in terms of looking for genuine innovation to excite people to come to these places, but we are constrained to a framework that needs us to go back to what was the reason why that particular site was gazetted in the first place. There is a tension there.

**Mr WRIGHT:** In terms of the framework we operate in, the plan of management process is one which is perhaps not as efficient as one would like it to be. There are requirements to consult publicly, which are fine, but then go back to various advisory committees. At one level it is quite a cumbersome process. Typically a plan of management needs to be amended to accommodate a particular commercial use. In terms of business

constraints the time taken from whoa to go to put in place an amendment for a plan of management can scare off some investors.

**Mr JOHN WILLIAMS:** Is there part of your department that looks at the assets that you manage and the opportunities with regard to non-performing assets? Obviously part of what I would have thought you folks would do is offset some of your costs with revenue that might be provided by visitation.

**Mr WRIGHT:** We have a park assets branch that looks at that. Things like park use fees, charges for services on-park and some of the low hanging fruit opportunities for commercial development are actively looked at by that particular branch.

**Mr JOHN WILLIAMS:** I will be specific. Visitors to the Paroo-Darling National Park come in pretty good numbers but come afternoon they are all tipped out of it and they cannot camp overnight. I have to deal with the fallout from local landholders because the next option is to set up camp there, which is not in their best interests. Historically these areas had Aboriginal people camping in them, they lit fires and they behaved in a manner that is not much different from the campers that would be there overnight. I think that if the Act has to be changed to accommodate better use of the facilities without obviously detracting from your objectives, should we review the Act?

**Mr WRIGHT:** It is a question for the Government, obviously.

**Mr JOHN WILLIAMS:** You are the guys sitting there day to day watching the action. Do you feel frustration with the Act?

**Mr WRIGHT:** The Act certainly limits in some respects flexibility and ability to respond pro-actively because of some of the processes it sets out. It limits us in some senses. It is a question of getting the balance right between conservation on the one hand and being able to ensure that the assets are effectively utilised by the public and, where appropriate, deliver larger social economic benefits to the community.

**Mr BART BASSETT:** To follow on from the last question, having been in local government I know the frustration between operational land and community land and changing the criteria and what is involved in it. I am definitely picking up from your answers that there is a lot more flexibility in other jurisdictions. You are creating an asset register that is trying to address heritage matters. You have a large portfolio and you are going to require greater flexibility with regard to revenue streams in the future. Surely over the next two years would be the time for the professional staff within your department to make recommendations to the Minister on how you might be able to progress and be more flexible for the next 10, 20 or 30 years with changes to the legislation? Surely this is the time to do it?

**Mr WRIGHT:** There is discussion occurring within the agency. That is a matter that we would pursue with Minister Stokes in the first instance.

**CHAIR:** Are there any other final comments that anyone on the panel wishes to make? I close the proceedings and thank you all for attending today. There may be further questions in writing from the Committee. Are you happy for those answers to form part of your formal evidence?

**Mr WRIGHT:** Certainly, yes.

**CHAIR:** If we do send those we ask for a prompt response, generally within 14 days. Thank you very much for assisting the Committee with its inquiry today.

**(The witnesses withdrew)**

**(Short adjournment)**

**REPORT OF PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTS COMMITTEE**

**EXAMINATION OF THE AUDITOR-GENERAL'S  
PERFORMANCE AUDITS**

**MAKING THE BEST USE OF PUBLIC HOUSING**

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**At Sydney on 15 September 2014**

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**The Committee met at 11.00 a.m.**

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**PRESENT**

Mr J. R. O'Dea (Chair)

Mr B. E. Bassett  
Dr G. Lee Deputy Chair)  
Mr G. Piper  
Mr J. D. Williams

**ANNE SKEWES**, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, affirmed and examined:

**PAUL VEVERS**, Deputy Secretary, Southern Cluster, Department of Family and Community Services, sworn and examined:

**GRANT HEHIR**, Auditor-General, Audit Office of NSW,

**ROB MATHIE**, Assistant Auditor-General, Performance Audit, Audit Office of NSW, and

**SEAN CRUMLIN**, Director Performance Audit, Audit Office of NSW, on former oaths:

**CHAIR:** The Committee will now deal with the performance audit of July 2013, entitled "Making the Best Use of Public Housing". We are joined by Ms Anne Skewes and Mr Paul Ververs from the Department of Family and Community Services. Of course, officers from the Audit Office of NSW are still with us. Before we commence with opening statements, Ms Skewes and Mr Ververs, procedural information was made available to you about the giving of evidence, the hearing procedures and witness statements. Do you have any questions?

**Ms SKEWES:** No.

**Mr VEVERS:** No.

**CHAIR:** Auditor-General, would you like to make a brief opening statement?

**Mr HEHIR:** Our report "Making the Best Use of Public Housing" looked at the provision of public housing to eligible households now and into the future. In summary, our report found that there is a significant gap between the available public housing and the number of people eligible for public housing. There were about 55,000 eligible applicants on the waiting list at that time. We found that there is no clear direction for dealing with that gap, although the Department was working to develop one. We also found that there is a gap between the funding available to maintain the housing stock and the level of housing stock. That was a continuing issue.

Other findings related to the fact that a large number of tenants are living in public housing that does not match their need or the size of their household. Many homes are under-occupied, with about 30 per cent of all public housing having more bedrooms than the number of people living in the property. Flowing from that, the report recommended that the Department set a clear direction to build sustainability in the sector. The report also recommended that the Department develop a strategy to deal with those issues and a performance management framework with indicators and measures that allow an assessment to be made against them.

**CHAIR:** Are there any issues in particular that you want to highlight which need to be explored further or with which you are not satisfied?

**Mr HEHIR:** The issues relate to how the Department is going in meeting a number of recommendations in key areas in respect of the development of the strategies and measures to identify how the issues are being addressed. They are the key issues.

**CHAIR:** Ms Skewes and Mr Ververs, would you like to make an opening statement?

**Mr VEVERS:** We found this audit a very helpful process and it was widely welcomed within the Department of Family and Community Services. It has presented us with some direct questions about our services and it has also brought into focus some of the reforms already underway. Those reforms are about becoming sustainable in improving the services that we deliver. We have made good progress and have implemented many of the audit recommendations. We are also currently developing a comprehensive social housing policy to present to the Government that will squarely address many of the other issues raised in the report.

**CHAIR:** You mentioned the housing policy, which is much anticipated. A number of inquiries have been conducted, including two by this Committee. The Upper House has also handed down a report, discussions

are occurring at the Productivity Commission and various other inquiries are underway. In that context, everybody will be interested to know when the social housing policy will be finalised. In the absence of such a policy, what are the current social housing policy priorities for the next few years? I am not asking what the policies will be, but can you give the Committee a sense of the priorities and a time frame?

**Mr VEVERS:** The time frame is a matter for the Government and is not something on which we as officers of the Department of Family and Community Services can comment.

**CHAIR:** Can you give an indication of when the Government has suggested the policy will be finalised?

**Mr VEVERS:** I am afraid that that has to be a matter for the Government.

**CHAIR:** Has any statement been made in any context about when it will be released?

**Mr VEVERS:** I am not aware of any public statement having been made about when it will be released.

**CHAIR:** In the absence of that, can you address the issue of the housing policy priorities over the next three or four years?

**Mr VEVERS:** Clearly, a number of the areas in the audit report are a current focus for the Department. We have implemented a number of measures to address under-occupancy in public housing, which was a key feature of the audit. Since the audit report was handed down we have introduced a vacant bedroom charge together with giving higher priority to the transfer of people who are under-occupying their property. That policy is starting to produce some good results. We have had conversations with 2,000 tenants since the policy was introduced about a year ago, and so far 263 tenants have downsized, which has released 499 bedrooms. Another 658 households have indicated that they are willing to downsize when a property becomes available. That will release a further 1,200 bedrooms. The policy is starting to have a significant impact, which will enable us particularly to focus on housing some of the larger families on our 58,000-strong waiting list.

The other significant development since the audit is that the Government decided to bring the Land and Housing Corporation into the Department of Family and Community Services. That obviously has been beneficial in that we are now subject to the same set of strategic priorities and the same set of objectives under the Housing Act. Within that, there are a number of more operational recommendations in the report, which we have been acting on to reduce the time it takes us to re-let properties and to tighten up on some of the probity aspects of the allocation of properties.

**CHAIR:** So LAHC is coming back into alignment. One might make the observation that perhaps it might have been a mistake to place the more distinct parts with different departments in the first place?

**Mr VEVERS:** I will not comment on whether it was a mistake. It has certainly been very welcome to have the Land and Housing Corporation within FACS. It maintains a separate identity.

**Ms SKEWES:** The purpose of the separation of the Land and the Housing Corporation from, at the time, Housing NSW was the desire to get a greater understanding and visibility of the required activities for better managing the asset. That transition was an important step in that process. Indeed, many of the Auditor-General's recommendations in relation to this report related to the circumstances of the separation and the particular issues of coordination between the Land and the Housing Corporation and Housing NSW and FACS at the time. The alignment of Land and Housing back into the Department of Family and Community Services, noting that Land and Housing Corporation is still a separate public trading enterprise within that entity, means that we can better coordinate activities—and particularly align now into some of the strategic directions of the Department of Family and Community Services. You will see those well articulated in the FACS strategic statement. One of those elements is around social housing and the sustainability of the social housing system. In retrospect, I think the move was an important one. The realignment does assist us, in this case, in responding to many of the recommendations in the Auditor-General's report.

**CHAIR:** I am pleased that everyone is confident that the current alignment is a good way to go forward, but I am trying to understand the benefits, in a concrete sense, of having LAHC moving out. What have been the concrete outcomes that might not otherwise have been achieved?

**Ms SKEWES:** One of the areas that the Auditor-General identified at the time was the need for the preparation of an asset management plan portfolio strategy, as it is described in the report. We have done some good work in developing the framework for that asset management plan. It is still subject to government consideration and, at this stage, has not yet been released. Being able to separate the asset management components of the overall public housing portfolio meant that we were able to devote considerable time and resources to building that asset management framework, so my view is that it was productive. It enabled us to have a clear insight into the assets. Indeed, the Auditor-General report highlighted the challenges in asset management, maintenance and the enduring difficulties of managing this large portfolio. The recommendations highlighted in the Auditor-General's report, and the good work that is being done around building that framework, were valuable aspects of the separation.

**CHAIR:** You mentioned maintenance, and I will focus on that for a moment although it is not the focus of this inquiry or the inquiry into tenancy management by the Upper House, but this Committee has discussed this topic at some length. I note that there was a recommendation from the Upper House inquiry to suggest that there should be an inquiry on the topic now. That is not the view of this Committee. We have communicated to the Audit Office that we think there should be a review of maintenance perhaps 12 months after the new system is put in place. We might recommend that to counter the Upper House inquiry and give a more balanced perspective; that is not to say that the other committee is not entitled to its view. Maintenance has engendered a degree of passion and strong views because it is a problematic area.

Now, given the tendering and related processes that are in train, when do you think it is best to assess whether there has been a significant improvement? In terms of maintenance, where are things at, from your perspective, particularly the opportunity to focus more on asset management? Has the current process been part of the benefit of having separated? I do not want to get bogged in maintenance but I do want to address it.

**Ms SKEWES:** Thank you for the question. You are right that the connection between maintenance and overall asset management is clearly a big priority for us. You alluded to the new maintenance contract. We are in the tender phase for that contract, and it is progressing well so I would prefer not to talk about the details of the tender or procurement process. Recognising the intent of the Upper House inquiry to suggest there be further reviews of maintenance, we have put in place two fundamental processes around maintenance. One is refining the way we procure maintenance services, which is the subject of the tender process. The second issue is that we are reorganising the skill set required to manage that new contract.

As you are aware, when you put in place major change initiatives you need to go back and look at the organisation you have to support that. Have you got the right capability set? We are in the process of re-orchestrating the way we operate as an organisation within Land and Housing to ensure that we have the right skills and capability. At the same time we are supporting the new contract, which we expect to be in place by the second half of next year. That might be a consideration for the Committee in terms of a time frame, but I would suggest quite strongly that we be allowed significant time to get the new contract in place and have that being effectively implemented with a view of coming back and having a look at the performance of that contract. I suggest that is a good 12 or even 18 months away. We need to bed down the new contract that will probably require changes on the contractors' side—how work is commissioned and delivered. It will certainly involve the Land and Housing Corporation being more focused on compliance and contract management.

Towards the end of last year we did a successful pilot of the new contract model. We had some good outcomes from that pilot. The pilot was in Blacktown and there was one in the Hunter. We engaged in a process to trial the new approach, which delivered both some cost savings and some significant improvement in tenant satisfaction at the time. As a consequence of that pilot we were able to take those learnings into the tender process itself. As I said, that is now on foot. We are going to very carefully manage the new tender process as a result of the pilot program. We are hopeful of having the new contract in place by the second half of next year.

**CHAIR:** I invite you to comment on two issues that are relevant to the maintenance topic, which I will then not explore any further. Firstly, I saw an announcement—I think a media release from the Minister—recently suggesting that record funding is going to maintenance; and secondly, some of the initiatives at the moment around the disposal of properties that are old and in high need of maintenance, particularly at Millers Point. Please comment on those two areas in the context of making the best use of the resources we have and, particularly, meeting the maintenance challenge.



**Ms SKEWES:** In respect of the maintenance challenge and the context, I think the Auditor-General's report was very helpful for us in this respect because it highlighted the historic issues around maintenance and the backlog, particularly that a significant portion of the properties we have are in excess of 30 or 40 years old. The Auditor-General's report highlighted a significant backlog. As a consequence of the 2014-15 budget initiative we have a 30 per cent increase in the amount of money going into the maintenance of properties. We have seen the need, as a result of the work of the Auditor-General, to provide more funding for addressing the enduring backlog of maintenance in our portfolio. We are hopeful that our tenants will see the benefits of that program over the next 12 months. We are on track for the delivery of results from additional funding; programs are being commissioned. All of this work is delivered through our network of contractors, and at this point it is on track and will be delivered within the 2014-15 financial year. I am a little unclear about your question in relation to property sales and maintenance.

**CHAIR:** In the context of managing assets and particularly potentially disposing of properties in need of a high level of maintenance to open up three or four other properties for use, so you are not only addressing the maintenance issue but potentially creating stock. Assuming all that money goes into other capital housing stock and you were able to provide more housing to address, in part, the large waiting lists. I was seeking comment on that matter.

**Ms SKEWES:** I will make a general comment around asset management. The Government's position in respect of Millers Point was a decision of the Government. I can say that the whole framework of asset management for us is about getting a better insight into the properties we have and that some of the properties require high levels of maintenance and that money could more reasonably be invested into the system for the benefit of others. This year we have a 30 per cent increase in maintenance and that is really reflecting the fact that we are sensibly putting resources into those properties we think are efficient and capable of being maintained as fit for purpose, as we call it.

We have spent the last 12 months doing what we call property assessment surveys. We have done more than 140,000 property assessment surveys of every asset within our portfolio. In a 12-month period that is a big program to deliver on. We now have up-to-date information about every property in our portfolio and the works required to be done to those properties to bring them up to standard. When we review our portfolio we make assessments, including fit-for-purpose assessment: are these buildings and properties that we need to maintain meeting the requirements of our tenants? That is part of what is referred to, in the Auditor-General's report, as the asset portfolio strategy.

**Mr VEVERS:** In relation to Millers Point, the financial arguments are compelling, particularly given the revenue that has been generated by the initial sales, so that we can actually build between three and seven new properties from the sale of a single property in Millers Point. From a tenancy management point of view, many of those properties are deeply inappropriate for the tenants that we have now. For example, they have very narrow staircases, and a number of tenants have suffered falls both with the internal and external steps there. So the arguments are compelling both from a financial perspective but also from a tenancy management perspective.

**CHAIR:** My final question is about relocation of tenants from larger dwellings to perhaps more suitable "smaller" dwellings. You have talked about successes in getting 263 of some 2,000 tenants to downsize and there might be another 658 willing to do so. Those 658 might be the chicken and the egg; you have to sell properties to create new ones on that land. What are the obstacles in finding that stock to allow people to downsize? If there are 658 people willing to do it and the stock is not there, that seems to be a fairly good place to have as a priority. In that context, in our other inquiry there was a submission, for example, that the vacant bedroom charge should be abolished. I am interested, from your perspective, in how successful it has been.

**Mr VEVERS:** In terms of relocating people, probably the single biggest barrier is meeting what is often quite a narrow geographic location into which the existing tenant wishes to move. We try to be sensitive to those tenants. Many of them are older people who have brought up their family in a property and they want to stay in the same community where they are living now. We very much try to respect that view, but that does mean that the available stock of smaller properties is that much smaller. So there is a balance to be achieved between those tenants' needs and the need for them to free up the property. Obviously our program of new building of properties focuses on smaller properties because that is the client need going forward. Clearly, it will be many years and years before that has a major impact.

In terms of the success of the vacant bedroom charge, we think it has been very successful both in terms of people willing to move and people who have moved. Also, it has been successful because it gives some recognition in the form of an extra financial contribution by tenants who are under-occupying a property. If they were in the private sector, they would pay a great deal more than they pay in public housing, even with the vacant bedroom charge. We think it is important to send a signal to tenants that there is a cost, both an opportunity cost and an actual cost, in them under-occupying a large property.

**Dr GEOFF LEE:** Ms Skewes, you are managing the portfolio of assets; some are obviously in your hands and some are in the community sector. Is there a figure that you see as appropriate for transitioning them into the community sector? I think at the moment there are 110,000 or 120,000 under your direct control and 40,000 odd in the community sector.

**Mr VEVERS:** Twenty-seven thousand in the community sector.

**Dr GEOFF LEE:** Do you think it will be 50/50 in the future?

**Ms SKEWES:** Thank you for your question. I think some of these are policy questions for the Government as part of its consideration of the social housing portfolio and its future direction. Land and Housing Corporation has had a program over several recent years now of property transfers to the community housing sector. They have continued to be delivered on. Certainly, the view of Land and Housing Corporation is that the community housing sector has a valid role to play. The Government's decision and direction on social housing policy will need to define what that is and what the scope and scale of that is in the future, but absolutely as signified I think and represented both in this report, and I know the recent consideration and the recommendations of the Upper House inquiry are that the community housing sector and the sort of service delivery opportunities they provide are of benefit to the social housing system.

**Dr GEOFF LEE:** I understand if it is policy. I think you are doing some good work in terms of finding opportunities to sell one and develop a couple or three for every one that you do. I think that is very good, and obviously you are doing some good planning about whole estates, I understand, which is good. For the other ones that you cannot sell and divest and then build another three, or whatever the magic number is, those lemons we have that will require a lot of maintenance, why do we not just identify them at the lower order and transition those to the community housing sector? They are a liability, with people in places that are clearly, to use your expression, "not fit for purpose".

**Ms SKEWES:** I think that this policy type of direction, how we work as an overall system, because I think the value of this work and also the value of the recent very extensive work of the Upper House inquiry and the very extensive recommendations, show that we are talking whole of system, that there is a place for all of us in this system and that we all need to be doing more to ensure that the growing need for social housing gets effectively addressed. The value of the work that we have done in the past 12 months in particular has given us a good insight, as you are suggesting, into some of those more difficult and challenging assets. Historically this work had been done—there is no discounting that—but for the first time we have a comprehensive view; the amount of effort and resources that have been put in to bringing the whole portfolio and the transference of the information now has come to light.

We are in a good position to support the Government around its direction if it decides to progress further transfers for the community housing sector. We can have good data available to assist in the decision-making about the sorts of assets that should be transferred for the purposes of management. I am sure my colleagues in the community housing sector would have strong views about the sorts of assets that they think they can well manage and add value with to meet the growing need. I think the job that the Land and Housing Corporation has done is to gather the information to assist the Government in the policy options that it has around transfers of certain assets to the community housing sector. We would be keen to ensure that good data is provided both for government decision-making but also for those community housing providers who in the future might be the subject of further transfers.

**Dr GEOFF LEE:** Thank you. I think it is essential for us to make those decisions. But I guess your recommendations are particularly important. It is important, especially in my area, for instance—I suggest that may be indicative—that we build new stock and transfer it to community housing, which is a good idea in many instances. But then we seem to be caught with the lemons that require a lot of money and wonder why we can never catch up on the maintenance backlog because we give away all the good stuff and keep all the broken

down ones. That is a huge problem, and the Auditor-General clearly has identified the increasing maintenance requirements.

Mr Vevers, I have a question that you may not be able to answer. It may be beyond the Auditor-General's report. Clearly, we have very deserving people in housing but we get that 1 per cent or whatever per cent in there and we find it very hard to move them out through the normal Consumer, Trader and Tenancy Tribunal means because the balance of evidence must be totally on the client's side. Does the current framework provide enough powers to get rid of the troublesome people, the people who terrorise their neighbours and things like that, or should it be changed? We have whole communities even in Parramatta where you get the few naughty ones that should not have housing and they do the wrong things and create a distraction for the community with their antisocial and criminal behaviour.

**Mr VEVERS:** It is a very significant problem in public housing. Much of the focus does go on the individual tenant who is carrying out the antisocial behaviour, but their neighbours are often very vulnerable people. They are often people who have mental health problems themselves, and the impact of that behaviour on vulnerable neighbours is massive. We know that roughly half of all tenants during their tenancy have suffered from antisocial behaviour by their neighbours, so I think it is a significant issue. It is a significant issue also in relation to the very small number of tenants who engage in seriously illegal behaviour, and I am referring particularly to dealing in drugs, where the impact on neighbours of people calling at all hours of the day or night, of disturbances and the fear associated with having a drug dealer next to you is significant.

We have had some difficulties in getting termination from the tribunal in some of those cases. In some cases, fully respecting the tribunal's view, the view of Family and Community Services would be that some of those decisions feel to us to be out of keeping with community expectations and most certainly out of keeping with the expectations of the neighbouring tenants. Part of the difficulty that we have is that the tribunal requires us to produce witnesses to substantiate the impact of these tenants on others, and yet many of those potential witnesses are, frankly, scared witless and simply will not come and give evidence. So this is an issue we are looking at with the Government. There is no resolution of that yet but I can say it has been a significant issue and we have had a number of recent tribunal cases that have been very disappointing for the neighbouring tenants where we have promised them that we would take action.

**Dr GEOFF LEE:** It is horrendous. It is not an issue that has popped up in the last three years; it must have been going on for 30 years or 50 years. I cannot believe that the Department cannot suggest strengthening the law or changing the legislation or the policy to kick those bums out on the street.

**Mr VEVERS:** From where I sit, we would clearly welcome the ability—

**Dr GEOFF LEE:** I deal with them; that is why. I am more than happy to champion that because I think public housing is a privilege for those who need it, not those who want to abuse it. At the moment it is not working. In some of my areas you are doing a good job at moving those naughty ones along.

**CHAIR:** If I could rephrase the essence of what Dr Lee said, it is not the first time in this Committee that members have suggested that there needs to be mutual respect from the State and those who benefit from public housing. If there was to be a recommendation suggesting that the balance was maybe not quite right—mindful of the tens of thousands of people who are waiting for public housing, and perhaps a very small minority who do not respect the benefit that they have—are there any areas in particular that you would suggest might be able to be addressed perhaps through a recommendation of this Committee along the lines of what Dr Lee was suggesting?

**Dr GEOFF LEE:** I like mine better.

**CHAIR:** I am trying to be a bit more diplomatic.

**Mr VEVERS:** If I could reinforce that this is a tiny minority of tenants, and we have the greatest respect for 99 per cent of our tenants. But the impact they bring on other tenants is massive compared to their small numbers. I think you have gone to the heart of it, that it is about the balance of considerations which needs to be taken into account when these decisions are before the tribunal. We would like to see a greater balance of consideration of the neighbours and the people who live around the tenants, as well as looking at the interests of the tenant themselves.

**CHAIR:** Are there any other areas that you might suggest? I understand that it is a policy change, but have there been any suggestions within the Department about concrete changes of a legislative nature or in a broad policy sense that the tribunal might be able to take into account? If so, you might want to take the question on notice and feed that back to the Committee.

**Mr VEVERS:** The Minister has said publicly that this is an area that she wishes to look at. We have some active work in this area but I think I would have to defer to the Minister on this.

**CHAIR:** Can we leave that as a question on notice and maybe you can provide some further information?

**Mr VEVERS:** Yes.

**Ms SKEWES:** Can I add another related impact of that, from an asset perspective? We have talked about the social consequences, the social impact on communities and neighbourhoods. The Land and Housing Corporation has estimated that we probably spend about \$10 million a year on addressing the impacts of tenant damage in properties. This is going back and repairing things, which is taking \$10 million out of our program to do things that could otherwise be put in to benefit either for new houses or addressing maintenance.

**CHAIR:** Are you talking about malicious damage?

**Ms SKEWES:** Absolutely, and the potential, as my colleague said, to get any recovery back on those costs is very minimal. It is a big cost and a real cost on the system, quite apart from the social implications for those communities and neighbourhoods. The other aspect of it is that it also impacts the amount of time that we can take to turn properties around. If you have to go back in and clean up, do a more extensive clean-up, then it is just longer that that property is being held unable to be tenanted for the benefit of another family. There are real consequences of that and they are very costly for the system.

**CHAIR:** It was suggested that the community housing sector may receive a greater percentage of properties over time. Obviously the way that the system is configured at the moment it encourages a shift to the community housing sector for reasons of Commonwealth Rental Assistance, taxation status, ability to borrow and leverage debt and all those things. The system is designed, I suppose in a sense, to push towards community housing providers and away from Housing NSW as a public housing provider. The real question underlying all those artificial-type distortions, if I can call them that, is the performance of the two sections against each other. That is an issue that the Committee will explore a little bit more in the next inquiry.

I want to put on record a personal view that rather than transfer title or properties to the community sector, is it not better to give long-term leases so that community sector providers could potentially redevelop properties? Sometimes it might be the dud-type properties they can regenerate but that would be facilitated by giving longer term leases whereas, at the moment, my understanding is the tenure is quite short in some cases. But you do not have to go to an out-and-out transfer of the whole title, in other words, lose the public asset entirely.

**Ms SKEWES:** I think these are topics of interest in the tenancy management review that we will talk about shortly. I note the Committee's interest in the topic. Just by way of background and the comment from Dr Lee in relation to the sorts of properties that might be transferred in the future, a large part of the transfer to date, as you well know, has been the Stimulus Program which was the federally funded program. To date more than 6,000 public housing properties, largely built as part of that program, have been transferred. They are all obviously new properties, properties in good condition that those community housing providers are now owning and managing.

We are in the last space of just finishing that stimulus program which is why the policy question now is very relevant. We absolutely know the value and the maturity that has occurred in that sector over the past recent years, particularly under the Stimulus. The nature of properties we should look at transferring, the nature of service delivery we are particularly interested in, so not just an asset management question about how we do it but also a question about the sorts of services and the value proposition that community housing providers can provide, so some of this gets into our next topic on tenancy.

**CHAIR:** We will not have any cross-reference between inquiries now.

**Mr BART BASSETT:** I refer to the pilot study in the Blacktown and Newcastle areas, but not to the tendering that is going on; I am staying right away from that. What changes were made between what historically has been an oversight of maintenance compared to the pilot? Is the oversight of the 30 per cent increase in maintenance that has been included in the current budget being done along the pilot lines or along the historic lines?

**Ms SKEWES:** You are picking up on one of the service delivery challenges we face currently. The Government committed this year to a bigger maintenance program to address some of the backlog issues that were well articulated in the Auditor-General's report. The program we are running to deliver that program is under the current contractor arrangements, so it is under the current terms of that contract. As I indicated, the tender process is on foot. This new contract will be in place for the following financial year. We will be delivering maintenance in the following financial year under the new contract arrangements. The challenges for us and our contractors are to ensure that we actually deliver this year's big program at the same time as transforming into a new contract. That is one of the service delivery challenges. The pilot was used to inform the tender, the tender is on foot and we will have a new contract in the second part of next year.

**Mr GREG PIPER:** As is the nature of these sorts of questions, some of mine have already been answered. Will you update the Committee on any further progress or success with the initiatives to make the best use of existing public housing, for example, the success of the vacant bedroom charge? What empirical evidence is there of the benefit of that charge to encourage under-occupying tenants to move on? What do the facts of monitoring the relocations policies and procedures show?

**Mr VEVERS:** I think the evidence is that already 500 bedrooms have been released since the vacant bedroom charge, and we are expecting another 1,200 bedrooms to be released. That is a very significant benefit to larger families on our waiting list where we do have significant numbers of families with children with disabilities who are badly in need of that larger accommodation. I think that is empirical evidence of the benefit of that charge. There are other initiatives that we are undertaking. The time it takes us to re-let a property, 28 days, is average compared to other States and Territories but we are deeply unhappy about that. We think we can do better.

Since the audit we started a project to look at turning those properties around more quickly. Some of it is about the internal monitoring systems we have of our staff and of contractors, and some of it is around really very practical issues, for example, we do lose a day or two in each re-let moving keys around. So we are starting to establish key safes on our empty properties so that contractors do not have to go to and from the office to pick up the keys. A number of practical initiatives like that will help us house more people and actually gain additional rent.

**Mr GREG PIPER:** Are the key safes on each property?

**Mr VEVERS:** On vacant properties.

**Mr GREG PIPER:** You are talking about getting housing vacancies particularly for families with young children. What are the demographics? Is it mainly a quarter-acre block, standard residential or medium residential development? Are you putting greater effort into opening free-standing residential stock?

**Mr VEVERS:** It is a mix. In the Sydney area it is often unit blocks because we have a significant number of three-bedroom units which are obviously potential for families. Outside the metropolitan area it will often be free-standing houses that we are freeing up.

**Mr JOHN WILLIAMS:** After hearing evidence given to this Committee last week by unions, I must admit I did not have a great deal of confidence in the commitment of the Department to stay in the business much longer. Obviously there are two sides to the story but indications were that generally staff were employed on a temporary basis and there seemed to be diminishing numbers of staff, insufficient staff to manage the services and deal with the customer issues, which will obviously result in poor customer satisfaction. Will you comment on that?

**CHAIR:** That evidence was given last week in relation to the Committee's other inquiry.

**Mr VEVERS:** The funding for tenancy management services has remained stable. Over the past number of years there has been no reduction in that and it has kept pace with inflation. We have 1,700 staff who

work in our housing services area. We make use of temporary arrangements in two circumstances, one, where we urgently need some staff to come on board and, second, where staff get promoted or re-assigned to another role but they own the permanent role. We use temporary staff there. We do not have any strategy to increase the number of temporary staff versus the number of permanent staff. I would take a different view from the Public Service Association on that.

**Mr JOHN WILLIAMS:** We have heard about people who have been on the waiting list for 40 years which, I think, is extraordinary. Certainly if there are long-term waiting lists, during the time they are on that waiting list their needs have varied. What was a three-bedroom accommodation then turned into a one-bedroom accommodation. Are you measuring the demand in the future in regards to adjusting your planning to meet those needs?

**Mr VEVERS:** Yes. Can I speak about the individual circumstances and then I will hand it over to my colleague on the future demand. We do regularly survey all 58,000 people on the waiting list and very much encourage them to update details of their circumstances. It certainly does sometimes happen that people who are on the general waiting list have a crisis or something which means that they then become in really very urgent need of public housing and in that case we undertake a reassessment of their needs and if they meet the criteria we put them on a separate list, which is for people who are on priority housing.

**Ms SKEWES:** In terms of the actual supply of housing, this Government's commitment to the budget in 2014-15 involves significant planning towards building up the pipeline for new stock, picking up the earlier point. So over the forward estimates period there will be about 2,500 new properties brought into the system. What we are able to do when we plan those new properties, given the need to build a pipeline, is to make adjustments to that based on the sort of demographics that are coming forward and where the priorities are. Largely the needs to date have been driven by the opportunity for small-scale redevelopment where people can be well integrated into communities.

Picking up your point about the change of people's needs, we know the demand for seniors housing is particularly a critical point. Often those people need to be particularly located well in proximity to bus services, other transport services, shopping facilities, medical facilities and the like. The pipeline that we are building on the back of the budget commitment this year will enable us to substantially start planning for that change in demographic with the amount of new supply that is coming into the system.

**CHAIR:** Do you have any comment on waiting lists in public housing compared with community housing and whether there might be somebody waiting for a long time for public housing who is not aware that they can also go on a waiting list for community service providers? Are they treated in a different way? I want to understand that dynamic.

**Mr VEVERS:** There is a single waiting list applied across the social housing system so community housing providers and the Aboriginal Housing Office all use the same waiting list. The criteria for whether one is on the general waiting list or the priority list is the same so we have one system called a 'no wrong door' system.

**CHAIR:** So there are no separate lists maintained by community housing providers and they have to use the same list. We have also heard evidence that suggests they can apply the waiting list in a different way; they have more scope to match according to properties than the public sector does. I want to probe a little bit. To what extent is there equity across all systems?

**Mr VEVERS:** Community housing providers do have their own allocations policy, so whilst they draw off the same list, they may have criteria related to their own policies which determine which people they house. At its most obvious there is a community housing provider that provides housing for women. It is an obvious example that they are going to bypass people on the list. There are other community housing providers who have different priority groups who they will service. It might be someone who is homeless, for example, so they would apply those policies as they work their way down the list.

**CHAIR:** Are you happy with the nature of how that waiting list and those policy priorities work? Are there any issues there from your perspective?

**Mr VEVERS:** No, I am happy with that. At a local level we enjoy very good relations between public housing and community housing. If you get a situation, for example, where we are relocating somebody because

we want to redevelop their property, it would be commonplace for us to have a conversation with the community housing provider and say, "This is someone who needs a particular type of accommodation. Can you help?" and very often they do.

**Dr GEOFF LEE:** You talked about the efficiency of the 28-day turnaround period, which is in line with other States, I understand. Have you looked at the efficacy of giving it to a private provider or a community sector provider to manage the whole process? If you gave it to a local real estate agent perhaps they would do it much more efficiently and faster than 28 days? Across a lot of properties it is a lot of capacity that you could generate instantly.

**Mr VEVERS:** It absolutely is. I was thinking maybe we might come to this in the next stage of your inquiry but clearly we do think that there is potentially a role for the private sector to play. There are some slightly different issues which face a public housing or any social housing provider. As my colleague mentioned, we do suffer probably disproportionately from tenant damage, which means that it is going to take longer to re-let those properties. Also, we have a system of offers of property, which is a government policy but clearly that takes more time because you give someone an offer of a property and while they are considering that offer they get 48 hours. You cannot actually offer that to somebody else, whereas in the private sector you do an open house and you take first come, first served, so that is inherently a rather more efficient process but it is dictated by government policy that says we should offer applicants a choice.

**Mr BART BASSETT:** In the private sector where private property has been managed by a real estate agent and you have regular inspections occurring you will pick up damage at an earlier stage. What is the inspection regime within the public housing sector and community housing sector?

**Mr VEVERS:** In the public housing sector we inspect all new tenancies and it is then a risk-based assessment that we carry out after that. If we get evidence or information that tells us that something is untoward in that tenancy, then we would undertake a visit but we do not visit every six months; the cost of doing that is too high. We do also make sure that we have contact with all our over sixties every six months. It is not necessarily by a visit to their property but to make sure that they are well and safe. We would be in touch with all of those every six months.

**CHAIR:** I will ask a couple more questions and we will put some on notice. The ones I am mainly deferring relate to performance measurement and monitoring and reporting; we will put on notice a series of questions around that and ask you to respond in writing. However, I will ask these questions before we move to the next inquiry. Can you report on the success of the implementation of the new compliance framework for monitoring allocation decisions?

**Mr VEVERS:** Yes. This is a probity issue that was raised in the Auditor-General's report and we now have a comprehensive system of reviewing allocation decisions. We have given each of our team leaders a target for them to audit allocation decisions and we have strengthened our own internal recording. Where someone higher up the list is bypassed, which could be for valid reasons, we now have a comprehensive reporting regime which enables us to audit against it. I think we have made some significant improvements as a result of the audit report.

**CHAIR:** In a similar vein, the Independent Commission Against Corruption found that in the past there had been some corrupt practices and it made some prevention recommendations to address potential weaknesses. What are the results of the audit of property disposal procedures and what is the Land and Housing Corporation doing in response to that audit?

**Ms SKEWES:** The Auditor-General report did highlight an action in relation to us taking another review of property disposal practices, not because of anything untoward around the current practices of the Land and Housing Corporation but inherently, with the amount of money and number of properties involved in this program, it is extensive and worthy of annual audits. We systematically do this every 18 months. We audit our property disposal program. One of the things that we have done as a consequence of the review just undertaken is that we have redefined some of the administrative processes of how we determine and assess properties ready for sales and disposals as a consequence of the asset management work we were doing. We have had an independent assessment done. That has helped us do some administrative improvements and recognises the Auditor-General's interest in this topic. We will continue to do annual audits of our sales disposal processes.

**CHAIR:** I am conscious of the time. Are there any comments from the Audit Office or particular issues that you want to highlight in the context of "Making the Best Use of Public Housing" report that have not been addressed? There are questions on notice that I have foreshadowed around performance measurement and reporting in a number of areas.

**Mr HEHIR:** Can I ask a question?

**CHAIR:** Yes.

**Mr HEHIR:** It is with respect to recommendation 1 (b) of the report, which talks about reviewing the funding arrangements for long-term planning purposes. The recommendation has been accepted and is now noted as being completed because funding flows were agreed for the next four years. Is the implication of that that the long-term planning for asset management maintenance and service delivery has been based upon the funding flow for the next four years and is the underlying assumption that that is going to continue?

**Ms SKEWES:** If I can comment on that: the recommendation related to only the funding flows between Family and Community Services [FACS] and the Land and Housing Corporation. Land and Housing Corporation's substantial income is from rental, with balance of proceeds from asset sales and a small proportion of the funding we receive is a FACS grant. This particular recommendation related to agreement on the FACS allocation for the forward years. That will be renewed every year as we determine ongoing requirements but the funding flow component here—we have a forward program and an asset planning-town planning approach strategy that goes much longer than the four-year time frame. This relates to only one particular aspect of a very small amount of money relatively that we receive from FACS itself. At the time this piece of work was done because of the separation of the entities there was some lack of clarity about that forward funding agreement. Indeed, at the time of the separation of the entities it was only an annual agreement for that particular year, so now it has been locked in over the forward estimates and it will be reviewed on an annual basis.

**CHAIR:** Are there any other questions or comments from the Audit Office?

**Mr HEHIR:** No.

**CHAIR:** Are there any final comments that NSW Housing would like to make in relation to this inquiry?

**Ms SKEWES:** No.

**CHAIR:** In that case we will close the proceedings as it relates to the review of the New South Wales Auditor-General's reports, in particular, the most recent focus on making the best use of public housing. Officers of the Audit Office will be leaving to carry out their other productive work and we thank them very much for not only attending today and adding to the value of our inquiry but for all the work they have done in relation to the reports we have looked at today.

**(The witnesses withdrew)**

**(Short adjournment)**