



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

**(Reference: Auditor-General's report No 4 of 2008:  
*Maintenance of public housing*)**

**Members:**

**MS C LE COUTEUR (The Chair)  
MR B SMYTH (The Deputy Chair)  
MS J BURCH**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 8 SEPTEMBER 2009**

**Secretary to the committee:  
Ms A Cullen (Ph: 6205 0142)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Committee Office of the Legislative Assembly (Ph: 6205 0127).

**WITNESSES**

**COLLETT, MR DAVID**, Director, Nation Building, Asset Management Branch,  
Housing and Community Services, Department of Disability, Housing and  
Community Services ..... **1**

**HARGREAVES, MR JOHN**, Minister for Disability and Housing ..... **1**

**SHEEHAN, MS MAUREEN**, Executive Director, Housing and Community  
Services, Department of Disability, Housing and Community Services ..... **1**

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*Amended 21 January 2009*

## **The committee met at 4 pm.**

**HARGREAVES, MR JOHN**, Minister for Disability and Housing

**COLLETT, MR DAVID**, Director, Nation Building, Asset Management Branch, Housing and Community Services, Department of Disability, Housing and Community Services

**SHEEHAN, MS MAUREEN**, Executive Director, Housing and Community Services, Department of Disability, Housing and Community Services

**THE CHAIR:** I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into Auditor-General's report No 4 of 2008. On behalf of the committee, I welcome the minister and his colleagues. I assume that you all know and have read this card? Yes. Ms Burch will be back in a few minutes; she asked us to start without her. Before we start with questions, do you have an opening statement, minister?

**Mr Hargreaves:** Yes, I do, Madam Chair. I welcome the opportunity to address the committee today to discuss the Auditor-General's report on the maintenance of public housing. It should be noted that the objective and focus of the audit was to provide an independent opinion on whether the public housing maintenance contract was being managed efficiently and effectively by Housing ACT.

Housing ACT welcomed the audit as an independent assessment of how it was managing the maintenance contract, and I am pleased to say that the Auditor-General found Housing ACT was in fact managing the contract very well. Housing ACT has shown such support for and commitment to using the report as an opportunity for service improvement that it has already implemented all of the agreed recommendations. The report made 22 findings relating to governance of the contract, project management, contract administration and contract review and extension.

High maintenance standards are one of the key contributors to overall tenant satisfaction. In 2003, only 59 per cent of public housing tenants were satisfied with the overall service that they received from Housing ACT. It is worth noting the efforts of the Stanhope Labor government in correcting some of the poor housing policy decisions of the previous government, such as the disposal of 1,200 units of housing stock. That government also had the important area of housing concealed within the urban services department—and the then minister, incidentally, Madam Chair, is sitting to your right. It was not a stand-alone department; it was not a stand-alone agency. It was a poor bit of policy and it was corrected in 2002 when Chief Minister Jon Stanhope created the portfolio of Disability, Housing and Community Services. And this was the start of the Labor government's commitment to the housing continuum, moving people from homelessness to homeownership, while putting in place appropriate and accessible support services for those public housing tenants in need of them.

We were able to make good policy, develop good KPIs and achieve good outcomes, and that work has borne fruit. I am pleased to report to the committee that in the most recent survey last year, 2008, conducted three years into the current TFM contract, overall satisfaction had increased to 71 per cent, and 72 per cent of tenants were satisfied with emergency maintenance service. I refer you back to the original figure

of 59 per cent; it is now 71 per cent. In addition, 68 per cent were satisfied with planned maintenance service. These results reflect a steady increase in satisfaction levels over the past few years. The consistently improving results are evidence of Housing ACT's effective management of the maintenance contract. The Auditor-General's report has helped us to focus on a number of issues impacting on delivery of services to our tenants.

The Auditor-General also noted that there were opportunities for further improvement and addresses these in some detail in the report. Housing ACT is diligent in working to incorporate all improvement opportunities into the management of the contract.

Before addressing the specifics of the report, I will give you some background on the maintenance of public housing. These statistics are important. There are currently approximately 11½ thousand public housing properties in the portfolio. For the secretary's benefit, I will hand these to you; you do not have to take notes. This represents around nine per cent of overall housing stock in the ACT. It is also 30 per cent of the rental stock in the ACT. So what you can immediately see is that we have responsibility for a huge amount of maintenance—30 per cent of all rental stock maintenance in the ACT. It is a large responsibility and a large contract, and good management of it is essential. We must ensure that this portfolio is responsive to tenant needs, is affordable, safe, secure and appropriate.

Housing ACT tenants, quite rightly, expect and demand prompt and efficient maintenance and repair of their homes. Maintenance services are also based on a required standard of service, quality, timeliness, capital and whole-of-life costs, and value for maintenance.

Housing ACT applies best practice asset management principles in planning and delivery of maintenance services. Since 2005, maintenance of the portfolio has been delivered under a total facilities management contract by Spotless P&F Pty Ltd. The contract has two options for extension: one in July 2008, which has been implemented, and one in July 2010. The contract is worth over \$200 million for the potential seven years of duration.

The total facilities model enables Housing ACT to manage repairs and maintenance effectively within a fixed budget, provide a single point of contact for all maintenance matters, provide specialist assistance and high-level technical advice, provide coordinated management and value-for-money service delivery, and delivery of services from an owner's perspective. The total facilities provider is responsible for all aspects of providing the services, including management and project management, coordination, planning and delivery, monitoring and inspection, and quality assurance and reporting.

The services provided by Spotless include a responsive repairs and maintenance service, including a 24-hours, seven-days call centre, a planned maintenance service, including upgrades, fixed plant and equipment servicing and property services, maintenance to vacant buildings, and other services like lock and key, disaster planning, storage and disposal of abandoned goods, abandoned dwellings, disposal and acquisition of dwellings services.

The appointment of Spotless followed an exhaustive procurement process. While the Auditor-General noted that there had been some difficulties and delays in implementing the total facilities management contract during the early period, leading to some deficiencies in management, she also found that Housing ACT has taken action in recent years to improve the performance of the maintenance of public housing through change management initiatives.

Issues which have been addressed in response to the audit include the completion of a contract management plan and a risk management plan leading to improved governance arrangements, a revision to the quality assurance framework and changes to the complaint handling processes to better address management and compliance with the contract, a review of the maintenance call centre and relevant key performance indicators to ensure more effective management, and the introduction of better processes relating to non-conformance notices, thereby improving the review mechanisms of the contract. In addition, negotiations on a possible extension of the contract will be concluded well before the period set out in the contract.

In relation to recommendation No 10, relating to contract management, and specifically the effectiveness of the measure for innovation, while the requirement for this key performance indicator has been removed, Housing ACT believes that there are a range of benefits potentially flowing from an ongoing focus on innovation, such as support for process improvements within Housing ACT, improved outcomes for public housing tenants and support for the broader objectives of the Department of Disability, Housing and Community Services, such as encouraging Aboriginal and Torres Strait Islander employment.

In closing, I reiterate that effective maintenance of public housing stock is critical to managing a significant government asset and providing good quality services to our tenants. I am encouraged by this report and welcome the opportunities to further improve the good management of the public housing maintenance contract. I reiterate what I said at the beginning: the Auditor-General said that the management of this contract was very well done but pointed us to areas where we can improve. So we do not see this as a report of criticism; we see this as a report of encouragement and opportunities for improvement, and that is how we have addressed it.

**THE CHAIR:** Thank you. My major, overriding question is: given that all of this is happening, why were there so many houses which needed major refurbishments? We know that the stimulus package gave you money for 300 or so houses that were out of operation and requiring major refurbishments—

**Mr Hargreaves:** 247, if my memory serves me correctly.

**THE CHAIR:** I am sure you are more likely to be correct than me.

**Mr Hargreaves:** There is a very good reason for it, Madam Chair: we have the oldest stock, as Mr Smyth will quite readily acknowledge, in the country for public housing. If you do not count some of the older flats in Collingwood, for example, or in Sydney and measure them against ours, essentially, our individual housing stock is supremely old. Therefore, quite a number of them require significant renovation or significant improvement. However, we have never had the opportunity to plough so much money

in one hit into it. So when the opportunity came for us to get hold of \$6.4 million, we took the opportunity to refurbish buildings which otherwise would have been sold, knocked down or replaced. Rather than do that, we took the opportunity to renovate them.

If we sell off some of the older places, they do not actually realise enough for us to buy another one. For example, if you look at some of the houses in the outer reaches of Belconnen, they would be worth \$370,000 or \$380,000, if you are lucky, because they are old government houses built in the early 70s—1972 or 1973, around there. The point is if we want to buy another one, it is going to cost us between \$450,000 and \$500,000. So rather than that, we have used the \$6.4 million to refurbish those premises, which will allow us to put people into those homes.

**THE CHAIR:** With those that were built in the 1970s, what has been wrong with the maintenance program that meant they can't be maintained to a reasonable standard? The 1970s are not that long ago; it is not the 1920s.

**Mr Hargreaves:** Actually, some of the houses that we have are from the 1920s.

**THE CHAIR:** Yes, and they are probably in such good locations that if you sold them that would not be an issue.

**Mr Hargreaves:** Well, we would argue about that with some of the Causeway premises. Some of them are not. You would not necessarily sell them off; you would refurbish them. We have to remember that the sheer numbers that we have of such an age means that for us to put extra money in there, no government ever has that kind of level of money available to itself. We have got a \$30 million a year program for maintenance upgrades and things like that. That is a significant amount of money in anybody's language. So I do not quite know where you are headed with this, Madam Chair. If you are asking why we didn't keep pace with the maintenance to keep the buildings to such a level—

**THE CHAIR:** Yes, basically.

**Mr Hargreaves:** the plain and simple answer is that we have got too many properties and not enough money to do it with, historically. Also, it should be recalled that we inherited most of these premises at self-government, and they were already in a condition which required significant financial input. And remember that the federal government owned all of these things before, and they gave them to us in such a condition that we had to find the money within our own budget to do that. I think governments of both colours have been struggling with this. And that is one of the reasons why we have a massive management plan which talks about whether or not we are going to refurbish them, give them a lick of paint, knock them down, sell them off, and a whole range of things. There is an actual strategic plan. Do you want to add to that, Mr Collett?

**Mr Collett:** As the minister said, juggling resources within the budget is always difficult, and maintenance has sometimes historically been based on the previous year's budget or moneys left over after priority policies have been adopted. Notwithstanding that, it is fair to say that the ACT has, by comparison with other

jurisdictions, maintained reasonable levels of maintenance but it has been just that—it has been maintenance. So it has been repainting external finishes, it has been replacing gutters when they have been corroded out, it has been replacing windows that have been cracked or pointing up brickwork that has had fretting mortar.

What that budget has not allowed us to do historically has been to go back into the houses and to replace rather than fix the kitchen fittings, to bring the heating, the insulation and the appliances up to a current standard, to undertake modifications that might open up the living areas to make them more suitable for current living styles or patterns compared to historically. I think that, by comparison with some of the other jurisdictions—I think it is fairly well documented that there were maintenance arrears—whilst it has not been an easy road for us, the stimulus package money has enabled us to do more refurbishment than basic maintenance.

**MS BURCH:** I am sorry for being late. I came in when a number of properties were being quoted. I understand that, as a percentage of general rental properties, Housing ACT has probably got the bulk of it—30 per cent or something like that, I understand—which is a swag of our accommodation. I am sorry if this question has already been put to you, but, given the concerns and what you have just said, what programs do you as an organisation have in place to manage maintenance? That would be a daunting task in the private sector as well as the public sector. Can you give some background on the systems you have in place to keep on top of stock?

**Mr Collett:** Certainly. A key issue for us—and there are a number of systems—which is worth bearing in mind is the difference between the amount of money or the proportion of every dollar that we spend on responsive maintenance compared to planned and programmed maintenance. Why that is important to us is that the least effective way of spending money, the most costly way of maintaining properties, is to send a tradesman out for every little problem that goes wrong—the washer is leaking, the tap is broken, the door adjustment is wrong.

Therefore, we have pushed very hard to move from a responsive maintenance emphasis to a planned and programmed maintenance effort, because we know that we are getting ahead of the game—we are fixing things before they actually break. It is more cost-effective. We have got the benefit of larger contracts and suppliers for a greater number of units. The first step, I think, in terms of approaching the management of those properties is to maintain at all times that objective of doing more programmed and planned maintenance and doing correspondingly less responsive maintenance.

When we look at our planned maintenance program, the challenge for us is to make sure that we are addressing the worst of the problems in our stock and are being most effective in the dollar spend by bringing the stock up to value. The Auditor-General reflects in her report on some of the problems that we had with the previous contractors who were doing our maintenance contracting. One of the key areas in which we were let down by those contractors was in the auditing of the condition of our properties. Notwithstanding a contractual obligation to undertake that work, it was poorly and in some cases randomly undertaken.

A key focus for us under the new contract has been to get much better information

about the condition of our properties. We have auditors who are charged with that task as an individual responsibility, as well as feeding off the information that we are getting back from the attendance of tradesmen and supervisors. We have engaged a software package, SPM, which allows us to enter that data in a form which is compatible with our HomeNet system. We can do not only analysis of where maintenance moneys have been spent but also forward projections against different budget allocations as to where we might spend that money.

That is the direction that we are headed in terms of the planned and programmed maintenance. We are trying to make the contracts larger, we are trying to get better tradesmen to work on it and we are trying to be more intelligent about where we are spending the money. We are trying, wherever possible, to get bulk discounts or rebates for the money that we are spending. When you are maintaining 30 per cent of the stock of housing in the ACT then you are spending 30 per cent of the dollars that are spent on the maintenance of rental properties in the territory. We have been working closely with our colleagues in other jurisdictions to try and make sure that we are getting the best possible return for the money that we are spending—value for money for the appliances that we are purchasing.

Almost as a residual, what is left in terms of managing the maintenance program is the responsive maintenance. Notwithstanding the comments in the Auditor-General's report, we had already done significant work with Spotless around their call centre. We had made visits to their Sydney call centre. We had taken representatives from Spotless up to see our colleagues in Brisbane at the Queensland department of housing which we regarded as being amongst the best practice in Australia around running call centres.

It is about giving people accurate information about when their problems are likely to be fixed. It is about garnering as much intelligence as we can from the phone calls that are made so that the tradesmen are well informed about the nature of the problem that they are going out to deal with. Then it is around making those adjustments to the contract that you can make when you are managing it on a day-to-day basis. We have encouraged Spotless in the ranking of their tradespeople. They have a bronze, silver and gold standard for their tradesmen in terms of their attendance in a timely manner, their presentation on the job, the satisfaction of the tenants with the work that they have done, as well as some financial criteria in terms of spending the money and doing the work. These are things that are considered in their rankings in that system. That is a mixture of the ways in which the last aspect, the responsive maintenance, is managed.

**MS BURCH:** I have two quick questions. The responsive stuff, say through Spotless and those companies—does the information that comes back go into your overall programmed maintenance system? You do not have two different systems operating.

**Mr Collett:** That is right. That is why the integration with HomeNet for our—

**MS BURCH:** That was the other question. What is HomeNet?

**Mr Collett:** HomeNet is our major IT system. It is an Oracle-based database and inquiry system which we and New South Wales use to run our portfolio. It enables us

to interrelate data on a tenancy basis with a property basis so we can tell how many three-member households are in two-bedroom accommodation in north Canberra. We can tell how many properties have changed hands and how much money has been spent at each of those changes of tenancy. It allows us to integrate the information and run reports integrating both the information we have on property and the information we have on our tenancies.

Not only have we been able to integrate that with the SPM software, which is a budgeting and forecasting analysis tool for condition audits, but also one of the requirements of the contract which we have given effect to is that Spotless's own internal IT system, which is used to raise orders, manage the jobs and pay the contractors—a process which has an even duller title than HomeNet; it is called the works management system, known to its friends as WMS—has to be integrated with HomeNet.

Just to give you a bit of the technical detail and a flavour for it, a phone call comes into the call centre, the Spotless operator calls up the property on the works management system and raises a works order. That works order goes electronically across to HomeNet and, if it passes a threshold in terms of value, it gets referred up for approval. If it is within the value, it is simply actioned. The great benefit of that, of course, is that the housing managers at any time can access that information through HomeNet. If they get a phone call from a tenant or they are planning a client service visit, they can call up a property and see whether there are any outstanding maintenance requests, when the last maintenance calls were logged and what happened as a result of those—whether there were any notes in terms of the availability of parts or the tenant was not there when the tradespeople called out. We have quite a tight integration between the IT systems for Spotless and ourselves.

**MR SMYTH:** Minister, recommendation 12 looks at the extension of the contract. I note in paragraph 5.8 the auditor says:

The contract between the ACT Government and Spotless is for an initial three year period ... with the possibility of up to two two-year extensions.

I understand that we are in the middle of the first extension, but the auditor makes a comment in paragraph 5.10 that, as at 31 July 2008, the contract extension had not been signed, even though it had expired. When was the contract for the first extension signed?

**Mr Hargreaves:** I will ask Mr Collett to answer that. My understanding is that it has been signed, so I will leave him to give you that.

**MR SMYTH:** Given it is 2009, I hope it has.

**Mr Collett:** It was a short time. I do not recall the actual date, Mr Smyth, but I could find that date for you.

**MR SMYTH:** That is fine. If you go back to paragraph 5.8, it would appear Housing recommended to the commissioner for housing in late 2007 that the contract be signed, but that recommendation was not formally accepted until early May 2008. What was

the delay there?

**Mr Collett:** The extension of the contract was a significant issue. There was a request for additional information and an additional briefing. That was given consideration before the final decision was reached.

**MR SMYTH:** When does the first extension expire? Is that 30 June 2010?

**Mr Collett:** That is correct.

**MR SMYTH:** So when will the process start for either the second extension or for a new tender?

**Mr Collett:** The process has started. As with the other recommendations from the Auditor-General's Office, we have taken this one quite seriously. Almost two months ago now, an evaluation framework was proposed to the commissioner for housing which established the basis on which we would bring forward evidence and recommendations that would allow him to make a decision as to whether he wanted to re-tender the contract or go down the path of negotiating the terms of an extension of the contract with Spotless. An outline of those criteria has been provided to the commissioner for housing and a regular series of meetings have been established against a program of allowing us to make the decision before the end of this calendar year, enabling the negotiations, if that is the way we go, or the re-tendering of the contract, if that is the way we go, to occur early in the next calendar year, which is what it would need to do in order to meet that deadline.

**THE CHAIR:** Can you give us some idea of the criteria you are looking at in the decision as to whether or not to re-tender?

**Mr Collett:** I have to give a slightly longer answer, so I apologise in advance.

**MR SMYTH:** David Collett, a long answer? I am shocked!

**Mr Collett:** It aids your understanding of the contract and the comments from the Auditor-General to understand that we have a performance-based contract and it establishes a series of key performance indicators, or KPIs as they are commonly known. It also establishes a management structure, which is a contracts operational group meeting on a regular basis and feeding material up to a contract management group and then a joint contract management group, which Maureen, as the Executive Director of Housing and Community Services, chairs, which meets quarterly and acts to direct the course of the contract.

The KPIs form the basis of regular assessment of the contract and in that way form the basis for providing discounts and benefits that are allowed under the contract. Those KPIs are fairly wide-ranging. They go from quite open-ended, if I could use that expression, criteria over which Spotless does not have complete control, like the level of satisfaction generally of our housing tenants with the level of service that they are receiving, right through to the number of non-conformance reports that are raised against Spotless in any given period. The overall performance of Spotless against the contract is an important criterion for determining whether the contract is extended or

not.

The number of potential competitors in the marketplace is another criterion. Other criteria include the experience of the other jurisdictions, the responsiveness of Spotless to take on some of the concerns or some of the reform issues that we have identified to address the weaknesses, their management structure, the resourcing within Spotless for the contract and their performance against some of those key criteria like turnaround times for maintenance, which are always a challenge. They would be typical of the criteria that are being examined.

**MR SMYTH:** Is it possible for the committee to get a copy of the criteria that were sent to the commissioner?

**Mr Collett:** I think you would understand that they would be commercial-in-confidence until the negotiations are completed with Spotless.

**MR SMYTH:** The committee could take them on a confidentiality basis, if that is acceptable to the chair.

**Mr Collett:** That is obviously a decision for the minister.

**Mr Hargreaves:** I would have to reiterate to the committee that it is not usual that we do this sort of thing. However, having regard for the fact that this is the public accounts committee, I would ask for the chair's undertaking that those criteria would not be authorised for publication by the committee. If I have that undertaking, I would be only too pleased to provide it.

**THE CHAIR:** I would certainly be happy to provide that undertaking, yes.

**Mr Hargreaves:** Fine. The reason why I say that, Madam Chair, is not from any position of malice at all.

**THE CHAIR:** No, I appreciate that.

**Mr Hargreaves:** I know that sometimes in committees we actually authorise for publication almost everything that has been put, unless something is targeted for exclusion, and I just want to make that point.

**THE CHAIR:** Yes, and this committee is like every other—by default, it is authorised.

**Mr Hargreaves:** I make the point that the secretary would remind the committee of that. Also, I need to reiterate that you can't allow its revelation to any third party either. I am just saying that for the record, because we would breach commercial confidentiality. There are undertakings, of course, with the current contractor about these things. We will do that, under the normal arrangements.

**MR SMYTH:** Mr Collett, you said the decision will be taken by the end of this calendar year to either extend or go out to tender. Is that correct?

**Mr Collett:** That was what I said; that is correct.

**MR SMYTH:** Will that leave you adequate time, if you do not take the extension route, to actually go to the market and conclude a contract by 30 June next year?

**Mr Collett:** I believe so.

**Mr Hargreaves:** Just to expand on that, and I am sure Mr Smyth won't mind this: we think that there is sufficient time to go to the marketplace and have another contract awarded, but if we felt, for example, that some further examination of people's claims was needed and we wanted to go past the date, it is not unusual to have a specifically negotiated extension which does not go the whole distance; it just goes for a number of months. I would have to put that caveat on it. Depending on what we got out of the marketplace, we might want to explore—for example, if it took longer to do probity checks or reference checks. We do not want to have the same issue that we had last time, where we had two contracts out. One of them was decidedly unsatisfactory. We have to make sure that the actual administration of the contracts is done with a certain degree of probity. I acknowledge Mr Waite's presence in the gallery. He has a longstanding interest in this, as I am sure we all know.

**MR SMYTH:** So you are happy with the six-month period?

**Mr Hargreaves:** I believe that it is enough. We need to also recognise that we do have 30 per cent of all the rental stock; therefore we have 30 per cent of all the rental maintenance stock. It is also the case that we have the oldest stock and that we are encountering a skill shortage in town, like everywhere else in Australia, and we are hoping that that will conclude. We believe that six months should be adequate but if it is not I would not expect an extension to be any more than a month or two.

**MR SMYTH:** It is just that the last sentence from the auditor, in paragraph 5.8, says:

Audit notes that even a six-month period does not provide adequate time to go to the market, select an alternative provider and achieve a new contract, if negotiations on an extension do not succeed.

Are we repeating what happened in 2007-08?

**Mr Hargreaves:** No, I do not believe so. Also, I point out to the committee that the Auditor-General does not give any reasons for that particular view. We actually do not agree with that view.

**MR SMYTH:** You are not here to speak for the auditor; the auditor, having examined the process previously, and you said it is a good report, makes the statement that six months is not adequate.

**Mr Hargreaves:** I would have to contend with you that we think it is. And we will come back, if you like, in 2010 and you can check it out.

**MR SMYTH:** I go to your statement where you agree with the auditor's position. The recommendation is:

For any future extension of the contract, DHCS should better plan and negotiate the extension, well before the period set out in the contract.

Government position: agreed. The government's comment reads:

The Government agrees that it would be preferable to conclude the negotiation for any further extension well before the period set out in the contract. Future contract extensions will be programmed with progress tracked through the Joint Consultative Committee.

**Mr Hargreaves:** I remind the member, Madam Chair, of Mr Collett's view that that evaluation has already started. So we are actually in the process of doing exactly what the Auditor-General asked for, and I still believe—

**MR SMYTH:** But the auditor said you need more than six months.

**Mr Hargreaves:** that six months is sufficient.

**MR SMYTH:** The auditor says that if you do not go with the extension, you will need more than six months, and you are saying that you think six months is adequate.

**Mr Hargreaves:** We believe that we have sufficient time left between now and the end of the contract to actually look at it and to negotiate either an extension or do the marketplace—

**MR SMYTH:** So your comment is just lip service: you agree that it should be—

**Mr Hargreaves:** Mr Smyth, I would appreciate it if you don't put words in my mouth.

**MR SMYTH:** Well, you're putting words in the auditor's mouth.

**Mr Hargreaves:** I am quite capable of putting words in my own mouth.

**MR SMYTH:** And we well know that!

**Mr Hargreaves:** For example, I will match my record against yours any day of the week.

**MR SMYTH:** Go for your life.

**Mr Hargreaves:** Well, yours is pretty pathetic, so I don't mind having a go.

**THE CHAIR:** Gentlemen, how about if we stick to facts.

**Mr Hargreaves:** Let's just not say that—

**MR SMYTH:** When one stoops to invective so easily, one's record must be reasonably shallow, Mr Hargreaves.

**Mr Hargreaves:** Let us not, Madam Chair, suggest that I pay lip service to anything,

because I find that offensive. If Mr Smyth wants to go down that track, we can spend all afternoon going down that track or we can cease it now.

**THE CHAIR:** Both of you, can I suggest that we cease it now—

**MR SMYTH:** But you accept the auditor's report and then you say she is wrong.

**THE CHAIR:** and we just talk—

**MR SMYTH:** You're the one who is contradicting the auditor, not me.

**Mr Hargreaves:** Do give it a rest, Brendan!

**THE CHAIR:** about the facts, and interpretations at some other point.

**Mr Hargreaves:** Your audience has already taken it in, mate.

**MR SMYTH:** It is clearly a fact.

**THE CHAIR:** I agree: it is a fact. You have pointed the sentence out—

**MR SMYTH:** Thank you.

**THE CHAIR:** The point has been made and we should move on. Ms Burch?

**MS BURCH:** Thank you. I am looking at the 12 recommendations in this report. In a significant number the comment has been made that the recommendation has been implemented. Has there been solid progress on those that have been implemented, and where are we up to with the other recommendations and what progress has been made in moving towards those?

**Ms Sheehan:** All of the recommendations have been implemented. There was one recommendation at the time, as recently as two or three months ago, that had not been implemented, but all of the recommendations that are agreed have now been implemented. In fact, one recommendation that was only partially agreed to has been implemented as well.

**MS BURCH:** What was that?

**Ms Sheehan:** The partially agreed recommendation was with respect to innovations in the contract. We had a key performance indicator previously in the initial contract around the contractor producing innovations within the contract for Housing ACT and there being a reward system for that. The Auditor-General thought that innovation should in fact be business as usual in a contract which is focusing on continuous improvement. Housing ACT retains the view that it can still sometimes be worthwhile rewarding innovation, and we do continue to work with Spotless on innovative approaches. But, mindful of the recommendation, we did actually remove that as one of the key performance indicators under the contract.

**THE CHAIR:** Can I talk about recommendation 6. What evidence do you have that

the follow-up with tenants is in fact happening?

**Ms Sheehan:** There are two ways in which we follow up on whether action has been taken, both through our internal audit process of the contract in Housing ACT and also through the audit process that Spotless has. Spotless does an amount of random checks, and that involves contacting tenants to see whether the work has been undertaken and then what the satisfaction of tenants is with the work. Housing ACT also does its own checking.

**THE CHAIR:** You say that trend analysis will be provided to the facilities manager through one of the governance committees. What is that showing?

**Ms Sheehan:** The trend analysis will look at what are the types of complaints that you get. For example, it might be whether the complaints are all about a certain type of trade. I hesitate to mention a trade because it might indicate that there is a problem, but if 10 per cent of the complaints come from painting and 50 per cent come from carpets, you might start to look at where the highest trend is. The majority of complaints might be around timeliness of the contractor's attendance or around the quality of the work when the contractor comes. So we look at the trends to see where we need to make improvements.

**THE CHAIR:** And are they showing improvement?

**Ms Sheehan:** Looking at the trends does assist us to make improvements. I could give an example around timeliness. One of the things that we have really tried to focus on—and the Auditor-General looked at this in the audit—is: what is the percentage of emergency repairs that are responded to within the agreed time frame and then what is the number of attendances for the non-urgents? The emergency repairs continue to achieve quite a good level of attendance whereas the non-urgents are not quite as good as the emergency ones. So we focus there, where you have the less good outcome.

**THE CHAIR:** We have been told of concerns about sewage at the Northbourne Flats. We have been sent photographs of this which I could show you. We have been told that Spotless has been clearing sewage by pumping it down stormwater. That is what we have been told.

**Mr Hargreaves:** That is a matter of a specific action which I am very happy to investigate. If we are finding a practice that any one of our contractors is doing which is not a desirable practice at all, I am very happy to investigate that as a specific issue. What the Auditor-General is actually talking about are systemic issues, not a single issue. Just because somebody happens to be pouring something down a drain which they should not be doing, that is not a systemic issue. That is something that we can jump on really quickly, and we are very happy to do that.

**THE CHAIR:** We have been told that Actew does not accept responsibility for this area because Spotless has the contract for the site, and presumably this might be so in a number of cases. How do you work out the delineation of responsibilities for issues between Spotless and Actew?

**Mr Hargreaves:** That is an excellent question.

**Mr Collett:** Most frequently it is just a matter of geographically locating the fault. Obviously, where the sewer lines are buried and they are backing up, it is hard to determine where the problem is occurring. It could be something that is clearly the responsibility of the tenants, and therefore the department; that is—

**THE CHAIR:** Spotless?

**Mr Collett:** material being put into the sewer line which clogs it. It could be tree roots, and it goes to the matter of whether the trees are on territory land or Housing land. I am not aware of any recent concerns about the Northbourne Flats. I repeat the minister's comment: if you have got specific advice, we need to have that outside of this process. But I am aware that six months ago, or at about that time, there were problems. It is like an intermittent fault: it is hard to determine where the problem is when it is underground and it does not always occur. On that occasion, we took the step of asking Spotless to engage an independent camera system to go down the pipes and to determine just where the obstruction was occurring.

**Mr Hargreaves:** It is pretty much the same as it is in your own particular place and my own particular place. If we find that there is a blockage within the house structure, whether it is in the building structure itself or whether it is in the garden and it involves roots invading the pipeline, it is the householder's responsibility to fix that, in which case it is ours. If, on the other hand, it is coming out of the mains in the street, that is another story altogether.

**THE CHAIR:** So you just divvy it up like that?

**Mr Hargreaves:** We treat our buildings the same way we would do for a residential house.

**THE CHAIR:** Have you had any more problems in the inner north areas because of the age of the sewerage system, or is that getting too specific again?

**Mr Hargreaves:** One of the things that we found on coming to self-government was the nature of the underground infrastructure in the northern part of town—actually north and south Canberra.

**THE CHAIR:** Inner Canberra?

**Mr Hargreaves:** In fact, one of the bigger issues that came up in recent times was as a result of the floods in Deakin. You might recall the issues around that. They did not involve public housing but it actually showed us part of the problem for TAMS, anyway; that is, a lot of the infrastructure in the ground in north and south Canberra is clay piping, and it has an age, and a considerably shorter age than the plastic piping does. That impacts on the way in which we are installing the infrastructure in new suburbs now, and the new stuff from the 70s, or even more recently than that. Of course, we are going to find more invasion into the piping in the north of Canberra. We are also finding that the size of piping in the ground in north and south Canberra was intended for a certain size of dwelling or a certain number of people using it. So

when Planning allow for multistorey or multi-unit properties, dual occupancies and that sort of thing, they take account of the infrastructure that is in the ground at the time. But it is an issue for us. It is not actually an issue for us; it is actually an issue for Planning and the LDA, more than us, and TAMS, but not for Housing.

**THE CHAIR:** You just get to suffer from it?

**Mr Hargreaves:** Yes, pretty much.

**MR SMYTH:** Just to finish on recommendation 6, the final line in your response, minister, states:

This recommendation has been partially completed with completion due by the end of this financial year.

I think your submission came in in June or early July. When you say “this financial year”, is that 2009-10 or 2008-09? Has it been completed?

**Mr Collett:** It has been completed. That was the recommendation that Maureen referred to as being the one that we needed to do the most work on. The recommendation from the auditor around the maintenance contract was relatively straightforward, but in order to have a robust system and to be confident about the whole system we wanted to capture all of the entry points for complaints. As you can imagine, with a large organisation with outsourced services, the entry points for complaints are significant. We have a dedicated complaints line which has been in place for some time. We have KPIs around their performance in terms of receiving complaints. The housing managers get complaints themselves and we have done some work in pulling the housing manager direct complaints into the same system as we had with the complaints line.

The two other substantial sources of complaints were the Spotless call centre—calls coming in from there—and from ministerials themselves. It was finding a common platform so we could put all of the complaints into a single place where we could start to do that trend analysis. That has been done now. It took some time to build that whole system, but it has been done now. We are looking forward to receiving the benefits of putting that system in place.

**MS BURCH:** Just going back to recommendation 5—and it has been agreed and implemented—it refers to quality assurance processes and so on, I am assuming through Spotless, as to the way in which they manage their activities, and some level of guideline to simplify some processes. Can you walk us through, firstly, the process and, secondly, the benefits of that?

**Mr Collett:** Certainly. We would acknowledge, I believe, that when the Auditor-General refers to issues with the staff of the contract, there were two key areas. Spotless struggled to find a project manager, a contract manager, for their area and there were a number of turnovers over a short period. It was a fundamental role to steer their contract forward. We had similar problems with the QA area. Obviously it is a critical area in managing a performance-based contract, but we had similar difficulties in finding staff with the qualifications and the experience we needed to

staff that area.

The Auditor-General reflected on some of those issues and made further recommendations around the way in which we identified projects or aspects of the contract that needed to be audited. The Auditor-General wanted more documented independence in the way in which those projects or trends were determined as part of the contract calendar. They also gave us advice that we should be more formal in the conduct of those reviews. They took, not surprisingly, an audit view of the audit process and wanted more work done around defining at the outset what the scope of the review was going to be, what the objectives of the review were going to be and what the methodology of the review was going to be. We had taken the more straightforward approach of saying: “There’s a problem. Let’s get out there. Let’s take a random number of examples. Let’s visit the site and talk to the tenant and try and find out what’s behind it.” They wanted something that was closer to the professional discipline they bring to their own tasks of saying: “What’s the scope? What’s the methodology? What are the objectives? How are they going to be dealt with?” Again, we have adopted those recommendations.

**THE CHAIR:** Recommendation 9 is around the selection of subcontractors. You have agreed and said that you have implemented the recommendations. What difference has this made in terms of your ongoing operations? Has it made any difference in time? Has it made any difference to the cohort of tenderers you are getting? Are you now getting a greater range of suppliers or a lesser range?

**Mr Hargreaves:** This is a real minefield for us because, generally speaking, when you issue out a contract for a good or a service, you just say: “Give it to me. I’ll give you money; you give me the service. If you don’t give me a good enough service, I won’t give you any money.” Generally speaking, that is the way it goes. It really does not matter how you actually deliver the service or what resources you bring to bear to deliver those resources. But with this particular one, we find that we do want to have a say in how our head contract, if you like, selects the various people. You have got to be particularly careful that that involvement does not actually preclude people—in other words, people do not abandon us because we get too involved in micromanaging that particular contract. We have got to be a little bit careful about that. David might like to expand on that. Also, we are guided a fair bit by Procurement Solutions.

**Mr Collett:** Yes and, in fact, the requirement to be consistent with the government procurement policy and guidelines underlay the original contract. The advice from the Auditor-General was that we could be more explicit in discussing and agreeing with Spotless on the way in which they would give effect to that requirement to be consistent with the government’s policy and procedures.

The auditor was also concerned that we had been exercising a level of, I think, undocumented risk management. Where we knew that there were complaints, where we knew that there were issues around the quality of work, we would take a closer interest in the way in which those contracts were being let. There was a practical level at which we were involved in a formal sense in the evaluation of the tenders and the decisions, and that was around \$50,000, but that was not documented. The advice from the Auditor-General was that we document and that we have a more formal arrangement with Spotless about the way in which they would handle tenders for the

planned and programmed work.

**THE CHAIR:** Do you think all of this has actually led to any change in the cohort of tenderers or anything like that? You are managing things better? Is it ending up getting a different result?

**Mr Collett:** I do not know that we are necessarily managing things better. The auditor, understandably, was looking for documentation and formality in the way in which things were done. Interestingly, in this as in other areas, the recommendations were not followed up by examples of where the territory had been disadvantaged by the practices that had been followed. We are not debating the findings there. From my own experience and knowledge, I could not point to an area in which we had significantly changed the tenderers and the outcomes from those tenders from our involvement. As I say, it was more a question of formalising an arrangement which was already in place.

We had already oversighted the panel from which Spotless were calling tenders. We had already oversighted the documents that went out to tender. We were already reliant on the way that Spotless had done through their role in the contract in building up the subcontractor base, setting schedules of rates and bringing contractors on through their bronze, silver and gold system. We are satisfied that it has been documented. I could not point to a significant improvement in the outcomes from that process.

**MR SMYTH:** Recommendation 7 looks at the management of the call centres. The government agreed to the recommendation. In your response, minister, you say:

The government will conduct a major review of the Call Centre operations through an external consultant.

That has now been completed. Who was the consultant that did the review?

**Mr Collett:** Maxim.

**MR SMYTH:** How much was spent on that?

**Mr Collett:** I will not rely on my memory. I will take the question on notice and come back to you.

**MR SMYTH:** All right. When was it completed?

**Mr Collett:** Similarly, I will get the exact date. It was done soon after the comments were provided that the government agreed to the recommendations. It would be more than 12 months old now.

**MR SMYTH:** Is it possible for the committee to have a copy of the report?

**Mr Collett:** That would be a question for the minister.

**Mr Hargreaves:** At this point in time, Madam Chair, I do not see a problem with that,

but I would seek the committee's indulgence for me to have a bit of a look at it. I will undertake to the committee to look at it with a view to finding out, for example, why it should not be, and if there is a reason I will advance that reason to the committee. In all probability, I cannot see a reason why not. We will look at it in that way.

**MR SMYTH:** Thank you. Mr Collett, you said it was completed 12 months ago or started 12 months ago.

**Mr Collett:** It started 12 months ago.

**MR SMYTH:** The second sentence in the government response states that it will establish a framework for six-monthly reviews. Have they commenced?

**Mr Collett:** We have a program for those, yes.

**MR SMYTH:** Have we had the first?

**Mr Collett:** I believe so, but I will check on that.

**MR SMYTH:** All right. If you could give us the date when that review was done, that would be kind. Thank you.

**MS BURCH:** Given attention to tracking maintenance requests, the review of calls centres and the governance arrangements, one would expect to see an improvement or more contentedness as a result of better responses—increased satisfaction with responses to maintenance. I am sorry; I should not have put those words in. Is there evidence? Is that showing? Has it led to a higher level of satisfaction with your response to maintenance?

**Mr Hargreaves:** Absolutely. Madam Chair, through you to Ms Birch, in the opening statement—unfortunately you were not here—I indicated that in 2003 the satisfaction level was 59 per cent. In 2008 it was 71 per cent. So we are seeing a 12 per cent increase. Actually, it is greater than 12 per cent; it is a 12 percentage point increase over that. It has gone from 59 in 2003 to 71 in 2008. These are the numbers put before you from the secretary and I thank the secretary for that.

**MS BURCH:** Is it one, two or three or is it the whole suite of things that have led to that increase? Where do you think the areas of improvement lie for the department?

**Mr Hargreaves:** There are a whole suite of them. I want Mr Collett to let you know that there are a range of things of a maintenance nature that we are intense about. We have a valuable relationship with the Joint Champions Group. The word “maintenance” is so all-encompassing and can go from anything like a crack in a wall to a dripping tap. We also have issues around tenant-responsible maintenance, making sure that people understand their responsibilities. Sometimes there is an issue of cost, an issue about whether it is a planned maintenance program, whether it is an emergency or whether it is just unplanned but not an emergency. There is the actual nature of it. We also have issues around the maintenance that we would find in, say, a block of flats, which has a body corporate kind of approach to it, as opposed to a stand-alone house—anything from a dripping tap to fences, for example. Fences are

an issue for us because we have a joint thing with the neighbour on the other side. There are so many different facets to the word “maintenance”.

The other things that we measure, of course, are the number of people who complain to us about something not being done and the people who say, “Thank you very much for things being done.” I have to say to you that I have had a number of emails from people who have said to me, “Thank you very much for having these things organised.” These people generally do not know who to send a thank you to so they contact me to pass it on to the department. Indeed, we have had people saying, “Look, you’re not doing it quickly enough.” Mr Collett, would you like to expand on the range of things that I have mentioned?

**Mr Collett:** Yes. The feedback that we get, the complaints that we get and also—to put some balance to it, as the minister said—the notes or phone calls of appreciation cover the complete experience with the maintenance system. It starts with the call centre—how courteous the call centre is. Actually, it starts before the phone is answered. It starts with how long it takes to get through, the fallout rate. They are important criteria that we use in determining the KPIs. It starts with how prompt the call centre is in taking the call, how courteous it is, how quick it is to get the details of the problem, how accurate it is in recording the details, how clear it is with the tenant about the time in which works are likely to be undertaken and the commitments it gives the tenants about that.

One of the areas of most concern, as would be the case for every household and not just our tenants, is the amount of time that it takes for a tradesman to turn up on site after the call has been registered—the presentation of the tradesman, whether they are courteous, whether they come on time, whether they come on the day that they said they were coming. A number of our tenants have commitments, including work, which means that it takes some effort on their part to stay home to be in attendance to let a tradesman in. That is another obvious part. Again, it is not dissimilar to your own experience.

There is the way in which the tradesman behaves inside the house. Frequently we get letters of complaint or congratulations in terms of the way in which furniture is moved and cupboard handles treated when tradesmen are painting or undertaking plumbing work in the wet areas. Then there is the quality of the work that is done, the adequacy of the appliance or the equipment that is used, the fittings that are replaced in the house, and then the follow-up. Clearly, as I said at the outset, moving from a predominance of responsive work to a predominance of planned works means that we are managing the expectations of our tenants. Being a government provider, I sometimes feel that there is an expectation of our performance in that area that is not always matched by the private sector. For instance, getting a plumber out on the weekend, particularly if it is a holiday weekend, is a problem for everybody, not just public housing tenants.

**MS BURCH:** No, I have one living in the house; it is all right.

**Mr Collett:** If your hot-water system is not working and you are faced with a weekend of cold water then you are understandably not happy about that. That complaints management is all around being clear, telling tenants what to expect

up-front and then delivering on what we undertake to do.

**MS BURCH:** How do you explain the maintenance process and regime, matching their expectation to the reality? How do you have that dialogue with your tenants on an ongoing basis?

**Mr Hargreaves:** There are two ways that it happens. One is on an individual basis. If somebody rings our housing hotline and says, “How do I get my tap fixed?” we walk them through the process and we say, “Talk to Spotless and this is what you’ll see,” or we tell them that there is a call centre and they have to ring there, or they ring Canberra Connect and they are put through to the call centre. And some people do know, because they have been tenants for a very long time, that that is what they do. Of course, whenever we change contracts, we advise all of the tenants that “this is now the number that you ring”.

Also, we talk to the Joint Champions Group. You might like to know that it started off, if my memory serves me correctly, in about 2005 with 16 members. It was very hard for us to talk to all of the types of tenants we have—in multi-unit complexes, stand-alones, bedsits. There are 103 members on the Joint Champions Group, which means that we have got this network spread right across the public housing tenancies which can tell us about things. If they tell us that people are having difficulty accessing the call centre, we can actually move to fix that. If people do not know where to go, we can send it out in our housing newsletter which we send out fairly regularly.

**Ms Sheehan:** If I could add to that, minister, as well we do have a handbook that we give tenants when they sign their tenancies. We have recently reviewed and updated that handbook and we are in the process of producing it for publication. And we will, of course, have it on our internet site so that our tenants can gain it electronically as well as in paper version.

**MS BURCH:** There is also that obligation they have, as part of that maintenance agreement.

**Ms Sheehan:** That is right, and it is particularly important that tenant-responsible maintenance is pointed out to people at the start of their tenancy and also that fresh information is given to people all the time. It is not that we change the rules all the time, but many of our tenants have been tenants for a long time and, while things may not change from month to month, they will change over the years. That is why it is important that we have updated that handbook and we are redistributing it to tenants.

**THE CHAIR:** I understand that, with Spotless, we have a total facilities manager. I understand that when it was first introduced it was unique in Australia. Is it still unique in Australia?

**Mr Hargreaves:** Whether it is unique in Australia or not really was not of much concern to us. What was a big concern to us was that we had two contracts—one north, one south, if you like; that type of thinking—and it just was not working. We felt that going with one contract would provide us with a series of benefits to enable us to control what was being delivered to our housing tenants. We wanted a call

centre—one point of contact, one number. We wanted to be able to say to them, “We want one point of contact into the company.”

Ms Sheehan and Mr Collett were around at the time we made this paradigm shift for us, based on the quality of service we were delivering to the housing tenants. That is what motivated us to do it. I do not really know, nor do I care, particularly, whether or not there are other areas around the world that are doing it this way. For us, it is a better system than it was before. I would be very hesitant about going back to that system. So we are quite happy with the current one. You can see by this report that the actual management of the contract has been congratulated by the Auditor-General. There are areas for us to improve on, and we are very happy to pick up a number of them. But, generally speaking, it is working. The reason why we went from two contracts to one contract is actually working.

**MS BURCH:** My question is a little bit linked to recommendation 11. I refer to information about how staff manage these changes—the information they give out and how they, as housing managers, manage maintenance issues.

**Ms Sheehan:** Recommendation 11 was specifically around communication inside Housing ACT as an organisation. As the minister was saying, we did have some considerable issues with the previous contractors, and it raised the question for us as to whether we had not communicated clearly with our own staff about how to manage the contract. This recommendation is about Spotless having obligations under their contract. If something happens that would seem to be not consistent with the contract, there is a technical procedure under the contract, which is issuing a non-conformance notice under the contract.

How do we go about that? There was a lot of angst in the organisation previously about whether housing managers should just be able to issue a non-conformance or whether it needed to be controlled by the team responsible for managing the contract. So I made it very clear when we entered our new contract arrangements with Spotless that it needed to be controlled by the team responsible for managing the contract, for reasons that you could well understand.

Having said that, and as the minister has outlined, feedback from the housing managers that they get from tenants is incredibly important for us in managing the contract. While we wanted the contract management area to be responsible for issuing non-conformances, we did want that information to feed back through the organisation, from our housing managers to our contract area, and we needed to make it really clear for our housing managers how it was that their information would feed through and result in the issuing of a non-conformance. So we accepted that recommendation and we now have put in place very clear procedures so that housing managers see that the feedback from the tenants to them goes into the contract management area, and the circumstances under which a non-conformance is issued, and they know when that non-conformance has been issued.

**MS BURCH:** So that provides more clarity back through the managers and in their ongoing relationship with the tenants within the properties?

**Ms Sheehan:** With the tenants but also with the contract management area, because it

is very important that as an organisation we talk to each other and we make sure that we are working together to provide that better service, and that both the housing managers and the tenants know that if they give the feedback, it is passed on to that contract management area. But there still needs to be one place where the non-conformances are issued so that we are consistent in the way that we manage the contract.

**MS BURCH:** How do you manage those once they are issued?

**Ms Sheehan:** We communicate that to Spotless, the contractor, and then they are required to remedy it within a set period of time.

**Mr Collett:** That process is quite clearly laid out in the contract. So they have to develop a cure plan; that cure plan is managed and they report against that and then there is an evaluation of it. The fact that a non-conformance report has been raised is then raised with the contract operation group, the first tier of it being the management structure that I described to you. There are discussions about whether there is a broader response to the NCR.

**MS BURCH:** And that allows you, if you were to see a trend in an issue or a location, to address that at a system level with the contract as well?

**Mr Collett:** Yes. If I could add to Maureen's answer: Ms Burch, when you first asked the question, you talked about communication within the division.

**MS BURCH:** Yes, given that there was a suite of changes and improvements. How does that dialogue happen within the agency?

**Mr Collett:** That happens by us encouraging the contract management staff to go to the team meetings for the housing managers, to make themselves accessible, to encourage that sort of dialogue. It comes from improvements to the contract as well. The minister, in his opening comments, reflected on some of the inadequacies of the previous contractual arrangement. One of the things that happen when the contract is not delivering and it is not well managed is that there is an information vacuum. One of the characteristics of that, if I could give you a quick example, is that works were put on the planned maintenance program. Because the focus at that stage was predominantly on doing responsive maintenance, the planned maintenance was whatever was left over at the end of the year. Sometimes work was done, sometimes it was not done, and sometimes the program slipped. For a range of reasons, the works would not be executed.

The housing managers, because of that, gave unrealistic advice to the tenants, who then were concerned that the advice they had been given that they would get a new carpet in their living room next year was not realised. So having a better managed contract and having clearer communication flows between the various aspects of the department enables us to address those concerns. Now, shortly after the planned maintenance program has been signed off in July or early August in the year, it goes up on our intranet and the housing managers can look at—

**MS BURCH:** Can see what is happening within their areas.

**Mr Collett:** the information, look at the program, and the instructions to them are: “If it’s on the program, you can have confidence; you can tell the tenants that it’s going to be done. If it’s not on the program then don’t give any assurances because we don’t know when it’s going to be done.” So it is improving the contract in that way.

**THE CHAIR:** Talking about improving, and with respect to recommendations 4 and 5, one of the things you talked about was not having enough staff and that you have recruited suitable staff now. Do you still have the staff?

**Mr Collett:** Yes, we have been able to maintain staff levels in the QA area, close to the operational level, and it means we have been able to move through our calendar of audits.

**MR SMYTH:** Recommendation 3 states that Housing ACT should prepare and implement a risk management plan. The response is “agreed” and that “the government will implement a risk management plan”. I understand that a consultant prepared that plan. Who was the consultant?

**Mr Collett:** Maxim.

**MR SMYTH:** And at what cost?

**Mr Collett:** I will need to get that figure for you, Mr Smyth.

**MR SMYTH:** Take it on notice. When was it completed?

**Mr Collett:** Again, I will get that date.

**Mr Hargreaves:** A high-risk question!

**MR SMYTH:** Take it on notice. Is it possible for the committee to have a copy of the plan?

**Mr Hargreaves:** I will have to take some advice on that—again, with the same caveats that I put on the last one. Again, this is part of the contract. It is a way in which we administer the contract. I do not feel particularly comfortable about having it in the public arena at all. So with the same undertakings that the committee gave to us before around the publication of this and keeping it in camera, I will look at it to see whether I can provide it. I am anxious to do this, but I would need the assurance of the committee that it is not to be shared with a third person or authorised for publication. If this were to leak out, our contractor, and any other contractor, would be delighted to get hold of it. We don’t want that to happen.

**THE CHAIR:** No, I appreciate that.

**MR SMYTH:** For the benefit of members, the secretariat kindly put together on 22 July a summary of the recommendations and where they were at. One of the comments is that regarding the risk management plan the draft had been commented on and a final version accepted. It is currently being used by staff, although it has not

received formal executive endorsement. Has it been endorsed?

**Ms Sheehan:** No, we do not know where those comments came from.

**MR SMYTH:** It is comments provided by DHCS to the secretariat that were then provided to the committee members on 22 July.

**Mr Hargreaves:** How were those comments provided? Can you remind me? Was it via email, letter or phone?

**THE CHAIR:** The secretary is just checking.

**Mr Hargreaves:** As far as I am concerned, Madam Chair, it has been implemented. I think the more important thing is that it actually happened on the ground. When we talk about executive approval, we need to understand that that is a fairly wide definition. It does not necessarily require my approval. For example, it can be done by the DHCS executive; it can be done by the executive director. I would have to tell you that it would be a very brave senior manager that would implement something without the executive approval of DHCS. If it has been implemented I have every confidence that Ms Sheehan has approved it.

**MR SMYTH:** I will check where the comment comes from and I will put it as a question on notice.

**Mr Hargreaves:** If you can put it on notice, we are very happy to answer it.

**MR SMYTH:** On page 39 of the report in key findings under “Contract administration”, the seventh dot points says that Spotless was asked to conduct condition audits of the housing stock at a cost of about \$300,000 per annum. It states:

This process did not test the market to provide assurance of value for money or fully comply with the requirements of the *Government Procurement Act 2001*.

Why did it not go to the market and why did it not comply with the requirements of the Government Procurement Act when you went through this process?

**Mr Hargreaves:** Mr Smyth, I will have to take that one on notice. There are a range of reasons I can bring to mind and, rather than speculate on it, we will have a look and—

**MR SMYTH:** Does Mr Collett know?

**Mr Hargreaves:** I would prefer it, if you would not mind, to get you that response. I would be interested in not just the recollection of the officers. I would like to know a little bit more detail.

**MR SMYTH:** Does Mr Collett know?

**Mr Collett:** The minister has advised that he will take the question on notice.

**MR SMYTH:** But I am asking if you know. I am allowed to ask you if you know.

**Mr Collett:** You are not—

**Mr Hargreaves:** He can, but I am sorry, Madam Chair—

**MR SMYTH:** I certainly am, Mr Collett, to help you—

**Mr Hargreaves:** I would like to provide that comprehensive response to Mr Smyth through you, the chair. I do not wish to appear to be trying to duck the thing; I am just absolutely conscious that you will get probably a 75 per cent response and I do not want that. I want to make sure you get a 100 per cent response.

**MR SMYTH:** All right. The next dot point states:

The design of the performance bonus scheme led to Spotless receiving bonus payments notwithstanding that Spotless did not meet the performance targets for some key measures.

Why is that so and what has been done to rectify that situation?

**Mr Collett:** Why it was done was that it was consistent with the contract. The contract did not require Spotless to meet the performance targets in 100 per cent of the key areas before they could be paid a bonus. That has been reviewed a number of times since that recommendation was made and we have reduced the capacity for Spotless to be paid a bonus when there are key performance areas that have not been addressed. The fact of the matter is the contract which was entered into between the territory and Spotless did not require them to meet all of the performance indicators before they received the bonus.

**Ms Sheehan:** They simply had to achieve a numerical score, which they did achieve, before the bonus was paid, but the issue was: how many indicators was it achieved across? That is what we were reviewing.

**MR SMYTH:** What conditions led to the bonus being paid?

**Mr Collett:** An aggregate score across the whole of the key performance areas.

**MR SMYTH:** How is the aggregate score determined?

**Mr Collett:** It is necessarily a long answer.

**Mr Hargreaves:** You have asked for this, Mr Smyth! I hope you brought your shaving gear!

**MR SMYTH:** I am just concerned, as I am sure most taxpayers would be, that you get paid a bonus but you do not meet the KPIs.

**Mr Hargreaves:** No, not so. Mr Collett just told the committee that the contract did not require 100 per cent achievement of everything before a bonus would be paid. It

was an aggregate score across the range. You will get an explanation of that. But it is not true; the assertion is not so. I reject the assertion. You want a nice long answer. If you want the truth, instead of a made-up response and a throwaway line, we will give it to you.

**MR SMYTH:** Are you suggesting that in previous times you have given made-up lines and throwaway lines to the committee, minister?

**Mr Hargreaves:** I am suggesting that you have done it, not that I have done it. I would never do such a thing.

**MR SMYTH:** But you are the one answering the question here, minister, not me.

**Mr Hargreaves:** If you have brought your shaving gear and your pyjamas, we will go into it.

**THE CHAIR:** Gentlemen!

**MR SMYTH:** I am just reiterating what the auditor has said. She is concerned about this. I am asking—

**Mr Hargreaves:** You're making it up.

**MR SMYTH:** It is a key finding.

**Mr Hargreaves:** Well, you just got an answer. If you want more detail, just hold your horses and you will get it.

**MR SMYTH:** You are the one that keeps interjecting.

**THE CHAIR:** I think he said he will take it on notice.

**MR SMYTH:** That is fine. Recommendation 1 suggests that a finalised contract management plan will improve the management of the contract. It says that all staff would be issued with a copy of the plan and trained in the use of the document. That has occurred?

**Ms Sheehan:** Yes, it has.

**MR SMYTH:** What training has been undertaken?

**Mr Collett:** In-house, on-the-job training.

**MR SMYTH:** In-house, on-the-job training. Would you like to define that?

**Mr Hargreaves:** That is where you go inside the building and while you are doing your job we actually teach you a little bit more about it.

**MR SMYTH:** Are they given it and told to read it? Are they put in a room and taken through it? What does in-house training mean?

**Mr Collett:** It means just that. We have not used external trainers to do the training. There is no-one who knows our business as well as we do. We have done it in the workplace so that it is related to what people are doing on a day-to-day basis. It has taken the form of the senior managers working through the document after the staff have had an opportunity to read it and discussing aspects of the document and what it means for them in the conduct of their day-to-day activities.

**Ms Sheehan:** It would be worth pointing out, Mr Smyth, that what we are talking about there is training for staff whose responsibility it is to manage the contract. It is not the case that every housing manager who has no responsibility for managing the contract is expected to understand and be trained in the administration of the contract.

**MR SMYTH:** New staff who are in a position where they need the knowledge are run through it by somebody?

**Ms Sheehan:** Yes.

**MR SMYTH:** The plan was for it to be in use by August 2008?

**Ms Sheehan:** It was produced well before then.

**MR SMYTH:** The response says that it will be reviewed annually. Has the 2009 review been done?

**Mr Collett:** No, I do not believe it has been.

**MR SMYTH:** Is it intended for it to be done?

**Mr Collett:** Yes.

**MR SMYTH:** When is that likely to occur?

**Mr Collett:** By the end of the year.

**MR SMYTH:** By the end of the year?

**Mr Collett:** Before the end of the year.

**Mr Hargreaves:** To quote Mr Quinlan: soon.

**MR SMYTH:** Is there a reason why the review was not done?

**Mr Collett:** We are not at the end of the year.

**MR SMYTH:** Okay. So we are going to do it on a yearly basis rather than on a 12-month basis from its implementation?

**Mr Collett:** Yes.

**MR SMYTH:** So annually.

**Mr Collett:** With respect, Mr Smyth, the intention was that the process be regularly reviewed. We need to do that. We need to fit it into the work plan. I have actually changed the senior manager in that area. There have been some other staffing changes. It is a responsibility of that team to undertake that work.

**Ms Sheehan:** Can we just say also, Mr Smyth, that the Auditor-General produced the report and the recommendations in August. It is only 7 September.

**MR SMYTH:** That is okay, but I am just reading back to you where it says that this will be completed by the end of August 2008 and the plan will be reviewed annually—

**Mr Hargreaves:** And the answer was—

**MR SMYTH:** So you can read “annually” as 12 months after 2008 or some time in the following year. It is apparently sometimes in the following year.

**Mr Hargreaves:** We could be really picky about that if we wanted to. It was done before August 2008 and it will be reviewed annually. It does not have to mean exactly 12 months after the event though.

**THE CHAIR:** Have you any more questions, Mr Smyth?

**MR SMYTH:** I shall cease at this point. I will think of others and I will put them on notice with the other ones.

**THE CHAIR:** In that case, thank you all very much.

**Mr Hargreaves:** Just one more thing before you close—

**THE CHAIR:** Mr Hargreaves, across to you.

**Mr Hargreaves:** Madam Chair, this is something that I do each time I appear before a committee. I would like the record to show my appreciation for the work that the officers have done not only in preparing for this hearing before the committee but also their work on the subject matter of matters before the committee, particularly Ms Sheehan and Mr Collett.

**THE CHAIR:** Thank you. We may have some supplementary questions to give to you, which we will do as soon as possible. On behalf of the committee, I wish to thank you, minister, Mr Collett and Ms Sheehan for your attendance today. I thank the public even more for your attendance and interest because it does make it more worth while having the public here; it makes it a more public hearing. I thank you all for your attendance. A copy of the proof transcript will be forwarded to you as soon as it is in existence. I now formally declare this public hearing closed.

**The committee adjourned at 5.28 pm.**