

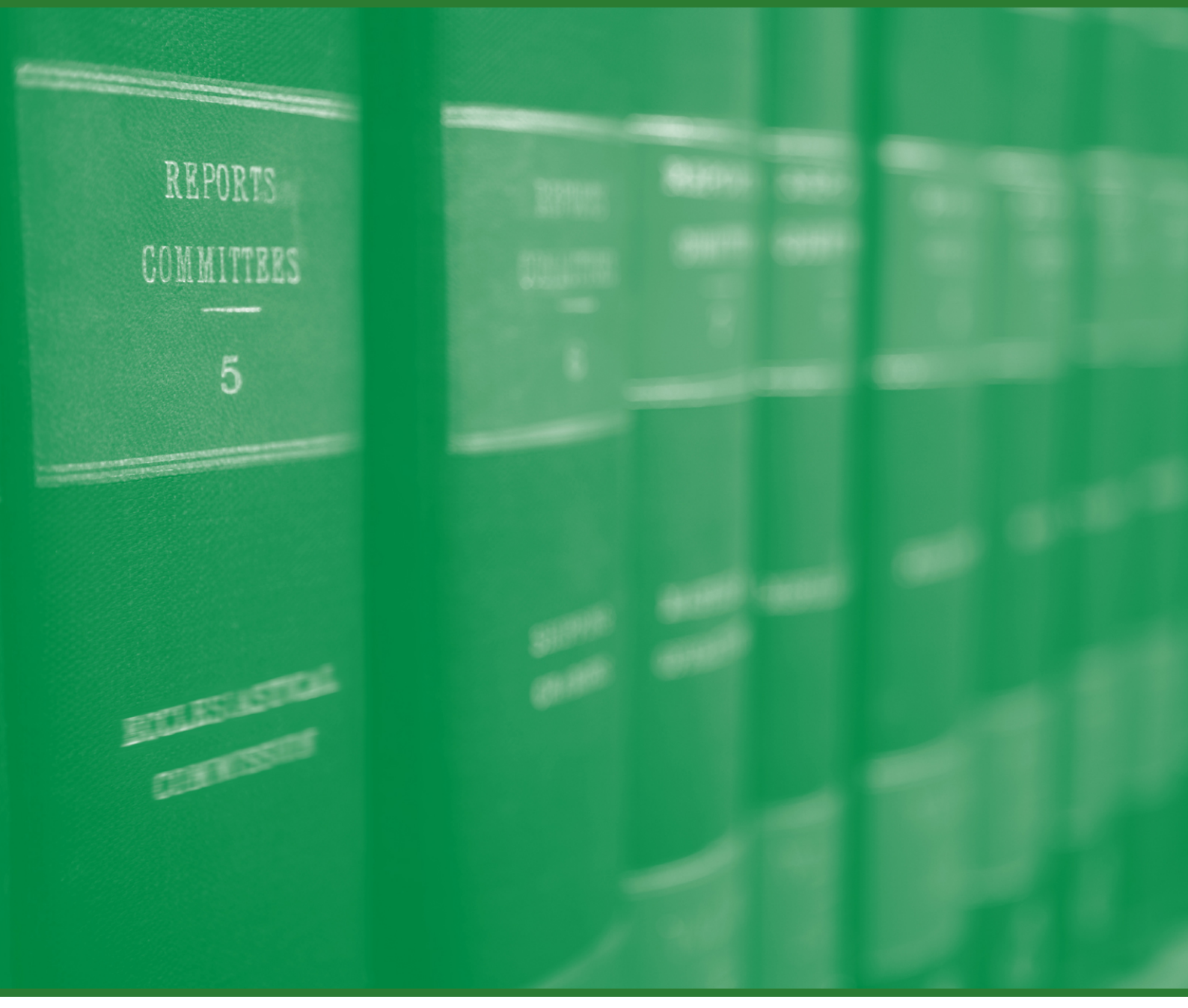


LEGISLATIVE ASSEMBLY OF NEW SOUTH WALES

PUBLIC ACCOUNTS COMMITTEE

REPORT 19/55 – NOVEMBER 2014

EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE AUDIT REPORTS MAY 2013 – JULY 2013





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The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura nites". It is written in Latin and means "newly risen, how brightly you shine".

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Membership

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Terms of Reference

Under section 57 of the *Public Finance and Audit Act 1983*, the functions of the Committee include the examination of any report of the Auditor-General laid before the Legislative Assembly and any circumstances connected with those reports.

Public Finance and Audit Act 1983

57 Functions of the Committee

(1) The functions of the Committee are:

...

(c1) to examine any reports of the Auditor-General laid before the Legislative Assembly,

(d) to report to the Legislative Assembly from time to time upon any item in, or any circumstances connected with, those financial reports, reports or documents which the Committee considers ought to be brought to the notice of the Legislative Assembly.

At its meeting on 2 July 2014, the Committee adopted the following terms of reference:

That the Committee inquire into and report on any circumstances connected with the following reports of the Auditor-General which the Committee considers ought to be brought to the notice of the Legislative Assembly:

- Management of the ClubGRANTS Scheme
- Management of Historic Heritage in National Parks and Reserves
- Building Energy Use in NSW Hospitals
- Managing Operating Theatre Efficiency for Elective Surgery
- Reducing Ambulance Turnaround Time at Hospitals
- Making the Best Use of Public Housing

Chair's Foreword

It is my privilege to present this report on the Examination of the Auditor-General's Performance Audits May 2013 – July 2013. This is the nineteenth report of the Public Accounts Committee in this fifty-fifth Parliament, and continues its vital role of following up performance audit reports tabled by the New South Wales Auditor-General.

The purpose of the Committee's performance audit reviews is to follow up on action taken by agencies in response to recommendations made by the Auditor-General. As part of the follow up, the Committee questions agencies about their response to the recommendations and, if required, conducts public hearings to examine witnesses. The Auditor-General also provides comments on submissions made by agencies.

The Committee's examination is designed to test action taken on all performance audits in order to maintain a high level of scrutiny of the agencies under review. Concrete outcomes of this process have demonstrated the value of following up the Auditor-General's report recommendations.

This report follows up six of the Auditor-General's audit reports tabled between May and July of 2013: Management of the ClubGRANTS Scheme; Management of Historic Heritage in National Parks and Reserves; Building Energy Use in Public Hospitals; Managing Operating Theatre Efficiency for Elective Surgery; Reducing Ambulance Turnaround Time at Hospitals, and Making the Best Use of Public Housing. Overall, the Committee was satisfied with the response of agencies to these performance audits. It is clear to the Committee that agencies have taken the Auditor-General's findings seriously, with most recommendations being accepted. On this note, the Committee was pleased that NSW Health has included addressing recommendations made by the Auditor-General in its contracts with Chief Executives.

This report makes 12 recommendations designed to improve the performance of government agencies. Most of these recommendations go to matters already identified by the Auditor-General. The Committee would like to see more timely action in some areas, but we also recognise that agencies may encounter legitimate delays. In this regard, the Committee appreciated the frank advice received from the Office of Environment and Heritage regarding delays caused by the change of Minister. The Committee also recognises that some recommendations will be addressed in the context of other processes. For example, the Committee is aware of the Housing NSW's tender process for its maintenance contracts.

Finally, I record my appreciation for the assistance provided by the Auditor-General and the Audit Office staff. I also thank all my Committee members and the secretariat staff for their assistance in the inquiry process and the preparation of this report.

Jonathan O'Dea MP
Chair

List of Findings and Recommendations

RECOMMENDATION 1 _____	10
The Committee recommends that the Office of Liquor, Gaming and Racing publish the results of its review of the ClubGRANTS guidelines by June 2015.	
RECOMMENDATION 2 _____	17
The Committee recommends that the Office of Environment and Heritage publish its state-wide heritage management strategy by June 2015.	
RECOMMENDATION 3 _____	17
The Committee recommends that the Minister for the Environment and Heritage conduct a review of permissible uses under the <i>National Parks and Wildlife Act 1974</i> .	
RECOMMENDATION 4 _____	17
The Committee recommends that the Office of Environment and Heritage develop quantitative measures for the management of historic heritage in national parks by December 2015.	
RECOMMENDATION 5 _____	28
The Committee recommends that NSW Health adopt a comprehensive sustainability strategy by February 2015.	
RECOMMENDATION 6 _____	28
The Committee recommends that NSW Health support the introduction of the energy and water benchmarking tool to Local Health Districts by February 2015.	
RECOMMENDATION 7 _____	34
The Committee recommends that NSW Health finalise the guidelines to promote best practice in operating theatre management by December 2014.	
RECOMMENDATION 8 _____	43
The Committee recommends that NSW Health support the Ambulance Service of NSW in the roll out of the transferring patients to hospital alternatives initiative to other areas of NSW as part of the integrated care program.	
RECOMMENDATION 9 _____	54
The Committee recommends that the Government release its new social housing policy as soon as possible.	
RECOMMENDATION 10 _____	54
The Committee recommends that the Government release its asset portfolio strategy, including its strategy for management of housing estates, by June 2015.	
RECOMMENDATION 11 _____	55

The Committee recommends that the Department of Family and Community Services complete the review of its business plans as soon as possible after the social housing policy is finalised.

RECOMMENDATION 12 _____ **55**

The Committee recommends that the Treasurer write to the Auditor-General to suggest that he conduct a performance audit of Land and Housing Corporation and Housing NSW maintenance arrangements no less than 18 months after the commencement of the new contract or by 31 March 2017, whichever is the earlier, and report on the cost effectiveness of and tenant satisfaction with the new arrangements.

Chapter One – Introduction

Overview

- 1.1 The performance audits examined by the Committee during this inquiry are those tabled by the Auditor-General between May and July 2013. The aim of the examination is to assess what the relevant agencies have done in response to the Auditor-General's recommendations. In this process, the Committee considers the evidence received from each agency and also seeks advice from the Auditor-General.
- 1.2 The Committee found that some work has been undertaken to address the issues raised in the audits. It is apparent that agencies have taken the audits seriously and instigated processes to implement those recommendations that were accepted. Some of the recommendations will take time to implement or are being addressed through the implementation of larger projects. The Committee encourages agencies to follow through on the work already started and commitments made, so that the potential benefits of the audits are fully realised.

Inquiry process

- 1.3 As per its legislative mandate outlined in section 57 of the *Public Finance and Audit Act 1983*, the Committee resolved at its meeting on 2 July 2014 to commence an examination of the Auditor-General's performance audits from May 2013 to July 2013. The full terms of reference are included at page v.
- 1.4 The process used for this examination was the same as that used in previous examinations of the Auditor-General's performance audits, with the Committee considering each responsible agency's response to the relevant performance audit twelve months after the report was tabled. The process for these examinations includes:
- inviting a submission from responsible agencies twelve months after the tabling of the audit;
 - referring agencies' submissions to the Auditor-General for comment; and
 - where the Committee determines that further information is required, inviting agency representatives and the Auditor-General to a hearing and/or to provide additional information.
- 1.5 In this examination, the Committee considered six performance audit reports:
- *Management of the ClubGrants Scheme,*
 - *Management of Historic Heritage in National Parks and Reserves,*
 - *Building Energy Use in NSW Hospitals,*
 - *Managing Operating Theatre Efficiency for Elective Surgery,*

- *Reducing Ambulance Turnaround Time at Hospitals, and*
- *Making the Best Use of Public Housing.*

1.6 The Committee received ten submissions: one from each of the agencies that were the subject of recommendations made in one of the relevant audit reports, and two from the Audit Office of NSW, which provided its comments on agency submissions in stages. These submissions were published on the Committee's website at: <http://www.parliament.nsw.gov.au/publicaccounts>.

1.7 The Committee resolved to conduct a more detailed examination of two audits: Management of Historic Heritage in National Parks and Reserves, and Making the Best Use of Public Housing. A public hearing was held on 15 September 2014 to take evidence from witnesses representing the National Parks and Wildlife Service and Housing NSW and the Land and Housing Corporation. The Committee also sent questions taken on notice during the hearing to Housing NSW and the National Parks and Wildlife Service. Details of the witnesses who appeared at the hearing are included in Appendix Two.

1.8 The Committee chose to seek further information in writing regarding the other four audits. The Committee's examination of these audit reports was based on the initial submissions, and answers provided by the relevant agencies in response to further questions from the Committee.

Chapter Two – Management of the ClubGRANTS Scheme

- 2.1 The ClubGRANTS scheme allows registered clubs to claim tax rebates on profits from gaming machines when they provide financial or in-kind contributions to local community programs and services.
- 2.2 Clubs can claim a maximum of 2.25 per cent in tax rebates on gaming machine profits of over \$1 million. According to the Auditor-General, some \$417 million in rebates have been provided to clubs since 2002. In 2012, 472 registered clubs around the State participated in the scheme.¹
- 2.3 Guidelines specifying the operations of the scheme and what constitutes ‘community support expenditure’ are approved by the Minister. The scheme is managed by the Office of Liquor, Gaming and Racing which also provides administrative support to the Minister and to the Independent Liquor and Gaming Authority.

The performance audit

- 2.4 The Auditor-General conducted a performance audit to determine how well the scheme is managed, with the central questions of:
- are there guidelines consistent with the objectives of the *Gaming Machine Tax Act 2001*, and
 - is the scheme managed to deliver according to policy and guidelines?

As there are three categories of expenditure for which clubs can claim a rebate, each category was examined separately. The Auditor-General’s report was tabled in May 2013.

Audit conclusions

- 2.5 The Auditor-General found that the guidelines are consistent with the objectives of the Act. However, he found ‘room for improvement’ in the management of the scheme.² Administration of all three categories required strengthening.

Auditor-General’s recommendations

- 2.6 The Auditor-General made 14 recommendations to the Office of Liquor, Gaming and Racing (OLGR). These recommendations are detailed in the table below.

¹ NSW Auditor-General’s Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p2.

² NSW Auditor-General’s Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p3.

PUBLIC ACCOUNTS COMMITTEE
MANAGEMENT OF THE CLUBGRANTS SCHEME

No.	Recommendation
<i>Strengthen the ClubGRANTS guidelines and ensure compliance</i>	
1.	By December 2013, include all relevant requirements of the <i>Gaming Machine Tax Act 2001</i> in the ClubGRANTS guidelines
2.	By September 2013 proactively communicate to all local committees an estimate of funding available under category one
3.	By December 2013 develop grants administration guidelines for category two
4.	By December 2013 establish the ClubGRANTS Fund committee under category three
5.	By December 2013 develop grant management processes for the provision of grants under category three and publicise the application process
<i>Improve review processes</i>	
6.	By December 2013 develop a mechanism for feedback from local committees on tax rebate claims by clubs
7.	By December 2013 strengthen the tax rebate process to include a timely assessment of tax rebate claims and consideration of any tax rebate information provided by local committees
8.	By December 2013 include in the annual audit program of registered clubs, a review of ClubGRANTS expenditure and publicise common issues
9.	By December 2013 consider an annual independent audit of ClubGRANTS expenditure by clubs and a statement be provided to OLGR
10.	By December 2013 establish and publicise a complaints mechanism for breaches of the ClubGRANTS guidelines
<i>Improve reporting and transparency of the ClubGRANTS scheme</i>	
11.	Continue to provide monthly reports on delegated functions relating to the ClubGRANTS scheme to the Independent Liquor and Gaming Authority
12.	By September 2013 work with clubs and benefiting organisations to ensure they publicly report on funding provided under category one and two, in accordance with the ClubGRANTS guidelines
13.	By December 2013 publicly report on category three funding provided, including information on the recipients and the purpose of the grants
14.	By December 2014 review the ClubGRANTS scheme to assess whether the scheme is effective and achieving its objectives against the guidelines.

Agency Response

- 2.7 Ms Jeannine Biviano, Acting Director General of the Department of Trade and Investment, Regional Infrastructure and Services (the Office of Liquor, Gaming and Racing is within Trade and Investment), provided a detailed response to the Auditor-General's findings which was included in the tabled report. The Department was critical of the Auditor-General's report, drawing attention to a number of inaccuracies contained in it, and commenting that:

NSW Trade and Investment is of the view that some of the observations in the report do not take account of the principles underpinning the scheme's operation, much of which is determined by Government policy. The respective roles of stakeholders in

the scheme's Governance are not properly identified, and some commentary is selective and not representative of the most common outcomes.³

- 2.8 Despite these criticisms, NSW Trade and Investment (the Department was re-named in 2013) also said that the Auditor-General's report 'provides a useful analysis of the scheme's operation, and contains helpful observations and recommendations'.⁴ NSW Trade and Investment expressed its intention to implement all of the recommendations, though not necessarily in the form expressed by the Auditor-General.⁵
- 2.9 The Independent Liquor and Gaming Authority (ILGA), which approves rebates provided to clubs, also provided a response which was included in the report. In its response, ILGA noted that it revoked delegation of its functions to officers who do not report directly to it, from February 2013.

The Committee's examination

- 2.10 The Chair wrote to both NSW Trade and Investment and the Independent Liquor and Gaming Authority on 7 July 2014, to request a submission detailing action that the agencies had taken in response to the Auditor-General's report. Mr Micheil Brodie, Chief Executive, Independent Liquor and Gaming Authority, forwarded a submission on 7 August 2014, and Mr Mark Paterson, Secretary, NSW Trade and Investment, forwarded a submission on 1 September. The agencies' submissions were also forwarded to the Auditor-General for comment and he responded on 26 September.
- 2.11 The Committee then wrote to the agencies again on 19 September to request further information. Mr Paterson responded on 1 October, and Mr Brodie on 10 October.

Implementation of recommendations

- 2.12 **Recommendation 1**, that by September 2013 all relevant requirements of the *Gaming Machine Tax Act 2001* should be included in the ClubGRANTS guidelines, was accepted. However, in its submission NSW Trade and Investment advised that implementing the Auditor-General's recommendation 'is likely to involve amendments to the ClubGRANTS guidelines and therefore Ministerial approval will be required'.⁶ NSW Trade and Investment further advised that while it is progressing minor amendments to the guidelines, a 'more fulsome review' will be conducted in the second half of 2014, subject to the approval of the Minister. In answers to further questions, NSW T&I advised that approval to conduct this review is currently being sought.⁷

³ NSW Auditor-General's Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p7.

⁴ NSW Auditor-General's Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p7.

⁵ NSW Auditor-General's Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p7.

⁶ Submission 8, NSW Trade and Investment, p1.

⁷ Mr Mark Paterson, Secretary, NSW Trade and Investment, Answers to further questions, 1 October 2014, p3.

- 2.13 **Recommendation 2**, that the Office of Liquor, Gaming and Racing proactively communicate to all stakeholders the level of funding available under category 1, was accepted and has been implemented. In its submission, NSW T&I detailed a number of actions that it has taken to publicise estimates of funding available. These include publishing Category 1 estimates on its website, writing to Clubs NSW and the NSW Council of Social Service, including an article in Liquor and Gaming and an article in the ClubGRANTS newsletter.⁸
- 2.14 **Recommendation 3**, that the Office of Liquor, Gaming and Racing develop grants administration guidelines for category two, has yet to be implemented. In its original response to the report, NSW T&I expressed the view that the Auditor-General had misunderstood the purpose of category two:
- The Report finds that the Act and the guidelines are silent on the administration of Category 2, and that the guidelines are vague on what can be funded under this category.
- The absence of provisions in the legislation and guidelines relating to a process ... is deliberate, and reflects the policy that clubs are the decision makers in regard to these funding allocations.⁹
- 2.15 NSW T&I explained that it would ‘work with Clubs NSW to ensure there is a best practice model that can be used by clubs’.¹⁰ In its submission, NSW T&I expressed the view that this Recommendation is the responsibility of Clubs NSW.¹¹ NSW T&I explained that ClubsNSW had agreed develop a template form for category 2 funding for inclusion in its best practice guidelines. This agreement was made in April 2014.¹²
- 2.16 **Recommendation 4**, that the Office of Liquor, Gaming and Racing establish the ClubGRANTS Fund committee under category 3, was accepted and has been implemented. The Minister signed the Instrument of Appointment for the Chair and committee members on 18 February 2014, and the committee held its first meeting on 26 February.¹³
- 2.17 **Recommendation 5**, that the Office develop grant management processes for the provision of grants under category 3, has also been implemented. In its initial response to the report, NSW Trade and Investment noted that the ClubGRANTS fund committee is responsible for developing grant management processes and advised that the matter would be addressed following the committee’s establishment.¹⁴ In its submission, NSW T&I advised that guidelines and forms for

⁸ Submission 8, NSW Trade and Investment, p1.

⁹ NSW Auditor-General’s Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p9.

¹⁰ NSW Auditor-General’s Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p15.

¹¹ Mr Mark Paterson, Secretary, NSW Trade and Investment, Submission 8, NSW Trade and Investment, covering letter.

¹² Submission 8, NSW Trade and Investment, p2.

¹³ Submission 8, NSW Trade and Investment, p2.

¹⁴ NSW Auditor-General’s Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p16.

expressions of interest and applications were endorsed by the committee at its first meeting.¹⁵ In accordance with the Auditor-General's recommendation, the Minister issued a media release to publicise the opening of the funding round for category 3. At its meeting in May 2014, the committee recommended a shortlist of projects for consideration by the Minister.¹⁶ The funding round has since been finalised and NSW T&I provided a list of the successful projects in answers to further questions.¹⁷

2.18 **Recommendation 6**, that the Office develop a mechanism for feedback from local committees on tax rebates by clubs, has been implemented. The Independent Liquor and Gaming Authority developed a "ClubGRANTS Guidelines Breach Allegation Form" which local committees can use to lodge a complaint if they feel a club has breached the grant guidelines.¹⁸ The form is available on ILGA's website.

2.19 **Recommendation 7**, that the tax rebate process be strengthened to make the assessment of claims more timely, is yet to be implemented. In its initial response to the report, NSW Trade and Investment objected to the recommendation, stating that:

The existing tax rebate process is consistent with the model used by the Commonwealth and other jurisdictions for assessing tax rebate claims. The concept of a timely assessment is subjective in the absence of an accepted benchmark.¹⁹

2.20 However, the Independent Liquor and Gaming Authority accepted the recommendation, explaining that assessment of tax rebate claims 'can at times be delayed due to the level of investigation required in confirming grant purposes'.²⁰ In its submission, ILGA stated that the Recommendation would be implemented through measures taken to implement Recommendations 6 and 9.²¹ The agencies' response to Recommendation 9 is discussed below.

2.21 **Recommendation 8**, that a review of ClubGRANTS expenditure be included in the annual audit program of registered clubs, was accepted by the Office. In its submission NSW Trade and Investment advised that it has taken a risk-based approach to implementing this Recommendation, conducting 20 ClubGRANTS audits in the 2012/13 financial year.²² Common issues identified in these audits were publicised in the Office's e-news and in a reminder on its website.²³

2.22 **Recommendation 9**, that the Office consider an annual independent audit of ClubGRANTS expenditure by clubs with a statement to be provided, was accepted

¹⁵ Submission 8, NSW Trade and Investment, p2.

¹⁶ Submission 8, NSW Trade and Investment, p2.

¹⁷ Mr Mark Paterson, Secretary, NSW Trade and Investment, Answers to further questions, 1 October 2014, p2.

¹⁸ Submission 1, Independent Liquor and Gaming Authority, p1.

¹⁹ NSW Auditor-General's Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p16.

²⁰ Submission 1, Independent Liquor and Gaming Authority, p1.

²¹ Submission 1, Independent Liquor and Gaming Authority, p1.

²² Submission 8, NSW Trade and Investment, p4.

²³ Submission 8, NSW Trade and Investment, p4.

by the Independent Liquor and Gaming Authority. In its initial response, NSW Trade and Investment expressed concerns about this Recommendation, saying that 'such an audit would require legislative support, and there would be significant costs for clubs and government'.²⁴ In its submission, ILGA noted similar concerns.²⁵

- 2.23 ILGA advised that ClubsNSW had proposed a different approach to implementing Recommendation 9.²⁶ This approach involves clubs lodging tax rebate assessments directly with ILGA via an online system; clubs which do not use the online system would be required to submit an audited statement verifying that ClubGRANTS expenditure complies with the guidelines. ILGA would have access to the system to view grant applications. It is anticipated that this approach will also make approval of applications more timely, as proposed in Recommendation 7. However, the proposal will require upgrading of ILGA's website as well as an amendment to the ClubGRANTS guidelines, which requires ministerial approval.²⁷
- 2.24 In its submission ILGA advised that it had written to the Office of Liquor, Gaming and Racing to propose these amendments. NSW T&I did not refer to these amendments but stated that ILGA was developing a proposal in consultation with ClubsNSW.²⁸ However, in answers to further questions ILGA advised that formal consultation regarding the proposal with ClubsNSW is now being undertaken.²⁹
- 2.25 **Recommendation 10**, that the Office of Liquor, Gaming and Racing establish and publicise a complaints mechanism for breaches of the ClubGRANTS guidelines, has been completed. In its original response to the report, NSW T&I noted that 'complaints can already be made to OLGR about the actions of registered clubs under the ClubGRANTS scheme,' but advised that it would add further information to its website. In its submission, NSW T&I reported that it has published a complaints mechanism for breaches of the ClubGRANTS guidelines on its website.³⁰
- 2.26 **Recommendation 11**, that OLGR continue to provide monthly reports on delegated functions relating to the ClubGRANTS scheme to the Independent Liquor and Gaming Authority, is now redundant. As mentioned earlier, the Independent Liquor and Gaming Authority revoked delegations to OLGR under the *Gaming Machine Tax Act 2001* in February 2013.³¹ As a result, reporting of delegated functions is no longer required.
- 2.27 **Recommendation 12**, that OLGR work with clubs and benefiting organisations to ensure they publicly report on funding provided under category 1 and 2, has been implemented. In its submission, NSW T&I advised that OLGR had publicised this

²⁴ NSW Auditor-General's Performance Audit Report; Management of the ClubGRANTS Scheme, May 2013, p16.

²⁵ Submission 1, Independent Liquor and Gaming Authority, p2.

²⁶ Submission 1, Independent Liquor and Gaming Authority, p3.

²⁷ Submission 1, Independent Liquor and Gaming Authority, p3.

²⁸ Submission 8, NSW Trade and Investment, p4.

²⁹ Mr Micheil Brodie, Chief Executive, Independent Liquor and Gaming Authority, Answers to further questions, 10 October 2014, p1.

³⁰ Submission 8, NSW Trade and Investment, p4.

³¹ Submission 8, NSW Trade and Investment, p4.

requirement on its website and in its e-news, and that the requirement was featured in the April 2013 edition of the *Liquor and Gaming* newsletter.³² ClubsNSW has also advised its members of the requirement.³³

- 2.28 **Recommendation 13**, that OLGR publicly report on funding provided under category 3, has been implemented. In its original comments, NSW T&I advised that the ClubGRANTS Fund Committee (referred to in relation to Recommendations 4 and 5) would be required to report to the Minister on expenditure of funds. In its submission NSW T&I advised that projects for the 2013/14 year were announced publicly on 23 July 2014 (also previously referred to), and that an annual report will be prepared by November 2014.³⁴
- 2.29 **Recommendation 14**, that the ClubGRANTS scheme be reviewed to assess whether it is effective and achieving its objectives, is yet to be implemented. In its submission NSW T&I advised that implementation was on track as it plans to conduct a review of the scheme's guidelines in the second half of 2014, which is consistent with the timeframe proposed by the Auditor-General.³⁵ In answers to further questions supplied in October 2014, NSW T&I added that approval is being sought from the Minister to conduct this review in the fourth quarter of 2014.³⁶

Committee comment

- 2.30 The Committee was pleased that the Office of Liquor, Gaming and Racing and the Independent Liquor and Gaming Authority have worked to implement the Auditor-General's recommendations, particularly in establishing the ClubGRANTS Fund committee for category 3 funding and establishing grant administration processes.
- 2.31 The Committee noted advice provided by the Office of Liquor, Gaming and Racing that ClubsNSW has undertaken to develop a template form for inclusion in its best practice guidelines. However, the Office did not advise that this has been completed. The Committee considers that Government has a role in defining best practice and encourages the Office to work proactively to ensure that the Recommendation is implemented.
- 2.32 The Committee commends actions taken toward conducting a review of the ClubGRANTS guidelines. However, the Committee noted that this is a more limited review than that originally proposed by the Auditor-General and appears unlikely to be completed within the recommended time frame. The Committee therefore recommends that the Office of Liquor, Gaming and Racing prioritise this review for completion and publish the results of the review.

³² Submission 8, NSW Trade and Investment, p4.

³³ Submission 8, NSW Trade and Investment, p5.

³⁴ Submission 8, NSW Trade and Investment, p5.

³⁵ Submission 8, NSW Trade and Investment, p5.

³⁶ Mr Mark Paterson, Secretary, NSW Trade and Investment, Answers to further questions, 1 October 2014, p3.

RECOMMENDATION 1

The Committee recommends that the Office of Liquor, Gaming and Racing publish the results of its review of the ClubGRANTS guidelines by June 2015.

Chapter Three – Management of Historical Heritage in National Parks and Reserves

- 3.1 NSW has 800 national parks and reserves, covering 6.76 million hectares of land – or more than 8 per cent of the state.³⁷ These parks and reserves comprise large areas of forest and wilderness but also include infrastructure and historic sites and features. The historic heritage contained in the state’s national parks and reserves is extremely diverse and includes more than 3,000 individual sites and more than 10,000 individual places or items.³⁸
- 3.2 The park estate is managed by the National Parks and Wildlife Service (NPWS) within the Office of Environment and Heritage. In its management of historic heritage within national parks and reserves, the NPWS is bound by the *Heritage Act 1977* and the principles and guidelines produced by the Heritage Council of NSW.

The performance audit

- 3.3 The Auditor-General conducted a performance audit to determine how well the NPWS manages historic heritage in NSW national parks and reserves and specifically:
- whether NPWS had established outcomes for the management of historic heritage and the strategies for achieving these outcomes and
 - whether NPWS is achieving these outcomes efficiently.

Audit conclusions

- 3.4 The Auditor-General’s conclusions were mixed. He found that some aspects of the NPWS’s management of historic heritage assets are efficient and effective while others are not. While the Auditor-General noted examples of good practice in the management and revitalisation of heritage assets, he found that there is no state-wide heritage management strategy to guide allocation of the limited resources available to it.³⁹
- 3.5 The Auditor-General considered that the information about heritage management was imperfect but, more importantly, it indicated that the resources of NPWS were spread too thinly across the state.⁴⁰ At the public hearing on 15 September, Mr Sean Crumlin, Director, Performance Audit, Audit Office of NSW, explained that:

³⁷ NSW Auditor-General’s Performance Audit Report; Management of Historic Heritage in National Parks, May 2013, p8.

³⁸ Mr Gary Dunnett, Acting Director, Park Strategy and Services Branch, National Parks and Wildlife Service, Transcript of evidence, 15 September 2014, p3.

³⁹ NSW Auditor-General’s Performance Audit Report; Management of Historic Heritage in National Parks, p2.

⁴⁰ NSW Auditor-General’s Performance Audit Report; Management of Historic Heritage in National Parks, p2.

While the service has a statutory responsibility to conserve historic heritage it was trying to conserve too much. Spreading limited resources too thinly runs the risk that some of the most significant historic heritage values will be lost.⁴¹

Auditor-General's recommendations

3.6 The Auditor-General made seven formal recommendations which are detailed in the table below.

Auditor-General's recommendations – Management of Historic Heritage

No.	Recommendation
1.	Office of Environment and Heritage should, by June 2014, develop a New South Wales heritage strategy to provide guidance to public sector agencies on the long-term management of historic heritage in a constrained resource environment.
2.	By December 2014, establish desired outcomes and state-wide priorities for the management of historic heritage in the park estate, which are informed by the New South Wales strategy
3.	By December 2014, improve its data and systems so it has comprehensive and valid historic heritage asset information to underpin prioritisation and funding decisions
4.	By June 2015, fund historic heritage on the basis of state-wide priorities via a rolling program to allow improved planning and more efficient resource utilisation
5.	By December 2015, have in place a more systematic and consistent approach to pursuing: <ul style="list-style-type: none"> • Sympathetic reuse of heritage assets, where feasible • Partnerships with the private sector and the community for the management of historic heritage, including low-impact sponsorship, where these are consistent with heritage values
6.	By July 2013, adopt a consistent, pragmatic and financially realistic approach to the retention of heritage values when undertaking works on historic heritage
7.	By December 2014, measure its performance in managing historic heritage, including the extent to which it is achieving its desired outcomes.

Agency Response

3.7 The Office of Environment and Heritage provided a detailed response to the Auditor-General's findings which was included in the report. Mr Paul Elton, Acting Chief Executive, wrote that:

The Office of Environment and Heritage has a strong commitment to maintain heritage assets across the national parks estate. However, I recognise that difficult decisions need to be made to concentrate on assets that the community most values.

3.8 At the public hearing, representatives from the National Parks and Wildlife Service were also very positive about the report, with Mr Michael Wright, Acting Deputy Chief Executive, saying that 'from our perspective, the Auditor-General's

⁴¹ Mr Sean Crumlin, Director, Performance Audit, Audit Office of NSW, Transcript of evidence, 15 September 2014, p1.

report ... is an excellent and well-reasoned document and makes a number of very useful recommendations.⁴²

The Committee's examination

- 3.9 The Chair wrote to the Office of Environment and Heritage on 7 July 2014 to request a submission detailing the actions that the agency had taken in response to the Auditor-General's report. Mr Terry Bailey, Chief Executive, Office of Environment and Heritage, forwarded a submission on 8 August. This submission was subsequently forwarded to the Auditor-General for comment and he in turn responded on 11 September.
- 3.10 At its meeting on 8 September 2014, the Committee resolved to conduct a public hearing and seek further information from the Office of Environment and Heritage. A public hearing was held on 15 September and details of the witnesses who attended are included at Appendix Two. A transcript of the hearing is also available on the Committee's website.

Implementation of recommendations

- 3.11 **Recommendation 1**, that the Office of Environment and Heritage develop a NSW Heritage Strategy, was accepted. The Auditor-General recommended that this be done by June 2014 and in its submission the Office of Environment and Heritage advised that a draft of the strategy had been completed. At the public hearing, Mr Wright explained that the Office is consulting stakeholders about the draft and expects it to be finalised later this year.⁴³
- 3.12 **Recommendation 2**, that the National Parks and Wildlife Service establish desired outcomes and priorities for the management of historic heritage, was also accepted. In its submission, the Office of Environment and Heritage advised that it has established a project management plan and a working group to pursue this recommendation, which is dependent on the state-wide plan in Recommendation 1. At the public hearing, Mr Gary Dunnett, Acting Director of the Park and Strategy Services Branch of the National Parks and Wildlife Service, explained that this working group has reviewed the draft plan and is considering its implications for national parks:
- The group has access to the state-wide strategy. As indicated in the opening address, there are some unique aspects of the circumstance of the national parks, which is that we are more confronted by circumstances where the graceful decline, or the non-intervention option, is appropriate, given the scale.⁴⁴
- 3.13 **Recommendation 3**, that the Office of Environment and Heritage improve its data and systems to ensure that comprehensive and accurate information is available to inform decisions on heritage assets, was accepted. Mr Wright explained the difficulties involved in compiling information about heritage assets:

⁴² Mr Michael Wright, Acting Deputy Chief Executive, National Parks and Wildlife Service, Transcript of evidence, 3 September 2014, p1.

⁴³ Mr Michael Wright, Transcript of evidence, 3 September 2014, p5.

⁴⁴ Mr Gary Dunnett, Acting Director of the Park and Strategy Services Branch of the National Parks and Wildlife Service, Transcript of evidence, 3 September 2014, pp5-6.

I think one of the fundamental deficiencies we have currently is information, which is patchy around where our assets are. To actually improve the quality of the data set requires often fairly extensive field treatment; you have to have people out in the field, in the park system, collecting information and feeding that back into our asset maintenance system or our historic heritage information management system. That has certainly been a focus over the last 12 months.⁴⁵

3.14 In its submission, the Office explained that it is developing an Asset Strategy, which is expected to be complete by December 2014. The Office also expects to have comprehensive data about hard roofed accommodation, State heritage listed assets and historic visitor precincts.⁴⁶

3.15 At the public hearing, Mr Wright explained that the Office is working to improve the information available in its databases. It currently maintains two databases with different purposes. Mr Wright explained that it may not be possible to integrate the two:

We have an asset maintenance system, which is a SAP computer application for plant maintenance so the intention for that system is to cover the entirety of our assets and produce cyclical maintenance plans; so we are talking about roads and other assets in addition here to heritage. It is the case that we have some of our historic heritage assets in that larger asset maintenance system but not all ...

It is fair to say that there is information on the historic heritage information management system, which relates to heritage significance which does not lend itself to incorporation into a SAP computer module, so we are still going to have a fairly separate database, which describes the heritage significance of heritage items.⁴⁷

3.16 **Recommendation 4**, that the Office fund historic heritage on the basis of state-wide priorities to improve planning and resource allocation, was accepted. In its submission, the Office said that the National Parks and Wildlife Service will develop a system in which HARP (Heritage Asset Revitalisation Program) principles set priorities for funding, and that it is on track to do this by June 2015.⁴⁸ The Office receives \$2 million each year for expenditure on HARP projects.⁴⁹

3.17 However, this figure of \$2 million per annum does not constitute the entirety of the NPWS expenditure on maintenance of historic heritage. At the public hearing, Mr Wright explained that it is difficult to calculate the amount spent on historic heritage as the resources of the National Parks and Wildlife Service are not allocated on a program basis:

The way we allocate resources in National Parks and Wildlife Service is largely based on historic expenditure. We do not have a program budgeting approach within the National Parks and Wildlife Service at this point in time. In the absence of a program budgeting approach, it is difficult for us to quantify in its entirety the amount we

⁴⁵ Mr Michael Wright, Transcript of evidence, 3 September 2014, p4.

⁴⁶ Submission 7, Office of Environment and Heritage, p2.

⁴⁷ Mr Michael Wright, Transcript of evidence, 3 September 2014, pp6-7.

⁴⁸ Submission 7, Office of Environment and Heritage, p2.

⁴⁹ Mr Michael Wright, Transcript of evidence, 3 September 2014, p4.

spend on historic heritage across the State. Historically, regions typically get an allocation and expend that allocation on a range of priorities—fire, pests, visitor infrastructure—in historic heritage. There are some headline programs that we run for historic heritage. We often receive direct funding from Treasury or through an allocation from the executive of OEH for major historic heritage initiatives. I think it is running at a figure of about \$7.5 million but I can get back to the Committee and confirm that figure. In addition, our HARP program is \$2 million per annum.⁵⁰

3.18 Implementation of **Recommendation 5**, that NPWS adopt a more systematic and consistent approach to pursuing sympathetic reuse of heritage assets and partnerships with the private sector, is also on track. In its submission the Office of Environment and Heritage explained that NPWS' implementation of other recommendations will underpin its implementation of Recommendation 5. NPWS has also restructured to clarify accountabilities for managing historic heritage assets.⁵¹

3.19 At the public hearing, members of the Committee questioned NPWS representatives about opportunities for attracting private sector investment into historic heritage assets. Mr Wright pointed to locations around the Sydney region which have high numbers of visitors such as Fort Denison, Nielson Park, Athol Hall and Quarantine Station. Mr Dunnett explained that allocation of resources is guided by HARP priorities:

HARP is about finding the sweet spot between sites of high heritage significance but also places that offer significant experiences to park visitors and have the capacity to generate a level of self-sustenance through support activities for those visitors. So that might be through accommodation or through café and food-based business. It is really picking those locations that tick all of those boxes of heritage significance, visitor need and the capacity to sustain an operation that can, to some extent, support itself ...

Our challenge in the HARP is to deliver that same logic into regional New South Wales where you also have to provide the attractor ... HARP is all about picking those winners.⁵²

3.20 In its submission the Office of Environment and Heritage also signalled its intention to conduct a review of permissible uses of heritage assets.⁵³ Use of national parks is regulated by the *National Parks and Wildlife Act 1974*. Mr Dunnett explained that options for revitalising assets are constrained by this legislation:

I think generally the challenge for national parks organisations is that New South Wales tends to be quite a conservative framework for adaptive re-use in particular and if you look at the way that heritage structures are adapted to keep them alive in other jurisdictions there are a broader range of options ... As an example, we have explored whether a site like Bare Island might have utility for dive shop operators, which are one of the key visitor uses around that particular precinct. We understand that we need to push the envelope a bit there in terms of looking for genuine

⁵⁰ Mr Michael Wright, Transcript of evidence, 3 September 2014, p4.

⁵¹ Submission 7, Office of Environment and Heritage, pp3-4.

⁵² Mr Gary Dunnett, Transcript of evidence, 3 September 2014, p7.

⁵³ Submission 7, Office of Environment and Heritage, p4.

innovation to excite people to come to these places, but we are constrained to a framework that needs us to go back to what was the reason why that particular site was gazetted in the first place.⁵⁴

3.21 **Recommendation 6**, that the NPWS adopt a consistent, pragmatic approach to retaining heritage value when undertaking works on historic heritage assets, was accepted. In its submission the Office of Environment and Heritage stated that implementation of this recommendation is ongoing. It explained that work in this regard would be underpinned by work on Recommendations 3 and 4, which aim to improve available information and state-wide planning. The Office added that a consistent and pragmatic approach to restoration works 'will be a critical step in building cyclical maintenance into rolling budgets'.⁵⁵

3.22 **Recommendation 7**, that NPWS measure its performance in managing historic heritage, was also accepted. The Auditor-General recommended that performance measures be implemented by December 2014 and in its submission the Office stated that it is on track to achieve this.⁵⁶ However, Mr Wright explained that development of quantitative performance measures is still a 'work in progress':

Currently we are relying largely on qualitative performance measures which come out of our State of the Parks report and that data is primarily the views of staff on the ground as to how a particular heritage asset is being managed. By its nature it is subjective rather than quantitative. It is still a useful indication of how we are progressing because those staff are obviously expert and know what is happening on the ground. As to quantitative targets, it is still a work in progress. I know we are looking at what New Zealand has done in this space because I think they have been more successful in putting in place quantitative targets so we are certainly looking at what is happening in that jurisdiction.⁵⁷

Committee comment

3.23 The Committee commends the National Parks and Wildlife Service's response to the Auditor-General's performance audit report. The Committee is mindful of the difficulties with maintaining large numbers of historic heritage assets in a resource-constrained environment, and notes the work that the National Parks and Wildlife Service has done to produce a state-wide heritage strategy. The Committee looks forward to the publication of this strategy.

3.24 The Committee was concerned to find that the provisions of the *National Parks and Wildlife Act 1974* constrain development of partnerships with the private sector to manage heritage assets in accordance with the principles of the Heritage Asset Revitalisation Program. The Committee considers that partnerships with the private sector are appropriate to maximise the number of heritage assets that are maintained and used. The Committee therefore recommends that the Minister for Environment and Heritage conduct a review of permissible uses under the *National Parks and Wildlife Act 1974*.

⁵⁴ Mr Gary Dunnett, Transcript of evidence, 3 September 2014, p10.

⁵⁵ Submission 7, Office of Environment and Heritage, p4.

⁵⁶ Submission 7, Office of Environment and Heritage, p4.

⁵⁷ Mr Michael Wright, Transcript of evidence, 3 September 2014, p8.

- 3.25 The Committee noted the National Parks and Wildlife Service's use of qualitative performance indicators to measure performance. While acknowledging the value of advice from staff, the Committee encourages the NPWS to further pursue development of quantitative performance indicators.

RECOMMENDATION 2

The Committee recommends that the Office of Environment and Heritage publish its state-wide heritage management strategy by June 2015.

RECOMMENDATION 3

The Committee recommends that the Minister for the Environment and Heritage conduct a review of permissible uses under the *National Parks and Wildlife Act 1974*.

RECOMMENDATION 4

The Committee recommends that the Office of Environment and Heritage develop quantitative measures for the management of historic heritage in national parks by December 2015.

Chapter Four – Building Energy Use in NSW Hospitals

Introduction

- 4.1 The NSW Government has introduced a number of measures to reduce energy use and improve energy efficiency in its operations. These include:
- the Treasury Loan Fund, which was set up in 1998 to provide low interest loans to general government budget dependent agencies to implement cost-effective energy and water efficiency projects. The NSW Office of Environment and Heritage administers and assesses agencies' applications for loans from the fund to invest in those projects, and recommends suitable projects to NSW Treasury for approval to access the fund,
 - the *Energy Administration Amendment (Water and Energy Savings) Act 2005*, which requires large government and business energy users to develop Energy Savings Action Plans, and
 - the Government's Sustainability Policy, which requires public sector agencies to reduce their greenhouse gas emissions, improve energy efficiency and manage their rising energy costs.
- 4.2 In 2011–12, NSW Health paid over \$120 million for its building energy, covering the use of electricity, natural gas, LPG, diesel, coal and heating oil. Although high, relative to total government expenditure on energy, this figure represents less than one per cent of NSW Health's total expenditure.⁵⁸
- 4.3 Public hospitals account for around 85 per cent of NSW Health's total building energy cost and emissions. Most hospitals operate 24 hours, seven days a week and use energy intensive equipment for diagnoses and treatments.⁵⁹

The performance audit

- 4.4 The Audit Office of NSW conducted a performance audit of NSW Health's management of building energy use, focusing on public hospitals since 2008.⁶⁰ The Auditor-General's report was tabled in June 2013.
- 4.5 From 2008, the structure of NSW Health changed significantly. In 2011, 15 new Local Health Districts (LHDs) were established, with new boundaries, more autonomy and greater accountability for spending, including on energy. The role of the Ministry of Health was refocused on policy, strategy, and oversight.

⁵⁸ New South Wales Auditor-General's Report, Performance Audit; Building Energy Use in NSW Hospitals, June 2013, p2.

⁵⁹ New South Wales Auditor-General's Report, Performance Audit; Building Energy Use in NSW Hospitals, June 2013, p2.

⁶⁰ New South Wales Auditor-General's Report, Performance Audit; Building Energy Use in NSW Hospitals, June 2013, p2.

Audit conclusions

- 4.6 The Auditor-General found that NSW Health had managed to reduce its energy use by two per cent, despite increases in hospital activity. The Auditor-General also found that NSW Health had invested in cost-effective energy savings initiatives, but did not meet its emissions reduction target in 2010–11 and, at the then rate, was unlikely to meet its 2013–14 target. The Auditor-General concluded that NSW Health had not managed its building energy use as well as it intended.
- 4.7 With respect to expenditure, the Auditor-General found that over the same period, energy prices had increased significantly. Expenditure on energy in NSW Health increased by 47 per cent (nearly \$39 million), despite a two per cent reduction in energy use. This increase was considerably faster than the increase in total health expenditure and activity. The Auditor-General concluded that the price of energy over the next five years is expected to continue to rise, making the case for investment in energy efficiency measures stronger than ever.

Auditor-General's recommendations

- 4.8 The Auditor-General made four recommendations, each of which contained several parts. The recommendations are detailed in the table below:

Auditor-General's recommendations – Building Energy Use in NSW Hospitals

No.	Recommendation
1.	<p>To set clear direction for managing building energy use and investing in system-wide improvements, the Ministry of Health should, by December 2013:</p> <ul style="list-style-type: none"> a) develop in consultation with LHDs and relevant specialty health networks, a strategy to guide investment in energy efficiency that includes: <ul style="list-style-type: none"> i) minimum energy efficiency performance standards for technologies, plant and equipment used in public hospitals ii) provision of seed funding for energy audits iii) bundling energy efficiency improvements at an appropriate level to maximise value iv) an investment program with financing options ranging from the use of recurrent budgets to large scale capital investment outside the Treasury Loan Fund v) phasing-in investment in renewable energy, where cost-effective b) develop KPIs and targets for reducing energy cost and use, and improving energy efficiency c) develop and start implementing a strategy to strengthen the role of the Sustainability Unit as a centre of expertise by ensuring it: <ul style="list-style-type: none"> i) has a business plan and is well resourced ii) delivers appropriate energy management training, guidance materials and resources, including strategies to manage demand and influence behaviour iii) uses a systematic process for identifying and sharing better practices across the health system.

PUBLIC ACCOUNTS COMMITTEE
 BUILDING ENERGY USE IN NSW HOSPITALS

No.	Recommendation
	<p>by June 2014:</p> <p>d) review the NSW Health Engineering services and Sustainable Development Guidelines TS11 and include a requirement for all new and refurbished facilities to:</p> <ul style="list-style-type: none"> i) have their energy and emissions baselines determined ii) use the benchmarks once finalised for monitoring performance iii) be independently certified to a minimum four star Green Star rating iv) have a budget for energy efficiency in initial project costing v) implement evaluations of thermal performance at 18 months post-occupancy <p>e) work with Local Health Districts (LHDs) to provide energy managers with a budget for minor energy saving initiatives, as well as support and training</p> <p>f) link any budget supplementations provided to LHDs and relevant specialty health networks for increases in energy costs to their performance in managing building energy use</p> <p>g) have all small sites, including franchise accounts, on State Contracts or similar contracts to secure competitive energy prices and electronic access to data from providers.</p>
2.	<p>To better measure, monitor and report on performance, the Ministry of Health should:</p> <ul style="list-style-type: none"> a) require LHDs and relevant specialty health networks to report annually to the Ministry of Health on progress against their implementation plans b) review performance in managing building energy use at each interim target.
	<p>by December 2013:</p> <p>c) develop quality assurance procedures for data on building energy use.</p>
	<p>by June 2014:</p> <p>d) work with the Office of Environment and Heritage to develop a benchmarking tool for NSW hospitals and adopt it for monitoring performance</p> <p>e) give LHDs, relevant specialty health networks and hospitals access to performance information so they can compare their performance to others and set improvement targets in their implementation plans</p> <p>f) start progressively to monitor and report:</p> <ul style="list-style-type: none"> i) on the performance of existing, new and refurbished facilities against respective KPIs, targets and benchmarks ii) trends in energy use, cost and efficiency on a rolling three years basis, including in annual reports <p>g) review the extent to which sub-meters are being used for monitoring energy use in hospitals to identify gaps and develop funding options</p> <p>h) include energy management in Chief Executives' performance agreements with</p>

No.	Recommendation
	the Ministry of Health.
3.	<p>To encourage investment in energy efficiency, NSW Treasury should by December 2013:</p> <p>a) review, jointly with the Office of Environment and Heritage, the administrative arrangements for the Treasury Loan Fund to secure its continuation</p> <p>b) assist NSW Health to identify appropriate financing options for energy efficiency initiatives, including the existing Treasury Loan Fund, and ways to secure such funds</p> <p>c) assist NSW Health with approval processes to seek authorisation to draw down and spend outstanding loans from the Treasury Loan Fund in new financial years</p> <p>d) introduce flexible loan repayment options for the Treasury Loan Fund, such as delayed loan repayments where justified.</p>
4.	<p>To encourage greater investment in energy efficiency and benchmarking of performance, the Office of Environment and Heritage should, by December 2013:</p> <p>a) review, jointly with NSW Treasury, the administrative arrangements for the Treasury Loan Fund to secure its continuation</p> <p>b) allocate resources to a seed funding program for projects which could be potentially funded from the Treasury Loan Fund</p> <p>c) review the administrative rules to enhance successful access to loans from the Treasury Loan Fund, including risk-based assessment and approval processes</p> <p>d) simplify key Treasury Loan Fund application documents and administrative processes</p> <p>e) provide guidance and training on energy management</p> <p>f) establish, in consultation with the Department of Finance and Services, a permanent panel of prequalified energy performance contractors, including contractors with expertise in health settings</p> <p>g) require agencies to apply for loans from the Treasury Loan Fund for energy savings projects at set regular intervals, and introduce time standards for finalising the assessment of compliant applications</p> <p>h) by June 2014, finalise the energy efficiency benchmarking tool for NSW hospitals.</p>

Agency response

- 4.9 Mr Chris Eccles, Director-General, Department of Premier and Cabinet, wrote to the Auditor-General on 24 May 2013 to provide a formal response to the performance audit, and this response was included in the Auditor-General's report. Mr Eccles noted that 'the report and its recommendations raise complex

cross-agency issues,' and that for this reason, the Department of Premier and Cabinet coordinated a single response.⁶¹

The Committee's examination

- 4.10 As part of its examination of performance audits, the Chair of the Public Accounts Committee wrote to NSW Treasury, NSW Health and the Office of Environment and Heritage on 7 July 2014 to request a submission. NSW Health provided a submission dated 7 August 2014, and the Office of Environment and Heritage on 8 August. These submissions were forwarded to the Auditor-General, and he replied with comments on 26 September. NSW Treasury forwarded its submission on 31 October 2014.
- 4.11 The Committee forwarded further questions to NSW Health on 16 October 2014. The answers to these questions were received on 22 October 2014. Copies of the submissions, questions and answers are available on the Committee's website.

Implementation of recommendations

- 4.12 **Recommendation 1a**, to set clear direction for managing building energy use and investing in system-wide improvements, is being addressed by the Ministry of Health by working with HealthShare and Health Infrastructure, in consultation with the Local Health Districts and specialty health networks. To achieve this, the Ministry established an Energy Efficiency Procurement Working Group, with a strategy due to be completed by 30 August 2014. In answers to additional questions, NSW Health advised that the draft strategy is now not expected to be complete until December 2014.
- 4.13 NSW Health advised that the Office of Environment and Heritage has finalised its Energy Efficient Government Program which provides seed funding for project identification and business case development in relation to seed funding for energy audits. Bundling of projects to achieve energy efficiency is already underway in all Energy Performance Contracts.
- 4.14 NSW Health further advised that the development of investment strategies is being progressed through District implementation of the Energy Performance Management Strategy, consistent with NSW Health governance arrangements. This is due to be completed in October 2014.
- 4.15 **Recommendation 1b**, to develop KPIs and targets for reducing energy cost and use and improving energy efficiency, was accepted in part. NSW Health advised that the announcement of the Government Resource Efficiency Policy is imminent and that when the policy is announced by the Government, Health will revise the NSW Health Sustainability Strategy 2013-2015 to take into consideration any new targets. It has also developed its Environment Information Management System to capture and report on electricity cost and use, and is currently working with the Office of Environment & Heritage to develop a benchmarking tool for water and energy use in hospitals. However, NSW Health emphasised that the cost of energy is out of its control and that, because of this,

⁶¹ New South Wales Auditor-General's Report, Performance Audit; Building Energy Use in NSW Hospitals, June 2013, p8.

it could not accept the recommendation to develop KPIs and targets to reduce energy.

- 4.16 **Recommendation 1c**, to develop and implement a strategy to strengthen the role of the Sustainability Unit as a Centre of Expertise, was accepted. NSW Health is developing a strategy to strengthen the role and capacity of its Sustainability Unit as part of the Energy Performance Management Strategy. NSW Health confirmed that the final draft of the business plan is currently under review with release planned for December 2014.⁶²
- 4.17 **Recommendation 1d**, to review the NSW Health Engineering Services and Sustainable Development Guidelines TS11 and include new, identified requirements was accepted in part. NSW Health agreed to have energy and emission baselines determined, and to use benchmarks for monitoring performance once these are finalised. A budget for energy efficiency will also be included in initial project costings.
- 4.18 NSW Health did not accept the Auditor-General's recommendation that new and refurbished properties be independently certified to a minimum of four-star Green Star rating. It advised that it is not currently funded to meet this requirement and that such funding is unlikely to be available by June 2014, which was the recommended time period.⁶³ Recommendation 1d.v, to implement evaluations of thermal performance at 18 months post-occupancy, was also rejected. In its submission, NSW Health advised that there is an existing mechanism to evaluate thermal performance.⁶⁴
- 4.19 In answers to further questions, NSW Health confirmed that the Engineering Guidelines (formerly known as TS11) were being prepared by Health Infrastructure and were in the final stages of review. NSW Health noted that the document had been thoroughly reviewed in each discipline and updated to align with current standards, codes and incorporates Government policy. NSW Health advised that final comments have been received and the document was in the process of being updated to incorporate these comments. NSW Health anticipates that draft guidelines will be completed and forwarded to the Ministry of Health for approval by the end of 2014.⁶⁵
- 4.20 In answers to further questions, NSW Health also confirmed that the energy and water benchmarking tool referred to in Recommendation 1d.ii, has been completed. It anticipates that the tool will be introduced to the Local Health Districts during their November Sustainability Roundtable. A baseline rating is to be completed by December 2014 and included in future Government Resource Efficiency Policy reports to the Office of Environment and Heritage.⁶⁶
- 4.21 **Recommendation 1e**, to work with Local Health Districts to provide energy managers with a budget for minor energy saving initiatives as well as support and

⁶² Submission 5, NSW Health, p3.

⁶³ Submission 5, NSW Health, p5.

⁶⁴ Submission 5, NSW Health, p6.

⁶⁵ Submission 5, NSW Health, p3.

⁶⁶ Submission 5, NSW Health, p4.

training, was accepted in part. In its submission, NSW Health noted that providing energy managers with a budget for minor energy saving initiatives is at the discretion of the Local Health Districts. NSW Health explained that the budget is constrained and inflexible and it is working with NSW Treasury to develop flexible financing options, including recurrent to capital swap to address whole-of-lifecycle costs.⁶⁷

- 4.22 **Recommendation 1f**, to link any budget supplementations provided to Local Health Districts and relevant specialty health networks for increases in energy costs to their performance in managing building energy use, was not accepted. In its submission, NSW Health advised that it will continue to partly supplement Local Health Districts for price increases in electricity. It also explained that budgets are managed in aggregate on performance and that this format will be retained in preference to an itemised arrangement.⁶⁸
- 4.23 **Recommendation 1g**, to have all small sites, including franchise accounts, on State Contracts or similar contracts to secure competitive energy prices and electronic access to data from providers, was accepted. In its submission, NSW Health advised that in mid-2012 it initiated a program to transition all NSW Health accounts on to State Contracts or large-scale contracts, where possible. NSW Health also explained that while electronic data from providers in relation to electricity use is generally available, data about use of other energy sources is not as readily available. NSW Health advised that all electricity accounts are now on State Contracts and online data portals are available for all Local Health Districts to access electricity data from providers. Further, all eligible sites will be included in the NSW Health Open Market Gas Contract when it comes up for renewal in August 2014 for implementation in January 2015.⁶⁹
- 4.24 **Recommendation 2a**, that Local Health Districts and relevant specialty health networks report annually on progress against their implementation plans, was accepted by NSW Health. NSW Health confirmed that Local Health Districts report to the Ministry outlining progress with respect to their Annual Implementation Plans. NSW Health confirmed that the NSW Health Annual Report will summarise these Local Health District reports.⁷⁰
- 4.25 **Recommendation 2b**, that NSW Health should review performance in managing building energy use at each interim target, was accepted by NSW Health. The Ministry explained that the release of the Government Resource Efficiency Policy would allow NSW Health to update its NSW Health Sustainability Strategy 2012-2015 to include new targets. NSW Health also stated that a review will be completed within two months of the release of the Government Resource Efficiency Policy.⁷¹

⁶⁷ Submission 5, NSW Health, p6.

⁶⁸ Submission 5, NSW Health, p7.

⁶⁹ Submission 5, NSW Health, p7.

⁷⁰ Submission 5, NSW Health, p7.

⁷¹ Submission 5, NSW Health, p8.

- 4.26 **Recommendation 2c**, that NSW Health develop quality assurance procedures for data on building energy use, was also accepted.⁷² NSW Health noted that the Data Quality framework procedures were in final draft form awaiting management approval. In answers to further questions, NSW Health confirmed that work has progressed on the Data Quality framework procedures and that the final draft is currently under review, with a planned release by December 2014.⁷³
- 4.27 **Recommendation 2d**, that the Ministry of Health work with the Office of Environment and Heritage to develop a benchmarking tool for NSW hospitals and adopt it for monitoring performance, was accepted. In its submission NSW Health confirmed that the benchmarking tool has been completed and that it anticipated that the data set would be confirmed by Local Health Districts ready for roll out in September 2014.⁷⁴ In answers to further questions, NSW Health confirmed that the energy and water benchmarking tool has been drafted and will be introduced to the Local Health Districts during the November Sustainability Roundtable. A baseline rating is to be completed by December 2014 and included in future Government Resource Efficiency Policy reports to the Office of Environment and Heritage.⁷⁵
- 4.28 **Recommendation 2e**, that the Ministry of Health give Local Health Districts, relevant specialty health networks and hospitals access to performance information so that they can compare their performance to others and set improvement targets in their implementation plans, was accepted by NSW Health. The Committee received advice from NSW Health that it had completed the work associated with this recommendation with the Environment Information Management System available, which was to be replaced by the IBM TRIRIGA system replacing in August 2014.⁷⁶
- 4.29 **Recommendation 2f**, that the Ministry start progressively to monitor and report on the performance of facilities against KPIs, targets and benchmarks, was accepted. In its submission, NSW Health explained that its Environment Information Management System provides electricity trend, cost and consumption analysis to the Local Health Districts. The NSW Health Energy Performance Management Strategy commits NSW Health to reporting on a rolling three year basis and to providing this analysis in its Annual Report. In its submission NSW Health advised that monitoring of existing, new and refurbished facilities against KPIs, targets and benchmarks will commence from January 2015 once the energy and water benchmarking tool has been rolled out.⁷⁷
- 4.30 **Recommendation 2g**, that the Ministry of Health review the extent to which submeters are being used for monitoring energy use in hospitals to identify gaps and develop funding options, was accepted. In its submission, NSW Health reported that it was examining state contract 778 to support implementation of this recommendation. The Ministry confirmed that investigation has also

⁷² Submission 5, NSW Health, p8.

⁷³ Dr Mary Foley, Secretary, NSW Health, Answers to further questions, 22 October 2014, p3.

⁷⁴ Submission 5, NSW Health, p8.

⁷⁵ Submission 5, NSW Health, p8.

⁷⁶ Dr Mary Foley, Secretary, NSW Health, Answers to further questions, 22 October 2014, p3.

⁷⁷ Submission 5, NSW Health, p9.

commenced into optimisation systems as part of Local Health District strategies for implementation of the Energy Performance Management Strategy.⁷⁸

- 4.31 **Recommendation 2h**, that the Ministry of Health include energy management in Chief Executives' performance agreements, was accepted. In its submission NSW Health reported that a schedule had been added to the Chief Executive Service Agreement to ensure that recommendations made by the Auditor-General arising from Financial and Performance Audits are actioned in a timely manner and no repeat issues arise in the following audit.⁷⁹
- 4.32 **Recommendation 3** recommended that the NSW Treasury encourage investment in energy efficiency by undertaking a number of initiatives relating to the Treasury Loan Fund. NSW Treasury accepted the Auditor-General's recommendations, with the exception of the recommendation to consider flexible repayment options, which it accepted in part.⁸⁰
- 4.33 NSW Treasury advised that the Treasury Loan Fund is not a funding program but rather a mechanism for seeking appropriations.⁸¹ In its submission, Treasury reported that it would review the criteria of the Sustainable Government Improvement Program in relation to any loans approved under it. Together with the Office of Environment and Heritage, it reviewed and streamlined administrative arrangements for repayable advances under this program.⁸²
- 4.34 Treasury also advised that two advances for energy efficiency projects have been approved under the Sustainable Government Improvement Program: one at the Coffs Harbour Health Campus and the other at the Coffs Harbour Hospital.⁸³
- 4.35 **Recommendation 4** proposed that the Office of Environment and Heritage undertake a number of initiatives to encourage greater investment in energy efficiency and benchmarking of performance. **Recommendation 4a**, that the Office of Environment and Heritage review, jointly with the NSW Treasury, the administrative arrangements for the Treasury Loan Fund to secure its continuation, was accepted in principle. In its submission the Office of Environment and Heritage advised that there is potential to establish a cross government working group to review and streamline access to funding based on a proposed framework developed by the Office of Environment and Heritage. However, progress has been delayed by changes in Ministerial responsibilities.⁸⁴
- 4.36 **Recommendation 4b**, that the Office of Environment and Heritage allocate resources to a seed funding program for projects which could be potentially funded from the Treasury Loan Fund, was accepted in part. In its submission the Office reported that its actions in regard to this recommendation have been completed. It advised that 'a team of energy efficiency specialists was established

⁷⁸ Submission 5, NSW Health, p9.

⁷⁹ Submission 5, NSW Health, p10.

⁸⁰ Submission 11, NSW Treasury, p2.

⁸¹ Submission 11, NSW Treasury, p1.

⁸² Submission 11, NSW Treasury, p1.

⁸³ Submission 11, NSW Treasury, p2.

⁸⁴ Submission 3, Office of Environment and Heritage, p1.

within the Office to assist key agencies and budget allocated for a seed funding program as part of the Energy Efficiency Action Plan'.⁸⁵

- 4.37 **Recommendation 4c**, to review the administrative rules to enhance successful access to loans from the Treasury Loan Fund, including risk-based assessment and approval processes, was accepted by the Office of Environment and Heritage. The Office advised that it would establish a new administrative framework for the finance facility and obtain approval from key stakeholders for proposed rule changes to streamline the application process and access. Implementation of this recommendation has also been delayed.⁸⁶
- 4.38 **Recommendation 4d**, to simplify key Treasury Loan Fund application documents and administrative processes, was accepted. In its submission, the Office advised that it would establish a new administrative framework for the finance facility and re-establish agency access to the finance facility. However, implementation of this recommendation has also been delayed.⁸⁷
- 4.39 **Recommendation 4e**, to provide guidance and training on energy management, was accepted in part. In its submission, the Office confirmed that it provides access to energy management training to business and government stakeholders through the Energy Saver Program, as well as factoring energy management outcomes into the design of retrofit projects delivered throughout the Energy Saver Program.⁸⁸
- 4.40 **Recommendation 4f**, to establish, in consultation with the Department of Finance and Services, a permanent panel of prequalified energy performance contractors, was accepted. In its submission the Office advised that this recommendation has been implemented, as it established a panel with 15 foundation members which is now operational.⁸⁹
- 4.41 **Recommendation 4g**, to require agencies to apply for loans from the Treasury Loan Fund for energy savings projects at set regular intervals, and introduce time standards for finalising the assessment of compliant applications, was accepted in part. The Office undertook to establish a new administrative framework for the finance facility, as in relation to Recommendation 4d.⁹⁰
- 4.42 **Recommendation 4h**, to finalise the energy efficiency benchmarking tool for NSW hospitals, was accepted by the Office of Environment and Heritage. The Office advised that it has finalised the benchmarking tool which is awaiting endorsement from the stakeholder reference group. The Office advised that it will continue to provide support to NSW Health throughout the next stages of the process, which would see the Local Health Districts adopt the tool and access performance information.⁹¹

⁸⁵ Submission 3, Office of Environment and Heritage, p1.
⁸⁶ Submission 3, Office of Environment and Heritage, p2.
⁸⁷ Submission 3, Office of Environment and Heritage, p3.
⁸⁸ Submission 3, Office of Environment and Heritage, p3.
⁸⁹ Submission 3, Office of Environment and Heritage, p3.
⁹⁰ Submission 3, Office of Environment and Heritage, p5.
⁹¹ Submission 3, Office of Environment and Heritage, p6.

Committee comment

- 4.43 The Committee commends the Ministry of Health and the Office of Environment and Heritage for embracing most of the Auditor-General's recommendations in regard to building energy use. Given the substantial amount of energy used by NSW public hospitals and the rising costs associated with energy consumption, the Committee considers that implementation of the Auditor-General's recommendations is important to managing the competing and complex pressures in the NSW Health budget.
- 4.44 The Committee is pleased to note that NSW Health has included implementation of recommendations made by the Auditor-General in its Chief Executive Service Agreements.
- 4.45 The Committee considers that the sustainability strategy and the energy and water benchmarking tool will play an important role in the work NSW Health undertakes to monitor and reduce energy use in NSW Public Hospitals. For this reason, the Committee recommends that NSW Health adopt the sustainability strategy as soon as practicable, and support the introduction of the draft energy and water benchmarking tool in Local Health Districts.
- 4.46 The Committee noted the delays that the Office of Environment and Heritage has encountered in implementing some of the Auditor-General's recommendations relating to administration of the Treasury Loan Fund. The Committee looks forward to the full implementation of these recommendations.

RECOMMENDATION 5

The Committee recommends that NSW Health adopt a comprehensive sustainability strategy by February 2015.

RECOMMENDATION 6

The Committee recommends that NSW Health support the introduction of the energy and water benchmarking tool to Local Health Districts by February 2015.

Chapter Five – Managing Operating Theatre Efficiency for Elective Surgery

Introduction

- 5.1 Elective or planned surgery is defined as any form of surgery that a patient's doctor believes to be necessary and can be delayed by at least 24 hours. In 2011-12, approximately 210,000 patients had elective surgery in over 270 public hospital operating theatres across New South Wales. The cost of elective surgery within hospitals is estimated to be \$1.3 billion each year or about 17 per cent of NSW Health's inpatient hospital services budget.⁹²
- 5.2 Across the NSW public hospital system, 45 per cent of all admissions to operating theatres are for elective surgery, 27 per cent for emergency procedures and 28 per cent for non-surgical procedures. This balance varies in individual hospitals, as does the range and complexity of the surgical procedures performed.⁹³
- 5.3 These three types of procedures generally share the same operating theatre complex, management, staffing and scheduling issues. If the demand for emergency surgery and non-surgical procedures exceeds allocated resources, it can displace scheduled elective surgery.
- 5.4 Responsibility for managing operating theatres rests with hospitals and their Local Health Districts. Operating theatre committees within hospitals, comprised of the key clinicians and managers, oversee the theatres' activities on a month-to-month basis. The Ministry of Health monitors Local Health Districts' performance, and the Agency of Clinical Innovation and its Surgical Services Taskforce provide assistance and guidance for improving clinical practices and management within operating theatre suites.

The performance audit

- 5.5 The audit assessed how efficiently public hospital operating theatres are being managed to deliver elective surgery. The audit concentrated on efficiency because it is a key factor in meeting tightening national timeframes for elective surgery and ensuring that activity based funding budgets are achieved. Efficiency in this context means the effective management of theatre time, costs, resources and staff to maximise the number of procedures performed with available resources.⁹⁴
- 5.6 The Audit focused on two key questions:

⁹² New South Wales Auditor-General's Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p2.

⁹³ New South Wales Auditor-General's Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p2.

⁹⁴ New South Wales Auditor-General's Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p3.

- Are public hospitals meeting appropriate operating theatre efficiency targets?
- Do managers have the information they need to manage operating theatres efficiently?

Audit conclusions

5.7 The Auditor-General found that there was room for operating theatres to be managed more efficiently and potential for more elective surgery at current funding and resourcing levels.⁹⁵ The scale of the potential increase is difficult to determine with current information, but the Auditor-General considered that it would amount to many thousands more surgical procedures annually state-wide.⁹⁶

Auditor-General’s recommendations

5.8 The Auditor-General made seven recommendations, in different areas. Several of these recommendations contained a number of elements. The recommendations are detailed in the table below.

Auditor-General’s recommendations – Managing operating theatre efficiency for elective surgery

No.	Recommendation
1.	Local Health Districts (LHDs) supported by the Ministry and the Agency for Clinical Innovation should, by 30 June 2014, develop operating theatre better practice management guides which cover: <ul style="list-style-type: none"> a) the role and composition of the operating theatre committee b) clearly defined operating theatre related roles and accountabilities of key positions such as the heads of surgery and anaesthetics, surgical department heads, directors of medical and nursing services, theatre managers, theatre nurse unit managers and business managers c) performance management arrangements, including regular efficiency reporting against accountabilities and targets for these key positions and clinical staff (staff specialists, visiting medical officers and nursing staff) to deliver efficiency, throughput and other measures of performance d) operating theatre management committee connections to their hospital and LHD executive to support effectiveness and to other committees in order to share knowledge and experiences.
2.	LHDs supported by the Ministry, the Agency for Clinical Innovation and the Surgical Services Taskforce should, by 30 June 2014, develop guidance on better practice theatre efficiency measures incorporating: <ul style="list-style-type: none"> a) a stocktake of currently available performance data and a review of the

⁹⁵ New South Wales Auditor-General’s Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p3.

⁹⁶ New South Wales Auditor-General’s Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p3.

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No.	Recommendation
	<p>capabilities of operating theatre and financial information systems</p> <p>b) a suite of efficiency indicators across aspects of costs, time, activity and resources which are readily accessible by managers</p> <p>c) education programs to build awareness of how efficiency indicators can be assessed and used to allow more meaningful efficiency monitoring and reporting</p> <p>d) benchmarking of selected efficiency measures across hospitals and LHDs.</p>
3.	NSW Health should, by 30 June 2014, implement improved controls over data collection to ensure consistency and reliability in the collection and reporting of operating theatre efficiency measures.
4.	<p>As part of the implementation of activity based funding, the Ministry and the LHDs, should by 30 June 2014, ensure that performance frameworks used include mechanisms to:</p> <p>a) monitor the relationship between additional funding and additional activity to deliver targets at LHD and hospital levels, for example, increased elective surgery activity levels</p> <p>b) regularly evaluate the impact of theatre efficiency initiatives on the levels of elective surgery and other efficiency measures.</p>
5.	LHDs and their hospitals should, by 30 June 2014, improve their monitoring of the extent that the physical capacity of operating theatres is used and the constraints on greater use. Measures should allow comparison by theatre of actual hours used, booked hours and funded hours, and allow monitoring of the number of surgical procedures planned and undertaken.
6.	<p>LHDs supported by the Ministry and the Agency for Clinical Innovation should, by 30 June 2014:</p> <p>a) regularly monitor the extent to which theatres are used for non-surgical procedures</p> <p>b) establish plans for minimising the use of operating theatres for non-surgical procedures, based on considerations such as patient safety, availability of staff and equipment, the co-location of services and benefit cost analysis.</p>
7.	<p>LHDs supported by the Ministry should, by 30 June 2014:</p> <p>a) improve the reliability of capturing cost information for surgical procedures, including the cost of operating theatre units as a key component</p> <p>b) complete an initial analysis of variations in the costs of procedures, both within and between hospitals and LHDs, to identify and address drivers of inefficiencies</p> <p>c) incorporate cost benchmarks and measures into the revised suite of efficiency indicators recommended above.</p>

Agency response

- 5.9 Mr Ken Whelan, Acting Director-General, NSW Health provided a formal response to the performance audit which was included in the Auditor-General's report when it was tabled in July 2013. Mr Whelan wrote that:

The Ministry, ACI and Local Health districts welcome the findings and recommendations of this report as a positive contribution to the service quality and efficiency improvement efforts that are already under way across the NSW Health system.⁹⁷

- 5.10 In 2014, Dr Mary Foley, Secretary, NSW Health, advised the Committee that NSW Health accepted all of the Auditor-General's recommendations. Dr Foley wrote that:

Of the seven recommendations made to NSW Health, I am pleased to advise that all of the recommendations have been actioned with recommendations completed, ongoing or partially completed. Most recommendations relate to the development of guidelines to promote best practice for operating theatre management.⁹⁸

The Committee's examination

- 5.11 As part of its examination of performance audits, the Chair of the Public Accounts Committee wrote to NSW Health on 7 July 2014 to request a submission detailing what action it had taken in response to the Auditor-General's report. NSW Health provided a submission on 29 July 2014. This submission was forwarded to the Auditor-General for comment, and he in turn replied on 26 September 2014.
- 5.12 On 16 October 2014, the Committee wrote to NSW Health to request further information, and Dr Mary Foley, Secretary, NSW Health, responded on 22 October 2014.

Implementation of recommendations

- 5.13 **Recommendation 1**, that better practice management guides for operating theatres be developed, was accepted by NSW Health. In its submission, NSW Health outlined the progress made in developing guidelines and a toolkit to promote best practice. NSW Health confirmed that these guidelines to promote best practice for operating theatre management are in draft form and would be forwarded to the Surgical Services Taskforce for approval in October/November 2014.⁹⁹
- 5.14 **Recommendation 2**, that NSW Health develop better practice theatre efficiency measures, was accepted. In its submission, NSW Health referred to actions being undertaken to implement Recommendation 1.
- 5.15 **Recommendation 3**, the implementation of improved controls over data collection to ensure consistency and reliability in the collection and reporting of operating theatre efficiency measures, was accepted. In its submission, NSW Health particularly noted the introduction of Operating Theatre Key Performance Indicators and Operating Theatre Efficiency Dashboards for all Local Health Districts and Facilities.¹⁰⁰ NSW Health also outlined the commencement of

⁹⁷ See, New South Wales Auditor-General's Report, Performance Audit: Managing operating theatre efficiency for elective surgery, July 2013, p7.

⁹⁸ Submission 4, NSW Health, covering letter.

⁹⁹ Submission 4, NSW Health, p1.

¹⁰⁰ Submission 4, NSW Health, p6.

requirements for Operating Theatre Management Reports at State, Local Health District and Facility level on 26 September.

5.16 **Recommendation 4**, to enhance the activity based funding model, was accepted. In its submission, NSW Health confirmed that in its work monitoring the relationship between additional funding and activity to deliver targets, regular performance meetings are conducted with System Relationship Directors of the Ministry.¹⁰¹ NSW Health also explained that it has a number of resources and processes for regularly evaluating the impact of theatre efficiency initiatives, including the Surgical Services Taskforce Dashboard, regular performance meetings with System Relationship Directors and ad hoc investigations into specific system issues that might affect surgery efficiency.¹⁰²

5.17 **Recommendation 5**, that NSW Health improve the monitoring of the capacity of operating theatres and the constraints on greater use, was accepted. In its submission, NSW Health explained that:

Operating theatre efficiency is complex and involves the analysis of many elements in the surgical patient journey. The approach by the Ministry of Health, ACI and LHDs/SHNs is to improve processes not only within operating theatres but across all other related areas that impact on operating theatre efficiency.¹⁰³

5.18 However, NSW Health did advise that it has developed a State Wide Reporting Platform which includes a range of Operating Theatre Efficiency Measures.¹⁰⁴

5.19 **Recommendation 6**, to monitor the use of theatres for non-surgical procedures and introduce plans to minimise such use, was accepted. In its submission, NSW Health referred to its Operating Theatre Dashboards and Operating Theatre Activity Summaries which include the capacity to actively monitor non-surgical procedures performed in operating theatre units. NSW Health also noted its work in relation to the availability of procedure rooms at all sites, and planning for new facilities.¹⁰⁵

5.20 **Recommendation 7**, to improve the reliability of capturing cost information, complete initial analysis of variations in the costs of procedures and incorporate costs into a revised suite of efficiency indicators, was accepted. In its submission, NSW Health explained that it is entering the second year of its new Activity Based Funding (ABF) model, which aims to transparently link funding provided to services with services provided to patients.¹⁰⁶ This process includes surgical services. As part of this process, NSW Activity Based Funding Taskforce has partnered with St George Hospital to undertake a pilot site for a bottom up costing exercise of operating theatres.¹⁰⁷

¹⁰¹ Submission 4, NSW Health, p7.

¹⁰² Submission 4, NSW Health, p7.

¹⁰³ Submission 4, NSW Health, p8.

¹⁰⁴ Submission 4, NSW Health, p8.

¹⁰⁵ Submission 4, NSW Health, p8.

¹⁰⁶ Submission 4, NSW Health, p9.

¹⁰⁷ Submission 4, NSW Health, p9.

Committee comment

- 5.21 The Committee is pleased that NSW Health has accepted the recommendations made by the Auditor-General in relation to managing operating theatre efficiency for elective surgery. The Committee commends NSW Health for its work in developing tools that will assist Local Health Districts and hospitals in managing operating theatres efficiently.
- 5.22 The Committee notes that the guidelines to promote best practice for operating theatre management, which are central to implementing a number of the Auditor-General's recommendations, were due to be launched in September 2014 and have yet to be released. The Committee also notes the advice from NSW Health that this launch has been deferred as the guidelines are still in draft form and will be forwarded to the Surgical Services Taskforce for its approval in October/November 2014. The Committee urges NSW Health to implement these guidelines as a matter of priority.

RECOMMENDATION 7

The Committee recommends that NSW Health finalise the guidelines to promote best practice in operating theatre management by December 2014.

Chapter Six – Reducing Ambulance Turnaround Time at Hospitals

Introduction

- 6.1 In 2012, the Hon. Jillian Skinner, Minister for Health, published a Reform Plan for NSW Ambulances, which included a focus on ensuring ambulances were not unnecessarily detained at hospital emergency departments.¹⁰⁸ If paramedics are unable to move patients into beds in emergency departments, they wait with their patients on the ambulance stretcher until a bed becomes available.
- 6.2 NSW Health requires hospitals to transfer 90 per cent of ambulance patients into hospital care within 30 minutes of arrival.

The performance audit

- 6.3 The Auditor-General conducted a performance audit to assess whether there are effective strategies in place to reduce the time spent by ambulance crews at emergency departments. He focused on two key questions:
- Do NSW Health's strategies to reduce ambulance delays at emergency departments free up ambulances to respond to other incidents?
 - Do the Ambulance Service of NSW's demand management strategies limit the number of patients it takes to emergency departments?¹⁰⁹

Audit conclusions

- 6.4 The Auditor-General found that ambulances wait longer at hospital emergency departments today than in previous years. Each day the Ambulance Service loses an average of 18 ambulances on the road due to hospital delays of more than 30 minutes, potentially costing \$13.6 million annually to replace. This is an increase from six ambulance crews seven years ago. NSW Health has never met its target to transfer 90 per cent of ambulance patients within 30 minutes.¹¹⁰
- 6.5 The Auditor-General found that although the Ambulance Service and hospitals have a range of strategies to reduce ambulance delays, average state-wide performance has actually declined. In 2011-12, one in three ambulances was delayed more than 30 minutes at hospital emergency departments.
- 6.6 The Auditor-General found that over the last seven years:
- average off-stretcher time, the time to offload ambulance patients, rose from 24.4 to 31.6 minutes

¹⁰⁸ NSW Health, Reform Plan for NSW Ambulance, 2012, p16.

¹⁰⁹ NSW Auditor-General, Performance audit: Reducing ambulance turnaround time at hospitals, 24 July 2013, p2.

¹¹⁰ NSW Auditor-General, Performance audit: Reducing ambulance turnaround time at hospitals, 24 July 2013, p2.

- average turnaround time, the total time spent by ambulances at hospitals, rose from 30.5 to 42.1 minutes
- the proportion of ambulance patients offloaded in 30 minutes fell from 77 to 65 per cent
- the number of hospitals not offloading 90 per cent of patients in 30 minutes rose from 34 to 64.

6.7 However, the Auditor-General also found that performance has improved in some of the larger hospitals. Of the six hospitals the Auditor-General visited, two had improved off-stretcher performance. Both had implemented a range of strategies to improve patient flow in the hospital and reduce overcrowding in the emergency department. The strategies employed included:

- moving emergency department patients admitted to hospital to temporary beds in the wards (over-census inpatient beds)
- rapid triage and early assessment of emergency department patients by senior doctors.
- calling in additional paramedics to care for patients on stretchers at the hospital (Ambulance Release Teams),
- moving patients to the waiting room, and
- moving patients to dedicated ambulance treatment areas (ambulance bays).

Auditor-General’s recommendations

6.8 The Auditor-General made a number of recommendations to the Ministry of Health, the Ambulance Service of NSW, Local Health Districts and the Agency of Clinical Innovation in relation to reducing ambulance turnaround time at hospitals. These recommendations are detailed in the table below.

Auditor-General’s recommendations – Reducing ambulance turnaround time at hospitals

No.	Audit Recommendations
1.	Regarding its performance measure for transfer of care, the Ministry of Health, in consultation with the Ambulance Service of NSW and Local Health Districts, should: <ul style="list-style-type: none"> a) by December 2013, clarify the tasks which should occur before transfer of care is complete; b) by July 2014, consider reducing the benchmark for transfer of care from 30 to 20 minutes in line with most other Australian states and territories.
2.	By July 2014, the Ministry of Health and Agency of Clinical Innovation, in consultation with Local Health Districts, should provide guidance and advice on the development of hospital escalation plans to ensure they include: <ul style="list-style-type: none"> a) ambulance delays as a response trigger;

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b)	a whole-of-hospital response involving wards and other hospital services;
c)	what actions should occur, who is responsible for them, and within what timeframe.
3.	By July 2014, Local Health Districts should evaluate the effectiveness of strategies to move emergency department patients to hospital wards, i.e. in line with National Emergency Access Targets, in reducing transfer of care time.
4.	By December 2014 NSW Health should make hospitals more responsive to ambulance delays by:
a)	determining the maximum time paramedics should wait with patients at emergency departments before hospitals must move patients from the ambulance stretcher and into their care;
b)	phasing out Ambulance Release Teams and redirecting resources to patient flow strategies in the hospital that help reduce transfer of care time.
5.	By July 2014, to reduce ambulance turnaround time, the Ambulance Service of NSW should:
a)	review the main reasons for delays that occur after a patient has been off-loaded at hospital and introduce strategies to address these;
b)	introduce benchmarks for make-ready time and monitor performance against these.
6.	By December 2013, the Ministry of Health should re-enforce compliance with its policy on inter-facility transfers for patients requiring special care, to ensure Local Health Districts admit patients direct to inpatient beds and not through the emergency department.
7.	By December 2014, NSW Health should improve the patient flow of booked emergency ambulances, especially inter-hospital transfers and bookings made by health staff in the community, by:
a)	reviewing the volume, type, and distribution of booked ambulance patients presenting to NSW hospitals;
b)	reviewing the process for booking ambulance patients by hospitals or health staff in the community to identify any problems which may need to be addressed;
c)	introduce strategies to address any gaps and improve patient flow of booked ambulance patients.
8.	By December 2014, reduce unnecessary ambulance responses by:
a)	increasing the proportion of eligible calls referred to the telephone advice line <i>healthdirect</i> ;
b)	stop assigning ambulances to calls transferred to <i>healthdirect</i> ;
c)	in conjunction with NSW Health, review the impact of telephone advice

	referrals on ambulance and emergency department activity.
9.	By December 2014, increase the non-transport rate by enabling paramedics to treat more patients at the scene by: <ul style="list-style-type: none"> a) optimising the use of Low Acuity Pathway protocols by removing any barriers that prevent paramedics from using them; b) improving the tasking arrangements of Extended Care Paramedics to ensure they are not automatically used for high priority emergency work.
10.	Enable paramedics to determine, based on their clinical assessment, that hospital transport is not required. This may include: <ul style="list-style-type: none"> a) by December 2014, introducing a process where paramedics can refuse to transport a patient to a hospital emergency department where it is clear that transport is not warranted; b) by July 2015, in consultation with relevant stakeholders, investigating alternate referral options or transport destinations, such as outpatient clinics and medical centres.
11.	By July 2014, regularly monitor and report on the non-transport rate of its demand management initiatives to determine the success of its strategies to reduce unnecessary hospital transports.

Agency response

6.9 Dr Mary Foley, Director-General, NSW Health, provided a formal response to the performance audit which was included in the Auditor-General's report when it was tabled in July 2013. Dr Foley emphasised that 'the issue of timely access to public hospitals is a critical focus of NSW Health.'¹¹¹ She explained that NSW Health is working on three key areas of reform which it anticipated would address the issues raised in the audit: a NSW Ambulance Reform Plan, the Whole of Hospital Program, and out-of-hospital and hospital avoidance initiatives.

6.10 In a covering letter to NSW Health's submission, Dr Foley was equally positive about the agency's response:

Of the twenty two recommendations made to NSW Health specifically to the Ministry and Ambulance Service of NSW, I am pleased to advise that all recommendations have been actioned with twelve recommendations completed and the remainder mostly due for completion by December 2014.¹¹²

The Committee's examination

6.11 As part of its examination of performance audits, the Chair of the Public Accounts Committee wrote to the Ministry of Health and the Ambulance Service of NSW

¹¹¹ NSW Auditor-General, Performance audit: Reducing ambulance turnaround time at hospitals, 24 July 2013, p2.

¹¹² Submission 4, NSW Health, covering letter.

on 7 July 2014 to request a submission. NSW Health provided a submission on 29 July 2014, and this submission also included information relating to ambulance services. The NSW Health submission was forwarded to the Auditor-General for comment on 9 September 2014, and he in turn replied on 26 September 2014.

- 6.12 The Committee wrote to NSW Health on 16 October 2014 requesting answers to further questions arising from its submission, and NSW Health responded on 22 October 2014.

Implementation of recommendations

- 6.13 **Recommendation 1** related to the clarification of tasks that should occur before transfer of care is complete and reducing the benchmark for transfer of care from 30 to 20 minutes. This recommendation was partially accepted by NSW Health. In its submission, NSW Health confirmed that the policy PD2013_047 *Triage in NSW Emergency Departments* had been revised and republished, outlining further detail on the tasks that should occur for Ambulance Transfer of Care to take place. NSW Health further advised that communication with relevant stakeholders outlining this change has also taken place. NSW Health explained that it would not revise down the transfer of care benchmark until there was sustained performance at the current target of 30 minutes, followed by modelling and negotiations with the Local Health Districts and Specialty Health Networks.¹¹³
- 6.14 **Recommendation 2**, development of hospital escalation plans to include ambulance delays as a response trigger, a whole-of-hospital response involving wards and other hospital services, what actions should occur, who is responsible for them, and within what timeframes, was accepted. In its submission, NSW Health explained that it sent communication to all Local Health Districts and Specialty Health Networks requesting reviews of their existing hospital escalation plans. This included a request to outline whether the plans met the elements described in this recommendation. Thirteen Local Health Districts and Specialty Health Districts responded, with the NSW Agency for Clinical Innovation and the Ministry of Health providing assistance to the other four Local Health Districts to update their existing plans to ensure compliance.¹¹⁴
- 6.15 **Recommendation 3**, that Local Health Districts should evaluate the effectiveness of strategies to move emergency department patients to hospital wards, was accepted. NSW Health explained that Key Performance Indicators incorporate a National Emergency Access Target, which is 90 per cent, with accountability for performance residing with each Local Health District and Specialty Health Network.¹¹⁵
- 6.16 The *Whole of Hospital Program* is designed to support Local Health Districts and Specialty Health Networks to move towards the strategic changes required to improve access to care and patient flow in NSW. It seeks to connect or streamline existing work and processes and improve efficiencies. NSW Health reported that in 2012 NSW performance against the National Emergency Access Target was at

¹¹³ Submission 4, NSW Health, p1.

¹¹⁴ Submission 4, NSW Health, p2.

¹¹⁵ Submission 4, NSW Health, p3.

61.1 per cent, improving in 2013 to 70.8 per cent. The year to date figure at the time this report was prepared was 74.9 per cent.¹¹⁶

- 6.17 **Recommendation 4**, that NSW Health should make hospitals responsive to ambulance delays by determining the maximum time paramedics should wait with patients at emergency departments and phasing out Ambulance Release Teams, was accepted in part. In its submission, NSW Health noted the recommendation in relation to determining the maximum amount of time paramedics should stay with patients before hospitals are required to move patients into their care. NSW Health did not accept this recommendation as a detailed investigation would be required to determine a possible application of this model of care.¹¹⁷
- 6.18 Instead, NSW Health noted that the priority for NSW in this regard is the implementation of Law Acuity Pathways which provide a greater range of alternate pathway options for ambulance patients. With respect to the phasing out of Ambulance Release Teams, NSW Health noted that data analysis is demonstrating that as access to emergency departments and hospital improves, ambulances are able to be offloaded more readily, decreasing the need for Ambulance Release Teams.¹¹⁸
- 6.19 **Recommendation 5**, that the Ambulance Service of NSW reduce ambulance turnaround time by reviewing the main reasons for delays and introduce strategies to address these, and introduce benchmarks for make-ready time and monitor performance against these benchmarks, was accepted. In its submission NSW Health explained that NSW Ambulance has enhanced its procedures for paramedics to access timely Electronic Medical Record technical support, is conducting trials on the feasibility of installing suitable printers in emergency departments to significantly improve printing times and is undertaking a system upgrade to Windows 7 which will potentially support multiple printing options.¹¹⁹ NSW Health also noted that it has sought to address issues relating to Environmental Cleaning and critical incidents.
- 6.20 In relation to performance and benchmarking, NSW Ambulance has introduced a daily Make Ready Time performance report which frontline managers use to follow-up individual cases where Make Ready Time is greater than 30 minutes. NSW Ambulance introduced a Make Ready Time benchmark of 90 per cent within 25 minutes.¹²⁰
- 6.21 **Recommendation 6**, that NSW Health should re-enforce compliance with its policy on inter-facility transfers for patients requiring special care, was accepted. NSW Health explained that the Critical Care Networking Advice Line Working Group had been tasked with investigating the process of inter-hospital transfers. The Working Group has deemed that the policy, PD2011_031 *Interfacility Transfer Process for Adults* is appropriate for ongoing use. NSW Health has

¹¹⁶ Submission 4, NSW Health, p3.

¹¹⁷ Submission 4, NSW Health, p3.

¹¹⁸ Submission 4, NSW Health, p4.

¹¹⁹ Submission 4, NSW Health, p5.

¹²⁰ Submission 4, NSW Health, p5.

communicated to relevant stakeholders that the policy should be implemented as a priority. NSW Health also confirmed that it will monitor implementation through Performance Review Meetings between Local Health Districts and the Ministry.¹²¹

- 6.22 **Recommendation 7**, that NSW Health improve the patient flow of booked emergency ambulances by reviewing the volume type and distribution of booked patients, reviewing the process for booking ambulance patients and introducing strategies to address any gaps and improve patient flow of booked ambulance patients, was supported in principle. NSW Health explained that these measures constitute a significant body of work and will be addressed as part of the review of demand management strategies within the Reform Plan for NSW Ambulance. NSW Health also noted that four Local Health Districts already had programs in place to address this issue, and based on the success of those programs a further ten hospitals were given funding in 2012/2013 to establish outreach services to Residential Aged Care Facilities. NSW Health anticipates that by December 2014 it will have analysed data from a range of stakeholders which will inform further clear strategies for implementation.¹²²
- 6.23 **Recommendation 8**, that NSW Health reduce unnecessary ambulance responses by increasing the proportion of eligible calls referred to the telephone advice line *healthdirect*, cease assigning ambulances to calls transferred to *healthdirect* and review the impact of *healthdirect* referrals on ambulance and emergency department activity, was accepted. In its submission, NSW Health reported that NSW Ambulance has set up regular performance meetings with *healthdirect* and the Ministry of Health to monitor trends in relation to calls transferred to *healthdirect* for secondary triage. NSW Health confirmed that as at April 2013, NSW Ambulance discontinued assigning an ambulance to incidents that have been referred to *healthdirect*.¹²³
- 6.24 **Recommendation 9**, that NSW Health increase the non-transport rate by enabling paramedics to treat more patients at the scene, and improve tasking arrangements of Extended Care Paramedics to ensure that they are not automatically used for high priority emergency work, was supported. NSW Health reported that it has conducted a survey of paramedics' perceptions of the Law Acuity Pathways program, with the result that the requirement that 'any patient or person responsible who requests ambulance transport must be transported' will be removed from the 2014 Protocol.¹²⁴
- 6.25 NSW Ambulance reported that it is establishing a position in the Sydney Control Centre which will be responsible for tasking Extended Care Paramedics to the most appropriate work. In addition, a trial with Extended Care Paramedics commenced in Western Sydney in January 2014. One of the key features of the trial is that the Extended Care Paramedic vehicle is not tasked for non-Extended

¹²¹ Submission 4, NSW Health, pp6-7.

¹²² Submission 4, NSW Health, pp7-8.

¹²³ Submission 4, NSW Health, pp9-10.

¹²⁴ Submission 4, NSW Health, p11.

Care Paramedic emergency work, except when it is the closest resource to an unconscious patient or a patient in cardiac arrest.¹²⁵

6.26 **Recommendation 10**, that paramedics be enabled to determine whether hospital transport is required following a clinical assessment by introducing processes where paramedics can refuse transport and investigate alternate referral options or transport destinations, such as outpatient clinics and medical centres, was noted. In its submission, NSW Health explained that Clinical Governance has implemented a proof of concept to enable Intensive Care Paramedics to determine, following a clinical assessment, that hospital transport is not required. A report is being compiled, and feasibility for full implementation will be assessed with all stakeholders.¹²⁶

6.27 NSW Health also reported that the Regional Division of NSW Ambulance has established linkages with Southern NSW Medicare Local to enable care plans to be shared between General Practitioners, Local Health Districts and Paramedics to prevent unnecessary transfer of patients with chronic conditions to Emergency Departments. NSW Ambulance is also in collaboration with Central Coast NSW Medicare Local in the undertaking of a six month proof of concept which involves Intensive Care Paramedics, where appropriate, referring and/or transporting low acuity patients to their regular General Practitioner. This program was evaluated in July 2014, with the key findings being:

- 83 patients had alternate referrals attempted
- An alternate referral was successful in 82 patients
- Referrals were primarily directed to the patient's own GP
- 84 per cent of patients were transported by private vehicle
- Single responders attended a high proportion of cases and were successful in avoiding the need for a second vehicle for patient transport
- A number of patients who had referrals made had already undergone a secondary triage process by healthdirect
- Scene time is increased when a referral is made but overall case cycle time is reduced
- The project was generally well-received by GP practices
- The role of ambulance liaison officer is essential to the successful collaboration with GP practices
- Patients were very satisfied with the care they received and the recommendation for alternate referral.¹²⁷

¹²⁵ Submission 4, NSW Health, p11.

¹²⁶ Submission 4, NSW Health, p12.

¹²⁷ Submission 4, NSW Health, p12.

- 6.28 NSW Health reported that the program has now become accepted practice on the Central Coast and strategies are being put in place to roll out the initiative across other areas in the state as part of the integrated care program.
- 6.29 **Recommendation 11**, regarding regular monitoring and reporting on the non-transport rate of its demand management initiatives to determine the success of its strategies to reduce unnecessary hospital transports, was accepted. In its submission, NSW Health explained that it was developing a method to monitor and report on the non-transport rate. It also reported that testing of alternative compilation methods was underway, with a recommendation on the appropriate methodology to be provided to NSW Ambulance Executive for consideration.¹²⁸

Committee comment

- 6.30 The Committee is pleased that NSW Health has accepted a number of the recommendations contained in the Auditor-General's report on Reducing Ambulance Turnaround Time at Hospitals. The Committee commends NSW Health on the collaborative work on reducing ambulance turnaround time at hospitals that has been undertaken by various NSW Health agencies.
- 6.31 The Committee was impressed by the strategies adopted by NSW Health to reduce ambulance turnaround time at hospitals, including the use of Ambulance Release Teams and the proof of concept trials that have been undertaken in relation to sharing care plans and transferring patients to hospital alternatives, such as the patient's general practitioner. The Committee noted the success of the proof of concept in relation to transferring patients to hospital alternatives, outlined in relation to Recommendation 10, and urges NSW Health to support the Ambulance Service of NSW to implement this initiative more widely.

RECOMMENDATION 8

The Committee recommends that NSW Health support the Ambulance Service of NSW in the roll out of the transferring patients to hospital alternatives initiative to other areas of NSW as part of the integrated care program.

¹²⁸ Submission 4, NSW Health, p12.

Chapter Seven – Making the best use of public housing

Introduction

- 7.1 There are 151,000 social housing dwellings in New South Wales. The majority, 79 per cent or 119,000 dwellings, are public housing owned by the Land and Housing Corporation (LAHC) and managed by Housing NSW (HNSW), both divisions of the Department of Family and Community Services (FACS). Eighteen per cent or 27,000 dwellings are managed by community housing providers, and the remaining 3 per cent or 5,000 dwellings are owned by the Aboriginal Housing Office.
- 7.2 The Land and Housing Corporation was transferred from the Department of Finance and Services to FACS in August 2013, having previously been transferred from the Department of Housing to the Department of Finance and Services in October 2011. Both agencies operate under the *Housing Act 2001* which requires them to act in a complementary manner, to the maximum extent possible, to achieve unified administration of the Act.

The performance audit

- 7.3 The Auditor-General's performance audit aimed to assess capacity to meet changing public housing need. Specifically, it examined Housing NSW's and the Land and Housing Corporation's performance in relocating tenancies where individual needs or circumstances change, and planning to ensure the asset base reflects the requirements of those most in need. The Auditor-General's report was tabled in July 2013.

Audit conclusions

- 7.4 The Auditor-General found that constraints in the current portfolio and funding arrangements do not enable Housing NSW and the LAHC to meet the changing public housing need. He found that there is an increasing shortfall between the supply of and demand for public housing and no clear direction for managing this shortfall, although Housing NSW and the LAHC are working towards one.¹²⁹

Auditor-General's recommendations

- 7.5 The Auditor-General made eight recommendations directed to the Department of Family and Community Services, which are detailed below.

Table 1: Auditor-General's recommendations – Making the best use of public housing

No.	Recommendation
1.	The Government should: a) develop a clear direction for a sustainable housing sector that can function within

¹²⁹ NSW Auditor-General's Performance Audit Report; Making the best use of Public Housing, July 2013, p2.

	<p>the available funding such that:</p> <ul style="list-style-type: none"> - the current challenges facing public housing and the fundamental question of what the role of public housing is are addressed. The direction should identify who is to be housed, and how funding and asset ownership will achieve a sustainable housing sector, for the longer-term - clear strategic objectives are set to implement the direction agreed - the roles, responsibilities and relationships between the Land and Housing Corporation (LAHC) and Housing NSW (HNSW), and their accountability towards achieving their objectives, are clearly understood <p>b) review housing funding arrangements and flows such that:</p> <ul style="list-style-type: none"> - LAHC can make long-term decisions on its ownership and management within the public housing portfolio - HNSW can make long-term decisions on how best to meet its social and economic objectives
2.	FACS/HNSW and DFS/LAHC should, by January 2014, agree on the objects of the <i>Housing Act 2001</i> against which they should be reporting
3.	FACS/HNSW should, by December 2013, complete a social housing policy that aligns tenant management with emerging client need. The strategy should include short-term and long-term targets, and forecasts to enable effective monitoring and reporting on progress
4.	<p>HNSW should:</p> <p>a) by June 2014 continue current initiatives and promote proposals to make the best use of existing public housing. They include:</p> <ul style="list-style-type: none"> - aligning housing allocation with housing stock better, for example as is currently being implemented, by giving higher priority to rehousing tenants under-occupying - introducing financial incentives and disincentives for people occupying properties larger than they need, taking into account the characteristics of the client group - considering how allocation strategies may be used to support the development of successful and sustainable communities - reducing vacancy turnaround times - consistently implementing policies for relocation and ensuring they are monitored and reported - identifying and addressing current policies and practices that may act as disincentives to tenants to seek work - considering other rent setting models <p>b) by December 2014, implement the recommendations from ICAC and the internal HNSW review as part of a monitoring program</p>
5.	<p>LAHC should:</p> <p>a) by December 2013, complete and release an asset portfolio strategy that delivers housing at an appropriate standard and shows how future new supply of housing will align with emerging client need. The strategy should include short-term and long-term targets to enable effective monitoring and reporting on progress</p> <p>b) by June 2014, audit the property disposal procedures as part of a regular internal audit and review process</p>
6.	LAHC should, in consultation with HNSW, by December 2013, finalise the Government's long-term strategy for managing public housing estates to deliver a sustainable reduction in disadvantage on estates
7.	FACS/HNSW and LAHC emerging policies and strategies should be based upon evidence

	of the cost effectiveness of asset and non-asset interventions to meet the specific needs of public housing tenants
8.	<p>HNSW and LAHC should:</p> <p>a) by June 2014, develop organisational plans that are clearly linked to their social housing policy, asset portfolio strategy and estate strategy including:</p> <ul style="list-style-type: none"> - gap analysis - objectives - targets - funding - performance measures and progress reporting <p>b) by June 2014, ensure that their multiple legislative objectives translate into clearly defined, balanced and sustainable internal objectives that are feasible within available funding. Where Government policy dictates the elevation of a specific objective, this should be acknowledged and clearly reflected in internal objectives</p> <p>c) by June 2014, agree a review process to assess the impact of policies and procedures to identify those that limit the achievement of objectives</p> <p>d) by June 2014, routinely assess and report on, both publicly and internally, their performance in achieving the objects of the relevant legislation, using appropriate measures and performance targets</p> <p>e) by June 2014, include in their reporting the efficient and effective use of the available supply of public housing. This should include property utilisation and property alignment to tenant needs.</p>

The Committee's examination

7.6 As part of its examination of performance audits, the Chair of the Public Accounts Committee, Mr Jonathan O'Dea MP, wrote to FACS on 7 July 2014 to request a submission detailing action taken to address the Auditor-General's recommendations. Mr Michael Coutts-Trotter, Secretary, Family and Community Services, provided a submission on 8 August 2014. The submission was forwarded to the Auditor-General for comment, and he replied on 11 September 2014.

7.7 The Committee conducted a public hearing on Monday 15 September 2014 and took evidence from two officers of FACS. Details of the witnesses who gave evidence are included at Appendix Two, and a full transcript of the hearing is available on the Committee's website.

7.8 Questions on notice were subsequently sent to Mr Coutts-Trotter following the hearing. The Department responded on 14 October, and the answers provided are available on the Committee's website. The Chair wrote to Mr Coutts-Trotter again on 16 October, and received a reply on 30 October.

Agency response

7.9 In his initial response to the Auditor-General's report in July 2013, Mr Jim Longley, Acting Director-General of FACS, welcomed the report as making clear challenges of which the department was aware and already working hard to

address. Mr Longley noted that the NSW Government was considering a social housing policy which would address the report's recommendations.¹³⁰

- 7.10 Mr Michael Coutts-Trotter, Director-General of the Department of Finance and Services, also welcomed the report. Mr Coutts-Trotter advised that the report's findings were consistent with the Land and Housing Corporation's business review and would support the setting of strategic goals for the social housing system.¹³¹
- 7.11 In his submission in August 2014, Mr Coutts-Trotter, Secretary of the Department of Family and Community, in which both Housing NSW and the Land and Housing Corporation are now located, advised that FACS had formally accepted the recommendations contained in the Auditor-General's report and had been implementing the recommendations.¹³²

Implementation of recommendations

- 7.12 **Recommendation 1** of the Auditor-General's report comprised two parts. **Recommendation 1a**, that the Government should develop a clear direction for a sustainable social housing sector and define the roles and responsibilities of Housing NSW and the LAHC, was accepted. In its submission, FACS outlined four actions being undertaken to implement this Recommendation: a new policy approach for social housing; continuing FACS reform priorities; a portfolio strategy; and closer coordination between LAHC and HNSW.¹³³ FACS advised that portfolio framework directions were approved by the Government in 2013 and were now being developed, while the social housing policy under development was subject to Government approval.
- 7.13 At the Committee's public hearing on Monday 15 September 2014, members asked when the social housing policy will be finalised. Mr Paul Vevers, Deputy Secretary, Southern Cluster, replied that 'the timeframe is a matter for the Government'.¹³⁴
- 7.14 Mr Jonathan O'Dea MP, Chair of the Committee requested information about social housing policy priorities for the next few years in the absence of this policy. Mr Vevers nominated several priority areas which were identified by the Auditor-General's report, as priorities including under-occupancy in public housing, and better coordination between Housing NSW and the LAHC. He said that both agencies were now 'subject to the same set of strategic priorities and the same set of objectives under the Housing Act'.¹³⁵ Mr Vevers also nominated

¹³⁰ NSW Auditor-General's Performance Audit Report; Making the best use of Public Housing, July 2013, p7.

¹³¹ NSW Auditor-General's Performance Audit Report; Making the best use of Public Housing, July 2013, p8.

¹³² Mr Coutts-Trotter was appointed Secretary of the Department of Family and Community Services in July 2013.

¹³³ Submission 2, Family and Community Services, p1.

¹³⁴ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p2.

¹³⁵ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p2.

operational changes to reduce the time taken to re-let properties and probity improvements to address aspects of property allocation.¹³⁶

7.15 Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, advised the Committee that the Land and Housing Corporation and Housing NSW had been separated in order to support better asset management. She explained that several of the Auditor-General's recommendations 'related to the circumstances of the separation and the particular issues of coordination between the Land and Housing Corporation and Housing NSW and FACS at the time'.¹³⁷ LAHC would remain as a separate trading enterprise within FACS, but with better coordination between agencies and alignment of strategic directions.

7.16 Mr O'Dea asked the FACS representatives to outline the outcomes from the separation which might not otherwise have been achieved. Ms Skewes emphasised that the separation had allowed the LAHC to focus on preparing an asset management plan separate from the constraints of the overall public housing portfolio:

It enabled us to have a clear insight into the assets. Indeed, the Auditor-General's report highlighted the challenges in asset management, maintenance and the enduring difficulties of managing this large portfolio. The recommendations highlighted in the Auditor-General's report, and the good work that is being done around building that framework, were valuable aspects of the separation.¹³⁸

7.17 In relation to asset management, Mr O'Dea noted the Legislative Council Select Committee on Social, Public and Affordable Housing recommended that there should be an immediate review of public housing maintenance,¹³⁹ but that this was not his view in light of the imminent introduction of new maintenance contracting arrangements.¹⁴⁰ Ms Skewes advised the Committee that FACS is currently in a tender phase for the maintenance contract, as well as refining its procurement procedures and reorganising its contract management resources.¹⁴¹ Ms Skewes said that the current tender process was the result of a successful pilot of a new contract model and suggested that a review of the new maintenance arrangements might be best undertaken in 12 to 18 months.¹⁴²

7.18 **Recommendation 1b**, that the Government review housing funding arrangements and flows to support long term decision making on property ownership and management and meeting social and economic objectives, was

¹³⁶ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p2.

¹³⁷ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p2.

¹³⁸ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p3.

¹³⁹ Legislative Council Select Committee on Social, public and affordable housing, Social, public and affordable housing, September 2014, p128.

¹⁴⁰ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p3.

¹⁴¹ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p3.

¹⁴² Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p3.

accepted. In its submission, FACS advised that actions to implement this recommendation had been completed, with funding flows agreed for the next four years.¹⁴³

- 7.19 At the public hearing, Ms Skewes explained that forward funding arrangements had lacked clarity due to the separation of LAHC and HNSW, but that long term arrangements were now in place over the forward estimates and would be reviewed on an annual basis.¹⁴⁴
- 7.20 **Recommendation 2**, that FACS, Housing NSW and the LAHC should agree on the objects of the *Housing Act 2001* against which they should be reporting, was accepted. In its submission, FACS advised that responsibility for delivery and reporting on the objects of the Act had been agreed and that this agreement would be reflected in future performance and annual reporting.¹⁴⁵ FACS stated that it would report against any objects of the *Housing Act 2001* for which it has data.¹⁴⁶
- 7.21 **Recommendation 3**, that FACS complete a social housing policy that aligns tenant management with emerging client need, including short and long-term targets and forecasts to enable effective monitoring and reporting, was also accepted. The Auditor-General recommended that this be completed by December 2013. In its submission FACS reiterated that the development of the policy was ongoing and subject to Government approval.¹⁴⁷
- 7.22 At the public hearing, the Committee asked about FACS' initiatives to ensure planning and allocations were sufficiently flexible to adapt to changing client needs. Mr Vevers explained that Housing NSW regularly surveys all 58,000 people on the waiting list and encourages them to update their details, allowing the department to re-assess clients' needs for both housing type and for priority housing where crises may have arisen.¹⁴⁸ Ms Skewes added that in planning for the construction of new stock, the LAHC takes into account changing demographics, and illustrated this point by reference to growing demand for seniors housing and the need to plan for its provision in numbers, configurations and locations which reflect the needs of senior citizens.¹⁴⁹
- 7.23 Dr Geoff Lee MP, Committee member, queried whether the current legislative framework provided sufficient powers for HousingNSW to manage and sanction anti-social and illegal activities by individual tenants which detracted from the rights of other tenants to enjoy their properties.¹⁵⁰ Mr Vevers advised that anti-social behaviour is a significant problem in social housing, with roughly half of all

¹⁴³ Submission 2, Family and Community Services, p1.

¹⁴⁴ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p11.

¹⁴⁵ Submission 2, Family and Community Services, p2.

¹⁴⁶ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p1.

¹⁴⁷ Submission 2, Family and Community Services, p2.

¹⁴⁸ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p9.

¹⁴⁹ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p9.

¹⁵⁰ Dr Geoff Lee MP, Member, Public Accounts Committee, Transcript of evidence, 15 September 2014, p7.

tenants having experienced anti-social and illegal behaviour among their neighbours during their tenancies. While only a small minority of tenants exhibited behaviours which affected their neighbours, Mr Vevers suggested that there could be a better balance of consideration for the needs of neighbours and tenants.¹⁵¹

7.24 Mr Vevers agreed that policy and legislative changes could be made to assist the Department and the NSW Civil and Administrative Tribunal to improve the balance between tenants and neighbours in disputes.¹⁵² In answers to questions on notice, FACS expressed the view that:

The NCAT should have regard to the housing needs of those waiting for housing assistance as well as the needs of the individuals appearing before it.

The NCAT should also consider how it can assure itself that relevant neighbour and community voices are heard, particularly in serious cases where witnesses may be scared to provide evidence.¹⁵³

7.25 **Recommendation 4a**, that Housing NSW continue current initiatives and promote proposals to make best use of existing public housing, was accepted. This recommendation referred to a number of measures including better aligning housing stock with allocation, introducing financial incentives and disincentives for over-occupiers, better use of local allocation strategies to support community development, reducing vacant turnaround times, consistent relocation policies, addressing policies and practices which act as disincentives to tenants to seek work, and considering other rent setting models.

7.26 FACS advised that some elements of this recommendation have been completed including the implementation in September 2013 of a new approach to addressing under-occupancy, new procedures implemented in June 2014 for managing local allocation strategies, new relocations policies and procedures, and a new market rent setting model introduced in late 2013.

7.27 FACS also advised that some aspects of this recommendation were ongoing including the development of new procedures for managing vacant properties, analysis of employment disincentives, and an analysis of how rent models can contribute to improved tenant outcomes.

7.28 At the public hearing the Committee explored FACS' progress and success with its initiatives to make best use of public housing. Mr Vevers responded to the Committee's questions on housing policy priorities by describing measures introduced to address under-occupancy:

... we have introduced a vacant bedroom charge together with giving higher priority to the transfer of people who are under-occupying their property ... we have had conversations with 2,000 tenants since the policy was introduced about a year ago,

¹⁵¹ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p7.

¹⁵² Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p7.

¹⁵³ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p1.

and so far 263 tenants have downsized, which has released 499 bedrooms. Another 658 households have indicated that they are willing to downsize when a property becomes available. That will release a further 1,200 bedrooms. The policy is starting to have a significant impact, which will enable us particularly to focus on housing some of the larger families on our 58,000-strong waiting list.¹⁵⁴

7.29 Ms Skewes emphasised that the vacant bedroom charge is important to address under-occupancy:

... (the vacant bedroom charge) has been successful because it gives some recognition in the form of an extra financial contribution by tenants who are under-occupying a property. If they were in the private sector, they would pay a great deal more for it than they pay in public housing ... it is important to send a signal to tenants that there is a cost ... in them under-occupying a large property.¹⁵⁵

7.30 Mr Greg Piper MP, Committee member, sought details of FACS' efforts to reduce turnaround times for vacant properties.¹⁵⁶ Mr Vevers explained that it takes 28 days on average to re-let a property and described measures to improve internal monitoring of vacancies and to establish key-safes on empty properties to ensure that days were not lost collecting keys from central locations.¹⁵⁷

7.31 **Recommendation 4b**, that Housing NSW should, by December 2014, implement ICAC and internal recommendations as part of a monitoring program, was accepted. In its submission, FACS advised that its new compliance framework was implemented in June 2014.¹⁵⁸ This compliance framework includes a range of requirements to provide clearer procedures for managing offers of public housing, sampling and reviewing applications, and improved guidelines and training for managers. At the public hearing, Mr Vevers explained that a comprehensive system had been implemented which involved auditing allocation decisions at both the team leader and departmental levels.¹⁵⁹

7.32 **Recommendation 5a**, that LAHC should, by December 2013, complete and release an asset portfolio strategy, was accepted. In its submission FACS advised that implementation of this recommendation was complete, with a portfolio 'framework' approved by Government in 2013. However, a portfolio strategy is still being developed.¹⁶⁰

7.33 **Recommendation 5b**, that LAHC should, by June 2014, audit the property disposal procedures, was accepted. FACS advised that it completed the audit of property disposal procedures in March 2014.¹⁶¹ At the public hearing, Ms Skewes

¹⁵⁴ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p2.

¹⁵⁵ Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p5.

¹⁵⁶ Mr Greg Piper MP, Member, Public Accounts Committee, Transcript of evidence, 15 September 2014, p2.

¹⁵⁷ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p8.

¹⁵⁸ Submission 2, Family and Community Services, p5.

¹⁵⁹ Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p10.

¹⁶⁰ Submission 2, Family and Community Services, pp4-5.

¹⁶¹ Submission 2, Family and Community Services, p5.

reiterated the importance of auditing property disposal procedures given the amount of money and number of properties involved. She reported that LAHC undertook annual audits of disposals and commissioned an independent audit of the LAHC's processes which resulted in administrative improvements.¹⁶²

- 7.34 **Recommendation 6**, that the Land and Housing Corporation finalise the Government's long-term strategy for managing public housing estates, was accepted. However, it has yet to be implemented. In its submission, FACS advised that its development of a strategy for estates is part of its portfolio strategy, which was referred to in relation to Recommendation 5a. The Auditor-General recommended that this strategy be finalised by December 2013. In answers to questions on notice, FACS further implied that the strategy is still some time away:

The development of a new policy approach to social housing and portfolio strategy will propose a long-term strategy for managing housing estates. FACS will consult extensively with other Government agencies and relevant NGOs during the development of the new social housing policy.¹⁶³

- 7.35 **Recommendation 7**, that FACS, Housing NSW and the LAHC policies and strategies be based upon evidence of the cost effectiveness of asset and non-asset interventions to meet tenant needs, was accepted. FACS advised that its portfolio strategy, which is currently in development, will guide asset decisions based on sound management principles, and that the social housing policy will ensure emerging policies and strategies are based on analyses of cost effectiveness.¹⁶⁴

- 7.36 In answers to questions on notice, FACS explained that it is attempting to build its research capacity but did not provide specific examples:

FACS has made substantial efforts to build its research and evaluation capacity, including through creating an internal unit specifically dedicated to policy and practice relevant evidence collection. FACS Analysis and Research (FACSAR) branch provides advice to the rest of the agency on relevant research, expertise in the development on internal evaluations and research, analysis of bodies of research to inform policy and program decisions and advice on gaps in evidence.¹⁶⁵

- 7.37 **Recommendation 8a**, that Housing NSW and the LAHC should, by June 2014, develop organisational plans that are clearly linked to their social housing policy, asset portfolio strategy and estate strategy, was accepted. In its submission, FACS advised that it had completed business plans which reflected policy priorities, and that these plans will be refined as Government makes social housing policy and priority determinations.¹⁶⁶ In answers to questions on notice, FACS advised

¹⁶² Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services, Transcript of evidence, 15 September 2014, p10.

¹⁶³ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p2.

¹⁶⁴ Submission 2, Family and Community Services, p5.

¹⁶⁵ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p1.

¹⁶⁶ Submission 2, Family and Community Services, p5.

that its Corporate Planning Framework, which will take account of social housing policy and the portfolio strategy, is due to be completed in 2015.¹⁶⁷

7.38 **Recommendation 8b**, that Housing NSW and the LAHC ensure that their legislative objectives translate into clearly defined, balanced and sustainable internal objectives that are feasible within available funding, was accepted. FACS advised that this recommendation has been implemented. Responsibilities for delivery and reporting on legislative objects have been agreed internally and are reflected in FACS business plans. FACS explained that it may revisit its legislative objectives as part of the social housing policy that is currently under development.¹⁶⁸

7.39 **Recommendation 8c**, that Housing NSW and the LAHC agree on a review process to assess the impact of policies and procedures to identify those that limit the achievement of objectives, was accepted. In its submission, FACS advised that it has an Evaluation Policy and Framework which it implements on a rolling twelve month schedule.¹⁶⁹ In answers to questions on notice, FACS advised that it has 'initiated a number of program review which remain in progress,' but no specific information about these reviews was provided.¹⁷⁰

7.40 **Recommendation 8d**, that Housing NSW and the LAHC should, by June 2014, routinely assess and report on their performance in achieving the objectives of the relevant legislation using appropriate measures and performance targets, was accepted. In its submission, FACS advised that it would report on its performance in achieving its legislative objectives at the first available opportunity, i.e. the publication of the statistical supplement to the FACS Annual Report for 2013/14.¹⁷¹

7.41 In answers to questions on notice, FACS further explained its reporting processes and the work it has undertaken to improve these:

FACS recently released its Strategic Statement which sets out the vision, values and objectives that will guide and unite the department over the next few years. The FACS Performance Framework ensures that performance measures used within FACS align with the strategic statement. This will assist FACS to internally monitor and improve its performance and externally report on its achievements through its Annual Report and Annual Statistical Report.¹⁷²

7.42 **Recommendation 8e**, that Housing NSW and the LAHC should, by June 2014, include in their reporting the efficient and effective use of the available supply of public housing, was accepted. In its submission, FACS advised that it will include efficiency and effectiveness reporting as part of its performance reporting

¹⁶⁷ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p1.

¹⁶⁸ Submission 2, Family and Community Services, p6.

¹⁶⁹ Submission 2, Family and Community Services, p6.

¹⁷⁰ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p2.

¹⁷¹ Submission 2, Family and Community Services, pp6-7.

¹⁷² Family and Community Services, Answers to questions on notice, dated 14 October 2014, p2.

process.¹⁷³ In answers to questions on notice, FACS advised that specific measures are being developed which will focus on:

- improving the economic and social outcomes of people receiving housing assistance
- reducing the rate of people experiencing homelessness, and
- improving the financial position of the social housing portfolio.¹⁷⁴

Committee comment

7.43 The Committee is cognisant of the fact that its examination of this performance audit has taken place in the context of a number of inquiries relating to aspects of the housing portfolio, including the Legislative Council's Select Committee on Social, Public and Affordable Housing (tabled in September 2014), the Productivity Commission's Report on Government Services and the Committee's own inquiry into Tenancy Management in Social Housing, as well as the Auditor-General's planned performance audit of management of the community housing program.

7.44 The Committee was pleased that Housing NSW and the Land and Housing Corporation accepted all of the Auditor-General's recommendations and have made substantial progress in implementing several of these measures. The Committee further notes that FACS has not met some of the recommended timeframes for implementing the recommendations, or where deadlines have been met, other activities necessary to achieve implementation remain incomplete.

7.45 In particular, the Committee noted that implementation of several key recommendations is tied to the release of the Government's social housing policy and portfolio framework. The Committee recognises that the development of a comprehensive social housing policy is a matter for Government, and urges the NSW Government to release its policy as soon as possible.

RECOMMENDATION 9

The Committee recommends that the Government release its new social housing policy as soon as possible.

RECOMMENDATION 10

The Committee recommends that the Government release its asset portfolio strategy, including its strategy for management of housing estates, by June 2015.

¹⁷³ Submission 2, Family and Community Services, p7.

¹⁷⁴ Family and Community Services, Answers to questions on notice, dated 14 October 2014, p2.

RECOMMENDATION 11

The Committee recommends that the Department of Family and Community Services complete the review of its business plans as soon as possible after the social housing policy is finalised.

RECOMMENDATION 12

The Committee recommends that the Treasurer write to the Auditor-General to suggest that he conduct a performance audit of Land and Housing Corporation and Housing NSW maintenance arrangements no less than 18 months after the commencement of the new contract or by 31 March 2017, whichever is the earlier, and report on the cost effectiveness of and tenant satisfaction with the new arrangements.

Appendix One – List of Submissions

1	Independent Liquor and Gaming Authority
2	Department of Family and Community Services
3	Office of Environment and Heritage
4	NSW Ministry of Health
5	NSW Ministry of Health
6	NSW Ministry of Health
7	NSW Office of Environment and Heritage
8	NSW Trade & Investment
9	Audit Office of NSW
10	Audit Office of NSW

Appendix Two – List of Witnesses

15 September 2014, Room 814/815, Parliament House

Witness	Organisation
Mr Grant Hehir Mr Rob Mathie Mr Sean Crumlin	Auditor-General Assistant Auditor-General Director, Performance Audit <i>Audit Office of NSW</i>
Mr Michael Wright Mr Gary Dunnett	A/Deputy Chief Executive A/Director, Park Strategy and Services <i>National Parks and Wildlife Service</i>
Ms Anne Skewes Mr Paul Vevers	Deputy Secretary, Land and Housing Corporation Deputy Secretary, Southern Cluster <i>Department of Family and Community Services</i>

Appendix Three – Extracts from Minutes

MINUTES OF MEETING 79

Wednesday 2 July 2014
10.05am
Macquarie Room, Parliament House

Members present

Mr O’Dea (Chair), Dr Lee, Mr Bassett, Mr Piper

Officers in attendance

Abigail Groves, David Hale, Leon Last, Abigail Javier

1. Apologies

Apologies were received from Mr Daley and Mr Williams.

2. ***

3. ***

4. ***

5. ***

6. ***

7. Follow up of Auditor-General’s Performance Audits May 2013 – August 2013

Resolved, on the motion of Dr Lee, seconded by Mr Bassett:

1. That the Committee adopt the following terms of reference for an inquiry to follow up the following Auditor-General’s Performance Audit Reports tabled between May and July 2013:

That the Committee inquire into and report on any circumstances connected with the following reports of the Auditor-General which the Committee considers ought to be brought to the notice of the Legislative Assembly:

- Management of the ClubGrants scheme
- Management of Historic Heritage in National Parks and Reserves
- Building Energy Use in NSW Hospitals
- Managing Operating Theatre Efficiency for Elective Surgery
- Reducing Ambulance Turnaround Time at Hospitals
- Making the Best Use of Public Housing.

2. That the Chair write to agencies subject to performance audit and invite them to make a submission detailing action taken in response to the Auditor-General's report, with a closing date of 8 August 2014.

8. Other business

The Committee nominated 8 and 15 September as dates for public hearings.

9. Adjournment

The meeting adjourned at 10.20am. Next meeting will be on 7 August 2014 at 9.45am in Room 1043.

MINUTES OF MEETING 81

Thursday 14 August 2014

9.50am

Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Dr Lee, Mr Bassett, Mr Piper, Mr Daley, Mr Williams

Officers in attendance

Elaine Schofield, Abigail Groves, David Hale, Leon Last

1. Confirmation of minutes

Resolved, on the motion of Mr Piper, seconded by Mr Williams: That the minutes of meeting no. 80 held on 7 August 2014 be confirmed.

2. ***

3. ***

4. Examination of the Auditor-General's performance audits May 2013 – July 2013

4.1 Submissions

Resolved, on the motion of Mr Bassett, seconded by Dr Lee: That Submissions 1 and 2 be published and uploaded to the Committee's website.

The Chair tabled an amended version of Submission 3 from the Office of Environment and Heritage, which has requested redaction of some information.

Resolved, on the motion of Mr Piper, seconded by Mr Daley: That the Committee publish Submission 3 without amendment, and upload it to the Committee's website.

5. ***

6. Public hearings (8 and 15 September 2014)

Resolved, on the motion of Dr Lee, seconded by Mr Bassett: That the Committee conduct public hearings on 8 and 15 September 2014 and the Chair invite witnesses to give evidence in relation to the Inquiry into Tenancy Management in Social Housing, the Examination of the Auditor-General's performance audits May 2013 – July 2013, and the follow up of repeat recommendations from the Auditor-General's 2013 Financial Audits.

7. ***

The meeting adjourned at 10.08am.

MINUTES OF MEETING 82

Monday 8 September 2014

9.15am

Room 814/15, Parliament House

Members present

Mr O'Dea (Chair), Dr Lee, Mr Williams, Mr Daley, Mr Piper

Officers in attendance

Helen Minnican, David Hale, Abigail Groves, Sasha Shevtsova, Tanja Zech

1. Apologies

An apology was received from Mr Bassett.

2. Confirmation of minutes

Resolved, on the motion of Dr Lee, seconded by Mr Piper: That the minutes of meeting no. 81 held on 14 August 2014 be confirmed.

3. ***

4. Examination of the Auditor-General's performance audits May 2013 – July 2013

4.1 Submissions

Resolved, on the motion of Dr Lee, seconded by Mr Williams: That Submissions 4, 5, 6, 7 and 8 be published on the Committee's website with signatures and personal contact details redacted.

5. ***

6. Public hearing 15 September 2014

Resolved, on the motion of Dr Lee, seconded by Mr Williams: That the Committee invite the Office of Environment and Heritage and the Department of Family and Community Services to give evidence in relation to the follow up of the Auditor-General's performance audits, and the Department of Family and Community Services, the Australian Housing and Research Institute, and the City Futures Research Centre, UNSW to give evidence in relation to the Inquiry into Tenancy Management in Social Housing on 15 September 2014.

7. ***

The meeting adjourned at 4.35pm.

MINUTES OF MEETING 83

Thursday 11 September 2014
9.50am
Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Mr Bassett, Mr Daley, Mr Piper, Mr Williams

Officers in attendance

Elaine Schofield, David Hale, Abigail Groves, Jenny Whight, Tanja Zech

1. Confirmation of minutes

Resolved, on the motion of Mr Piper, seconded by Mr Williams: That the minutes of meeting no. 82 held on 8 September 2014 be confirmed.

2. Public hearing 15 September 2014

Members noted the notice of hearing for the public hearing on 15 September 2014.

3. ***

4. ***

The meeting adjourned at 10.08am.

MINUTES OF MEETING 84

Monday 15 September 2014

9.30am

Room 814/15, Parliament House

Members present

Mr O’Dea (Chair), Dr Lee, Mr Bassett, Mr Piper, Mr Williams

Officers in attendance

Elaine Schofield, David Hale, Abigail Groves, Sasha Shevstova, Abigail Javier, Tanja Zech

The Chair opened the deliberative meeting at 9.34am.

1. Apologies

An apology was received from Mr Daley.

2. Confirmation of minutes

Resolved, on the motion of Mr Piper, seconded by Mr Bassett: That the minutes of meeting no. 83 held on 11 September 2014 be confirmed.

3. Examination of the Auditor-General’s Performance Audits May 2013 – July 2013

3.1 Submission

Resolved, on the motion of Dr Lee, seconded by Mr Bassett: That Submission no. 9 be published and uploaded onto the Committee’s website.

4. Public hearing

4.1 Witnesses

Resolved, on the motion of Mr Piper, seconded by Dr Lee: That the Committee invite the witnesses listed in the notice of the public hearing for Monday 15 September 2014 to give evidence in relation to the Examination of the Auditor-General’s Performance Audits May 2013 – July 2013 and the Inquiry into Tenancy Management in Social Housing.

4.2 Media

Resolved, on the motion of Mr Piper, seconded by Dr Lee: That the Committee authorises the audio-visual recording, photography and broadcasting of the public hearing on 15 September 2014 in accordance with the NSW Legislative Assembly’s guidelines for coverage of proceedings for parliamentary committees administered by the Legislative Assembly.

4.3 Transcript of evidence

Resolved, on the motion of Mr Piper, seconded by Dr Lee: That the corrected transcript of evidence given on 15 September 2014 be authorised for publication and uploaded on the Committee’s website.

4.4 Answers to questions on notice

Resolved, on the motion of Mr Piper, seconded by Dr Lee: That witnesses be requested to return answers to questions taken on notice and supplementary questions within 2 weeks of the date on which the questions are forwarded to the witness, and that once received, answers to questions on notice be published on the Committee's website.

4.5 Documents tendered during the public hearing

Resolved, on the motion of Mr Piper, seconded by Dr Lee: That documents tendered during the public hearing be accepted by the Committee and published on the Committee's website.

The Chair opened the public hearing at 9.50am. Witnesses and the public were admitted.

The following witnesses were affirmed and examined:

- Mr Gary Dunnett, Acting Director, Park Strategy and Services, National Parks and Wildlife Service
- Mr Rob Mathie, Assistant Auditor General, Performance Audit, Audit Office of NSW
- Mr Grant Hehir, Auditor General, Audit Office of NSW

The following witnesses were sworn and examined:

- Mr Michael Wright, Acting Deputy Chief Executive, National Parks and Wildlife Service
- Mr Sean Crumlin, Director, Performance Audit, Audit Office of NSW

Evidence concluded, the witnesses withdrew.

The Chair adjourned the public hearing at 11.00am. Witnesses and the public withdrew.

The Chair resumed the public hearing at 11.10am. Witnesses and the public were admitted.

The following witnesses affirmed and were examined:

- Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services
- Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services

The following witnesses were examined on their former oath or affirmation:

- Mr Rob Mathie, Assistant Auditor General, Performance Audit, Audit Office of NSW
- Mr Grant Hehir, Auditor General, Audit Office of NSW
- Mr Sean Crumlin, Director, Performance Audit, Audit Office of NSW

Evidence concluded, the witnesses withdrew.

The following witness affirmed and was examined:

- Ms Leonie King, Executive Director, Community and Private Market Housing, Department of Family and Community Services

The following witness was sworn and examined:

- Ms Mandy Young, Acting Chief Executive, Aboriginal Housing Office, Department of Family and Community Services

The following witnesses were examined on their former affirmations:

- Ms Anne Skewes, Deputy Secretary, Land and Housing Corporation, Department of Family and Community Services
- Mr Paul Vevers, Deputy Secretary, Southern Cluster, Department of Family and Community Services

Evidence concluded, the witnesses withdrew.

The Chair adjourned the public hearing for lunch at 1.20pm. Witnesses and the public withdrew.

The Chair re-opened the public hearing at 2.00pm. Witnesses and the public were admitted.

The following witnesses affirmed and were examined:

- Dr Michael Fotheringham, Deputy Executive Director, Australian Housing and Urban Research Institute (attended by teleconference)
- Professor Hal Pawson, City Futures Research Centre UNSW
- Associate Professor Vivienne Milligan, City Futures Research Centre UNSW

Professor Pawson tendered the following document:

Developing better measures of social housing 'cost of provision' and tenant outcomes

Evidence concluded, the witnesses withdrew.

The public hearing concluded at 3.00pm. Witnesses and the public withdrew. The Committee resumed its deliberations.

4.6 Documents tendered during the public hearing

Resolved, on the motion of Mr Piper, seconded by Mr Bassett: That the documents tendered by Professor Pawson be accepted by the Committee and published on the Committee's website.

The meeting adjourned at 3.03pm.

MINUTES OF MEETING 85

Thursday 18 September 2014
Room 814/15, Parliament House

Members present

Mr O’Dea (Chair), Mrs Sage, Mr Williams, Mr Daley

Officers in attendance

Elaine Schofield, David Hale, Sasha Shevstova, Abegail Javier, Tanja Zech

The Chair opened the meeting at 9.51am.

1. Apologies

An apology was received from Mr Piper.

2. Confirmation of minutes

Resolved, on the motion of Mr Williams, seconded by Mr O’Dea: That the minutes of meeting no. 84 held on 15 September 2014 be confirmed.

3. Committee Membership

The Chair welcomed Mrs Sage, in place of Mr Bassett, discharged. The Chair expressed his and the Committee’s appreciation for Mr Bassett’s contribution to the work of the Committee over three and a half years. The Committee agreed that the Chair write to Mr Bassett conveying its appreciation.

4. ***

The meeting adjourned at 10.17am.

MINUTES OF MEETING 86

9:45am
Thursday 16 October 2014
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Dr Lee, Mr Piper, Mrs Sage, Mr Williams, Mr Daley

Officers in attendance

Abigail Groves, David Hale, Leon Last, Sasha Shevstova, Abegail Javier, Tanja Zech

1. Confirmation of minutes

Resolved, on the motion of Mrs Sage, seconded by Mr Williams: That the minutes of meeting no. 85 held on 18 September 2014 be confirmed.

2. ***

3. **Examination of the Auditor-General's Performance Audits May 2013 – July 2013**

3.1 Submission

Resolved, on the motion of Mr Piper, seconded by Mr Daley: That Submission 10 be published and uploaded to the Committee's website.

3.2 Answers to questions on notice

Resolved, on the motion of Mr Williams, seconded by Mrs Sage: That the following answers to questions on notice be published and uploaded to the Committee's website:

- Received from Mr Mark Paterson, Secretary, NSW Trade and Investment, dated 1 October 2014
- Received from Mr Micheil Brodie, Chief Executive, Independent Liquor and Gaming Authority, dated 10 October 2014
- Received from Department of Family and Community Services, dated 14 October 2014.

3.3 Correspondence

The Chair tabled a letter sent to Mr Michael Coutts-Trotter, Secretary, Department of Family and Community Services, seeking further information re: performance audit report on 'Making the Best Use of Public Housing', dated 16 October 2014.

4. ***

5. ***

6. ***

The Committee adjourned at 10.01am.

MINUTES OF MEETING 87

9:50am
Thursday 23 October 2014
Room 1043, Parliament House

Members present

Mr O'Dea (Chair), Dr Lee, Mr Piper, Mr Williams, Mr Daley

Officers in attendance

Abigail Groves, David Hale, Leon Last, Abigail Javier, Tanja Zech

1. Apologies

An apology was received from Mrs Sage.

2. Confirmation of minutes

Resolved, on the motion of Mr Williams, seconded by Mr Piper: That the minutes of meeting no. 86 held on 16 October 2014 be confirmed.

3. Correspondence

Resolved, on the motion of Mr Daley, seconded by Mr Williams: That the Committee note the following correspondence received:

- Received from Sandra Tavares, Executive Secretary, Audit Office of NSW, Re: Auditor-General's scheduled tabling dates.

The Chair also advised that the Auditor-General will provide a briefing to members at the Committee's meeting on 20 November 2014.

4. ***

5. Examination of the Auditor-General's Performance Audits May 2013 – July 2013

5.1 Answers to questions on notice

Resolved, on the motion of Mr Williams, seconded by Mr Piper: That the answers to additional questions received from the Ministry of Health be published and uploaded to the Committee's website.

6. ***

7. Other business

The Chair advised that he circulated the Parliamentary Budget Office's draft operational plan to members, but received no comments.

The secretariat advised that Mr Rob Mathie, Assistant Auditor-General, Performance Audit, is retiring in November 2014.

Resolved, on the motion of Mr Williams, seconded by Mr Daley: That the Committee write to Mr Mathie to wish him well for his retirement.

The Committee adjourned at 10.05am.

MINUTES OF MEETING 88

9:50am
Thursday 6 November 2014
Room 1043, Parliament House

Members present

Mr O’Dea (Chair), Dr Lee, Mr Piper, Mr Williams, Mr Daley

Officers in attendance

Abigail Groves, Leon Last, Abigail Javier

1. Apologies

An apology was received from Mrs Sage.

2. Confirmation of previous minutes

Resolved, on the motion of Mr Piper, seconded by Mr Williams: That the minutes of meeting no. 87 held on 23 October 2014 be confirmed.

3. ***

4. ***

5. ***

6. Examination of the Auditor-General’s Performance Audits May 2013 – July 2013

6.1 Submission

Resolved, on the motion of Piper: That Submission 11 received from NSW Treasury be published and uploaded to the Committee’s website.

6.2 Answers to question on notice

Resolved, on the motion of Mr Piper: That the answers to questions on notice received from FACS dated 30 October 2014 be published and uploaded to the Committee’s website.

6.3 Chair’s draft report

The Committee considered the draft report.

Resolved, on the motion of Piper: That the Chair’s Report on the Examination of the Auditor-General’s Performance Audits May 2013 – July 2013 as tabled be adopted as the report of the Committee to be signed by the Chair and presented to the House; that the Chair and the secretariat be permitted to correct stylistic, typographical and grammatical errors; and that, once tabled, the report be published on the Committee’s website.

7. ***

8. ***

The Committee adjourned at 10.02am.