

**REPORT ON PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTS COMMITTEE**

**EXAMINATION OF AUDITOR-GENERAL'S PERFORMANCE AUDIT  
REPORTS AUGUST 2018 - JANUARY 2019**

**At Macquarie Room, Parliament House, Sydney on Monday 27 July 2020**

**The Committee met at 1:07**

**PRESENT**

Mr Greg Piper (Chair)

Ms Tanya Davies (Deputy Chair)

Mr Lee Evans

Mr Ryan Park

**PRESENT VIA TELECONFERENCE**

Mr Justin Clancy



**The CHAIR:** I shall now declare open the performance audit hearings. Good afternoon and thank you for attending this public hearing being held as part of the Public Accounts Committee follow-up of the Auditor-General's performance audits. Today we will be taking evidence relating to selected performance audits from August 2018 to January 2019. My name is Greg Piper. I am the committee Chair and member for Lake Macquarie. With me today are my colleagues the Deputy Chair and member for Mulgoa, Mrs Tanya Davies; the member for Heathcote, Mr Lee Evans; the member for Keira, Mr Ryan Park; and the member for Albury, Mr Justin Clancy, who is with us remotely by teleconference. We do have an apology from the member for North Shore, Mrs Felicity Wilson.

Before we commence I wish to acknowledge the Gadigal people, who are the traditional custodians of the land on which we meet here at Parliament. I also pay my respects to elders past and present of the Eora nation and extend that respect to other Aboriginal and Torres Strait Islander people, who are either present or viewing the proceedings on the internet. I ask everyone to switch off their mobile phones as they can interfere with the Hansard recording equipment.

I now declare the hearing open and welcome the Auditor-General, Ms Margaret Crawford, and the Assistant Auditor-General, Ms Claudia Migotto, from the Audit Office of NSW, who will be with us for the entire hearing to provide additional information as required. I also welcome our first witnesses from the Department of Communities and Justice, Mr Paul Vevers and Mrs Wilma Falcone. Thank you for appearing before the Public Accounts Committee today to give evidence.

**MARGARET CRAWFORD**, Auditor-General, Audit Office of NSW, affirmed and examined

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

**WILMA FALCONE**, Director of Housing Statewide Services, Department of Communities and Justice, sworn and examined

**PAUL VEVERS**, Deputy Secretary, Housing, Disability and District Services, Department of Communities and Justice, sworn and examined

**The CHAIR:** Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses.

**Mr VEVERS:** Yes, we have.

**Mrs FALCONE:** Yes.

**The CHAIR:** Do you have any questions about this information?

**Mr VEVERS:** No.

**Mrs FALCONE:** No.

**The CHAIR:** Would one of you like to make an opening statement?

**Mr VEVERS:** Thank you, Mr Piper. Firstly, I will just briefly say we were pleased to have this audit. Antisocial behaviour is a difficult area for us to manage. It is of great concern to our public housing tenants and it is very useful to have an external review and recommendations as to how we can improve. We have implemented all of the recommendations that the Audit Office made and we continue to refine the antisocial behaviour policy. Overall, the data shows that it is an effective policy. Prior to this policy we had no policy for antisocial behaviour. Its effectiveness is perhaps most marked by the fact that warnings and first strikes prove effective for most of our tenants, so of the people who get a first strike, only 5 per cent actually end up with a third strike, which puts their tenancy at risk. We do see that policy as being effective. The policy also does enjoy enormous support from our tenants. We did a survey two years ago that demonstrated that of our tenants who know about the policy, 91 per cent of them do support it. Nevertheless, we have made a number of improvements and, particularly as no doubt will come out in our evidence, invested very heavily in training our staff. Thank you.

**The CHAIR:** I note, as I am sure all members who are here today understand, the difficulty that people from your office and Housing have in dealing with antisocial behaviour. We certainly appreciate the complexity and difficulty in dealing with that. In your opening statement you have touched on some of the matters that we will be inquiring into and therefore please accept that there will be some implication in that. My first question is in relation to recommendation 1. The audit recommended that the department should address the functional problems with the information management system, HOMES ASB—antisocial behaviour—to ensure that housing staff can use the system to record and manage antisocial behaviour. Have the functional problems with HOMES ASB been improved or remediated, including linking multiple complaints about the same incident, providing detailed text notes about investigations and outcomes including the severity of antisocial incidents, improving the timeout function and addressing information losses including updated information to close a process?

**Mr VEVERS:** Yes. The antisocial behaviour modules of the HOMES system have been upgraded more than once since the audit. In particular, the timeout function which was the source of a great deal of frustration for our staff, has been removed completely. That function delayed the completion of an investigation by 24 hours. It was introduced because a number of stakeholders said they thought there needed to be a control so that our staff did not issue a strike notice in the heat of the moment. There was no evidence that our staff had ever done that and all it did was cause and a lot of frustration, both to people who were complaining and to our staff. We have removed that feature completely, which will assist in a speedier resolution of complaints. I will ask Mrs Falcone in a minute to talk about some of the detailed upgrades, but the thing that we have focused on, which was a very significant part of the audit, was the training of our staff in the system. We have actually now trained in the system 1,172 staff since the audit, to make absolutely sure that our staff know how to operate the system. But the other part of the training that we have undertaken is a broader training in relation to how you work with people with complex needs.

Prior to 2018 there was no mandatory qualification to work in housing at all. We decided in 2018 to introduce a process of the individual assessment of every single staff member who works directly with the public and we assessed them against 15 competency criteria including dealing with antisocial behaviour and working with people with complex needs. If staff failed that assessment they were put on a mandatory training course and

if they still failed it they had to complete the training course again until they passed. We now have all of our permanent staff who joined more than two years ago certified to Certificate IV level. So it is the first time that we have had the whole housing staff and new people joining going through a comprehensive training process. So it is training in the system but also training in the way in which you work with people with complex needs. But I might ask my colleague Ms Falcone to talk about the technical changes we made to our home system.

**Mrs FALCONE:** What we did, we have actually implemented the Homes, which is our data system where we collect all the information, and all aspects of antisocial behaviour can be captured, monitored and tracked. We have got policies and operational procedures which are very clear for staff. The training that Mr Vevers has mentioned is also available to any staff who need a refresher—they may want to re-watch the training. All of our new staff go through an induction process where antisocial behaviour is emphasised, but all the system updates guide our staff through the process. So as they are entering the incidences of antisocial behaviour it actually guides them to the next phase and what they need to do in that process. It is a very detailed process; it enables staff to draw up reports where they can see what has been raised, where it is up to, what is due, what needs to be entered, who the next approving stage goes to. So it is very detailed and all the changes have been implemented and really well accepted by our staff as well.

**The CHAIR:** Following on and talking about the data that you are actually collecting, and obviously to a high standard now, what is the data showing and is the nature and extent of antisocial behaviour improving within your guidelines?

**Mr VEVERS:** The data is showing a similar pattern that warnings are effective and so are first strikes. There is a small decrease in the total number of reports of antisocial behaviour. In 2018-19 there were 1,866 reports and up to May of this year 1,400. So if we aggregate that up to a full year there is probably something like a 10 per cent decrease in the total number of reports of antisocial behaviour. It is quite hard to know whether that is due to the antisocial behaviour policy or whether it is due to other things that we have done. For example, in our biggest source of antisocial behaviour reports are the public housing complexes that we have in Redfern, Waterloo and Surry Hills, which together account for around about 4,000 tenancies.

We have also introduced security concierges in each of the high-rise blocks there, which have also had a major impact on antisocial behaviour and, at the same time, we have continued, actually for the last four years, to do joint operations with the police local area commands to target people who are arriving at those premises—not tenants; they are people coming from outside, sometimes dealing in drugs, sometimes break and enter. So we have had a successful number of operations with the police. But the most important trend to us is that once people get a warning or a first strike they do not proceed to get a second and third strike. So if I take the 2018-19 year, 248 people got a first strike and 16 got a third strike and that to us indicates that the system is working in sending, if you like, a sort of wake-up signal to our tenants that if they continue to behave in this way, if they continue to cause often a great deal of distress to their neighbours that they do put their tenancy at risk.

By and large that message has been heard. That is where we think we have been our most effective and the audit did confirm that serious illegal behaviour, the audit did say, was well managed in public housing and we think we continue to manage that well. We are very robust about illegal behaviour in public housing. If someone is dealing in drugs or they are receiving stolen goods or they have firearms, which are the most common offences, we seek a termination order. We do not always get it but we do get enough and in many cases those tenants just leave. They accept we are going to take them into the tribunal; we are highly likely to be successful. So, particularly for tenants in public housing complexes, the feedback that we get about the reduction in illegal behaviour is very positive.

**Mr RYAN PARK:** I have got one that interests me both locally and I have heard this around, Mr Vevers. Can you just explain your memorandum of understanding with the police initially and just tell us how that operates first-up? I then want to go into that a little bit more.

**Mr VEVERS:** Yes, certainly. At the moment the way that it operates is that the police can request of us basic information initially, they can call our 24-hour contact centre and they can receive information about the occupants of a household and names and ages. So they can get basic information of that nature. If they want more full information they have to make a more formal request to us. In reverse, we also have the right to be able to ask the police under that memorandum of understanding [MOU] have there been call-outs or any other information relating to antisocial behaviour and it is probably the most common way that we investigate antisocial behaviour; aside from interviewing neighbours, we ask the police has there been a call-out and they will provide us that information.

**Mr RYAN PARK:** So do you think the MOU allows for—I will just put up a case—good exchange of information between the police and Housing in a proactive way, not a reactive way, so not when Ryan Park has already done the wrong thing, so to speak? Is there a proactive discussion about—

**Mr VEVERS:** In our local districts we do liaise with the police about a general community. For example, we are right now in the process of working very closely with the police in Wagga Wagga where there have been a number of reports of antisocial behaviour, and we are working together; we have set up a small council, as it is called, of organisations to look at how we can proactively tackle antisocial behaviour. We are more guarded about where information relates to an individual because obviously there are privacy issues there. So I think in that proactive sense it works well. From the police's point of view it is not quick enough. Where the police particularly are looking for a missing person the process can be slow. We are in the middle right now of working out how we can get the police immediate responses on information they need if they are seeking to track a missing person.

**Mr RYAN PARK:** Are domestic violence offences included as a part of the strikes?

**Mr VEVERS:** It can be. In the main it is not. If we are working with a victim of a domestic violence incident the first thing we would seek to do is get the perpetrator removed from the household and if necessary we would offer accommodation to that perpetrator to get them out or we would offer to move to relocate the victim of the domestic violence, whichever of those was appropriate. But we never use a strike for someone who is a victim of domestic violence.

**Mr RYAN PARK:** What about a perpetrator?

**Mr VEVERS:** We would for a perpetrator, with police evidence. Yes, we would.

**Mr RYAN PARK:** How often does that happen?

**Mr VEVERS:** I would have to take that on notice. I do not have that figure to hand but mostly what happens is the perpetrator just moves out—most of the time.

**Mr RYAN PARK:** But they can definitely be, under the strikes, a perpetrator of domestic violence. A perpetrator of an act—obviously, not the victim—can definitely be a part of the strike?

**Mr VEVERS:** Yes, totally.

**Mr RYAN PARK:** Has it been used before?

**Mr VEVERS:** Yes.

**Mr JUSTIN CLANCY:** Mr Vevers and Mrs Falcone, I will go back to the Chair's original question. At the local level we get anecdotal reports that residents feel that sometimes the three-strike policy is utilised to—the length of time to progress through the strikes can be a concern and that the antisocial behaviour continues on for a period of time and is only curbed later as it draws nearer to the third strike, so there is an extensive period. That is anecdotal. Is that raised at all at your level? Do you have visibility on whether or not that is founded?

**Mr VEVERS:** I think there is some truth that it can take time to go through the process. It is a balance between natural justice and wanting to go as quickly as possible to get a resolution for neighbours who are suffering from antisocial behaviour. In each case we would carry out an investigation and then reach a conclusion from that investigation. That can take around about a month at times to get that information back from the police, interview neighbours and then a person also has a right to appeal a strike notice as well. We are trying to speed that process up and the training of our staff and the removal of some barriers to that. So we have changed our process.

In 2019 we introduced a new system where we wanted to encourage tenants to seek support services when they were perpetrating antisocial behaviour. So we introduced a system where, if they sought out a support service within 14 days, they would get a warning and not go straight to a strike. What actually happened is the vast majority of our tenants said, "I neither need nor want a support service. I've got the message. I've understood about antisocial behaviour." That added another two weeks to the process because we had to wait 14 days for the tenants to refer themselves to a support service or not. It did not work—it was a well-intended pilot exercise. It did not work because our tenants did not want to take up support services, so we have now reverted back to the system of not waiting 14 days to see if someone refers themselves to a support service. That will save two weeks off every instance. So, we will try, Mr Clancy, to work as quickly as we can to get through the strike process because we understand how miserable it can make neighbours' lives when antisocial behaviour continues.

**Mr JUSTIN CLANCY:** With regard to recommendation 5, and from a regional perspective, I am also interested in the suggestion or the indication that low numbers of recorded antisocial behaviour incidents may in part be due to lack of suitable staff to report and manage the incidents. How can the department be assured that the ASB is being managed in reasonable and remote areas where housing staff provide an intermittent outreach service?

**Mr VEVERS:** Yes, so the training that we have provided now to all of our staff does mean that all staff can deal with antisocial behaviour. Previously only some specialist staff dealt with it, so that has changed. Secondly, we undertook what we term a "resource allocation review" following the audit of the staffing across the whole State and I am satisfied that the staffing in our regional areas is equitable. We actually staff at a lower ratio of tenants to staff in regional areas. In metropolitan areas an average client service officer has around about 400 tenancies to manage. In regional areas it is between 250 and 300. So it is significantly less in recognition of the greater travel that those staff have to undertake.

So I am satisfied about that and, actually, in the Riverina we are undertaking a pilot of some additional resources for our staff on a pilot basis. We have actually doubled the number of client service staff in the Riverina in an attempt to try to deal more quickly with antisocial behaviour, in particular, to try to help tenants to sustain their tenancies. So that pilot is continuing at the moment and at the end, which will be at the end of this current financial year, we will evaluate it to see what difference it has made.

**Mr JUSTIN CLANCY:** That is good to hear.

**Mr LEE EVANS:** Following on from the member for Kiera's line of inquiry, in circumstances where somebody is given the last rites, so to speak, and they are thrown out, what happens to them from there? Do they move to a private rental or do they have some assistance to clean up their act?

**Mr VEVERS:** We will never see someone thrown out onto the streets if that is humanly possible to avoid. We always offer people immediate temporary accommodation if they are actually evicted from a public housing premises. We also do offer them financial assistance to go into the private rental market. Mostly what actually happens is that people who are in that situation have to take lower-end properties in the private market. We will provide them with assistance with advance rent and we will provide them with a zero-interest loan so they can secure a bond on a property. So we will help them then establish a tenancy. But I would be lying if I said that they go into really good private-sector accommodation. What they get is often very much on the low end.

**Mr LEE EVANS:** Because some of these people, particularly in my area, have mental illness on top of a drug or alcohol addiction. They are already in a bad place. I would hate the State to be throwing them to the wolves in the private rental market without giving them some sort of support. Often in these circumstances they do not want to accept it but if someone has one or two layers of issues, private rental is going to be the worst outcome.

**Mr VEVERS:** Yes, I should have prefaced that by saying: Where people have mental health conditions we do treat them quite differently. So we would quite often move that person. Quite often relations with the neighbours have got to a stage where it is just not sustainable for them to remain there. The tension between neighbours is just too great and the neighbours have often been quite understanding but there is a limit to how far they can be understanding. The most common strategy that we adopt there is we give someone a fresh start and we move them.

In public housing we do come across people a fair bit who—we would call it a mental health condition—are hoarding and moving them is often the only way you can get over this because they will not or are not capable of making their house safe by removing some of the goods. So we work with mental health services to say, "Okay, we are going to give you a new place, you are going to have to control how much of your goods you actually bring in to that new place", and it gives us an opportunity to have a fresh start, but certainly we would seek to do anything to avoid just evicting somebody with a mental health problem. Even if they will not accept the help initially, we would be pretty persistent.

**The CHAIR:** We are running out of time, but we have a little bit of flexibility, so I am going to ask the Deputy Chair if she has a question.

**Mrs TANYA DAVIES:** In relation to recommendation 2, the department collects data and reports on data of antisocial behaviour of a serious or severe level. I want to know whether you also collect data on minor or moderate levels of antisocial behaviour, and if you do—you are nodding your heads—what is the reporting on that level of antisocial behaviour showing you?

**Mr VEVERS:** Yes, we collect all of that data and we publish it. We have a dashboard that is publicly available and is updated—

**Mrs FALCONE:** Every six months.

**Mr VEVERS:** —every six months. So it has actually just been updated for the six months to June. That shows how many warnings, strikes one, two or three, how many serious antisocial behaviour cases and how many severe illegal behaviour cases, and it shows that as a trend in time as well.

**Mrs TANYA DAVIES:** What is the trend showing us?

**Mr VEVERS:** The trend is showing that there has been something of an increase in severe illegal actions that we have taken. In 2018-19 there were 120 of those, and in 2019-20 there were 140, so about a 13 to 14 per cent increase in severe illegal actions, but something of a small decrease in antisocial behaviour reports overall, and therefore a small decrease in the number of investigations. We do not think that the severe illegal number necessarily means there has been an increase in illegal behaviour in public housing; we think it is because, as we have done so much training of our staff, they have been better able to pick up these cases and pursue them.

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

**Mr VEVERS:** Yes.

**Mrs FALCONE:** Yes.

**The CHAIR:** I will check that the Auditor-General is satisfied.

**Ms CRAWFORD:** Thank you, Chair. I think it is a very fulsome report back.

**The CHAIR:** Can I say that this is a very fraught area, a very difficult area, and I am sure that often it seems quite thankless. I assure you it is not. Members of Parliament appreciate—from your positions right through to those on the front line—all the help you are giving in public housing. I thank you for what you do.

**Mr VEVERS:** Thank you very much.

**(The witnesses withdrew.)**



**SIMON KEVIN DRAPER**, Chief Executive, Infrastructure NSW, affirmed and examined

**AMY LOUISE BROWN**, Deputy Secretary, Strategy and Delivery, Department of Premier and Cabinet, sworn and examined

**The CHAIR:** Welcome to the Public Accounts Committee hearing to review the Audit Office recommendations. Mr Park will be departing just after 2 p.m. so if you could be aware that Mr Park makes his apology; he has to attend to other business. I formally welcome representatives from Infrastructure NSW and the Department of Premier and Cabinet. Thank you for appearing before the Public Accounts Committee today. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**Ms BROWN:** Confirmed.

**Mr DRAPER:** I have, yes.

**The CHAIR:** I acknowledge that has been confirmed. Do you have any questions about this information?

**Ms BROWN:** No.

**Mr DRAPER:** No, thanks.

**The CHAIR:** Would one of you like to make a brief introductory statement?

**Ms BROWN:** I am happy to. Thank you so much for the opportunity to be here today. I am very pleased that the audit found that the process for assuring the price was value for money in the context of the unsolicited proposal and that the Department of Premier and Cabinet's record keeping appropriately recorded decisions about the proposal. I would like to inform the Committee that the Department of Premier and Cabinet [DPC] has accepted six of the eight recommendations made by the Auditor-General. I am happy to go into more detail about that in due course. The Department of Premier and Cabinet is committed to the continuous improvement of the unsolicited proposal [USP] process and, in particular, we have taken the recommendations to make improvements to the briefing process for assessment panels, steering committees and lead agencies to ensure they have a full understanding of the requirements of the USP guidelines.

**The CHAIR:** Thank you for that opening statement. This is a relatively complex issue and there are some value judgements. I think the Audit Office is trying to make sure that there is a structure that decisions can be well tested against. We will, I am sure, not get through all the questions that members would like to ask, but I should start the proceedings in relation to recommendation 1, which sought to require strong evidence to decide that both the proponent and proposal are the only ones of their kind that could meet the Government's objective and, secondly, give thorough consideration to any reasonable counter-arguments against uniqueness.

The department's response indicates that briefings were given to Department of Premier and Cabinet staff to emphasise the need for strong evidence base and counterarguments when considering proposals to acquire government business or assets. In the cover letter the department mentions that a strong evidence base presented to the assessment panel and steering committee provided compelling reasons to conclude that the proposal was unique. What evidence was provided to the assessment panel to make the determination that the proposal was unique? Could the proposal just as readily have been delivered by other competitors?

**Mr DRAPER:** The reason we are sort of bantering between ourselves is because Ms Brown has current responsibility but I was there at the time.

**The CHAIR:** That is appreciated. Thank you.

**Mr DRAPER:** In some cases I may have some information. I think you have to start with the understanding that this unsolicited proposal arose out of the failure to complete a global competitive tender that had been taking place for Ausgrid up to that point. That had been running for about 18 months. Indeed we had previously completed the sale of Transgrid just prior to that so we were quite experienced at that time in those transactions. That transaction did not complete because, as I am sure the Committee knows, it required approval by the Foreign Investment Review Board—actually, by the Federal Treasurer. The Treasurer declined to give that consent for the two parties that were there at the end that were bidding were both foreign entities. Albeit that both parties owned electricity distribution assets and gas distribution assets in Australia the Treasurer at the time declined to consent so that was quite unexpected, I have to say, because those parties already had assets in Australia.

That created a degree of adverse environment to proceed with a competitive process any further. There was an increasingly adverse environment for any foreign owner to have any level of control in Ausgrid. The scale of the transaction was another contributing factor. As the Auditor-General's report sets out, the final enterprise value that was settled for Ausgrid was \$20.7 billion. That is one of the biggest transactions that would have taken place up to that time and there were just not that many parties available to contemplate such a large transaction. Having a fair degree of confidence—and I can expand on this because I think the Auditor-General's report goes into this issue—we were very, very confident that no foreign entity would be allowed to own Ausgrid and we also equally confident that there were very, very few—in fact, only one party in Australia, a domestic party—that would be capable of completing that transaction.

I should say there were a number of these which we might think of as domestic or Australian, but those that were considering security matters did not regard them necessarily as domestic parties. The adverse position of the Commonwealth Government in permitting foreign buyers to own Ausgrid, the scale of the transaction and the worsening environment for that transaction to take place made it very clear to us that there was only really one option on the table. To be absolutely honest, had that transaction not proceeded the way it did, those who were inside the tent and trying to complete the transaction and get the best value for money for New South Wales taxpayers were deeply pessimistic that we could achieve good value for money for New South Wales.

**The CHAIR:** That goes to a follow-on question I have regarding the urgency of the process. Was this the prime driver? This did not follow the regular tender process, of course. Was there a level of urgency? This is what you are referring to there. Is that the key driver?

**Mr DRAPER:** Yes. As I said, maybe it did go through a proper tender process—a very, very involved tender process.

**The CHAIR:** Regular was the word.

**Mr DRAPER:** Sorry?

**The CHAIR:** Regular.

**Mr DRAPER:** It went through a regular process. It went to tender through 2015-16. We got to the point of we could almost award a contract for sale.

**The CHAIR:** Sure.

**Mr DRAPER:** But we were not allowed to do it by the Federal Treasurer. Certainly the Auditor-General's report raises the point about speed. There is a recommendation that the pace of completing a transaction alone should not be a reason for undertaking an unsolicited proposal. The was not the case here. It was not that just by some preference we wanted to have it done sooner rather than later. The concern was that we had entered a very adverse environment for selling the asset and that that was likely to get worse over time. As it turns out, that has vindicated by the actions that the Commonwealth Government has taken since that time, introducing a number of pieces of legislation to restrict control of that what is now known as critical infrastructure and that includes all electricity distribution assets, foreign interference laws and all the rest of it. Sitting here today the idea that we would be able to sell that asset to any sort of foreign entity, I just do not believe that that would be possible. It is an even worse environment today than at the time that the Treasurer declined to provide those approvals.

**The CHAIR:** Ms Brown, does the Department of Premier and Cabinet have plans to revise the unsolicited proposals guide to incorporate the intentions of recommendation 1? I note that you indicated the acceptance of six of the eight.

**Ms BROWN:** Yes.

**The CHAIR:** This is a component of recommendation 1.

**Ms BROWN:** It is. Interestingly, to the question that you just asked, the USPs guide already envisages that speed in and of itself is not the sole justification for uniqueness but may be used with a combination of other factors to justify a proposal going ahead. As Mr Draper said, that includes things like not requiring FIRB approval, having the relevant size to be able to take on the amount of debt and equity required for the transaction, and the value for money benchmark that was met by virtue of the fact that we had already run a process and so we had a benchmark to go off.

But with respect to recommendation 1, because it is around essentially making assessment panels and those involved in USPs aware of what they should be considering, this is predominantly being put into effect by more thorough briefings. These are internal documents and briefing sessions that are used to emphasise the need for the strong evidence base and considering counterarguments when considering a proposal and making sure that everything that is already in the USP guide is considered. We are always looking, as I said, for continuous

improvement of how unsolicited proposals can be done clearer, better and more transparently. I believe that when it comes time to do a further update of the unsolicited proposals guide, when Government has the appetite to do so, we may make these briefings sessions more explicit in the guide.

**The CHAIR:** I note that the member for Albury is also with us, which is not evident. He is remote from the border country. I will check with Mr Clancy if he has any questions he would like to raise at this point. If not, we can come back to him.

**Mr JUSTIN CLANCY:** Thanks, Chair. I want to ask one question. Obviously we have spoken about the other aspect which contributed to it being a unique proposal. I understand that. You also talked about foreign investment. The one question I do have is that the Auditor-General suggested there was evidence indicating that the Australian Treasury was working on solutions to allow foreign investment. In that sense, that may have been in process. Can I ask you to respond to that, please?

**Mr DRAPER:** Yes. Look, I think the Auditor-General's statement is accurate. FIRB sits within Treasury, or it did at the time. I am not sure if they have had any changes since then. But when they say that they were working at it, they were certainly engaged in discussions. They were trying to be helpful but we were selling an asset that turned out to have an enterprise value of \$20.7 billion and we were asking those buyers to take up 51 per cent of the equity in the asset and we were asking them to take on all the debt associated with that asset. I do not want to go into it too much because it is deliberations of another government, but the information that we were getting back was that the types of structures that they would consider even remotely acceptable would be completely incompatible with the idea of selling that asset. Anyone who is spending that much money wants to be able to influence the operations of the company and the types of structures that were getting proposed to us just simply would not have worked in terms of selling the asset in the way that was being envisaged.

**Mr JUSTIN CLANCY:** Thank you.

**The CHAIR:** I turn to Mr Park, who will be leaving us very shortly.

**Mr RYAN PARK:** Just on recommendation 5, I am interested in what is supportive about that and what you have done to ensure that you do not communicate an acceptable price to the proponent before the negotiation stage of the process and then only as part of the documented bargaining strategy. Can you talk me through that?

**Ms BROWN:** Timing and communication of price?

**Mr RYAN PARK:** Yes.

**Ms BROWN:** Yes, that is right. As per the USP guide, the negotiation strategy needs to be prepared by the public servants undertaking the task of negotiating the unsolicited proposal. This strategy may include providing an early indication of acceptable return on investment and other requirements to be achieved by the proponent and that would include price. We have emphasised to lead agencies the importance of the negotiation plan documenting the strategy regarding the timing of communication to proponent and, where we do communicate to proponent on price specifically, making sure that we emphasise the justification for doing so and clearly document that justification for doing so. There is no blanket position that we would disclose acceptable price to proponents, but where it is justified in line with our overall strategy for getting the best value for money outcome for the State, we would do so but make sure that we clearly document and that it is already in line with our aforementioned strategy.

**Mr RYAN PARK:** And is that what happened here?

**Mr DRAPER:** I would say yes, it did.

**Mr RYAN PARK:** So they knew the price essentially?

**Mr DRAPER:** No, no. Just to step back, we had been through a competitive process. In fact, we had been through two. I think we probably knew the value of these assets better than—I am not being arrogant, but New South Wales knew the value of these assets better than anyone in the world because we had been through two global competitive processes. We had a benchmark price and I would say that is the gold standard for getting a benchmark. We had an unsolicited proposal where the proponent came forward with a price. Before we went any further in dealings with that unsolicited proposal, we needed to be sure that they would be able to meet expectations about what we now had on the table, which was, as I said, the gold standard benchmark price out of a competitive process. The only way to achieve value for money was to get them to confirm that they would match that price.

That is what the Treasury Secretary at the time put to them, that he would only support it going any further if they could match that price. They came back and, as the Auditor-General's report sets out, they confirmed fairly quickly that yes, they would match that price in order to proceed to the next stage of the unsolicited proposal.

I suppose the alternative would have been that we kept going negotiating on the price that they had offered us, knowing that we would never accept it and, because we had a benchmark, in fact if we had accepted it, we would be sitting here today and I have no doubt that the Committee would be asking us: "Why did you accept a price lower than you had received through a competitive tender process?"

**Mrs TANYA DAVIES:** I have a question in relation to implementing some of the recommendations in ongoing policies and the unsolicited proposals guide. Have you, or do you intend to make amendments to the guide's internal policies to implement recommendations 4 and 5? If you have not done so, will you do so?

**Ms BROWN:** In terms of internal policies and internal workings, that has already occurred, yes. In terms of public-facing documents including the USP guide, that would be a matter for government to determine that it wished to update its policy.

**The CHAIR:** Are there any further questions at this stage?

**Mr JUSTIN CLANCY:** No, thank you, Chair.

**The CHAIR:** I have a question in relation to recommendation 7, an auditable trail documentation relating to the negotiation process. The department accepted the recommendation, noting it would improve record-keeping to ensure compliance and consider any future update of the unsolicited proposals guide that may be beneficial for clarifying requirements for documentation. How does the department intend to improve record-keeping to adequately meet the intentions of recommendation 7?

**Ms BROWN:** Very similarly to the other answers and a lot of these are around robust processes and understanding of requirements. They follow a similar theme where a lot of our sureties are around briefings to lead agencies are requiring that all activities and decision-making is documented. Also, as I said before, DPC will consider in future an update of the USP guide, whether it may be beneficial to just provide a bit more detail of the requirements of that documentation. But a lot of it at this point is internal meetings and discussions and documents.

**The CHAIR:** I note the departure of Mr Park and thank him for giving his time. Ms Brown, you had completed your answer, had you not?

**Ms BROWN:** Correct.

**The CHAIR:** At this stage, could I look to the Audit Office and the Auditor-General and say that this is a very significant audit. Ms Crawford, would you like to make further comments?

**Ms CRAWFORD:** Sure. Thank you, Chair. Without a doubt this was an incredibly complex, large, high-profile transaction. From an audit perspective, what we are looking for from any unsolicited proposal is really strict adherence to the laid-out policy and process. It is very easy to say, "Look, we got a great outcome, hence why are you fussed?" But for unsolicited proposals, because of their nature, they are not transparent like an open tender. Adherence to the process is absolutely critical and so that really, I think, is the debate and the discussion around this particular audit. Regardless of the \$27 billion or whatever it was—

**Mr DRAPER:** It was \$20.7 billion, yes.

**Ms CRAWFORD:** That is right. Regardless of that, was this a properly conducted unsolicited proposal? I think that is where the debate lands. Ms Migotto, on the specifics, do you want to add anything?

**Ms MIGOTTO:** I might just add a couple of points of emphasis from the report. I think the report does acknowledge that there was a high degree of pessimism at the time that a viable foreign or domestic bidder would come forward and offer another bid for the asset. Mr Draper has gone over some of the issues with the Foreign Investment Review Board. As we noted in the report, Treasury was working on solutions at the time to try to progress is solution. We could not, at the time of the audit, see too much of how that negotiation or the discussion process was playing out. But importantly the State at the time in documentation was contemplating the possibility that an acceptable foreign bid may emerge. There was not total pessimism about that possibility and while no consortia had formed, parties did tell the financial advisers that they were in discussions with potential partners about forming consortia to come forward with another possible bid.

Issues that we also considered were that publicly the Premier and Treasurer had noted that there was, contemporaneous with the negotiation process, strong market interest for the valuable asset. It was a process of balance for us, trying to determine the viability of the possibility of another consortium or bidder coming forward. In our review of the evidence, we could not at all rule out that possibility categorically.

**The CHAIR:** With that, you do not want to thump the table about any particular point that was of most concern; I think generally you are talking about the general process?

**Ms BROWN:** Yes, the process, that is right, and uniqueness is fundamental to an unsolicited proposal. So establishing that as the first hurdle is the first hurdle that you have to get past and that is really where the debate is.

**Mr DRAPER:** I sort of agree in a way with what the Auditor-General or the Audit Office is saying. There is a lot of judgement required in this, first in establishing uniqueness and then while there were lots of people talking and lots of jawboning, I would call it, both on the vendor side and on our side, we were trying to keep alive the idea that yes we had a competitive potential because to do otherwise would have been contrary to the value of the asset and sometimes a bit of talk is cheap from potential buyers as well. In the end we had to make a judgement about whether the Commonwealth Government would ever approve a structure to allow any foreign investor, whether they were from any country frankly—and that is what the trade Minister had been out there publicly saying; this is not to do with which country they come from, this is any foreign investor—we had to make a reasoned judgement on whether that was ever likely to happen and our judgement was that it was not.

But I can understand why the Audit Office, not sitting there at the time and looking for written evidence, might say "I can't see that necessarily", and I think the standard of evidence, the idea—I think the word was "categorically" and in the report you cannot rule out the possibility that something might have emerged. That is just the standard of certainty that we cannot really live up to in almost any policy-making; we do not even use that really to put people in prison, we use reasonable doubt as a measure of level of certainty. So we could not categorically ever rule out the possibility, but I think we had a very well-reasoned basis for believing that no other buyer would emerge and, as I say, I think events over that time have borne that out, that really there was no prospect of a foreign buyer being able to buy the level of control in the asset that they were seeking to buy.

**Mrs TANYA DAVIES:** In relation to determining uniqueness, what categories do you explore in order to identify a unique offering versus a non-unique? For example, at the moment the world is in a global pandemic, so this is a rather unique situation that we are faced with. If something were to come to government under this set of circumstances I am sure the fact that we are in a global pandemic would feed into the consideration or evaluation of what is unique or not. What other categories, what other experts do you gather to enable you to make a determination that this in fact a unique proposal?

**Mr DRAPER:** Are you talking about Ausgrid or are you talking about something else?

**Ms BROWN:** Or more broadly?

**Mrs TANYA DAVIES:** Just more broadly around the policy that you operate under.

**Ms BROWN:** The broad position, as I usually explain it, is that a proponent brings something to government—an initiative or an idea or a proposition—and they are the only party who is able to deliver on that. As a starting point, often proponents have an ownership right over a piece of land or a revenue stream or something that means that really only they can deliver what is being proposed and there have been some successful unsolicited proposals in the past that have been along those lines. As Mr Draper said, this one is a little bit—I do not want to use the word "definitive" but that is the sentiment.

It is actually a combination of factors that has led to uniqueness, including speed of transaction in the sense that there was quite a short window of time where that competitive tension was there before the market sort of started to really understand the restraints of the FIRB. Therefore, the competitive tension or the kind of value of the asset in the eyes of the market started to deteriorate, but then also the unlikelihood of getting a positive FIRB determination and a domestic player being able to carry the size of debt and equity that is required for this, so it was one that really did require a combination. That is often more difficult to put on paper and be articulated in a way that can never be objected to or debated with, but that was the case here.

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

**Mr DRAPER:** Yes.

**Ms BROWN:** Of course.

**The CHAIR:** Thank you. That concludes your evidence on this topic.

**(The witnesses withdrew.)**

**(Short adjournment)**

**ANNA MARIA ZYCKI**, Director, Hunter Region, Regional and Outer Metropolitan, Transport for NSW, affirmed and examined

**MARTIN STUART OATEN**, Head of Investment, Economics and Assurance, Transport for NSW, affirmed and examined

**STEVE AEBI**, Project Leader, Hunter and Central Coast Development Corporation, affirmed and examined

**The CHAIR:** I welcome representatives from Transport for NSW and the Hunter and Central Coast Development Corporation. Thank you for appearing before the Public Accounts Committee today. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**Mr AEBI:** Yes.

**Ms ZYCKI:** Yes.

**Mr OATEN:** We have.

**The CHAIR:** Do you have any questions about this information?

**Mr AEBI:** No.

**Ms ZYCKI:** No.

**Mr OATEN:** No.

**The CHAIR:** Would one of you like to make a brief opening statement before the commencement of questions?

**Mr OATEN:** Yes, I will. Thank you very much for that opportunity. Good afternoon, Committee. Transport for NSW welcomes the opportunity to discuss the implementation of recommendations as a result of the Auditor-General report *Newcastle Urban Transformation and Transport Program*. The Newcastle Urban Transformation and Transport Program is revitalising the Newcastle city centre. The program is led by the Hunter and Central Coast Development Corporation with Transport for NSW delivering the transport components. Since the Auditor-General published the report in December 2018, Transport for NSW has been working consistently to ensure the recommendations of the report were implemented.

In late 2019 the Secretary for Transport for NSW wrote to this Committee to note that the recommendations 5 and 6, relating to implementation of benefits realisation plan and focusing on heritage items, are directed to the Hunter and Central Coast Development Corporation, whilst recommendations 1 to 4 are for all New South Wales Government agencies. Transport for NSW's responses to recommendations 1 to 4 are from its perspective only and not on behalf of other New South Wales Government agencies.

I am pleased to report to the Committee that Transport for NSW has implemented all recommendations in accordance with the Auditor's report. Our actions include ensuring all major projects delivered by Transport are delivered in accordance with the Treasury's NSW Gateway Policy. We have updated the organisation's business case development guidance, improved our consultation processes so that stakeholders are listened to prior to the decisions being made and, through better communication, addressed whole-of-government oversight on major projects. We welcome your questions today on the implementation of the recommendations. Thank you.

**The CHAIR:** Thank you. The Committee members who are with me and from whom you will be receiving questions are the Deputy Chair, Ms Tanya Davies; the member for Albury, Mr Justin Clancy; and the member for Heathcote, Mr Lee Evans. Mr Ryan Park, who was present earlier, has left. Assisting the Committee today with additional commentary, if needed, is the Auditor-General, Ms Margaret Crawford and the Assistant Auditor-General, Claudia Migotto. I note that recommendations 1 to 4 relate to Transport for NSW and not other agencies. The audit did not assess whether the urban renewal program had achieved its social and economic objectives as none of the projects at the time had been completed. Now that these projects are complete, have the objectives in the original business case been achieved and what is your evidence for this?

**Ms ZYCKI:** I will kick off. I might go over to Mr Aebi, as well.

**Mr AEBI:** Yes, sure.

**Ms ZYCKI:** The overall objectives of the business case and of the project in general were very much focused around urban amenity outcomes. Overall it is one of those things where we are seeing the transformation of Newcastle. Having been a long-term resident of Newcastle, you see that on a daily basis as there is uptake in

that community and improved public amenity but also improved public transport in that area. I might now hand over to my colleague Mr Aebi who will talk a little bit more around the more urban and social outcomes.

**Mr AEBI:** Thank you, Ms Zycki. What I might do first is give an anecdotal overview and then I can answer your question in more detail. Being a Novocastrian, I can totally say that Newcastle is being transformed as a result of Government's investment in the city. I can say that the program is delivering upon all of its stated objectives. We are bringing people back into the city centre. We have connected the city to the waterfront. We are helping grow new jobs in the city centre. We have created new places linked to new transport. We continue to do so. We have created economically sustainable public domain and community assets, and we are preserving and enhancing heritage and culture.

**The CHAIR:** Did you use the term "economically sustainable public domain"?

**Mr AEBI:** Correct.

**The CHAIR:** Will you please expand on that?

**Mr AEBI:** Yes. That was a specific objective that we had and that was tested through community engagement, and over and above just providing public domain the intention was to provide economically sustainable public domain, that being public domain that is designed in collaboration with the City of Newcastle, being the ultimate landowner, making sure that there is a landowner who can maintain the public domain that is delivered and that they can maintain it in a state that it was delivered to them in, so maintaining the quality of that public domain.

**The CHAIR:** Is that mainly in relation to the heavy rail corridor, the former rail station and those elements there? Is that to do with the private investment that has gone in there, leaseholds et cetera that have been organised, I guess, through City of Newcastle Council in particular?

**Mr AEBI:** The urban transformation program is specifically related to the transport components and then also the repurposing of the heavy rail corridor. The heavy rail corridor is divided into areas that were available for private investment and also areas that were intended to be dedicated to Newcastle city council. The public domain that is being provided is not funded, in an ongoing sense, by the sale of land on the corridor, no The design was designed in accordance with council guidelines and in collaboration with council to ensure that they have the ability to be able to maintain it.

**The CHAIR:** Okay, that is fair enough. Further on that particular track, the audit report recommended that for future infrastructure programs New South Wales Government agencies should establish whole-of-government oversight early in the program to guide major decisions. Do you have any comment in relation to that particular recommendation from the Auditor?

**Mr OATEN:** Yes, I will lead off with that one. In the original business case, as part of the business case guidance requirements, projects are required to identify from an early stage the stakeholders involved in the project and also how they are going to interact with them and also how they are going to manage the issues that arise as a result of that consultation and engagement. As the project works its way through its development process through refinements and improvements to the business case, more detail is put on the bone of that stakeholder plan and engagement activity. And through the business case the initial stakeholder plans were identified and it was worked out how the governance would work with all the relevant stakeholders being involved. Mr Aebi or Ms Zycki, would you like to add a bit more to how the project has actually gone with that?

**Ms ZYCKI:** Yes, and I might flick to Mr Aebi after that. Yes, certainly in terms of the way we develop business cases and the way we consult with key stakeholders, as a regional director within Transport for NSW, one of the key parts of my role is to actually work with other stakeholders such as local councils and the NSW Department of Planning, Industry and Environment and other community groups to ensure that we get the right inputs into our business cases. And we do a lot of scoping very early on in our processes to identify who those parties might be so that we get a really collaborative approach around how we work on projects, particularly recognising that transport projects are not just about transport. They are about the urban environment in which they operate and we need to ensure that all of those other parts of a project are brought together with an appropriate governance model to ensure that there is oversight to get the right objectives and to deliver on the outcomes we are trying to achieve. I might just hand over to Mr Aebi to talk about this project.

**Mr AEBI:** I think that was a good summary. The next step then is the implementation phase, and that is really where my role came in. Having a clear governance structure, having a clear multi-agency steering committee, absolutely made the implementation of the program much easier. I think there was much more collaboration between the various agencies to get a good outcome. There was also what is called the Newcastle Urban Transformation steering group, which also brought in Newcastle council, and over that implementation

phase having that steering group with the council on board did really foster greater collaboration between our organisations, and I think our relationship at the end of the program was much stronger than it was towards the beginning of the program as a result of that.

**The CHAIR:** Mr Oaten, in the response from Transport for NSW to recommendations 1 (a) and (b), which relate to the provision of advice and accuracy of cost estimates, it was indicated that a refresh of internal Transport for NSW business case policy and business case guide and templates was scheduled to be completed by March 2020. Has that been completed in line with the recommendations and, if so, can that be provided to the Committee?

**Mr OATEN:** Yes, the transport cluster business case guidelines have been updated. That has been a body of work that has been happening over the last nine to twelve months. There has been a lot of consultation, both across the cluster, across government, particularly with interested agencies such as Treasury, Infrastructure NSW and the like, as well as industry to understand what a better set of templates would look like. Historically as a cluster—as you probably know, Transport is going through a major organisational review at the moment with the bringing together of all the different agencies under one roof.

Previously the individual components of those organisations had their own separate business case guidance documentation, so one of the drivers for this body of work was to bring all of that together to ensure that we had one set of guidance for the whole cluster effectively, so every business case that we do from now on will have the same look and feel, and the guidance we provide to project teams is consistent. The documentation is completed and is just undergoing its final executive sign-off, so it has been ready now for a couple of months, I suppose, and we have released draft interim documentation out to industry and to project teams so that they can begin to use this guidance, so I do not think there is any problem at all in terms of sharing the documentation. The intent is that once it is signed-off through our secretary it will be on our website and publicly available for everybody to see and use.

**Mrs TANYA DAVIES:** I thank everyone for coming to the Committee hearing. I have a question that may be directed to Mr Aebi. By March 2019 the Hunter and Central Coast Development Corporation should have updated and implemented the program benefits realisation plan—this is recommendation 5—which should include setting measurable targets for the desired benefits, clearly allocating ownership for achieving the desired benefits, monitoring progress towards achieving desired benefits and reporting publicly on the results. Can you provide an update to the Committee if this has been delivered, and have there been any changes in your realisation plan following the audit that had been conducted?

**Mr AEBI:** Yes, in March 2019 Hunter and Central Coast Development Corporation implemented an updated benefits realisation plan in response to the audit. That involved reviewing any changes in the scope since the program inception. We analysed demographic and land use changes, recent development approvals and also changes in the property and land values. We also assessed changes in the economic outlook and investor confidence as evidenced by demographic, land use and property market. We also assessed the degree to which the outcomes and the benefits envisaged as part of the business cases for the program had been realised at that time and we prepared an updated benefits realisation plan, which captured the benefits and the outcomes that were not fully realised. The analysis was undertaken prior to the commencement of light rail services, so there were a number of findings and they were outlined in the response that we gave in March 2019, but there had been some changes to the scope and also some changes to the costs. Do you want me to go through the findings of the report or are you happy to know that it was done?

**Mrs TANYA DAVIES:** No, we do not have time for that, but you just mentioned some changes to the costs. Could you elaborate on that?

**Mr AEBI:** Yes, the costs were outlined in the Auditor-General's report, as written in the report.

**Mrs TANYA DAVIES:** What was the final cost of the program and the light rail project?

**Mr AEBI:** I would have to have a look at the Auditor-General's report. I do not have that number off the top of my head.

**Mr JUSTIN CLANCY:** Just to follow on from that question and the mention of the benefit capture to occur in 2020, can you give an update in terms of that further benefit capture?

**Mr AEBI:** The benefits realisation plan is a live document and will have ongoing monitoring. There are 24 key benefit measures. At the moment the next round of benefit capture was scheduled to occur in 2020. At this stage we are delaying that because of COVID-19 because some of those measures are related to pedestrian or cycle movements, traffic movements and fare box collection of the light rail as well, which would be heavily impacted as a result of COVID-19 at the moment, so the cost of undertaking that study, and also some of the



measures are proposed to be captured through census data and the census will be undertaken in 2021, so at this stage we are looking at deferring the next round of monitoring until 2021.

**Mr JUSTIN CLANCY:** I understand, thank you.

**Mr LEE EVANS:** I would like to congratulate all involved in the project in Newcastle; it has actually transformed that city into a modern city that will go forward from strength to strength. My question is along the same lines as Mr Clancy's. Obviously COVID-19 would have impacted heavily on the rental of properties and leasing arrangements. How heavily has it impacted as far as taking up leases and utilising assets?

**Mr AEBI:** I can only talk anecdotally because I do not have any of the data to date. To date I think people are concerned, but I have not seen a softening of the market as yet. This is not on the rail corridor but is part of the Honeysuckle land which is adjacent to the corridor that the Hunter and Central Coast Development manage, the former Lee Wharf A building, which is a building on the foreshore, we took to market and over the COVID period we have negotiated with proponents, and last week we announced that Hope Estate, who is a Hunter Valley operator, has taken on a 50-year lease on that site for tourism-related purposes.

That is just one example of someone who is willing to see the future beyond. There is another development at 35 Honeysuckle Drive, which is a residential apartment block. I am not sure of the number, but I would guess around 89 apartments and 1100 sqm of retail. That is starting construction in the next two weeks. And GWH, a developer who purchased a piece of land on the rail corridor to deliver 8,000 square metres of commercial space, advised last week that they will commence construction in the next two weeks. So there is still construction happening. There are still cranes in the sky. There will be an impact but I think that Newcastle is more resilient than it has ever been.

**Mr LEE EVANS:** Certainly. I think the ongoing work that will be available through the developments will obviously help the city recover from COVID. Well done.

**Ms MIGOTTO:** Could I just answer Ms Davies' earlier question about the cost?

**The CHAIR:** You can.

**Ms MIGOTTO:** The initial announced cost was \$220 million but with the addition of the Light Rail that brought the total cost to \$693 million but that was at March 2017. We do not have an updated total project cost at this time because we have not continued to audit that total cost.

**The CHAIR:** The figure you have at this point is \$693 million, with the inclusion of Light Rail?

**Ms MIGOTTO:** Yes, that is right.

**The CHAIR:** Which was significantly more expensive due to the decision to go down Hunter Street which then freed up land on the heavy rail corridor for those other sales that you are referencing. I imagine it would be interesting to see what would have happened otherwise. It is probably an academic exercise that we will not dwell on here. Thank you for that additional information.

**Mr LEE EVANS:** No further questions.

**The CHAIR:** I will check with the Auditor-General.

**Mrs TANYA DAVIES:** When was the last update in terms of the cost of this project? Was it March 2017?

**Ms MIGOTTO:** That was the costing that we had at the time of the report and that was at March 2017.

**Mrs TANYA DAVIES:** Are any of the witnesses able to provide any further update as it has been more than three years now? Is there an update on the actual cost of the project and the realisation of it in terms of whether it is economic activity that has increased percentage wise, reduced unemployment, number of shops that are under lease that were not under lease prior, to give a reflection of the tangible measurement in relation to the actual cost of this project?

**Mr OATEN:** I do not have the actual number here, unless anybody else does?

**Ms ZYCKI:** No.

**Mr OATEN:** We can provide that. I suppose in terms of the economic impacts of the project, since it has only been open from the beginning of this year, and the timing with COVID in terms of its impacts it would be delayed to some degree because of the COVID issue and the downturn in activity in the CBD as a result of people staying at home more than they would otherwise have done. The impacts on employment, densification which were foreseen in the business case, and calculated in the business case, it will probably take a bit longer to

realise fully than we would otherwise have thought. As Steven said, there is still new development activity occurring in the city as a result of this change and the revitalisation so the project is beginning to find its legs in terms of realising those benefits but it is still pretty early days.

Normally we assess projects in terms of whether they met their objectives and the benefits over a period of time, usually three to six months initially after opening and then these things obviously take a bit of time to ramp up as, first, people adjust their travel patterns as a result of the change in transport service provision and also the economic impact in the CBD of the change in accessibility and obviously the freeing up of land for more urban development. We would expect to see more change going forward and, as Steve said, we are going to manage and monitor that on an ongoing basis.

**Mrs TANYA DAVIES:** I think all communities are grappling with the COVID-19 pandemic, particularly small businesses. How do we respond to it? How do we stay in business? Perhaps Steve could explore and inform the Committee of ways and means that you are working with all the stakeholders to help businesses navigate these conditions. We certainly would not want to see this incredible, amazing investment not really come to fruition because of the global pandemic; that there are ways and means we can be creative, innovative, collaborative to help businesses and support them through these times. Are you able to expand perhaps in the last couple of months what other stakeholders may be doing in that region to assist businesses get through these times?

**Mr AEBI:** All I can say is that that scope of work is outside the scope of the Newcastle Urban Transformation Program. There are business groups that are in Newcastle. Our role from the program perspective is to bring more people and more jobs into the city. By having more people and more jobs ultimately that will provide retail strength. When we have a look at the results of what is being delivered compared to what was in the business case we know that we are delivering more residential apartments than what was assumed, more commercial space than what was assumed. One of the largest components, and probably the one that I was most proud of, was being able to bring Newcastle university into the city as well. So its construction of stage 1 has commenced and is underway now. That campus will ultimately educate some 4,000 students and will have 850 ongoing jobs which are in the construction phase. The university is estimating that it will generate 2,500 construction job. That is over and above what was originally estimated in the business case.

**Ms MIGOTTO:** Can I just add a bit of clarity to that because the report did question some of those assumptions about the contribution of the Light Rail to, particularly only the university? It did find that the university's new building in the city centre was being planned before the announcement of the Light Rail. So I think that the issue that we are trying to, kind of, draw out here is the need for that regress benefits realisation reporting which is, you know, around the recommendation in the report for, as Ms Davies said, such a significant investment. The report did find that some of the benefits or the achieved benefits had been overstated at the time of writing as well.

**The CHAIR:** You can respond if you would like.

**Mr OATEN:** I suppose one of the challenges with business case always is fairly constrained in terms of the scope it is particularly looking at. A project of this nature is more challenging than maybe a normal transport focussed project. This obviously has a broader set of objectives and unpacking and unpicking and attributing all the benefits in terms of increased economic activity is challenging to attribute because there is not just this project, other things have happened in the meantime and other investments have been made and they all contribute to achieve some of these economic outcomes. So the business case obviously made a case that it would generate a certain number of benefits at the time. It did go through an independent assurance process as organised by Infrastructure NSW being the gateway coordination agency for this project and it did get through that process and the economic analysis was part of that review and was found to be robust at the time. I accept the point in that the benefit attribution solely to this project is challenging because there are a number of moving parts and other projects have also happened during that same period.

**The CHAIR:** I would agree, can I just say, as somebody from the general area of Newcastle and having watched it. Much of the evidence in the success or otherwise has to be anecdotal at the moment because it is really hard to make any objective assessment of its success. I would say it would be very hard for anyone not to acknowledge, if you look at it purely as a public transport exercise, it is extremely expensive and not one that you would normally undertake in that way. However, I do agree that it is integrated with other outcomes that were said to be achieved and therefore it does have to be looked as a much bigger project. As a stand-alone public transport project I think many people would like to have that sort of money spent in other ways. However, it was never just about public transport, it was an integrated project and I do recognise that. I just ask Ms Crawford if she has anything else that she would like to touch on?

**Ms CRAWFORD:** Thank you, Chair. I think you just summarised the situation really. Our report did acknowledge the urban renewal projects associated with the use of the former railway land but did treat it as really a cost-benefit analysis and did question the investment: such a large amount of public money being invested in the light rail component without necessarily clear evidence of the benefits that flowed from that.

**The CHAIR:** We can take that as needing no further response because we have covered those particular issues. I will ask in the broad if there is anything else that you would like to advise the Public Accounts Committee of or have we dealt adequately with the issues today?

**Mr OATEN:** Yes, I think we have covered it. I suppose one closing comment in the sense of the business case process and the way this project was assessed. The business case for this project was completed in late 2014.

**Ms CRAWFORD:** A lot changed.

**Mr OATEN:** And a lot has changed since then, particularly in terms of how we now treat projects of that sort. One of the big features of our new guidance and policy is in a sense to look much more holistically at how transport and land use projects are assessed. There is quite a bit of guidance in the new documentation about place making and the value of place making, which previously probably was not covered as strongly. I suppose if a project like this came up again we would probably make a much stronger case for it than at the time that this project was done, even though, having said that, it did go through the normal external, independent review process and addressed the issues that arose at the time.

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

**Ms ZYCKI:** Yes.

**Mr OATEN:** Yes, we would.

**The CHAIR:** Thank you. That brings your evidence to a conclusion. Ms Zycki, I did not mention Hillsborough Road once.

**Ms ZYCKI:** You can mention it next time we catch up.

**The CHAIR:** Okay. Thank you very much.

**(The witnesses withdrew.)**

**ALISON JANE FRAME**, Group Deputy Secretary, Housing and Property, Department of Planning, Industry and Environment, sworn and examined

**The CHAIR:** Thank you for appearing before the Public Accounts Committee today in relation to property asset utilisation. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**Ms FRAME:** Yes, I can confirm that.

**The CHAIR:** Thank you. Do you have any questions about this information?

**Ms FRAME:** No.

**The CHAIR:** Ms Frame, would you like to make a brief introductory statement?

**Ms FRAME:** Yes, thank you, I would. In the 18 months since the Audit Office released the performance audit of property asset utilisations, Property NSW has performed strongly against the seven recommendations. Recommendations 1 to 5 have all been actioned and are key elements of the Strategic Land and Property Framework, which was endorsed by government in November 2019. Property NSW continues to work closely with other agencies, using the new Strategic Land and Property Framework and its associated governance arrangements, to deliver a strategic whole-of-government approach to real property assets and maximise underutilised government land for community benefit.

Recommendation six to include customer satisfaction measures in annual reports has been implemented and is considered closed. Significant progress has been made against recommendation 7 and Property NSW is working to improve its record-keeping and compliance with the State Records Act as part of the planning, industry and environment cluster. The Strategic Land and Property Framework is a significant shift in the utilisation of government-owned land and I look forward to reporting back to the Committee in the future on the impact of the framework and its application. Thank you.

**The CHAIR:** Thank you for that. Your introductory statement may have covered some of the areas which we will be inquiring into, so please bear with us as we may wish to ask those questions for the record anyway. I shall lead off in relation to recommendation one. I think you indicated that recommendations 1 to 5 have been agreed.

**Ms FRAME:** That is correct, yes.

**The CHAIR:** This is in relation to recommendation 1. The department's response indicated that the various government agencies were due to complete the review of their respective portfolios and that the Housing and Property Group has developed a strategy to collect data across the Government's real property portfolios. The issue of a comprehensive government property register has been raised in previous audits going back over 30 years. The Committee notes that the new strategy intends to collect data across all the Government's real property portfolios. Do the Department of Planning, Industry and Environment [DPIE] and/or the Housing and Property Group [HPG] have plans to develop and maintain a comprehensive and up-to-date register of both owned and leased government property?

**Ms FRAME:** The answer is yes, and it is a continuing task to improve—a constant improvement task—the accuracy and veracity of the data in the government property register, but we have made significant advances and we continue to do so.

**The CHAIR:** Just on that, the department's response noted that the formation of the Housing and Property Group, HPG, within the department strongly aligns with the audit report's recommendations. Could you provide more information about how the creation of the HPG has helped leverage opportunities to optimise land management outcomes?

**Ms FRAME:** Certainly. Thank you for the question. The creation of the Housing and Property Group, in bringing together housing and property agencies in one group for the first time, has enabled a more strategic view to be taken of all government-owned property, and that is broader than just Property NSW as well because it is obviously Crown lands and the NSW Land and Housing Corporation. What we have effectively done through the creation of the group and then through the formation of the strategic land and property framework, which is a Government policy and approach endorsed by the Government in November last year, is shift from a more transactional view of property to a strategic focus that is driven by Government imperatives and requirements.

In implementing that approach we work with agencies in a far more collaborative way and leveraging an imperative from the Government to consider all government-owned land in a place-based approach that is precinct

driven and consider which land is being utilised, what different uses could be applied to government-owned land and really taking a whole-of-government lens that has not been facilitated by previous departmental and governance arrangements.

**The CHAIR:** Have there been any impediments, as in pushback, from any of those agencies that were predominant in land and property ownership or management in the past? Are all of those agencies comfortable with the new arrangements?

**Ms FRAME:** That is a very perceptive question. You would appreciate that agencies do have their own imperatives and particularly when they have an asset sales target that they have to realise and they rely on use of their land to meet some of their own imperatives. So it is very accurate to assess that they have their own interests to consider. But we have worked in a way to try to leverage that and demonstrate to the Government that we can further the interests of agencies themselves as well as create more value for the taxpayer through a strategic use of land in a way that does not compromise the agency's ownership and access to compensation for use of their own land.

That is how we have been able to, so far, bring agencies on board, and it is fair to say that all agencies are supportive of this strategic approach at the moment and they are anticipating that their incentives will still continue to flow to them through their collaboration and support and the strategic framework. So there has been a very pragmatic recognition of the incentives that need to apply to make anything work at a whole-of-government level and we have attempted to integrate that into the way the framework operates. I look forward to bringing you further updates when there is more practical demonstration of how it is working but at the moment it is supported by agencies and they are very actively participating in the governance committee at the deputy secretary level, which I chair, and then there is a portfolio board of secretaries that Jim Betts chairs as the Secretary of DPIE.

**The CHAIR:** Thank you for that.

**Mr LEE EVANS:** I have two questions. The first question is about the amount of time Crown lands takes to determine Aboriginal claims. I will give you an example. A police station in my electorate was built in 1888. They want to build a new police station next door. It has been bogged down for four years with Aboriginal claims. My understanding is that Aboriginal claims came in in 1995 and that anything prior to that is not claimable. Is that correct?

**Ms FRAME:** The land rights Act was 1983. If I could take that on notice, I will have to get more detail on any policy change that might have occurred in 1995?

**Mr LEE EVANS:** It might be 1993.

**Ms FRAME:** Okay, so 1983 was when the land rights Act was enacted in New South Wales which enabled land councils to lodge claims for Crown land that was not being used for an essential public purpose.

**Mr LEE EVANS:** So 1888 would overbear that. There was a police station there in 1888. It has always been a police station. It has never stopped. Just to clarify: Is that claimable? I am confused because it has been bogged down now for four years in Aboriginal claims on Crown lands.

**Ms FRAME:** I am happy to look into the specifics of that for you. I do not want to misinform you but my understanding would be that if Crown lands remained in use for an essential public purpose throughout, and that was never interrupted in any way, it would not be eligible to be subject to a claim. But there may be something unique. There is always complexities, as you know, with land use. I would have to look into that situation further.

**Mr LEE EVANS:** Yes, and I can give you that information. It is just the fact that my electorate has a lot of these situations. I think, from the Audit Office, there is a 20-year backlog in Aboriginal claims. I am looking at the gentlemen at the back of the room whose colleagues are doing without a police station because it is bogged down with an Aboriginal claim which I do not think they can make. They are not looking at it because they know they cannot claim it so there is a stalemate. No-one is actioning it. The police have been trying to go to the land council and say, "Can we get this okayed?" And the council is saying, "There is no need to," but they need a tick-off from the land council to move on with planning the new police station.

**Ms FRAME:** Right, okay. I am happy to look into the specifics.

**Mr LEE EVANS:** It is a bit of a mouse wheel. That is all I am saying. It is bogging down a lot of updates to police stations and all this sort of stuff. The original 1888 police station that they are going to renovate was originally a courthouse, a police station and a jail. They want to put a police station behind it and that is where the claim comes in. I will move on. I apologise for that. It has been a frustration of mine for the last 10 years. Recommendation 5 indicates that by December 2019 Property NSW should: Document and communicate to

stakeholders how it has assessment criteria inform key decisions including agency relocations, lease renewals and rectifying underutilisation.

The department's response notes that the upgrade of Property NSW's Leased Accommodation Request system, the LAR system, will provide more detail on the decision-making process and leasing transaction. The upgrade of the schedule was in March 2020. Obviously with COVID that may not have occurred.

**Ms FRAME:** I might just check on that for you. The Leased Accommodation Request system—the LAR system you refer to—has been implemented and is working in conjunction with the customer relationship management [CRM] system you have always heard reference to. So the CRM system is working alongside the Leased Accommodation Request system to improve the exchange of information. Every time an agency wishes to enter into a new lease or make a variation they are required to submit a form online into the Leased Accommodation Request system. Details required with that system include information on the number of staff in the premises, the use of the space, the utilisation and the strategy behind the request and the Leased Accommodation Request is then formally approved in accordance with the delegations for Property NSW. That process is working to better manage utilisation to ensure that benchmarks are met for new leases. That is the information I have available to me on the Leased Accommodation Request system.

**Mr LEE EVANS:** That answers the question. Thank you.

**Mr JUSTIN CLANCY:** I will continue with recommendation 3. I note there is a webpage providing information about the number and value of property assets. I am particularly interested in the number and value of under-utilised properties. Does the website include information on that? From a regional perspective, I am also interested in the approach to under-utilised properties in a regional context. Do you have information on whether the website speaks to under-utilised properties and how often the website is updated?

**Ms FRAME:** Yes, thank you. The website does not, at the moment, have that readily available information on under-utilised land. It is something we are working very avidly to deliver. It follows on from the strategic land and property framework approach, the new strategic approach but also something that the Government, and driven by Minister Pavey who is the Minister for Property NSW, is very keen to see that information available to all stakeholders at the moment in a climate when we are looking for land to be utilised for economic activity. And the Government is certainly wanting to push and fast-track initiatives to put that under-utilised land on the website and make it available so that potential proponents can see where land might be able to be used and can bring forward opportunities for development of that land and to stimulate economic activity.

It is something that is subject to very urgent attention to improve the information that is available on the website. I do not have an exact time frame for you as to when it would be made available, but what we are intending is that we will continue to improve the depth and breadth of information about that. We are anticipating that in September we would have more information available on property and make that publicly available, so that the proponents and anyone in the community could see where the Government might be contemplating use of land that was not otherwise subject to a government use. But we will continue to build on that functionality and just add to it and expand its application going forward.

**Mr JUSTIN CLANCY:** Thank you, and I would certainly commend that aspect of the project. With regards to the functionality, will the website there from the back-end automatically load so that you are not having to do the task of updating the website? Will it automatically reflect what is happening in the background?

**Ms FRAME:** My understanding is that it will get to that point, but it will not be doing that in September immediately. It will be a minimum functionality that will be delivered in the first instance, but we certainly intend that it would get to automatic updates and it would be attached to the ePlanning database of land across all of New South Wales. We are obviously working closely with ePlanning colleagues. I was responsible for that program when I was in the planning department, so we are ensuring that those connections are very strong. That is the goal, to connect to have automatic updates available and to make sure it is the one source of truth and the cadastre that is being used for ePlanning information would be the reference point.

**Mr JUSTIN CLANCY:** Thank you.

**The CHAIR:** Ms Frame, I want to refer to recommendation 4, which once again falls within those five that are effectively uncontested. The recommendation was that by December 2019 Property NSW should improve the data held on government-owned and leased properties by combining and automating data feeds to construct a single, consolidated and accurate whole-of-government property dataset. The department's response states that the Government Property Register is an accurate and up-to-date record of all government properties; however, the project has been delayed. First, I want to ask: Why was it delayed and what is the delay? What is the progress of

the project? How does the Government Property Register address the deficiencies outlined in the performance audit report?

**Ms FRAME:** Thank you. The Government Property Register, as I said, exists and always has existed, but it has over 300,000 properties in it and, as I said, is subject to continuous improvement and improving the quality of that information. We are working to integrate the Government Property Register with ValNet systems, which is the Government's valuation system, to ensure that the information available on the Government Property Register is going to be more informed and up-to-date with regard to valuations. That update will be completed by August 2020. We are also working with agencies to further update information in the Government Property Register and expand the data-sharing and integration. That is currently a manual process; however, automation is expected to be implemented by September 2020, so that is two months away.

You pointed out that there has been some slippage in terms of the time frames that we stipulated in which that would be completed. There is no compelling reason for that other than that there is a range of property imperatives we have been juggling. We had an urgent requirement around lease information on our systems as well that required urgent attention, so there was another very serious priority around the integrity of our data. Further, obviously COVID forced remote working, so some projects have been subject to some slippage. But we are still on track for delivery of that functionality that you referenced by September 2020.

**The CHAIR:** Thank you for that. Could I ask you just to comment on recommendation 7, which was by December 2019 Property NSW should improve record-keeping and compliance with State Records Act 1998 and the Department of Finance, Services and Innovation records management policy? Could you advise me of what action has been taken in relation to that?

**Ms FRAME:** Yes, certainly, thank you. As I said at the outset, that is the one that is still outstanding and still very much a work in progress. I can confirm that Property NSW, as an entity that was moved into the Housing and Property group last March, has had and continues to have a functioning records management system. Staff are trained in its use and use that system proficiently. The challenge with implementing this recommendation is that this system is not integrated into broader DPIE systems such that there is not one single records management system across the newly created department. That is subject to ongoing work, headed by the corporate area in DPIE. They will use one of the existing platforms in the department and extend the applicability of that platform across the whole of DPIE to ensure that there is one consistent records management system across the whole of DPIE. But I want to provide the assurance that with regard to that recommendation that Property NSW has not been compromised in any way in its own records management system and the way that that is operating.

**The CHAIR:** Thank you. I ask Ms Crawford if she has any comments.

**Ms CRAWFORD:** Thank you, Chair. Subject to any specific matters Ms Migotto would like to raise, I think that that has been a very considered and thorough response to the audit findings. It is an incredibly big job, the management of all of those properties. I acknowledge that and I thank Ms Frame for the focus that she is giving it.

**Ms FRAME:** Thank you.

**The CHAIR:** Ms Migotto?

**Ms MIGOTTO:** Nothing further, thank you.

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

**Ms FRAME:** Certainly.

**The CHAIR:** Thank you very much. That concludes your evidence.

**(The witness withdrew.)**

**DAVID WILLIAM HUDSON, APM**, Deputy Commissioner, Investigations and Counter Terrorism, NSW Police Force, sworn and examined

**SCOTT COOK, APM**, Assistant Commissioner and Commander, Police Prosecutions and Licensing Enforcement, NSW Police Force, sworn and examined

**The CHAIR:** I welcome Deputy Commissioner David Hudson, APM, and Assistant Commissioner Scott Cook, APM, to the hearing of the Public Accounts Committee. Thank you for appearing before us today. Can you confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

**Deputy Commissioner HUDSON:** Yes, that is correct.

**The CHAIR:** Do you have any questions about this information?

**Deputy Commissioner HUDSON:** No, sir.

**Assistant Commissioner COOK:** No, sir.

**The CHAIR:** For Hansard, could you please state in what capacity you are appearing before the Committee?

**Deputy Commissioner HUDSON:** I am Deputy Commissioner, currently in charge of Investigations and Counter Terrorism. That consists of five commands. One of those commands Mr Cook, to my right, commands and the Firearms Registry sits under his command.

**Assistant Commissioner COOK:** I am an Assistant Commissioner of Police. I am the Commander of the Police Prosecutions and Licensing Enforcement command, which includes a number of commands as well as the Firearms Registry.

**The CHAIR:** Would one of you wish to make a brief opening statement before the commencement of questions?

**Deputy Commissioner HUDSON:** Very briefly, sir. Obviously we welcomed the audit report last year. It made some very sensible suggestions in relation to a pathway forward for the Firearms Registry and the management of firearms within this State. We have accepted those recommendations, apart from one, which we are working towards a solution on as well, and we are well progressed along the pathway to implementing the recommendations.

**The CHAIR:** Thank you. I think you have stated that you agreed to all of the recommendations but one?

**Deputy Commissioner HUDSON:** Yes, that is correct. There was one that the Commissioner disagreed with in his response, which was tabled as part of the report, and that related to the storage or documentation in relation to the storage and checking of pistols at pistol clubs.

**The CHAIR:** Yes, in relation to the shared responsibility between the clubs and the police, the view was that the clubs had a role?

**Deputy Commissioner HUDSON:** That was our view. However, we are working towards a solution in relation to a technological solution to that, and the permit to acquire in relation to obtaining a pistol does include now a field where that has to be documented and included in our events, which are loaded on to the system.

**The CHAIR:** Deputy Commissioner, as we go through some of these questions, please forgive the Committee if we are asking questions that you believe you have already answered.

**Deputy Commissioner HUDSON:** That is okay.

**The CHAIR:** For the record, it is an important part of the process. Could I refer to recommendation 1, which was that the police force should improve the integrity of its firearms data by urgently addressing registry backlogs and updating incorrect information. The audit report found that the registry discontinued data cleansing programs used to identify and rectify data errors. Are there plans for the NSW Police Force to employ other forms of data cleansing programs or to reinstate the previously used data cleansing programs?

**Deputy Commissioner HUDSON:** I will let Assistant Commissioner Cook further answer this question, but we do implement daily and weekly cleansing processes in relation to new applications so that applications that are received have data that is accurate with the database and, if not, then that is processed. The actual number



of entries into the register documented on the Integrated Licensing System [ILS] would preclude a cradle to grave cleansing of all data in there, bearing in mind that the system has been in operation for over 20 years and there are over 100,000 transactions on that register each year of new acquisitions, new licences and renewals of licences that come into that process. We do have a process in place for new applications and new processes, but I will let Mr Cook further answer that question.

**Assistant Commissioner COOK:** Thank you, sir. The registry now validates data at every transaction, new transaction and renewal transaction. That is one of the first steps that has now been put in place to rectify problems with data. They run a weekly duplicate identity report, which seeks to make sure that we are not doubling up on identities, a weekly RTA reject report where it does not match with the RTA database, a daily address report to check addresses provided online processes are matching up with existing data, and a weekly reapplication error report to run and pick up errors on licences due for renewal. Fundamental to all of our improvements, we are also investing heavily in the digital transformation project, which essentially is a replacement for the ILS over time and we anticipate that that will also produce by exception any data errors that we will be able to remedy. So there is a lot going on in terms of cleansing the data that is held by the registry. As the Deputy said, there is a very large amount of data there and we are doing everything that is reasonably possible to rectify the problems associated with it.

**The CHAIR:** I imagine that my next question has been somewhat answered by that, but it is in relation to the audit report noting that the register is based on outdated technology and relies on manual data entry by licence holders or registry staff and can be prone to error. Is this what you are alluding to?

**Deputy Commissioner HUDSON:** Yes, it is, sir. It is a very old system which leverages off old technology. We are implementing in a staged approach, the first stage of which is currently under trial in relation to dealers licences, a new system utilising the latest technology and we expect, if the trial of dealers licences is successful, once they come online, permits to acquire and also licence applications and renewals will be on the new system by February next year, but certainly the issue with the current system and the data errors in there have been extrapolated due to mistake made upon mistake over a long period of time, and under Mr Cook's guidance we are trying to unpick that. As we have said, we have got a process in place on a daily and weekly basis at the moment, but the ultimate solution is the new system that is reliable.

**Mr JUSTIN CLANCY:** My question is with regard to the recommendation on the administrative consistency and guidelines for registry staff when considering licence suspension or revocation. Can you please update the Committee on the progress of this review and the findings and recommendations of the review?

**Deputy Commissioner HUDSON:** From my point of view, and I will hand over to Mr Cook for more detail in a moment, we have implemented a decision-making framework in relation to consistency in decision making in relation to the areas of concern you have just raised. I think previously there has been inconsistency and a very objective approach was taken to individual cases, but I think the decision-making framework and the guidance implemented to new staff following the restructure last year has assisted in gaining consistency in the product that is delivered by the Firearms Registry in this instance. I will get Mr Cook to elaborate.

**Assistant Commissioner COOK:** Thank you, sir, Just in regards to following the restructure of the personnel at the registry last year, their grades and levels of adjudication were increased to make sure that there is extra scrutiny over the decisions being made. An instrument of sub-delegations related in the Firearms Act has been completed and implemented so that those people clearly understand their delegated responsibilities. We have also implemented decision-making guidelines which are publicly available on the Firearms Registry website, which outline how decisions are made within the registry and the level of scrutiny applied.

We have also implemented a decision-making tool, which guides the adjudicators on how to make their decisions. That is coupled with a quality assurance strategy, which ensures that where there is a differing view in terms of decision-making that a high-level panel is convened in order to make sure that the decision-making is appropriate. There is also risk-based profiling for some discretionary matters that has been implemented and there is a mandatory escalation model for high-risk categories such as those who may have been involved in terrorism or something like that. Those are the things that we have implemented in order to make sure that there is consistency in administrative decision-making and also put accountability and transparency around that process as well.

**Mr LEE EVANS:** Recommendation 7, the audit recommended that the Firearms Registry should introduce a policy procedure for taking enforcement action for those who are in breach of their licences or provisions of the Act or regulation by July 2019. The audit found that while the registry was able to issue suspensions and revocation notices there was no policy on using its powers to apply penalty notices or recommend court proceedings for breaches. Could you please explain why you do not consider the registry to be the most appropriate body to initiate enforcement actions for some of the breaches of the Firearms Act or regulations, given

the expertise of the personnel and the familiarity of the data on licence holders and the other industry participants rather than the operational police who in many cases have different priorities?

**Deputy Commissioner HUDSON:** I will take that question first, sir. Location is an issue; there would not be a corner of the State of New South Wales that would not have a firearm that would need to be checked. If the Firearms Registry were to conduct all of that work it would take them away from their normal business for a start and there are only 83 staff at Murwillumbah that conduct all of the functions of the registry including rangers, including dealers, including firearms licences, including permits to acquire—as I said, over 100,000 transactions per year. If they were required to do all the enforcement activity as well, firstly there are only six sworn police officers at the Firearms Registry, the rest are unsworn police, so powers would be an issue.

The frontline police, which obviously have a presence across the State, are best placed to do those inspections. They do the inspections now under a couple of programs we have going, which we have reinstated in relation to safe storage, and if a breach is detected then they take action against that, but we feel they are best placed because of subsequent court action, court appearances, in the local area that might eventuate from such legal action taken by police in relation to breaches of the Act, that rather than a centralised approach under the registry, a decentralised approach with police—who have powers, who are at the front line, who are conducting the inspections—are best placed to take that action.

**The CHAIR:** Deputy Commissioner, you mentioned a recommendation that was not in agreement which was in relation to the obligation of clubs to carry out their inspections in relation to handguns. I think there was an indication there that there is something happening there with those clubs as to how that is going to be managed into the future. Am I recalling that correctly?

**Deputy Commissioner HUDSON:** That is correct, sir. I will get Mr Cook to explain it in more detail, but currently upon the application permit to acquire a pistol then increased scrutiny comes upon that in relation to the storage requirements, and that nexus with the pistol clubs moving forward into the new technological solution we have for the registry as a whole, that will be incorporated into the requirements as well. But if Mr Cook would like to further elaborate on that?

**Assistant Commissioner COOK:** Thank you, sir. The permit to acquire certificate sent to the registry by clubs has been amended to include on it a core operational policing system [COPS] event so that the club can assist the licence holder have inspection take place of the secure storage if it is not at the club. The club is required to certify that the licence holder will maintain safe storage. We have also put in place, or will have in place with the new software that we are building, a means by which to audit and conduct accountability measures for clubs around safe storage and other matters. We are not there yet. Just finally, I think the audit report referred to the registry operating from a 2003 guideline—I think that may be a typo; it should read 2013 guideline—which is currently in the process of being amended so that we can provide more up-to-date and consistent advice to clubs in terms of their responsibilities for their licence holders. That work is continuing.

**Deputy Commissioner HUDSON:** The issue with that is that while we may have challenged and not accepted the fact that it was our responsibility, we accepted the fact that it was an issue that needed to be resolved and we have taken action to address that.

**The CHAIR:** I appreciate that. We will come to the Audit Office soon. I just wanted to ask a question about, I assume it is the governance and probity process from a registry side, the audit recommended that the NSW Police Force should urgently conduct computer access audits according to NSW Police Force policy. As the NSW Police Force policy is to conduct mandatory computer access audits of all staff annually, can you please provide information about the last computer access audit of the registry staff?

**Deputy Commissioner HUDSON:** Sir, the computer access audits are a continuing process. We try to do 100 per cent of staff over a calendar year. The Firearms Registry is now well in excess of that—I think it is 120 per cent in some categories in relation to staff. The purpose we do that is to ensure dip sampling in relation to what is being accessed by both sworn and unsworn officers with access to our COPS system and ensure that all inquiries are for business purposes. I think there was an issue at the time of the audit in relation to the structure and some of the structure of the Firearms Registry and some of the accesses that quite low-level unsworn officers had. However, all of our police and unsworn officers are baseline-vetted to protected level—our COPS is a protected system. They are all baseline-vetted, which was undertaken by the commissioner in 2015, the commissioner of the day. So all are entitled to access COPS, but we have implemented the audit process to ensure that what is being looked at is appropriate for their role and responsibility. Mr Cook, have you anything additional?

**Assistant Commissioner COOK:** No, sir.

**The CHAIR:** Deputy Commissioner, can I just follow on from that because I have not encountered this issue before? Could you just explain to me what risks are associated here? To what end would somebody

improperly access these records and to what purpose could they deploy them? Obviously it must have happened at some stage and there is obviously risk associated with it, but how would somebody abuse the information that is in the system?

**Deputy Commissioner HUDSON:** Our current COPS system has been in existence since 1994 and includes a lot of data in relation to not just firearms, licensing, but people's criminal histories, intelligence holdings, a lot of information. At times since 1994 it has been identified that sworn police and unsworn officers have done the wrong thing in relation to accessing information—sometimes in relation to domestic disputes and issues of a personal nature, sometimes in relation to criminal activity and selling information. It is an offence under the Crimes Act to inappropriately access the information and, once identified or suspected, an investigation is commenced by our Professional Standards Command and action is taken when we have seen a number of people—both sworn police and unsworn officers—charged and put before the court for inappropriate access to the system and use of that information that is obtained from it.

**The CHAIR:** Thank you for that additional information.

**Mr JUSTIN CLANCY:** Gentlemen, I am interested in the updating of licences for recording of address changes. The audit suggested a number of proactive steps, such as liaising with the Roads and Maritime Services [RMS]. What strategies have been adopted for the timely reporting of address changes?

**Deputy Commissioner HUDSON:** I might hand to Mr Cook who has a detailed explanation of what we are currently doing if that is alright, Chair?

**Assistant Commissioner COOK:** Thank you, sir. Processing of all change of personal details can be done online now through the online portal that was implemented in February 2020. Processing of all change of personal details notifications that are received by an email which is now available—an email box for people to notify the registry of change of addresses is up and running since May. There is an automatic response email sent to customers who use the email system. We have been assisted also with our public affairs unit, police media unit, in regards to reaching our customers and licence holders to advise them that they have an obligation to advise us of when they change their address. We have engaged with PoliceLink. PoliceLink is now able to update licence holders' details and are trained to process that over the phone and also deal with some online aspects of that.

We have been engaged with the Department of Customer Service since February this year in terms of what they can assist us with in terms of making sure that there is no backlog in this area. And we have also engaged with RMS and Service NSW, both in April and May this year, with a view of pushing a system change to the RTA DRIVES system that will enable automatic updates once drivers licence details have changed. There will be further capacity once we have completely replaced the system, so hopefully by February next year. A lot of this will be automated within our new database and so people will be able to go to Service NSW and change one detail one time and it will update. There is a lot of work that has gone on in that area and there is more to do but we are certainly addressing it.

**Mr JUSTIN CLANCY:** Thank you. I commend that ability to notify once.

**Mr LEE EVANS:** I have a brief question. Following on from Mr Clancy, the audit recommended in recommendation 10 that the Firearms Registry should implement a strategy for: Prompt retrieval of firearms from deceased estates after expiry of the six-month statutory period.

The response to the audit recommendation advised that the implementation was in progress. Can you provide details of the solution already implemented and those under consideration? And what is the time frame of a full implementation of this recommendation?

**Deputy Commissioner HUDSON:** Sir, I can indicate there is a working group with a number of different agencies involved, including us, looking at a solution to this. I think one of the issues that was obviously identified, not just by the audit but has been identified previously by police, is that once someone does pass away and they are a firearms licence holder in possession of firearms, possession of those firearms goes to the trustee who has been acknowledged by the deceased to look after their interests, notwithstanding whether that person is a licensed firearm holder or not. So for the next six months after someone has passed away it is quite possible that a non-firearms holder can be the guardian of a number of firearms. After the expiration of six months then those firearms, if not disposed of, have to be seized by police.

So there is a number of legislative options being looked at as to whether that is appropriate or not and we are working with other agencies in relation to that. However, one of the issues for us is actually getting notified and finding timely information about when someone is deceased. The police or the Firearms Registry do not get informed of every deceased in this State. We are working, as part of that process, with Births, Deaths and Marriages in relation to trying to get some solution to that. But every day a number of people pass away without

any involvement of police in hospitals and doctors issue certificates and we are unaware of that until somebody tells us. The Firearms Registry is looking at options, which I will get Mr Cook to further explain, but it is an issue for us that unlicensed people are in control of firearms for a period of up to six months without a great deal of regulation or control over that. We are looking for both legislative solutions and solutions to the current problem. Mr Cook?

**Assistant Commissioner COOK:** Thank you, sir. COVID has impacted this to some degree in terms of our hours on the stakeholders. Meetings recommenced on 17 June with the NSW Trustee & Guardian; The Funeral Directors' Association of NSW; Insurance Council of Australia; Service NSW; NSW Registry of Births, Deaths and Marriages; Australian Healthcare and Hospitals Association; Royal Australian College of General Practitioners, New South Wales; and Australian Medical Association, as well as NSW Ambulance, to see if we can come up with some means of informing the registry about deaths that they otherwise do not know about to make sure that the registry is in a position to act.

Currently when the registry is informed of a death they arrange for local police to engage as soon as possible with the executor to undertake a safe storage inspection. And there is also some additional information which is now on the website—basically it is a fact sheet—giving advice to those who are executors of wills and others as to what they can and cannot do and engage with the registry. So we have got an interim measure in place to mitigate but, long term, we really need to get on with stakeholders and come up with some other solution. I think it will be imperative to get a legislative solution to the problem in due course.

**The CHAIR:** Ms Migotto or Ms Crawford, would you like to make any further comment?

**Ms MIGOTTO:** Thank you. Mr Chair. I just have a very quick point of clarification about the issue of safe storage for pistols. The report does refer to the 2003 handgun reforms, which were introduced and amended the Act, and introduced, among other things, an intention for more stringent requirements around safe storage of pistols. The intent was that that was an increase on what existed for other weapons, such as rifles. So, in drawing that out in the report, we are essentially making the point that if pistol owners can self-attest to a pistol club that they have safe storage in place, then it is no different from a rifle owner being able to self-attest to that safe storage requirement. But having heard some of the measures that are reported today to address that, that certainly sounds like it is addressing the intent of that recommendation. Mr Cook has pointed out, though, that there may be an issue with the date of the guidance in that report. We are happy to check that. Thank you.

**The CHAIR:** Is there anything further from the Audit Office?

**Ms CRAWFORD:** No. I would just like to acknowledge the challenges, obviously, that you face with the legacy system. We were very aware of that in the conduct of the audit and I think it is fair to say we appreciate the approach now being taken to address our findings, so thank you.

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

**Deputy Commissioner HUDSON:** Certainly.

**Assistant Commissioner COOK:** Yes.

**The CHAIR:** I appreciate that response. In closing this part of the hearing, I thank you again for your appearance and I thank you for what you are doing for the community. You have a challenging time. I think the police, together with health workers and first responders, have a particularly difficult job at the moment. I am sure that we all wish to thank you for your service to the community. That concludes your evidence here today.

**Deputy Commissioner HUDSON:** Thank you, sir, and thank you for those words.

**Assistant Commissioner COOK:** Thank you.

**(The witnesses withdrew.)**

**The Committee adjourned at 16:01.**