



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Annual and financial reports 2016-2017](#))

Members:

MRS V DUNNE (Chair)
MR M PETTERSSON (Deputy Chair)
MS B CODY
MR A COE

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 10 NOVEMBER 2017

Secretary to the committee:
Dr B Lloyd (Ph: 620 50137)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

APPEARANCES

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Privilege statement

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Amended 20 May 2013

The committee met at 9.31 am.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Economic Development and Minister for Tourism and Major Events

Chief Minister, Treasury and Economic Development Directorate
Salisbury, Mr Kim, Executive Director, Revenue Management
Nicol, Mr David, Under Treasurer
Miners, Mr Stephen, Deputy Under Treasurer, Economic Budget and Industrial Relations
McAuliffe, Mr Patrick, Director, Asset Liability Management
Holmes, Ms Lisa, Acting CTP Regulator

Independent Competition and Regulatory Commission
Dimasi, Mr Joe, Senior Commissioner
Rawstron, Mr Michael, Chief Executive Officer
Phillips, Mr Ian, Senior Manager

THE CHAIR: Welcome to this hearing of the public accounts committee inquiry into annual and financial reports 2016-17. Today the Chief Minister and his officers will be appearing in respect of Treasury: revenue management, superannuation provision account and the territory banking account, the Compulsory Third-Party Insurance Regulator, the Office of the Nominal Defendant, the Independent Competition and Regulatory Commission, the lifetime care and support scheme, the Insurance Authority and shared services. The Speaker of the Legislative Assembly will appear later today, in respect of the Office of the Legislative Assembly, as well as officers responsible for public service management and the state of the service report, Icon Water and the ACT Ombudsman.

I am sure everyone here is familiar with the pink privilege card that is on the table. I advise witnesses that, as usual, proceedings will be recorded and transcribed, and copies of the transcript will be sent to witnesses for their consideration. Chief Minister and Treasurer, welcome to the committee. Would you like to make an opening statement?

Mr Barr: No.

THE CHAIR: Do you understand the privilege statement?

Mr Barr: Yes, to the second question; no, to the first.

THE CHAIR: This morning we are talking about revenue management for the first hour. Before we do that, Chief Minister, I want to ask a question that I should have asked last week when the economic committee was meeting, but I was not in the country. You would recollect that we have had a long on-again, off-again correspondence about slavery-proofing the Assembly and ACT supply chain. Last time you wrote, you said that there was work being done in relation to ethical

procurement guidelines. I asked questions about this at the annual reports hearings last year. What progress has been made since then, in relation to updating the ethical procurement guidelines in relation to slavery-proofing, and what is the government's approach to slavery-proofing its supply chains?

Mr Barr: I will take that on notice, given the officials who are undertaking that work are not these officials.

THE CHAIR: Thank you.

Mr Barr: We will get some information to you.

THE CHAIR: Thank you, Chief Minister. In relation to revenue, at output class 6.1—this refers to volume 1, pages 55 and 56, and page 87 of volume 2.1; I always like a second volume of an annual report—the annual report outlines that you are responsible for the objections and appeals unit, which reviews decisions involving ACT taxes and subsequent appeals, and that there were 275 objections determined in 2016-17. How many of those were for that financial year, and how many were left over from the previous financial year, 2015-16?

Mr Salisbury: I have a whole host of statistics around objections. I am not sure that it actually splits the difference between the number of objections received per year and processed in that year. If I share those statistics with you, we can probably make our way through it.

THE CHAIR: Possibly, yes. One of the things I am looking to find out is the average length of time for an objection to be processed, and how that compares over time.

Mr Salisbury: Our KPIs, in terms of objections, are to have 85 per cent of objections processed within six months, and 100 per cent of objections met within 12 months, and we have met those KPIs since that KPI was developed two years ago. In terms of raw numbers, I can speak to that, but perhaps I have already answered the question.

THE CHAIR: Maybe you have; thank you very much. Still on this subject of objections and appeals, the answer to question on notice No 533 is that, as at 30 August, there were 269 objections and a further 20 appeals lodged in 2016-17. I want to get a feel for how that compares to previous years.

Mr Salisbury: In terms of objections received, in 2014-15 we had 281. In 2015-16 we had 313. In 2016-17 we had 271, and year to date, in 2017-18, we have had 174.

THE CHAIR: 174 to the end of November?

Mr Salisbury: No, as of—

THE CHAIR: Sorry, the end of October? 174; that might indicate they are up this year. How many objections have you received regarding rates, last year and year to date?

Mr Salisbury: Last year, for 2016-17, we received 49 objections related to rates and 28 objections related to commercial rates. This year, year to date, we have received 38 in the residential category, and 30 in the commercial category.

THE CHAIR: Of the residential category, how many of those relate to units and apartments, for both last year and year to date this year? Can you break that down?

Mr Salisbury: I do not have the split by units and apartments with me. I can take that question on notice.

THE CHAIR: Take it on notice; thanks. When people are making objections in relation to rates, is there a variety of reasons for which people would object to their rates? Is it simply that they disagree with the UCV? What are the reasons that people would put forward for objecting to the rates?

Mr Salisbury: There are two bases on which you can object to your rates, that is, the application of the rating factor is incorrect or the average unimproved value is not correct and that is what they are contesting.

In the first case, we will make sure that the calculations are correct in terms of processing that objection. In terms of the valuation objection, we will ask for a report from the ACT valuation office and we will get a report on that property. Typically, that report will be quite comprehensive, a number of pages. It will look at the values of properties around that property and it will also look at comparative sales in that locality to determine whether there is a strong case to support the valuation that has been used.

An officer in the revenue office would make a determination based on the advice from the valuation office. That would be independent of the valuation office, an independent review of the valuation and the process. A decision would then be made and the taxpayer would be advised of the outcome of that objection. The taxpayer would then be advised of their rights in terms of taking that objection to an appeal stage, and that is typically at ACAT.

THE CHAIR: In relation to the determination or estimation of unimproved value, in established suburbs where there is no vacant land sold—a suburb that might not have had an empty block sold for 20 years—what methodologies do you use to ensure the accuracy of that assessment?

Mr Salisbury: In terms of establishing the valuation in the first instance, a mass appraisal process is used. The way that works is that, for each locality, suburbs are broken down into localities, and a locality is typically a place where the area was developed at the same time, it has a similar aspect, similar views and similar-type properties. Typically, there is a benchmark property that is used to determine a base and, through the annual assessment process, various property transactions that take place within that locality that relate to that benchmark property are assessed for the changes in the unimproved value that would impact on that benchmark property.

You would look at a sale at market price and then you would reduce that value by the improvements on the land. You would estimate the value of the house, you would

estimate the value of the garage, the swimming pool—whatever is on that property—to bring it back to an unimproved value. There would be various measures, like *Rawlinsons*, the construction manual, that would inform what the deductions would be to get from the market value back to the unimproved value. That is the methodology for getting down to the unimproved value. Once that unimproved value is established, from year to year the sales around that property would be analysed to determine whether the value of that property changes at all, increases or reduces, from year to year.

In terms of the objection, that process would be considered that was gone through in the first instance to establish the value; they would then look at any subsequent information outside the valuation period. The valuation period is 1 January each year. Generally, the analysis goes three months before that and three months after that, to determine the value for 1 January. The objection would come in probably in August or September of that year. That initial analysis would be reviewed and any other sales that may have happened in that locality would be examined to determine whether that valuation was appropriate.

THE CHAIR: That is for an established suburb. For a suburb that is perhaps going through a process of redevelopment, where people are perhaps buying houses, knocking down the houses and rebuilding, how would that process affect the determination of UCV?

Mr Salisbury: That would be a consideration because there would be a sale price for that. If it is a knockdown and rebuild there would still be a sale price. The question would be: what are the development rights associated with that property and do they link back to the benchmark property? Is that something you would include or is that something you would take out of the calculation?

MR COE: Can you tell the committee how the Mr Fluffy sales will impact the values of those particular blocks as well as the surrounding blocks?

Mr Salisbury: With the Mr Fluffy blocks, there was obviously a sale price. Part of that sale price included a premium for scarcity. Typically, with a Mr Fluffy block, the unimproved value will be somewhat lower than the market value. Although it may be an unimproved block, there would have been a scarcity premium and that would be deducted. You would expect that, for a Mr Fluffy block, the unimproved value of that would be somewhat lower than the market value that was paid for the block. That is in the first instance.

That sale would be analysed in terms of one of a number of sales that took place in that locality. The value of that would be considered as evidence of one particular sale in that locality, and that would then be considered against the benchmark property to determine whether that benchmark is appropriate for the suburb. That would be one of the number of sales taken into consideration in that locality over that period from three months before 1 January to three months after 1 January.

THE CHAIR: How would you quantify “somewhat” less than the market value? You said that the unimproved value would be “somewhat” less. What does “somewhat” translate to?

Mr Salisbury: Maybe I should get some advice on that rather than speculate. Maybe I can get that pool of Mr Fluffy blocks, look at their market values and determine what the actual unimproved values have been.

THE CHAIR: Before I go to Ms Le Couteur, could I also follow this up: in that analysis, will the difference between unimproved value and market value vary if there are lots of Mr Fluffy blocks in the suburb or if there are lots of Mr Fluffy blocks close together? It is not necessary for you to speculate on it now, but could you take that into consideration?

Mr Salisbury: I would not expect so, but I can take that on notice.

MR COE: In terms of taking it on notice, if you are able to provide an example—example A in this suburb sold at auction for this price and the UV is this—that would give the perspective, I think.

Mr Salisbury: Sure.

MS LE COUTEUR: I am really confused about what the definition of unimproved capital value could actually mean in the context of the Mr Fluffy blocks because the improvements in general have been removed. There is occasionally a garage left and sometimes maybe a shed and sometimes a little bit of the garden but, effectively, the value of the improvements on there for most of them could not be more than \$5,000 to \$10,000 at the most generous.

If the value that you are going to be having as an unimproved capital value is considerably less than the market value, my question really is: what does “unimproved capital value” mean? That is what I thought we had got down to. You talked about scarcity value but there is a scarcity value, presumably, already in purchasing land. We know that land in some suburbs costs more than in others because it is desirable and scarce. We cannot all live in the inner north, for instance.

Mr Salisbury: I do not know whether the Under Treasurer wants to jump in and throw some economics into that but—

Mr Nicol: I will let you start.

Mr Salisbury: Yes, give me a crack. In a newly developed suburb you would expect that the market value is the unimproved value. That is pretty straightforward. One of the concepts of unimproved value is that it has to be an arms-length transaction from willing parties. There are a number of court cases that talk specifically about scarcity. But it is a contested point and I think the point that you are making is valid in terms of what is the rationale.

When we determined the unimproved values for Mr Fluffy properties we did make a deduction for scarcity value, given that there just are not a lot of similar properties available on the market. There is a premium that is being paid for a vacant property in a well-established and desirable location. It was trying to reflect the premium that was paid for that block to ensure that those Mr Fluffy blocks were not out of alignment

with other properties in the general locality.

Mr Nicol: I think that is right. The unimproved value is not an observed market value unless it is a greenfields, old block site where you can get it. It is an imputed value, in a sense. In economic terms, it is interesting. People are willing to pay different prices for different products, depending on locality, depending on what is on the block. I think we have observed some behaviour where people are willing, in a very established, desirable suburb with a clean block, to pay more than even for a knock-down rebuild in gross terms.

Then you could speculate why. A clean block is simpler. You do not have to go through hassles. You can see what you get. You can visualise it, whatever it is, but that—

MS CODY: The costs are quite high to demolish a building.

Mr Nicol: It could be, and there is uncertainty and risk in there. The observation is that people will bid up more. There is essentially a market price beyond the unimproved value for a vacant block in an established suburb.

MR COE: On that, I think there are one or two in Lyons that were pretty stark in that I think they had an AUV around \$400,000, in that vicinity I thought, and they sold for well over double that. I know you cannot comment on that particular site. For sites like that, what is the impact going to be on the neighbours that were not Mr Fluffy blocks? If there is a 1,000-square metre block that sold for \$800,000, which previously had an AUV of \$400,000 and let us say that the new valuation is \$500,000, surely the 1,000-square metre block next door is in for a revaluation at some point soon. Would that be fair? The question is: if a Mr Fluffy block comes back with a valuation that is 25, 30 per cent more than the neighbour's block are we going to see revaluations across the board?

Mr Nicol: Perhaps the best way to answer that is to actually do some analysis and say what impact they had. Actually, we can go back and have a look at it.

Mr Salisbury: Yes we can.

Mr Nicol: And actually make a factual statement about what the impact is, if that would help the committee.

MR COE: Really it refers to the question on notice earlier. If you are able to also take into account what the previous AUV was and perhaps what a comparable block nearby is and what the latest UV is?

Mr Nicol: Yes. In general I think, speculating a bit, you are correct. If there is a sale and the valuers determine that this reflects an increase in average unimproved value beyond the premiums paid for a vacant block then that would be treated like any other sale that showed an increase in unimproved value in a suburb.

MR COE: Except it does not need to be discounted in the same way that—

Mr Nicol: We still, in any sale, work back from a market price to an unimproved value price.

MR COE: I am talking about once you have established what that unimproved value is for that Mr Fluffy block after doing those calculations. Then it becomes an apples with apples calculation with surrounding UVs.

Mr Nicol: I am not quite sure I follow you. We do in each sale, as Mr Salisbury said, try to work back to what the unimproved value of that transaction is and then make an assessment about whether that reflects the latest market information about the unimproved value in the locality. We do make an assessment about whether that sale means that the unimproved values elsewhere in that locality should be changed.

That, in one sense, is no different from a Mr Fluffy block transaction or a non-Mr Fluffy, an established house transaction. The difference with Mr Fluffy is that it is a slightly different way to work out what the value is because it is a vacant block and the scarcity values.

THE CHAIR: But it seems axiomatic that if the sale of a Mr Fluffy block results in an increase in the unimproved value of that block, that will have a knock-on effect in the entire locality?

Mr Nicol: I think that is likely. We will get the data out and see how much that effect is and how big it is because it will be a—

THE CHAIR: And are you far enough through the rating cycle to actually see that?

Mr Nicol: We are still through the sale process for the Mr Fluffy blocks. We will have some.

MR COE: But there must be UVs established though?

Mr Nicol: Yes, we will have some.

MR COE: When does a UV get established? If you are issuing a new lease for a block, as of course hundreds have been, at what point is the UV established?

Mr Salisbury: When that property comes into the rate system, once the lease is issued, yes.

MR COE: There have been hundreds so far where a UV has been established?

Mr Nicol: Yes.

Mr Salisbury: Yes.

THE CHAIR: So you do not have to wait until 1 January the year after it is sold for it to go into the rating system?

Mr Nicol: I am going to turn to Kim. We will certainly have the unimproved values

on many Mr Fluffy blocks. The question is: has it gone through the process to update the others yet? But I think that will happen in a significant number of cases. We will have that data. But just how many, I do not know. We will have to look at that. And we will look at the ones we have done and give you that data.

Mr Salisbury: I think there will be a worthwhile sample to do the analysis on.

MS CODY: While you are talking about Mr Fluffy, how many homes have been bought back by the government? Where are we up to?

Mr Nicol: It is not in these hearings but—

MS CODY: That is all right.

Mr Nicol: But it is the vast bulk of them.

MS CODY: It is just that it is a major cost. The treasury financial oversight for this year has had a big impact on that.

Mr Nicol: Indeed.

MS CODY: Maybe we can talk about the stamp duty concessions or—

Mr Nicol: I will ask Stephen Miners to come to the table. He is our rep on the committee that is overseeing the project and he might be able to—

MR COE: The task force is under planning now, is that right?

Mr Nicol: Yes.

Mr Miners: The task force has now purchased over 900 properties, which is well toward purchasing all 1,000. Apologies, I do not have the exact number with me. Of those, I believe around half now have gone through exchange and something slightly less than that have actually settled. But we can get those exact numbers and provide them, take the exact numbers on notice and provide them to the committee.

THE CHAIR: When you say “exchange and settle” that is repurchase after demolition?

Mr Miners: That is right. It is well down the path. It is really getting towards the end stages now.

MR PETTERSSON: In May of 2016 the government announced that they would hire investigators and set up a new specialist team in Treasury to crack down on tax evasion. I was wondering if you could tell me how that is going.

Mr Salisbury: Certainly. We have recruited a number of what we would call data specialists, who are developing a capability with our compliance area to match data from various sources, including ASIC, the ATO and various other sources, to really improve our intelligence capability. The future of compliance is not about chasing

people around in cars; the future of compliance is data and using the data. We did not have that capability within the revenue office, so we have employed a number of data analysts. We have also purchased some data warehousing capability, to allow us to bring all that data together.

The first work we have done is in the land tax space; we thought that was possibly the easiest. That allows us now to match data from a number of areas to target particular non-compliance. We have found that our hit rate has been much higher as a consequence. When we were doing things manually, we would have a list of potential non-compliant taxpayers and we would work our way through that. Our hit rate might have been four out of 10. What we are finding now that we have all this data together is that our hit rate is a lot better, so we are targeting non-compliance a lot better with this new process that we have put in place.

We currently have three data specialists putting the capability for us together. In the land tax space, we are rolling out that capability and we are trying to embed that capability within our normal business processes. We have now moved on to look at payroll tax and what we can do in the data space in terms of looking at payroll tax non-compliance. That work is still being undertaken; we have not quite landed that at this stage. I am very happy, if you can make a value judgement like that in estimates, about how that process is going and how it is being embraced and embedded in the work that we are doing in the revenue office.

MR PETTERSSON: You hoped to claim \$27 million in revenue over four years. How is that tracking?

Mr Salisbury: It is only early days. We pushed that \$20 million mostly into the outyears, because I think that the benefits of that will come as we embed those processes in. I think we are on track to achieve that. I would not claim that we have any of that in just yet but, as I said, the target was for the outyears for us.

MS LE COUTEUR: I am interested in what your data sources are. I can think of a wide range. Are they all within the ACT government and the commonwealth government? Are you moving into social media?

Mr Salisbury: We have not quite moved to social media, but all those sources that you mentioned are certainly on the table. ACT government data, ATO data, ASIC data, APRA data—that is the sort of data that we are starting with. There is also property data available from a number of sources; I think we have agreed to purchase some property data that we can use and incorporate that.

MS LE COUTEUR: Can you share with the ATO a reasonably detailed amount on someone's tax return? An obvious one would be rental incomes and property sales. Can you get down to that sort of level?

Mr Salisbury: Yes, we absolutely do. We have an agreement with the ATO for exchange of information. That is covered by our confidentiality arrangements, so there are a whole lot of protocols that go with that. But we absolutely do have access to that information.

MR PETTERSSON: In the context of Caroline's questioning on data sources, in what way would it be possible to use social media as a data source? I have never heard that suggested before in tax policy.

Mr Salisbury: I do not know the answer to that.

MR PETTERSSON: Are we talking about stalking someone's Facebook page and seeing if they have boats they are not declaring?

MS LE COUTEUR: I have seen it more often talked about in terms of income tax and general ownership of assets. If you see someone obviously having a fairly affluent lifestyle and they are claiming very low income, you could put two and two together and think that should be five, not four. In this context, you might be able to work out that someone is not living in a house that they claim they are living in or that they are renting out through Airbnb. Both of those in some instances would be determinable through social media. This was purely a question; I have no idea what you are actually doing, of course.

Mr Salisbury: Sure.

MR PETTERSSON: We are talking about data and mathematical specialists on one hand. Is there still an old-fashioned investigative side to cracking down on tax avoidance?

Mr Salisbury: Yes. We will use all tools in the toolkit that we possibly can. There is obviously technology that helps us, but we are still going to rely on the intuition of compliance officers just observing what happens in our economy. Often that can be a source. Tip-offs are also a source of compliance; a surprisingly large source of our compliance work comes from tip-offs.

MR PETTERSSON: Where is the tip-off line? How do people get in touch with you and let you know?

THE CHAIR: Dob in a tax cheat, 1800?

MR PETTERSSON: Yes; I have some friends I need to talk about.

Mr Salisbury: It is easy to make a tip-off to the revenue office if you would like to.

MR PETTERSSON: I will keep it in mind.

MR COE: I have a supplementary on what we discussed earlier. When you mentioned the unimproved value for new estates, if somebody buys—either at auction or over the counter—a block for \$550,000, that becomes a UV? It is as simple as that?

Mr Salisbury: Generally yes.

THE CHAIR: So in relation to the first time it is purchased, in what circumstances would it not be the UV?

Mr Salisbury: I was struggling to think of a circumstance, but I am sure there are, and that is why I said “generally”.

THE CHAIR: Would you like to struggle with that one and take it on notice?

Mr Nicol: We will take it on notice.

Mr Salisbury: I am speculating here a bit, but sometimes it is not a simple transaction of selling it to a private buyer from the government. Sometimes there are intermediaries or there are mixed use sites and there are different development rights. And development rights change between first sale and ultimate purchase. I can imagine that situations like that could arise that might affect the unimproved value.

THE CHAIR: Okay.

MR COE: Could you please talk us through how you collect debts owing to the revenue office?

Mr Salisbury: There are a number of ways we go about collecting debts. I will run through the process and we can talk about some of those. Initially, if we have an outstanding debt we would send an arrears notice. Typically, an arrears notice would be followed by a letter of demand. If the taxpayer contacted us about that, we might try to negotiate some sort of repayment arrangement. But if that is not where we landed, for different tax lines we would probably use different types of approaches. For payroll tax that is not paid by a corporate, we would move pretty quickly into a legal process that would flag with that corporate that we may take action to wind up the company. That typically gets a pretty swift response.

MR COE: But to actually go through with that is easier said than done, isn't it?

Mr Salisbury: Indeed.

MR COE: Have you ever been successful in winding up a company or, in effect, instigating the winding up of a company?

Mr Salisbury: Yes.

THE CHAIR: Have you ever wound one up?

Mr Salisbury: Yes.

MR COE: And in that particular circumstance—or more, if there are more—was the full debt recovered or was it cleared out before you got there?

Mr Salisbury: It is a risky strategy indeed—

MR COE: I would imagine so.

Mr Salisbury: because the revenue office just becomes one of the many creditors.

MR COE: That is exactly right, and you get 3c in the dollar.

Mr Salisbury: Indeed.

MR COE: And you had a \$100,000 legal bill.

Mr Salisbury: It is complex and difficult, and a lot of judgements go into actually pulling the trigger and making that happen. Clearly, that is not our preferred approach. That is where we do not want to end, because, as you say, we may not recover the money.

MR COE: Sure. So that is payroll tax.

Mr Salisbury: Yes.

MR COE: When it is land related, you have a bit more leverage, I guess, with the leasehold system in particular.

Mr Salisbury: Sure.

MR COE: If somebody has not paid their rates or has not paid their land tax, what is the process?

Mr Salisbury: In relation to rental properties, again it would be the same process: arrears notices, letters of demand and then legal letters. In a number of cases, we have listed properties for sale and we have moved on selling properties. That is one that we have done with investment properties. That is one strategy we have deployed in investment.

MR COE: You have sold a property underneath someone?

Mr Salisbury: We have not sold it; we have pursued that process. We have not got to the final point where we have had to sell the property. Typically, when we get close to pulling that trigger we generally come to some arrangement with the taxpayer.

MS LE COUTEUR: What interest do you charge in these circumstances? Presumably there are significant moneys potentially outstanding.

Mr Salisbury: Typically there is a penalty interest of around eight per cent plus the 90-day bank bill which I think is 1.73 per cent. We are charging just under 10 per cent on any outstanding amounts.

MS CODY: Any outstanding amount?

Mr Salisbury: Yes.

MS CODY: As low as a matter of dollars?

Mr Salisbury: Sorry?

MS CODY: As low as \$100?

Mr Salisbury: Yes. That just automatically comes onto the account. The system just does that, yes.

MR COE: I see that average level of collectable debt to revenue ratio is at 3.2 per cent. What debt is actually included in that ratio?

Mr Salisbury: All debts.

MR COE: Absolutely everything?

Mr Salisbury: Yes.

MR COE: I do not think it is included in there but are you able to provide a breakdown of that debt in terms of payroll, rates, land tax et cetera?

Mr Salisbury: Yes I can.

MR COE: And do you actually have an easily generated report about the profile of that debt in terms of how much is outstanding for five years, one year, three months et cetera?

Mr Salisbury: Yes we can produce that. Yes, certainly.

MR COE: And what about debt that is written off? I am sure it is in there. I did not see it. How much debt do you write off each year?

Mr Salisbury: I am sure that is there, yes, somewhere.

MR COE: If you could take it on notice that would be good.

Mr Salisbury: Sure.

MS CODY: I want to talk about one of the reforms that the government has introduced this financial year, the barrier-free conveyancing law. I was just wondering: what are the benefits of this approach? If you can outline those for me that would be great.

Mr Salisbury: As part of the implementation of the new IT system we went through a process in the revenue office of not just replacing our IT systems but examining our business processes as well and how we could improve those and think about them. Coming out of, I guess, one of the sessions that we had about how we could improve processes was thinking about doing conveyancing in a different way.

Under the old scheme for conveyancing basically, after you exchanged contracts, you had to lodge all your documents with the revenue office. Those documents would be assessed, put into the system and an assessment would go out. You would have to pay that assessment. Your documents would be stamped and then at settlement everybody would examine the stamps. Then after settlement you would take the documents to the

Land Titles Office who would register the documents.

I guess we thought about the particular relationship that the revenue office has with people who own land or property in the ACT and the fact is that we have an ongoing relationship with those people because we have the rates system. The thought was: why does the revenue office need to be involved in that process? Why don't we just come in at the end of the transaction and after settlement do the assessment and then that takes the revenue office out of the transaction so that you do not have to touch base with the revenue office? You only have to come to government once. That would create an efficiency for people who are doing a transaction because they would not have to engage with the revenue office. And similarly it would reduce processes for the revenue office.

That idea was worked up and then we went to actually consult the law profession locally. They thought conceptually that was a good idea. We worked with them on the actual model itself. We spent probably 12 or 18 months in consultation with the legal profession.

THE CHAIR: They would be people who do conveyancing, generally people who are doing conveyancing large scale?

Mr Salisbury: Yes. It is a particular committee of the Law Society who are the conveyancers. That was the committee that we worked with to work up the model. We also worked with the banks and the conveyancing agents to develop this new system. It was generally widely accepted as being a really good idea, reducing red tape for those transacting and also providing a benefit in the cost of processing a transaction. We introduced that new system on 18 September.

MS CODY: This year?

Mr Salisbury: This year, yes. It has been up and running for a little while now and it has been quite successful. We have had a number of transactions undertaken with the new methodology. I met with the Law Society last week or the week before just to talk through any issues that they were having with how it was working and they did not have any issues with how it was working. I think from their perspective it has been a success and definitely from our perspective it has been a success. Hopefully the costs of transacting are lower going forward and it is a much easier process for people.

MS LE COUTEUR: I have got some questions about rates hardship. I assume that you guys are the people who deal with the public as far as rates hardship is concerned. What processes do you have in place to deal with people who say they cannot pay their rates due to hardship?

Mr Salisbury: Initially we would try to come up with a repayment arrangement with people. We have a number of people who are on repayment arrangements. The other thing that we try to do is get people on to regular payment plans. Rather than once a year or once a quarter being faced with a bill, they are making regular payments; a regular payment plan.

There is also a deferred rates scheme that is available to people. It is available to pensioners, people who are over 65, and it is also available in particular hardship cases as well. There are a number of offerings available to people who are doing it a bit tough.

MS LE COUTEUR: I have previously asked in the chamber about the number of people who have taken up the deferred rates schemes and it seems to me to be very low, given that it is quite a generous scheme in many ways. Do you do any promoting of this scheme to people? If someone turns up and says, “I cannot pay,” do you say, “Madam,” or sir, “you can go on the deferred scheme”?

Mr Salisbury: Yes we would. We see this as an important part of the offerings available to people.

MS LE COUTEUR: You talked about regular payments. Do you offer some way of automatically doing a regular direct debit—apart from obviously the annual and the quarterly that you talked about—with your normal rates notice? Do you offer something other than that where you can pool the money rather than wait for people to forget?

Mr Salisbury: Yes we do.

MS CODY: I actually took that up many years ago. I am on fortnightly payments and have continued that over many properties. It has been great. Every time I have moved house I have continued my fortnightly payments. I would like to congratulate you for that. It does make life a bit easier. As a single mum, rates were one of the difficulties to come up with the money once a year. The revenue office provided that opportunity for me.

MS LE COUTEUR: Given you have got an automatic way of doing it, have you looked at extending it to everybody, not just people who come to you in hardship? There probably are other people who would—

Mr Salisbury: It is available to everybody.

MS LE COUTEUR: Fortnightly?

Mr Salisbury: Yes.

MS LE COUTEUR: I did not realise. I only remembered the quarterly and annually. I am sorry about that. Do you track the number of people who make hardship claims with respect to residential rates?

Mr Salisbury: We track the number of applications for deferred rates, people who apply for deferred rates. I think that was answered in the question on notice.

MS LE COUTEUR: I know the numbers who have got them. I do not know how many people applied. The question I asked was only about how many people have had them as distinct from—I assume that there is a greater number; I could be wrong—the number of people who apply.

Mr Salisbury: I do have the numbers on that. I can provide those numbers.

MS LE COUTEUR: Not all the people who make hardship claims, I would assume, would be eligible for deferred rates either?

Mr Salisbury: That is right.

MS LE COUTEUR: Do you track why people are making hardship claims? They will not all necessarily fit, as we were saying, into the deferred rates possibilities.

Mr Salisbury: I guess we track it in terms of the applications that we receive and how they are treated. We would have a record of that.

Mr Nicol: But when we actually report we get—

MS LE COUTEUR: I do not think you report on it.

Mr Nicol: Or where we actually collate it in house. I think there are a number of avenues where people can claim that they are having difficulty paying their rates, whether it is a representation to the minister or whatever. But we will see what information we have and what we can provide.

MS LE COUTEUR: You said that you told people about deferments and things. If you believe they would be entitled to a rate rebate, would you automatically say that?

Mr Salisbury: Yes.

MS LE COUTEUR: What feedback have you had from people who were previously on the 50 per cent and have now moved to the capped scheme?

Mr Salisbury: I have not—

MS LE COUTEUR: Your office; not you personally.

Mr Salisbury: I am not aware that that issue has been raised with the office. Certainly it has not been escalated to me as an issue. That would suggest that—

MS LE COUTEUR: I am surprised, because I certainly have had a number of emails from people who have expressed views that the changes you have made are totally unfair. I would be very surprised that no MLA at least has gone as far as sending something to you.

Mr Salisbury: I think I did say something incorrectly there. I am aware of that being an issue and I have dealt with a number of people asking for explanations about that, yes.

MS LE COUTEUR: It does seem a lot more likely. Have you any idea what numbers of people have complained?

Mr Salisbury: No I do not.

MS CODY: Ms Le Couteur just raised the pensioner duty concessions. Can you broaden that out a little bit? What are they?

Mr Salisbury: Pensioner duty concessions? Duty concessions or rates concessions?

MS CODY: Both.

Mr Salisbury: I will start off with the pensioner duty concessions.

MS CODY: That is a big one, people downsizing and those sorts of things, as they get older.

THE CHAIR: It is not restricted to pensioners, is it?

MS CODY: No, but as they get older.

Mr Salisbury: The pensioner duty concession scheme assists eligible pensioners to move to accommodation more suited to their needs, including a new or established home, or vacant residential land, by charging duty at the concessional rate. An eligible person would be a pensioner in receipt of an Australian age pension or who holds a pensioner concession card, is on a disability support pension or a Department of Veterans' Affairs gold card.

MS CODY: They need to be in receipt of one of those forms of—

Mr Salisbury: Yes.

Mr Nicol: Also, if you are on a DSP, you have to be over 50 years of age.

Mr Salisbury: The other one is around pensioner rates.

MS CODY: I thought you mentioned something about people over the age of 65. Maybe I misunderstood what you said.

Mr Nicol: There was an over-60s home bonus scheme that was trialled for two years, and it has now been closed. That was a pilot to assist non-pensioners to downsize.

THE CHAIR: That has closed. That is the stamp duty concessions?

Mr Nicol: That has closed. That is right. That was a two-year pilot.

Mr Barr: That was a stimulus measure during the Abbott years. Presumably, the Abbott years won't be repeated.

Mr Nicol: We also have a concession scheme on stamp duty for people with disabilities, where parents are purchasing a property, particularly parents who purchase a property for a child, for a lifetime care situation. I do not have the details of that scheme, but a couple of years ago the government introduced a concession

under certain circumstances where people who were providing a property for a relative could purchase it without paying stamp duty. I can provide the details of that.

MS CODY: That would be great; thank you.

THE CHAIR: Following on from the question by Ms Le Couteur, the budget reports average rate rises. That means some are paying less and some are paying more. How many dwellings in the ACT, Chief Minister, would be paying more than the average rate rise at the moment?

Mr Barr: We will take that on notice.

MS LE COUTEUR: This can also be taken on notice: are the number of hardship cases going up? Are requests going up or down over time?

Mr Salisbury: We will take that on notice.

MS LE COUTEUR: If you could distinguish between units and non-units, that would be interesting, because units, obviously, have had greater changes in the last year.

Mr Barr: Still about 60 per cent of the—

MS LE COUTEUR: Yes, but I can imagine that that might be where people are having more stress than they were before. The question is to find out.

THE CHAIR: Are there any other questions that members have in relation to financial management, procurement and capital works, government accommodation and property services?

MS CODY: I am sure that the answer is yes, but we can put them on notice.

MS LE COUTEUR: We will put the rest on notice.

THE CHAIR: The rest of the questions will be put on notice. We will suspend for morning tea.

Hearing suspended from 10.29 to 10.45 am.

THE CHAIR: I will start with the superannuation provision. Chief Minister, are you comfortable with the discount rate assumptions in the budget and the forward estimates in relation to the provision in the superannuation account. Six per cent, which was the long-term average of the bond yield a few years ago, is certainly not the case now, but that still seems to be a figure that appears regularly in discount provision accounts. Are you comfortable with that level of—

Mr Barr: Based on the advice of officials and the commonwealth government's position on this matter, yes.

THE CHAIR: Is there an accounting standard that dictates the way in which you estimate your liability and—

Mr Nicol: The accounting standard says that we have to use the spot rate on 30 June each year. The accounting standard does not go to what estimates you use to estimate a forward budget. The accounting standards deal with financial statements, not forward budgets. This is an issue that we have discussed internally and with the commonwealth for a number of years. It was an issue that was on my mind when I was in the commonwealth five-plus years ago.

One factor that is desirable, I think, is that the commonwealth and the ACT governments use the same discount rate, because it is the same scheme. The commonwealth uses six per cent. The question goes to, I think, what time horizon you look at for what you use in terms of estimation. This is a very long-term liability profile for the territory, 50-plus years. So one or two years of lower interest rates, or even three or four, should not necessarily lead to a change in our views about the long-term discount rate. Our view is that six per cent remains the 30-plus-year long-term average of a discount rate. That is the benchmark we are aiming for in terms of ensuring that we fully fund our liability. That is the sort of indication we are looking at.

We do use, as the accounting standards require, the spot rate on 30 June each year. Whatever that is, that is the liability we use. Whilst interest rates have been low, they have been fairly volatile. I think in 2016-17 the spot rate went up by almost a percentage point over the last four months of that year. That led to a significant reduction in the measured liability at 30 June from the previous year. So it is a very volatile series. Part of our strategy here is to be as transparent as possible on what our liabilities are, what discount rates we are using and what the effect of using a different discount rate is on the liability.

Mr McAuliffe: As Mr Nicol said, AAS 119, the accounting standard, determines the whole valuation of the liability. It requires that we use a spot rate on a long-term commonwealth government bond rate, a risk-free rate. We try to find the bond that is equivalent to the duration of the liability. For 30 June just gone, the commonwealth bond rate was the commonwealth 2047 maturity bond, and the spot rate on that at 30 June annualised was 3.51 per cent. It has not got a long history; it is hard to get a 20 or 30-year history of that bond. But we look at the 10-year commonwealth bond index. Over 20 years the average of that is around five per cent. The current gap in the 2047 bond and the 10-year bond at the moment is around one per cent. So at the moment we would still be relatively comfortable that we are within those long-term averages for that rate.

THE CHAIR: What is the current bond rate? The current bond rate is the one that matures in—

Mr McAuliffe: In 2047. That is the rate we use to value the liability as at a valuation date. But then for budget we revert to a long-term average. We are using that six per cent as a long-term average. We will reconsider all of that, as well as all of our other assumptions, this year. We are doing a major triennial review of the entire superannuation liability this year. That looks at all the financial assumptions as well as all the demographic assumptions. We will look at the history of what has happened over the past couple of years, things like the rates of take-up of pensions versus lump

sum and of mortality. All those factors will come into this year's valuation.

THE CHAIR: And our investment strategy, Chief Minister, for investing to meet our superannuation liability? What is the appetite in our investment strategy? Is it moderate?

Mr McAuliffe: Our appetite remains more on the risk side than on a moderate side, if you like. We—

THE CHAIR: Is that the high-risk side or the low-risk side?

Mr McAuliffe: It is a growth orientated fund. A balanced fund is generally 50/50: you have got 50 per cent of your exposure to growth assets like equities. Ours at the moment is around a 65/35 strategic asset allocation. It is more on the growth side; we have got a higher weighting to equities, basically, to try to get the returns that we need. One is to maintain the funding level that we have currently got, as well as to make up the past unfunded liability.

Mr Nicol: The government did reduce the target for the long-term expected return to its investment fund last budget from five per cent to 4.75. The way I sometimes explain it is that what we try to do is target that return over the long-term while minimising risk as far as we can to achieve it. So if we can structure a portfolio that lowers risk but guarantees, to the extent that you can with expert advice et cetera, to get that target, we will lower risk. The other factor we take into account is that this is a 50 to 70-year potential time horizon. Unlike, potentially, other funds, we know with a high degree of accuracy when we need the cash, so we do not need to maintain liquidity for an unexpected cash withdrawal event, so we can invest with much more surety on the time horizon. That allows us to have a slightly different risk profile than perhaps a market managed fund where investors can withdraw and deposit money more flexibly.

THE CHAIR: Chief Minister, could you reflect more on the government's motivation for reducing the return outlook from five to 4.75?

Mr Barr: Mr Nicol, do you want to—

THE CHAIR: Actually, Chief Minister, it was a question directed to you.

Mr Barr: Yes and I am asking the Under Treasurer to respond.

THE CHAIR: So you do not have any reflections on the policy?

Mr Barr: I am happy for the Under Treasurer to respond to the question and provide the same advice to the committee that was provided to the government.

Mr Nicol: We have an investment advisory committee and we have advisors who advise us on risk and return profiles. Their advice was that returns are probably going to be lower in the medium term than they have been for the last 10 to 15 years. Price inflation was also a little bit lower. I took advice from the committee and provided advice to the government that a modest reduction in that target was appropriate. In a

lower return environment, at least in the short to medium term, maintaining a higher target pushes you into a higher risk category to try to keep those returns up. A lower return target means you can be a little bit more comfortable in the risk profile. That was the essential reason for that change.

Mr McAuliffe: There has been a lot of evidence around for the past couple of years with the lower interest rate environment that we are in, with low CPI and low wages growth, that over the longer term these higher returns that we have been seeing may not be achievable. We have been looking at that and we provided the recommendation to review the return based on that longer term outlook. It was not the immediate return, because last financial year we actually returned 10.2 per cent for the year. We have been trying to balance out what we have been getting. The year before that was another high, double-digit return, and this was on the back of the longer term outlook. So we thought this was the appropriate step to take now and then we will keep watching this over time.

THE CHAIR: Just to round off on this, Mr Nicol, and I do not want to put words in your mouth, you seem to be saying that the reduction to 4.7 from five kept you in the risk range that you are currently in. Is that correct?

Mr Nicol: I think it is a factor. My comment was that rather than focus on the particular change from five to 4.75, it was more of a general comment that if you have a higher target rate than is realistic in the market, you have to take more risk to get there. In that sense, this is a conservative step, but it will lower risk. It has not led to an immediate change in the structure of our portfolio by any means; we have not reflected that. That was just a general comment that a lower rate generally involves lower risk. The main driving factor for the change was a general view amongst our advisers, and I agree with them, that market rates for the next five to 10 years are likely to be lower than they have been for the past 20 years.

THE CHAIR: How active are we, in the superannuation provision account, in actually modifying the composition of the portfolio and how regularly do you meet with advisers? Who has the hands on the levers about the changes in the structure of the portfolio?

Mr Nicol: I might ask Mr McAuliffe to give a summary.

Mr McAuliffe: It is difficult to try to get into tactical or dynamic asset allocation changes; we steer away from those. We really are taking a long-term position. We do not make active, massive changes to the allocations all the time; we have rebalance ranges, so we keep an eye on those. If we end up being overexposed to a particular asset class because the markets have moved a particular way, if we are still comfortable with that strategic asset location we will rebalance back to those points.

Probably the most active decision we have taken over the past 12 to 18 months is to maintain a lot higher cash. That is recognising the outlook for returns. As we have built up more cash, we have not just gone and allocated that more to equities, for example; we have held that cash up. And again we have a full strategic asset allocation review that is going to commence later this year, going into next year, and then we will—

THE CHAIR: This financial year or this calendar year?

Mr McAuliffe: This financial year. As Mr Nicol said, we use an independent external advisory board for advice and we also have an asset consultant funded under a contract. We get regular updates from the asset consultant on market outlooks; whatever research we want, we can seek from them. And we have our advisory board, which we aim to meet quarterly, and we discuss the whole range of issues from the current strategy to looking at new strategy and all those sorts of things.

THE CHAIR: What is the governance structure of the provision account? There is an independent advisory board?

Mr McAuliffe: That is right.

THE CHAIR: Who is on that?

Mr McAuliffe: We have just been through a process and appointed a new board. Their appointments have just commenced. There is a lady by the name of Carol Austin; she is a former guardian of the future fund. She was interested in this position. And there is another lady called Sandy Orlow. She is an interesting sort of professional involved in superannuation consulting.

THE CHAIR: So it is a two-person board?

Mr McAuliffe: We appointed two people for the board, yes.

Mr Nicol: That is an advisory board. Formally, under the administrative arrangements, I am the senior responsible officer to the Treasurer. We do, as Mr McAuliffe said, have an asset allocation strategy, which is approved: I endorse it and it is approved by the Treasurer. Mr McAuliffe's team is responsible for managing and implementing that strategy. The board advises us on the strategy, which we have to accept. They do not take decisions; it is not a management board in that sense. And the asset consulting adviser advises the board and us on the structures and profile of the funds we have.

THE CHAIR: Who is the asset consulting adviser?

Mr McAuliffe: It is Willis Towers Watson. They are one of the major global asset consultants in the world.

THE CHAIR: Who actually does the investing?

Mr McAuliffe: The broad implementation framework is that we have specialist managers in place. I do not invest a dollar. We go through all the managers for the particular strategy. We do that with the advice and support of our asset consultant. We will go through a process: look for the manager, look for the strategy, put in place the necessary contracts and then—

THE CHAIR: So it is not an overarching investment contract? It is divided up by

sector?

Mr McAuliffe: It is not one overarching; it is divided up. It is divided up by different strategies and different managers; then, over the top of that, we have what is called a master custodian arrangement. Effectively, that custodian holds all of our investments in custody to keep them separate from the investment managers. The managers make the decisions and the assets are held by a custodian. They provide us with independent performance reporting, accounting reporting—

THE CHAIR: Who is the custodian?

Mr McAuliffe: That is Northern Trust.

THE CHAIR: It is very complex.

Mr McAuliffe: It is.

THE CHAIR: I suppose it is a large amount of money.

Mr Nicol: It is a large amount of money. We take a significant degree of care with its custody and its monitoring. We make a lot of effort to manage the strategy, not only developing the strategy but also deploying it. As Mr McAuliffe said, if a particular segment of a market grows very strongly, that might push it outside the strict targets in the strategy, but we then make decisions about when and how we get it back to the strategy. When we have a change in the strategy, there are processes for how we move from the current weightings to the new weightings. That depends on a range of factors, including our views on market conditions, risk and opportunities in markets.

THE CHAIR: What are the current weightings? You can tell me that without having to shoot me later?

Mr Nicol: I think we can.

Mr McAuliffe: As at 30 June, at the highest level, our international equity exposure was 33 per cent; Australian bonds, seven per cent; domestic inflation bonds, five per cent; international bonds, four per cent; cash, 18 per cent; domestic property, seven per cent; and domestic private equity, four per cent. And domestic equity, 21 per cent.

THE CHAIR: Eighteen per cent cash seems to be a lot.

Mr Nicol: It is. I am going from memory here, and Mr McAuliffe will fill in my gaps, but we had a change to the asset strategy—I cannot remember what new asset line we were going to invest in—so we moved some money into our cash holdings until opportunities arose in that new line.

Mr McAuliffe: That is right. We used it as a proxy for some other asset classes. We have to weigh it up. At the moment we are sitting just above our strategy on equities. The thing is to try to find somewhere else to go. If you look at fixed interest markets and bonds, with interest rates at lows, if you were to put that money into bonds now, as interest rates go up, you lose value on those. So there is a timing issue around that.

When I say “sitting in cash”, it is not just sitting in cash getting a straight 11 am rate; we have got it in a cash fund that is getting better rates than just overnight cash. Those are the sorts of considerations that we go into.

THE CHAIR: But it is still fairly liquid.

Mr McAuliffe: That component is, yes.

THE CHAIR: Just to look at the quantum of the scheme, how many people are in the CSS, the PSS and PSS 2, and what are the tails for those three schemes?

Mr Nicol: I think Mr McAuliffe will have that data.

Mr McAuliffe: I have the current data. In terms of current contributors, so people actually employed here today in the ACT government, there are 547 CSS members and 7,359 PSS members.

THE CHAIR: That is 182?

Mr McAuliffe: That is the CSS and the PSS.

THE CHAIR: There are two versions of the PSS.

Mr McAuliffe: We do not look after PSSap, because that is an accumulation scheme.

Mr Nicol: We do not have that liability.

Mr McAuliffe: We are only looking at the defined benefit schemes here.

THE CHAIR: But also you have 500 people currently paying into the CSS. How many people are receiving benefits out of the CSS?

Mr McAuliffe: The current pensioners are about 5,600, roughly.

THE CHAIR: What is the lifetime liability of the CSS and the PSS?

Mr McAuliffe: At the moment, if you have a look at budget paper 3 for this year, we have the tail running out as far as 2077.

THE CHAIR: That is a very long tail.

Mr McAuliffe: That is a very long tail, yes.

MR COE: It peaks in 2033 or something; is that right?

Mr McAuliffe: That is the actual liability, yes. With the liability, it is going to peak. That is where we think most of our contributors will sort of cease. But the actual cash flows that we pay will still build up; they should peak around 2043 or something like that.

Mr Nicol: There is a third group, which is members who we have a liability for who are not receiving a pension but are not in our employment. I do not know if you have those numbers too, Pat.

THE CHAIR: People who would have moved on somewhere else but have rolled it over.

Mr Nicol: That is right; they preserved it.

THE CHAIR: A preserved benefit.

Mr McAuliffe: All up—total contributors, deferred beneficiaries, current beneficiaries—it is about 33,000 members.

MR PETERSSON: Do you have the numbers for former members of the Legislative Assembly, or is that encompassed in those numbers?

Mr McAuliffe: That is a separate arrangement altogether. They are not members of the CSS or PSS.

MS LE COUTEUR: We are not members of the CSS.

MR PETERSSON: Do you have the separate numbers for—

Mr McAuliffe: The current numbers of people?

THE CHAIR: There are two.

Mr McAuliffe: There are two, and former members—

MR PETERSSON: I am aware of that.

Mr Nicol: They get paid out and we have no responsibility.

THE CHAIR: It is not ongoing; it is just a one-off.

Mr Nicol: The other complexity, of course, is that many of these members were also employed for a period in the commonwealth. For their period of commonwealth service, the commonwealth has liability for their pension; for the period of ACT government service, we have the liability for their pension.

THE CHAIR: That is a complicated—

Mr McAuliffe: That is a pretty complicated actuarial calculation. If you are receiving a benefit, you will get 100 per cent of that benefit paid for by the commonwealth, by the Commonwealth Superannuation Corporation.

THE CHAIR: But you are contributing to it?

Mr McAuliffe: Our actuary works out, effectively, what our share of that benefit is,

and we make a payment to them each year that covers that total cost.

Mr Nicol: What is the cost of that?

Mr McAuliffe: It is about \$230 million to \$250 million this year, I think.

Mr Nicol: It is a substantial liability for the territory.

THE CHAIR: I have just realised that we have spent 25 minutes on one set of questions on superannuation. Does anyone else have questions on superannuation?

MR COE: I do, yes.

MS LE COUTEUR: I do, but they are on the investment strategy.

THE CHAIR: Okay. We will go to Mr Coe and then Ms Le Couteur.

MR COE: With regard to the managers of the fund and the custodian, how often is that put out to tender?

Mr McAuliffe: They are all different. Depending on what the type of product or strategy is, let us say we are in a property fund, and we are in a number of property funds; we have actually bought units in a fund there—

MR COE: I am talking about the actual management of it as opposed to the investments.

Mr McAuliffe: That is right. There are two different ways of looking at this. Where we have an investment management agreement in place, where I have engaged management A to manage a particular strategy for me, they will tend to have expiry terms on those contracts, and they will vary. We use our asset consultant as, effectively, a pre-qualifier to go through a process.

MR COE: It is that side of things that I am particularly interested in: how you are actually engaging those people. Obviously, there are contracts in place.

Mr McAuliffe: That is right.

MR COE: Are you actually putting out tenders for that work?

Mr McAuliffe: We are not running a tender as with a normal tender here. We have a strategic procurement plan in place that has been endorsed by the government procurement board, which says that we will take a shortlist—if we are looking at a particular strategy, we will get a shortlist of managers from our asset consultant based on their process of their high rated managers, and we will then put out a short form, a tender, to those recommended managers, and it goes from an evaluation process to selecting a manager.

MR COE: How are the asset consultant or the custodian chosen?

Mr McAuliffe: The custodian is different. With the custodian we will run a public tender for that.

MR COE: How often?

Mr McAuliffe: We have just done one. We have another one coming up at the end of next year, I think, which is when the contract matures.

MR COE: What about the asset consultants?

Mr McAuliffe: That tends to be a five-year contract, which will be put out as a public tender. The funds managers are a little bit different because you are picking up global managers that are not going to—

Mr Nicol: They will not put in a tender.

Mr McAuliffe: They will not see an ad in the *Canberra Times* or on a procurement website, so we have to go through a targeted approach.

Mr Nicol: We do an evaluation process to assess their integrity, their abilities, all of the things that you would normally do.

THE CHAIR: Are you actually going out and seeking expressions of interest from a shortlist of people in a particular area? Is that how it works?

Mr McAuliffe: Yes, when it is time to do one at the expiry of a contract.

MR COE: I have a final question which might lead into Ms Le Couteur's question: has the superannuation portfolio invested indirectly in any ACT assets?

Mr Nicol: Government assets or general assets?

MR COE: General, but in particular, in effect, is it possible that ACT investments are actually going into property in Canberra?

Mr Nicol: The answer is yes.

MS LE COUTEUR: I think the answer would have to be yes.

MR COE: I would think so as well.

Mr McAuliffe: Yes. We have investments in the Queensland Investment Corporation property fund and it has an exposure to the Canberra Centre.

MR COE: What sort of reporting is there on that and what sort of percentages are relevant before you in effect become a more significant player in any development? For instance, if you have an investment in QIC and you have a tenth of a per cent, therefore you own a tenth of a per cent of the Canberra Centre, it is pretty insignificant. However, if there is a particular asset that the ACT government is making a call on, you could be quite conflicted.

Mr Nicol: Can I take that on notice? I will say I have never come across a question—certainly, it has not been put to me; Pat might answer for himself—where it has been put to me that we have to make any sort of decision on a development. I do not think I have ever made a decision on a property development anywhere, let alone in Canberra. But we will take it on notice about whether we have indirect—

MR COE: Could you also advise—in general, which you have taken on notice—whether you do have any exposure to light rail, the law courts or any others?

Mr McAuliffe: No, we do not.

Mr Nicol: Not directly. I suspect we own some Westfield, indirectly or directly, and they obviously have tenders.

MS LE COUTEUR: I can answer, if you like.

Mr Nicol: It is in that list. I do not have the list in my head of what shares we own—

MS LE COUTEUR: You have Westfield.

Mr Nicol: Yes, and I imagine we would have some shareholding in, for example, Macquarie Group, which I think was the equity backer of the courts. It is in that very indirect way, where it would be no more than Canberra's property weighting in a general property portfolio in Australia.

Mr McAuliffe: One of the challenges we have with this is that we are going into a very large pooled unit fund that is seeking diversification across states and types of different sectors. If we think that there is some risk that we might have some small exposure, some property we do not like, we are not going to be able to go into that fund at all. We have no say over the management of those funds.

Mr Nicol: So we do not direct the management of those investments.

Mr McAuliffe: You are a unit holder in a pooled fund.

MR COE: With regard to voting—I am sure Ms Le Couteur will ask about this—and control of either listed or unlisted, do you tend to exercise, or not—

Mr McAuliffe: All of our listed exposures are fully voted in terms of share votes. With the unlisted exposures, it depends, I guess. There are not a lot of votes or requirements in having those, and our percentage that we own in these funds is a very small minority.

Mr Nicol: With our voting policy, we do not sit down and look at every resolution ourselves and decide. We have a policy. We have a third party to execute on our behalf, which is much more focused on ESG-type goals—sustainable, responsible, good governance type goals.

MR COE: I think we covered it in estimates hearings.

Mr Nicol: Yes. I could not imagine—I stand to be corrected—a board resolution vote going down to the management of a particular property or a particular investment. It is all about strategy and remuneration.

MR COE: With the election of directors, do you exercise votes there?

Mr McAuliffe: For our listed companies, yes.

THE CHAIR: Ms Le Couteur, you have questions about the investment strategy.

MS LE COUTEUR: I have some questions along these lines, yes. First off, I was very pleased with the responses at estimates about the superannuation provision account, particularly with fossil fuels, but also, as you have just said, you are voting in all instances and have a proxy adviser who is concentrating on ESG. So big ticks for that. Have you been looking at human rights as well as fossil fuel issues in terms of your investment strategies?

Mr McAuliffe: One of the rules of constructing the portfolio is looking at all global norms—conventions. We do not invest in companies that do not meet certain criteria on ESG-type issues, but there is the other, separate one, which is the global norms. That looks at the global compact principles, which include human rights and all those other conventions. If a company is assessed as not meeting whatever the levels are on those, they are not invested in as well.

MS LE COUTEUR: As you may or may not be aware, the Australasian Centre for Corporate Responsibility—and I should disclose I am a former employee—recently released a report about large ASX-listed companies in Australia as far as human rights are concerned. The mining companies came up pretty good from that point of view. Cochlear, and I forget the other ones, were right at the bottom. One up from that was Woolies, because they were not looking at their supply chain for slavery and forced labour. Some of this is alleged to be happening in Australia, not just overseas. Would those sorts of things be considered by your investment process?

Mr McAuliffe: All the various issues that impact on the various exposures for a company should be part of that process.

MS LE COUTEUR: Good. I assume that you probably will vote for that resolution. I was wondering whether you had any views—taking all of these, for example—on the resolutions. There were two resolutions. The first resolution is to change the company's constitution to allow advisory resolutions and the second one is the advisory resolution. As you are probably aware, ACSI has recently released a paper which basically suggests that it is a reasonable thing for Australian companies to allow advisory resolutions in the way that it happens in America. Have you thought about that? While you are a superannuation investor, I do not imagine you are a member of ACSI, although similar—

Mr McAuliffe: We have a whole framework in place around all these things. We do not look at individual resolutions. Over the past year there were 22½ thousand proposals for our exposure. We are relying on the underlying framework that we have

in place.

MS LE COUTEUR: Do you have any idea, as a policy question, how you will vote? This is not the first time this resolution has been put to—

Mr McAuliffe: I can find out how our proxy voter is going to vote on that particular issue. I could find that out.

MS LE COUTEUR: You might wish, as a matter of policy, to think about, as a governance issue, whether or not shareholders should have the right to move resolutions because—

Mr McAuliffe: We can think about that.

MS LE COUTEUR: it is a significant governance issue.

Mr McAuliffe: It is. Our strategy is to put in place an overarching framework, because we cannot deal with every particular issue that comes up in this space. We can think about that issue. The government's policy is very much reliant on our adviser, in the system that has been set up, to essentially vote on these resolutions. That said, we will take that on board and see what it means.

MS LE COUTEUR: Could you let me know what your views are, to the extent that you have them, on this—

Mr McAuliffe: I have not personally thought about that issue, in this instance.

MS LE COUTEUR: We are an organisation based on governance, so it is relevant for us to think about it.

MS CODY: I want to talk about the compulsory third-party insurance regulator.

Mr Nicol: Chair, do you want to move on? We will swap.

THE CHAIR: If members do not have any more questions on the superannuation provision account, I am happy to move to third-party insurance.

Mr Nicol: I will call the relevant officer to the table.

MS CODY: Obviously, with the opening up of the market in 2013 we have seen a few more providers of third-party insurance come to Canberra. We have also recently announced the citizens jury looking into compulsory third-party insurance. Can you tell us a bit more about how that is going? Where we are up to in that process?

Ms Holmes: In relation to the citizens jury, we have approximately 50 people who are part of the jury. They have been deliberating on the issue of what objectives should we have for the scheme to improve the scheme, to balance the interest of all road users. The jury has so far met for four full days. It has been two full weekends for them. They have had a lot of information presented to them. They have learnt critical thinking skills. At the end of the fourth day they have actually come up with their

report on what the objectives are for the CTP scheme.

There are six objectives that they have come up with. The two particular objectives which they ranked the most important, in terms of the highest percentage of the jurors who rated it eight out of 10 for importance, are, firstly, early access to medical treatment, economic support and rehabilitation services. The other one is equitable cover for all people injured in a motor vehicle accident. As I said, there are actually six. The other four, which they did not rank as highly, relate to value for money, and efficient systems; promoting broader knowledge of the scheme and safer driving practices; implementing a support system to better navigate the claims process; and a system that strengthens integrity and reduces fraudulent behaviour.

MS CODY: And how do they compare to the current objectives?

Ms Holmes: Some align, some do not. The current scheme, as an objective, does have an objective about trying to get rehabilitation services to people as soon as possible. However, with the objectives, particularly when you look at the report and what is the substance behind that, there is a change from what the scheme, in practice, is providing at the moment, particularly the second objective that I was talking about, the equitable cover. You do not have a similar objective under the existing legislation.

Once again, that is quite a change from what we currently have with our scheme, which means you have to be able to prove someone else was at fault in order to receive benefits under the scheme. When I say “benefits”, that is a full claim. Most people have the ability to receive up to \$5,000 at the moment for medical treatment for six months after an accident.

MS CODY: What is the next step in the process?

Ms Holmes: The next step is that the stakeholder reference group—there are 10 on the stakeholder reference group, which includes people such as the insurers, the legal profession, health experts, scheme designer, the actuaries; there are 10 on the group; I am also on that group—will now be coming up with up to four models which meet those objectives which were set by the jury and are within the limitations set by the government, one of which was that premiums cannot increase. We are coming up with up to four models which meet those things. It then goes back to the jury in March. They then select which is their preferred model.

MS CODY: It is good to know there will be no increase. That is always a positive outcome. You mentioned the reference—

Ms Holmes: The stakeholder reference group?

MS CODY: That one. Either within the citizens jury or the stakeholder reference group, do you have people who have received claims through the third-party insurance scheme as it stands currently?

Ms Holmes: The rules for the jury were that, to be eligible for the jury, you could not be someone who works in that area. For example, anyone in my team was not eligible for the jury. Anyone who was practising in the legal area in this particular area—it

was not a case of all the legal profession; you had to be practising in this area—was not eligible. Similarly, anyone in the insurance area was not able to be on the jury. Anyone who had an existing CTP claim, was still going through the process, was not able to be on the jury. Anyone who had previously had a CTP claim could certainly be on the jury, if they were one of the people who received the random mail-out of the invitation. We then, particularly with the stakeholders such as the insurance and legal profession, brought them in as part of the stakeholder reference group.

That information has been fed through to the jury through the use of witnesses throughout the whole process. For example, on day three there were 16 witnesses who spoke to the jury across a broad range of topics and perspectives. There were also six people who had been injured in a motor vehicle accident who told their stories to members of the jury as well on that day.

All the different perspectives have been covered off in terms of the jury, the stakeholder reference group or the witnesses who have actually spoken to the jury.

MS CODY: It sounds like it is quite a comprehensive—

Mr Nicol: Yes, it has been a very comprehensive process, and there is still a bit of work to do.

THE CHAIR: Could I go back to the formulation of the citizens jury. When did the regulator become aware of the reference to the citizens jury of CTP matters?

Ms Holmes: The regulator, as I said, is a member of the stakeholder reference group. I suppose there are two dual roles. One is as the CTP regulator. There is also the aspect which is as a policy officer from the Chief Minister's directorate.

THE CHAIR: What I am trying to get at is: did the initiative for the citizens jury to look at CTP matters come from the regulator or was it imposed upon the regulator?

Mr Nicol: I think the idea came up—and I think the Treasurer might want to comment—in discussions between ministers. I was involved very early on in the discussion. I can get the dates, on notice, if you wish.

THE CHAIR: That would be great.

Mr Nicol: I involved the regulator very early to discuss the scope and compatibility of this policy question with the citizens jury as to what we knew about it. We also engaged very early with the comms team who had some more experience in citizens jury more broadly than we did. I described it—

THE CHAIR: The regulator did not read about it in the paper, for instance?

Mr Nicol: No. After the initial discussions about whether we should develop this proposal in more depth, essentially the officer—whether she was working as the regulator or as the policy officer, as Ms Holmes has said—worked up the proposal to go back to government. The formal proposal was to say, “Here is what we need to do,” and that was done jointly with Ms Perkins, the head of the comms unit in

CMTEDD.

Mr Barr: Yes, it is a government decision. I would not use the language you used in your question of “imposition”. It is not a binary between those two.

THE CHAIR: What was the motivation—because this was a decision of government, it probably is a question for the Chief Minister—that made you think that CTP was best dealt with by a citizens jury?

Mr Barr: We have made a decision that we will be trialling new community consultation mechanisms. This is one of them. And we have determined to send this issue, which has been one of considerable debate in the community and in this place over an extended period, through that process.

THE CHAIR: That is what you have done. Why did you decide that the citizens jury was the best way to deal with this particular—

Mr Barr: You are asking me to reveal the detail of cabinet discussions, which I will not be doing.

THE CHAIR: If members and the Chief Minister are happy to proceed to the ICRC and, if time permits, return to this matter, that would be good.

Short suspension.

THE CHAIR: Mr Dimasi, I draw your attention, and your officials’ attention, to the pink privilege statement. Are you all aware of the implications of the pink privilege statement?

Mr Dimasi: Thank you, yes, we are aware.

THE CHAIR: Could you elaborate on the scope of your investigation and evaluation of Icon Water’s operating costs when you are undertaking determinations or reviews of prices?

Mr Dimasi: As part of our investigations into the setting of prices for the ICRC over the next five-year period, our job is basically to look at efficient costs, operating costs, as well as capital expenditure. We are in the process of doing that at the moment. We have had external consultancies who have been asked to have a look at the capital expenditure as well as the operating expenditure. Those reports, the work done by them, are fed into our own analysis. They are an important part of the determination. Going back a step, what we are trying to do is to determine what the efficient costs should be so that charges are no higher than they need to be for the community, whilst providing enough revenue to the business so that it provides the services that it is required to provide at the standards that are needed.

THE CHAIR: Let me get this clear. You benchmark the costs of doing business of Icon Water, for instance, compared to other water utilities?

Mr Dimasi: No, not formally. The work that we do is an analysis of their costs using

what is called a building block model, which is basically the components of those costs. Part of doing that is that we look at other costs in other jurisdictions. That is what we ask our consultants to do in making their recommendations to us. Benchmarking is a much more formal process. We have not engaged in a formal benchmarking process to come to determine the efficient costs. That is something that could be done. That is something that regulators often think about. I would not describe that as a formal benchmarking process, no.

THE CHAIR: But you are able to reach a view about whether Icon's spending in particular areas is comparable with, or lower or higher than, other utilities'?

Mr Dimasi: We keep an eye on that. That is one of the things—

THE CHAIR: But you do it without—

Mr Dimasi: Without formal benchmarking. Benchmarking means—and, for example, the AER has been involved in benchmarking in energy—that you base your price determination on benchmark costs of other like businesses. It is a bit more direct and a bit more formal. We certainly take it into account in reaching that decision, but there is not a formal link.

THE CHAIR: It could be a virtuous cycle or a vicious cycle, depending—

Mr Dimasi: Exactly. It raises all sorts of questions. If you set it purely on the benchmarks, you are going to raise questions about—

THE CHAIR: Whether we are padding it out?

Mr Dimasi: Not just that but also whether it is comparable: the size of the market, the topography, the costs and a whole range of reasons. Often what you end up doing with benchmarking is shifting that debate to another layer. So you have got to be clear what it is that you are doing if you want to do that. No question, looking at other jurisdictions and looking at what their costs are is an important part and should not be ignored, and we try not to ignore that. But I would not go as far as to say that we are using a benchmarking approach to set the charges.

Mr Rawstron: Our engineering consultants do look at the benchmark work that has been done around Australia. For example, we will look at how Icon compares to, say, Hunter Water. We look at some of the Victorian water utilities, et cetera. We can look at the raw numbers. We can know, for example, the number of breaks and chokes in the network, the number of infestations in the sewer network, and compare Icon's numbers against what is happening in the Hunter and what is happening in Victoria, but they are not like for like, because they are not exactly the same utilities, they are not exactly in the same climate. So you have got to be very careful about that. But it does give you a bit of an indication about where their costs sit in the scheme of things.

Benchmarking works really well—I think back to what Victoria used to do—when you have multiple utilities you regulate. In years gone by, when they were regulating electricity prices in Victoria they had five utilities, and the same regulator regulated all five, so you could actually compare company A, company B, company

C, company D and company E and have a good feeling about how they were sitting in respect of each other. But we have a single utility. Certainly we can look at what others around Australia are doing but we also have to recognise they do have some unique aspects they face. So we take those things into account but our process is not a benchmarking process.

THE CHAIR: In relation to Icon Water's costs, did Icon Water supply the ICRC with its shared services agreement as part of the ICRC price determination?

Mr Rawstron: Yes, we have a copy of their corporate services agreement.

THE CHAIR: How long have you been aware of their shared services agreement? When did you receive that? Was it for this current determination, or for previous determinations?

Mr Rawstron: We received it this current determination. We have previously received the old utilities management agreement, which went back prior to the water assets being spun out back to Icon. We had a copy of that agreement. But they provided a copy of the current version during this determination.

MR COE: Were you able to provide a judgment as to whether those costs were reasonable? Or is that really beyond your remit?

Mr Dimasi: We are in the process of assessing their opex costs at the moment. As a result of looking at the agreement, we have had some further questions for Icon, and that will be part of the determination we will make as to what are efficient costs and what the implications might be of any changes. We have been fully conscious of the fact that this is an issue that has been raised. We have looked at it, and we will take that into account when we make our draft decision and then our final decision, but we have not made that decision just yet.

MR PETTERSSON: I have some questions about electricity supply liability. How do you provide oversight on that topic?

Mr Dimasi: There is a consumer protection code that we are responsible for. We report in the annual report—our report is in there—on interruptions and the like. That is something we have been looking at to see whether in fact we can do more in getting more reliable numbers, and also whether the incentives are adequate for ActewAGL Distribution, whether compensation is adequate for interruptions. So it is something that is on our mind right now.

MR PETTERSSON: So there are targets set. What is the information you receive to monitor whether those targets are being met?

Mr Phillips: A lot of what happens with reliability of supply is governed by other jurisdictions as well, primarily the AER. There is the technical regulator in the ACT, which has a large influence in the service and installation of the network as well.

Our primary coverage or jurisdiction relating to ActewAGL Distribution relates mainly to licensing. As Senior Commissioner Dimasi noted, we are currently going

through a process of looking at our consumer protection code. Within that, we have some protections relating to reliability of supply. For example, a payment is made in the event that the supply is out for a certain period of time. At the moment it is 12 hours. In looking at that, we look at other jurisdictions in relation to what they have got for similar situations with things such as blackouts.

We also work with the technical regulator directly. They deal with the technical side of it. A lot of those figures, though, are reported directly to the AER, because energy within the ACT is primarily regulated at the national level.

They do not report, as such, those figures to us, but we will get figures relating to complaints. Most of the material that we get would generally be consumer-related complaints, for example, which we get each year, which we report on in the back of the annual report in our utility licence annual report.

MR PETTERSSON: Picking up on something I had not heard before, compensation kicks in at 12 hours of downtime?

Mr Phillips: Yes, 12 hours. I think it is \$20 payment rebate after 12 hours downtime.

MR PETTERSSON: That is one instance, 12 hours continuous downtime?

Mr Phillips: I believe so.

MR PETTERSSON: Is there any consideration for multiple blackouts?

Mr Dimasi: I said we are reviewing it. I see what is implicit in your question. My feeling is that the code needs review and those issues need to be addressed. I do not think it is adequate, to be honest, and that is why we are reviewing it.

MR PETTERSSON: Even in that instance where you have got 12 hours of downtime, you have to go out and apply yourself for compensation?

Mr Phillips: Within the ACT, the current system is that ActewAGL Distribution do not provide that rebate back automatically. You apply for it, correct. That is something that we have looked at. Other jurisdictions have a different system where it is paid out—

MR PETTERSSON: Automatically?

Mr Phillips: Yes, and the rebate may be higher as well, or lower.

MR PETTERSSON: I want to go back to the question I asked before. What is the information you get about downtime in the network? I see the targets they set. Do they give you a report at the end of the year saying, “We had this much downtime across these suburbs”? Or do they just say, “As a percentage we had 97 per cent up time”?

Mr Phillips: Our jurisdiction generally does not cover that technical side. The technical regulator would be aware of those sorts of things, but more so the AER. The

AER will look at SAIDI and SAIFI. They tend to look at the downtime periods within certain numbers of households and those sorts of things. That is reported to them, and they will report on that. That is the Australian Energy Regulator's jurisdiction.

MR PETTERSSON: That is where you get information from to determine whether reliability targets are getting met?

Mr Dimasi: No, we get it from the utility.

MR PETTERSSON: The utility tells you—

Mr Dimasi: We have got the number of complaints.

Mr Phillips: We will deal with the complaints. We will have recourse relating to complaints but not relating to the reliability targets. They do not come through to us. That is an area that we are potentially looking at. As I said, ActewAGL is regulated at the commonwealth level as well as the state or ACT level. We are always looking at what they are covering and what we are covering as well. That framework was only introduced back in 2012, so that is an area that we obviously have to keep—

MR PETTERSSON: The point I am still stuck on is how you know right now whether reliability targets are getting met. Is there a report you get from this third party? Is that what you make a determination based on? I see the targets. What I want to know is how we know they are meeting them?

Mr Phillips: We would look at the AER's reports on that.

MR PETTERSSON: So it is the AER report?

Mr Phillips: Correct.

MS CODY: How often do you receive the AER reports?

Mr Phillips: They are public documents. That information is published; we would know about it. We have constant correspondence within the AER. It is public information that is reported.

MS CODY: Is it quarterly reports?

Mr Phillips: They report quarterly, but then there is an annual report which covers more detail. There are other reports that come out: state of the energy market reports and those sorts of reports. That is within the AER's jurisdiction. We report annually to them on certain aspects of the network as well. But, generally speaking, reliability is an area that they would cover.

MR PETTERSSON: You said that you were doing some work in this area because you had identified some issues. How serious and how active is that work?

Mr Dimasi: It is serious and it is active, bearing in mind that we have quite a lot of work on at the moment with our water and sewerage determination and capital

contribution code. The consumer protection code is very much in our sights for review and update, and we hope to be doing that over the course of the next year.

MR COE: Would you please, in the broader sense, and specifically would be good, advise what the ICRC is doing to reduce energy prices or to limit the increases?

Mr Dimasi: I was going to say it is the \$62 million question, but that is no good; it is more than that. This is a very significant issue across the community, and we are, of course, very conscious of that. We regulate the retail component of electricity prices in the ACT. We made a determination where prices increased significantly. That was driven largely by the wholesale prices, which have more than doubled over the year.

We do a number of things. We look at the costs of ActewAGL retail to keep them to a minimum. We also look at the best way of dealing with wholesale costs. What we have in our model is a 23-month average, a rolling average, so that the full brunt of that big spike in wholesale prices that we saw was not pushed onto consumers straightaway; otherwise you would have seen a much bigger price increase than we did see. We reduced costs where we could in our determination for ActewAGL retail. As a result of that, we kept it down as low as we could.

The determination allows us to focus on those areas where we can, but a lot of the cost components are external to us. The network costs and the wholesale electricity costs are largely driven from outside our jurisdiction, so there was not a huge amount we could do about those, including the commonwealth RET costs, which formed a reasonable component of those price increases.

We work very hard to keep prices down within the area of jurisdiction that we have, but we cannot control areas that are outside our domain.

MR COE: Let me go to the statement in the report that the commission decided not to grant a competition allowance to the retailer. What would have been the impact of granting a competition allowance?

Mr Dimasi: It would have increased prices a touch more. It would not have been huge, but it would have increased them a small amount more. We objected to it in principle as well as for the impact.

Let me go back a step. The argument there has been that to encourage competition—and this is something we have seen argued by electricity companies not just in the ACT but elsewhere—you have to introduce a competition allowance so that others are encouraged to come in and compete with the incumbent. That does not strike me as a particularly persuasive argument. Certainly we need to recognise efficient costs. If, as a result of that, others are encouraged to come in and compete, that is great; we love and welcome others coming in to compete. But the idea that you introduce an additional allowance imposition on customers to attract competitors to bid away that allowance strikes me as not a particularly sensible way to go. So we rejected that.

That argument has been put in a number of other ways, for example, that there are costs involved that we need to recognise in attracting and retaining customers. If there are costs, yes, let us see them; let us make sure that they are efficient and we will

recognise them properly. But let us not put in just an allowance. We have not been persuaded by that argument. We have not allowed it. It has kept prices down a touch. I would not want to overstate that that has had a big impact.

MR COE: With regard to the long-range forecast for energy consumption, what modelling does the ICRC do?

Mr Dimasi: We do not do long run forecasts on energy consumption. We look at the forecasting done by specialist bodies like AEMO and put those into our models. We use our model to keep track of what we think is coming ahead in terms of potential price changes based on the curve in terms of the wholesale market decisions by the AER in networks, potential changes to network costs and the other costs that we might have some greater control over. We do keep an eye out; we look ahead to see what might be coming. But in terms of the technical demand forecasts, we are a pretty small outfit; we rely on work that is done by the specialist regulators such as AEMO.

MR COE: In terms of the short run, what about load shedding this summer? Have you received advice or do you have any expectation that load shedding is going to be likely?

Mr Dimasi: That is not one of the things that we are formally responsible for, but of course we are always very interested in it. We have not received any formal advice, but our staff are encouraged to talk to AEMO, AEC and AER to let us know if they have potential problems. We have not had any formal notification of anything like that.

Mr Rawstron: Mr Coe, basically, because we only look at the economic regulation, with anything dealing with load forecasting, I would imagine that if there were a problem they would go straight to the distributor to tell them of the changed load. I imagine they would do honest reporting in at least letting the government know what they were planning to do so that there could be relevant steps taken to protect vulnerable areas or people. It is not an area we would get into. I cannot imagine why they would even let us know. We would probably read about it in the paper or see it on the TV, to be honest.

MR COE: Treasurer or Chief Minister, are you expecting load shedding this summer?

Mr Barr: I am not in a position to comment on that at this stage.

MR COE: You can say whether you are expecting it or not.

Mr Barr: I am not in a position to comment on that at this stage.

MR COE: Why are you not in a position to comment on it at this stage?

Mr Barr: The COAG Energy Council will be meeting later this month; they will provide some further advice at that.

MR COE: Has a distributor advised you of load shedding?

Mr Barr: No. As I said, I am not in a position to speculate on any of this at this point.

MR COE: I am not asking you to speculate; I am asking to tell me whether—

Mr Barr: I have received no advice on any matters relating to this at this point in time. I am sure there will be subsequent advice as the summer approaches, but at this point no.

MR COE: You have not received the advice or you are not going to pass it on?

Mr Barr: I have not received advice.

THE CHAIR: Thank you, Chief Minister and officials.

Short suspension.

Appearances:

Burch, Ms Joy, Speaker of the Legislative Assembly for the Australian Capital Territory

Office of the Legislative Assembly

Duncan, Mr Tom, Clerk

Duckworth, Mr Ian, General Manager, Business Support Branch

Skinner, Mr David, Director, Office of the Clerk

Prentice, Mr Malcolm, Chief Finance Officer, Business Support Branch

THE CHAIR: I welcome the Speaker to this section of the annual reports hearings in relation to the Office of the Legislative Assembly. Before we commence I would like to put on the record that the committee, at my instigation, discussed whether or not I should recuse myself from this hearing given my previous history as Speaker. The committee and I agreed that it was not necessary.

Speaker, I notice that there is advice that has gone around this morning in relation to car parking. I do not particularly want to dwell on the advice itself, but on the ongoing issue of the provision of car parking not necessarily for MLAs but for staff of the Assembly. What representations, if any, have you made to the government in support of staff who have lost and will continue to lose entitlements to parking and the impact that that has on their salaries?

Ms Burch: I have not made any representation. Everyone is aware of the changed circumstances of parking arrangements. Certainly, members are. I would suggest that staff who are losing car parking raise that matter with their members. I am sure there are other opportunities for staff to raise those concerns in other forums as well.

THE CHAIR: Just for the record, you have not made representations about this?

Ms Burch: It depends what you call representations. Certainly, in the discussions it has been known about, and I have raised the matter of loss of car parking broadly and the impact on staff, to whomever I speak to.

THE CHAIR: Have you written to the government to have this matter taken up more widely?

Ms Burch: No.

MR PETTERSSON: I have some questions about the increased security around the building. Why was that implemented?

Mr Duckworth: When you say the increased security around the building, could I clarify the particular measures that you are referring to?

MR PETTERSSON: After-hours security.

Mr Duckworth: We have always had after-hours security in the building. In fact

many years ago there were guards employed to man the Assembly's premises when they were in what is now the Nara Centre. For at least two decades, after the entrances close at 5.30, we have had a contracted provider to do internal and external patrols of the building. That has been a longstanding arrangement.

What I could observe is that we have recently changed contractors. The previous contractor was not delivering on the requirements of the contract. We had started to notice that there were periods when they were not conducting patrols. We terminated their services and engaged a new contractor, Wilson Security. We have been very happy with the services provided by Wilson. They do an internal patrol every evening. Of a weekend they do two internal patrols and then they do external patrols during the evening as well. The purpose of that is just to ensure that the premises are secure. If they find a door that should be locked and is not, they have the means to lock those doors and they provide logs of anything unusual that they find.

Ms Burch: Just on security, you will notice, too—it is probably not reflected in the annual report—the additional capacity the Assembly has now with the security position that has been secured. I am not sure if you wanted to speak about that.

Mr Duckworth: I am happy to elaborate on that, if the committee would wish.

THE CHAIR: When you are elaborating on it, Mr Duckworth and Madam Speaker, could you, without revealing things that you should not reveal, talk about how the security is being updated and what you are doing to make sure that security is contemporary and reflects the current threat levels?

Mr Duckworth: In a broad sense there is a protective security policy framework in place in the territory which the office, over the past two or three years that it has existed, has been keen to measure itself against in terms of its overall compliance. As Madam Speaker mentioned, a key element of achievement against those requirements was securing funding for a security manager's position.

THE CHAIR: Can I congratulate you on that?

Mr Duckworth: Thank you. The executive committee in the office, in July this year, agreed to form a dedicated protective security committee, which in fact met as recently as Wednesday of this week to progress a security plan for the Assembly precinct. That plan is expected to be finalised, I would think, by December.

The sorts of things that are informing that plan are a risk assessment that was undertaken about four years ago by a specialist firm who looked at our physical security. I think we have reasonably adequate security at our public entrance. We screen visitors. But we think that the design of that entrance could be improved. That will involve specialist opinions and advice being sought. Obviously, if there is a redesign, there will be a need to secure funding for any redesign.

We are very mindful that the government office block, when it is completed, will provide underground car parking for members. We do know that the current car parking arrangements that have been in place for some years have always been recognised as a risk. So in some respects when that building comes online we think

that a major risk that we have faced will be mitigated. They are probably the two major issues.

MR PETTERSSON: How does underground parking mitigate that security risk?

Ms Burch: It will be more secure than where we currently are, let alone where we will move to on a temporary basis over a two-year period.

Mr Duckworth: There is just a concern that if members of the community are aggrieved, members are somewhat exposed in terms of the open-air car park arrangements.

MR PETTERSSON: Aren't we going to have to go outside from an underground car park to get to the Assembly? It is not going to be—

Mr Duckworth: No, there will not be a tunnel or a bridge. Yes, you are right; there is a path that will need to be followed to access the underground car park, but we still think that, in terms of getting into the vehicle, leaving the vehicle and those sorts of things, members will have a secure compound in which they will be able to park. We think it does address risk.

THE CHAIR: You are right, Mr Duckworth, to point out that underground parking in the long term will be more secure. What thinking has there been around the interim arrangement, which is significantly less secure than the arrangement we currently have, because there will be no oversight of that car park? There is no surveillance of that car park.

Mr Duckworth: In actual fact we are exploring that. At this year's Floriade, the ACT government team had some solar-powered CCTV cameras. We are in discussions with the security and emergency management branch of the JACS directorate about being able to utilise those cameras for installation in the interim members' car park. That would provide floodlighting during the evenings and CCTV footage through a 4G wireless connection. That is not locked in but I think it is looking quite good.

THE CHAIR: With the car parking being over beyond the Canberra theatre—and that is a welcome development, and I hope you succeed in that or something similar—will that include floodlighting of the alleyway? I presume members will be coming and going via the alleyway between the Playhouse and the North Building?

Mr Duckworth: Our recommendation would be that members would use London Circuit.

THE CHAIR: The London Circuit route?

Mr Duckworth: Particularly after hours, in the darker period, because it is lit.

THE CHAIR: Essentially, in the next two years the members' entrance is going to be pretty much under-utilised, I would expect. Is that the case?

Mr Duckworth: Yes.

THE CHAIR: What will be the arrangements for the members' entrance?

Mr Duckworth: We are not proposing to change them. If members are on foot or coming from a different direction, anyone using the building would continue to access the members' entrance. But you are right; the fact that the car park will not be there means that members may well choose, for example, in walking to the building, to use the public entrance, but the members' entrance will still be open. If it got to the stage where it was not in use at all, we possibly would review staffing, but I do not think that there are any plans to change the access control arrangements for that entrance.

MS CODY: From a work health and safety perspective, as there will be building and digging happening, will that be taken into consideration regarding access to the members' entrance?

Mr Duckworth: We are all aware that there will be a three-year construction period, with noise and disruption. There are no plans to change the access arrangements for that entrance, but members may be aware that the Speaker sought funding for the double glazing of the southern-side windows. I think, all going well, that contract will be signed today.

Ms Burch: Yes, and we have extended that. Where there is an interface directly from an office to an outside window, that will be double glazed as well. We have provided that and we have secured the additional funding for that. With respect to the members' entrance—I think the letter on that has gone out—there will still be access for vehicles, delivery vehicles. The mail, for example, will still be delivered on that side. There will not be parking over there, but there will be some very limited access for essential services, effectively, to service the building on an ongoing basis.

MS CODY: I had envisaged that the building protection—fences et cetera—would come basically right up to the—

Mr Duckworth: No.

Ms Burch: The first row of the car park?

MS CODY: Yes.

Ms Burch: Probably the tail end of the cars will be where the boarding is put up.

Mr Duckworth: Essentially, the fact that we have a loading bay and a need to remove waste from that loading bay meant that access had to remain along that side. There will be a new temporary entry and exit point off London Circuit, immediately opposite Eclipse House, that will be effectively put in place for early January. That will enable waste removal trucks and contractors to enter that laneway.

MR COE: Is that through the visitor parks that are currently—

Mr Duckworth: Yes.

THE CHAIR: So left in, left out?

Mr Duckworth: Yes.

Ms Burch: It is going to be a new world for the next couple of years.

MS CODY: And beyond, with the new building.

Ms Burch: Yes. Great coffee very close by, I am hoping.

MR COE: Would you please advise regarding the level of satisfaction with shared services for the provision of IT and other services?

Mr Duckworth: Apart from, I think, the fact that we all in a modern office place encounter IT issues from time to time, I am certainly not aware of any underlying concern about access. I understand from time to time there are periods where the internet might be slow. I think more recently there were some episodes where Outlook has crashed momentarily and had to be restored. Certainly I am not aware of any—

MR COE: Certainly from a personnel point of view it is excellent but I know in the past—this might be some years ago—there was some consideration about whether the Assembly was better off doing it in house.

Ms Burch: Doing it in house, yes.

MR COE: There is no further thinking on that?

Ms Burch: Certainly not that I am aware of and not that I am considering. The other new initiative out of OLA as far as ICT support is concerned is the email that went out a week or so ago that follows on the ongoing discussion about committee members and how they access committee work. If we have got to go paperless, how do we access in the chamber all the necessary papers involving committees? We will be issuing a standard format for an iPad that provides remote access in and out of committees, secure drives and Assembly work. That is the only initiative that I am aware of, unless there are other things in the pipeline?

Mr Duckworth: Certainly, Mr Coe, on your observation about some thoughts that were, I guess, exercising people's mind perhaps a decade or so ago about whether or not the Assembly should go it alone, I think at the time the view was that you may have performance problems with whichever ICT provider you partnered with and, whilst it is never problem free, the very robust gateway I think that the ACT government maintains in terms of virus protection and so on is a valuable environment and quite a protected environment to operate within. Certainly there are no plans to revisit that.

MS CODY: We are over a year in. How have all the renovations been going with everyone's—

Ms Burch: We think it has worked well. We all should ask the new members, “How

are your new digs and renovations going?” In the 12 months—

THE CHAIR: The black paint works as badly as I expected that it would. It is chipped all over the place.

Mr Duckworth: That is an issue and, in fact, there has been a contract let this week for some—

THE CHAIR: Good. We had that discussion I think—

MR PETERSSON: Where is the black paint?

THE CHAIR: All the black paint on the walls and on the doors and the skirting boards and things has chipped.

Mr Duckworth: Black paint shows scuff marks and chips more easily than white paint.

Ms Burch: Yes. It may look very smart—

THE CHAIR: I told you that, didn't I, Mr Duckworth?

Mr Duckworth: For the record, yes you did.

Ms Burch: And can I say, Mrs Dunne, I am glad you did not recuse yourself, because a good lot of work in this report was initiated under your watch, particularly the renovations, where the Assembly thought long and hard about what we do: do we renovate, is it a knock-down rebuild, relocation, renovation? The call was to renovate. Black paint and scuff marks aside, I think it has worked quite well for a building that was never purpose built to be a house of parliament.

I think it has worked quite well and I am sure Malcolm will say, “You have got a few coins left at the end of it,” and that has allowed us to go back to do the extra bit of work through the kitchens and things as well. I do not know if you want to add anything, Mr Prentice?

Mr Prentice: The project was finished within budget and in fact we were able to redirect some of the money into replacing some of the older furniture.

Ms Burch: I am sure you would appreciate that too, Mrs Dunne.

THE CHAIR: I think all members appreciated the furniture, yes.

Mr Prentice: I think the economies of scale and the efficiency of the project did allow that to happen, and it was finished well within the time frame that was set out so that the new Assembly could move in.

MS CODY: And from a staffing perspective, has the expansion of the Assembly and the expansion of committees put extra pressure on staff?

Mr Duncan: I think it is fair to say that we have all noticed the increase in the size of the Assembly in terms of our workloads right across the whole office. I think it is a fair comment but, having said that, I am not aware of any huge issues where we need to seek additional funding at this stage, although we did say we would keep an eye on the committee office to see what the level of committee activity is. I am waiting to see the effect. One select committee has finished, as you know, and another select committee is about to finish.

MS CODY: Apparently.

Mr Duncan: Hoping not to be replaced by any other select committees but that is entirely a decision of the Assembly.

THE CHAIR: Entirely a decision of the Assembly.

Mr Duncan: If there is not a proliferation of further committees, I am hopeful that we can manage the workload in the committee structure that the Ninth Assembly has given us.

MS CODY: I noted in the annual report on page 29 that there has been a fall in the number of hours that the committees and the Assembly have been meeting. As Speaker or as people that have been here longer than I have, is there—

Mr Duckworth: I can tell you very quickly that that will always occur in a financial year report that includes an election, because the Assembly will effectively stop meeting in August, whereas it would normally meet until November-December. Committees do tend to scale back just after the final sittings, whereas, as we have seen this year, committees have been very active right up until here we are in a committee hearing. Certainly it is quite common when elections fall in the financial year for that financial year expenditure to be a bit under par, and in fact that was reflected in the financial results in the financial statements for the year.

MS CODY: You would assume that in next year's annual report you would see an increase in that again?

Mr Duckworth: Indeed. I think this year—

MS CODY: It feels like there will be.

Mr Duncan: Just to add to that, my experience has been that the year before the election is the peak year for committees, because the committees are really hitting their stride but they want to get their inquiries finished before an election year, because in an election there are other things on their plate, I guess.

THE CHAIR: I want to turn to page 49, learning and development. There are essentially two learning and development budgets, one for OLA staff and one for non-executive members' staff. What is the quantum of each of those budgets, and how does that translate to a per capita amount?

Mr Duckworth: The easier one for me to talk to, because it is sort of indelibly

stamped in my brain, is the members' allocation, which has sat at \$20,000 for quite a number of years. It is undersubscribed just about every year, and that is probably the reason why it is not a larger sum of money. There could be various reasons for that, but we find that just about every year, year on year, in this annual report we have expenditure of \$11,000. Going back to the earlier remarks about an election year being a bit unusual, you would expect it to be even lower than normal in this particular year. But there has never been any pressure on that budget. It may well be that members—

MR COE: I think there is doubt about what its purpose is, what it can be used for. I am sure there is guidance out there, but if that guidance could be—

Ms Burch: We could go back and have a look.

MR COE: Some examples of what it is being used for would be useful.

Ms Burch: The majority of requests are supported or supported in part. Out of the members' allocation, it is almost as though it is divided up by the number of members as an indicative. If members or party rooms wanted to use a more collective approach, that would be a reasonable way of doing it as well. It has not been put; not a lot of members would know that there is the capacity to do that.

Mr Duckworth: Typically, members' staff proposals that are approved include attending conferences and often IT training or social media training. The training that members' staff get includes what we provide, corporately, at no cost to this budget: training for people dealing with difficult clients, people threatening self-harm on the phone and those sorts of things where you need to be able to deal with things. By and large, as I said, it is certainly something that I would be happy to take on board, to produce a publication encouraging members to contemplate coming forward with training proposals.

To answer the other part of your question, Madam Chair, I do not have an exact figure for the OLA budget, but I understand it is in the order of about \$50,000 to \$60,000.

THE CHAIR: For how many staff?

Mr Duckworth: Our headcount is 60-odd. That includes our casual staff. It is also undersubscribed. But it is fair to say that we are an active player in the Australian parliamentary network. I will let Tom, the Clerk at the table, talk about the training that happens in January.

Ms Burch: And also, I think, through David Skinner. You do public education. Do you do internal education as well?

Mr Skinner: No. And there are no costs. There are a number of internal training opportunities, but I do not think they would be reflected in this budget. I just wanted to make that clear.

Mr Duncan: With members' staff, we do one every year for introduction to the Legislative Assembly, the committee system, the budget process and the legislative

process. Members' staff—particularly new members' staff—do avail themselves of those seminars, which, as David indicated, are free of charge for internal staff.

THE CHAIR: What sorts of things? There was \$30,000 recorded as being allocated to OLA staff for learning and development. That would cover things like, I presume, ASPG conferences—

Mr Duncan: Exactly. The three parliamentary ones are the ANZACATT conference, which is held every January. That is the Australia and New Zealand Association of Clerks-at-the-Table. That is a three-day professional development seminar. ASPG is held once a year; it is open to all members and members' staff. There is another course called the parliamentary law and practice course, which is an actual course through the University of Tasmania. It is an accredited course, and we usually send at least one officer to that every year. That is in July each year. They are the three.

THE CHAIR: Most of the staff who would perform clerk-type duties at the table have been to the PLPP conference?

Mr Duncan: Most of the committee secretaries have done the PLPP course. I think I am right in saying that our committee secretary sitting here today has done that PLPP course. Yes. Mostly, the clerks at the table would do those sorts of courses.

THE CHAIR: Are there similar opportunities available for members' staff? I know, from my experience, that members' staff have attended ASPG, but are there other opportunities similar to the PLPP course that would be available for staff?

Mr Duncan: I do not know of a tailored course specifically for members' staff that runs in Australia or internationally.

Mr Duckworth: I think the Australasian Study of Parliament Group, ASPG, is an event, when it has been held, where we have had members' staff. I think there were two members' staff who attended this year. Possibly that was not the case last year—there was something else going on—but it was in previous years, I think. ANZACATT, because it is pitched at parliamentary officers, by definition excludes members' staff.

MR COE: I am curious about the success of the weekly public tours, whether they have met expectations and what else can be done to lift exposure?

Mr Skinner: There was a slow start. As you know, they are publicised via Twitter and some social media and on the website. Also, I am told that most of the tours are generated by the little sign that is in the London Circuit interface. We have some numbers about the attendance at tours on page 86. It says there were 64 participants. My understanding is that we are also—I think Ian talked about additional promotional opportunities—looking at a number of ways of promoting some of these things through additional signage in the public entrance and perhaps on the interface to London Circuit. That is a project we will start looking at over the next couple of months.

I would say that it has been slow to start, but basically what happens is that any time

that people present for a tour, there is a call from the public entrance from the attendants to the staff that give the tours and they come right over. It started slowly but it is picking up now.

MR COE: Is there scope for an outward-facing screen?

Mr Skinner: The project that I just alluded to very much is in that direction.

Ms Burch: The short answer is yes. If you are outside, you would not know what was going on. I have had this conversation about promoting what is going on in the chamber—regular tours or an opportunity for ad hoc tours if a group comes in—and also with committee work. If the committee is active, people near the lift will know that there is a committee active. But if you came in 10 minutes before the audio started, you would not know it was on. We are looking at how you promote that, both within and without.

MR COE: Even something outside the building, not just in the lift, actually facing onto the circle.

Mr Duncan: People in London Circuit could actually see this particular—

MR COE: Yes.

Mr Skinner: That is very much part of it. We are looking at directional signage, digital signage; that could be done. These proposals have been looked at over the years, but I think it really is time to grapple with that one.

Ms Burch: And to replace the signage on top of our awning as well. We have that wonderful marker out on London Circuit, but there is nothing actually on the building.

Mr Duckworth: From Civic Square, we have had visitors to our north building premises, people looking for the Assembly. There is nothing to identify the Assembly building from the square. There is if you are walking up Ainslie Avenue. We are looking at some options for improved signage within the square.

THE CHAIR: I am mindful of the time and that the Speaker has spent more than her allocated time here today. Any other questions can go on notice. Thank you, Madam Speaker and staff.

Hearing suspended from 12.31 to 1.59 pm.

Appearances:

Barr, Mr Andrew, Chief Minister, Treasurer, Minister for Economic Development and Minister for Tourism and Major Events

Chief Minister, Treasury and Economic Development Directorate

Holmes, Ms Lisa, Acting Lifetime Care and Support Commissioner of the ACT

Nicol, Mr David, Under Treasurer

Fletcher, Mr John, General Manager, ACTIA, Default Insurance Fund Manager and Nominal Defendant

Tanton, Mr Graham, Executive Director, Shared Services

Davis, Mr Gary, Executive Director, Shared Services ICT

Burton, Mr Ross, Chief Finance Officer, Shared Services

Overton-Clarke, Ms Bronwen, Deputy Director-General and ACT Public Sector Standards Commissioner

Leigh, Ms Kathy, Head of Service and Director-General

Noud, Mr Russell, Director, Public Sector Workplace Relations

Icon Water Ltd

Knox, Mr John, Managing Director

Sachse, Mr Sam, Chief Financial Officer

Hezkial, Mr Ray, General Manager, Project Delivery, Operations and Maintenance

Breaden, Ms Jane, General Manager, Business Services

THE CHAIR: This afternoon we are considering the Lifetime Care and Support Commission and the ACT Insurance Authority.

Mr Barr: Do you want the insurance authority first or lifetime care first?

THE CHAIR: We will start with lifetime care because Ms Holmes is here. We will come back to the insurance authority. What effect has the intergovernmental cooperation group agreement with New South Wales had on providing care to participants in the ACT, and has this coordination led to more efficient support services for ACT residents?

Ms Holmes: New South Wales has had almost an identical scheme in place for some 10-odd years and, as you can appreciate, being a bigger jurisdiction it has a lot more participants than we have. It means that, by having the arrangement with New South Wales, we are able to leverage off the expertise of New South Wales, the larger staff that they have and the programs and specialties that they have within their staff. It is certainly very advantageous for us, as a small jurisdiction with a very small number of participants in our lifetime care scheme, to be able to leverage off New South Wales in that way, not only from being able to tap into those skill sets that they have got but also from an efficiency perspective as well.

THE CHAIR: And how many people are participants in the scheme in the ACT at this stage?

Ms Holmes: As at 30 June 2017 there were five participants. As of right now there

are six participants, and we are actually assessing an application at the moment as well.

THE CHAIR: When the scheme commenced in 2014 how did you go about recruiting the participants? How were people made aware of the operation of the scheme?

Ms Holmes: At the time when the scheme commenced there was an advertising campaign which occurred, there were radio ads which occurred, and we also did flyers which were mailed out as part of the registration renewal process to let people know about the scheme. In addition, we have spoken to the hospitals to let them know about the scheme, because often when it comes to these types of injuries it is the hospital staff and the support staff in the hospital who help facilitate people filling in forms for that lifetime care scheme.

THE CHAIR: The scheme relies upon there having been at least one registered vehicle involved. What happens if the vehicle is not registered?

Ms Holmes: Registrable, not registered.

THE CHAIR: What if it is not roadworthy?

Ms Holmes: So long as it is registrable then it is covered.

THE CHAIR: What is the definition of “registrable”?

Ms Holmes: Registrable is a vehicle which is able to be registered. Sorry, I was talking in circles just then.

THE CHAIR: That did sound a little circular. If somebody was involved in an accident and the vehicle involved was not registered for some reason and it was deemed to be unroadworthy, for instance, or something like that, would that still be a registrable vehicle?

Ms Holmes: It would depend on the circumstances, the specifics of the vehicle. One of the things you need to assess, for example, is whether or not it is able to be registrable with a certain amount of work being done. You are getting into quite a technical, legal area in relation to that. It is the type of thing that we get legal advice on. It is not cut and dried. As I said, it really depends on how much work is involved to make it able to be registered.

THE CHAIR: But at those margins—and they would be, I presume, at the very margins?

Ms Holmes: Definitely.

THE CHAIR: It is a bit of a suck it and see sort of approach.

Mr Nicol: If I could offer a view? I think the differentiation is where the vehicle is clearly never intended to be or able to be used on the road, no matter what you do to

get it there.

THE CHAIR: Not a forklift sort of thing or—

Mr Nicol: I was thinking more like the home-built sort of motorbike, where someone has fixed an engine on a bicycle and drives off on it. That cannot be registrable under any circumstances, whereas as if a car has got bald tyres that is not a problem.

THE CHAIR: What feedback have you received from the five to six participants about the cooperation with the New South Wales scheme?

Ms Holmes: We, as in the ACT commissioner, do a survey every single year. We have done two surveys now of our participants. We have had very positive feedback from our participants, across the board, in terms of elements of the scheme. They certainly have made very positive comments on the service that they get from New South Wales and the arrangements which are in place. For example, the participants have their own caseworker who is a contracted person—they are not part of the New South Wales scheme—and that person is appointed based on the type of injury and age. It is someone who is appropriate for that participant. In addition to the caseworker, they also have someone within the lifetime care and support scheme who is a coordinator. They have multiple contact points. But certainly both surveys that we have had done have been very positive.

THE CHAIR: I do not want to sound mercenary about this, but what is the average participant cost per year of being involved in the scheme?

Ms Holmes: Participant costs can vary substantially depending on the severity of the injury, the age of the person who has been injured and the type of injury as well. For example, if you have a child who has a care and needs assessment of level 7, then the sorts of dollars that you are talking about can be up to \$10 million-odd type of thing. They are very expensive cases. Conversely, you could have someone who is not at that same level of need, who might be an older person. You can have a substantial variance in terms of the costs of the scheme. The average, taking, as I said, that huge variance, is about \$2 million.

Mr Nicol: Over what period? Could you mention over what period?

Ms Holmes: That is \$2 million, which is on present value of care—

Mr Nicol: Lifetime.

Ms Holmes: For full lifetime costs.

THE CHAIR: I was actually asking what the average cost per year was. Can that be worked out?

Mr Nicol: We can take it on notice, I think. The other factor is that costs will be quite high to start with and may actually dip down, but we can try to find you some information that provides you with a full picture.

THE CHAIR: Mr Nicol, what would be the factors that would bring down the costs—more people in the scheme, or more familiarity with the scheme, or—

Mr Nicol: No. I suspect it is more about, when a person is first injured, there is the actual trying to save their life, which is partly covered by the public health system, obviously, and the interventions to try to improve their situation to get them more able to participate in social and economic activities. But if they are a lifetime member, it might just get down to a period of maintenance of care and support services, and the medical might just come off onto a maintenance-type arrangement.

Ms Holmes: It is very hard talking about averages, as I said, because it can vary—

THE CHAIR: It is such a small number of people as well.

Ms Holmes: And it can vary so substantially between age and the type of injury that they have had. In the first year of the scheme, for example, if you looked at the types of expenses which were incurred by the scheme, the majority was the hospital costs. These people go into hospital and actually are in hospital for a considerable number of months.

Once they move past particularly that first year then the costs that we incur tend to be more the rehabilitation costs. Depending on the severity, their attendant care costs can be quite significant. They are the types of costs which are more considerable as you go on in the number of years past the accident period. And those costs for an individual can actually fluctuate year on year. Someone gets older perhaps; they might not have the family supports that they had; your attendant care might go up. It is very hard to talk about averages.

THE CHAIR: I appreciate that.

MR COE: Have you been able to ask about the feedback report?

THE CHAIR: Yes.

MS CODY: I have some questions for ACTIA.

THE CHAIR: Mr Coe, do you want to ask some ACTIA questions?

MR COE: Would you please talk us through the funding ratio and the relevance and variance in the ratio?

Mr Fletcher: With the capital funding?

MR COE: Yes.

Mr Fletcher: The authority has a capital management plan. The plan assists the authority in making decisions about how to manage its capital position; it has a target range between 100 and 110 per cent. Our legislation requires us to insure the territory's risks and to fully fund those risks.

We set the 100 to 110 range several years ago as part of a financial condition review that we completed on the authority. One of the outcomes of that financial condition review was to create the plan. Since then, the financial position of the authority has improved year on year as a result of the hard work of the staff in our office to reduce our running costs and also to improve and enhance our claims management activity. Over that period of time in particular, we have gained a lot of information about the fund's claims experience. That has enabled us to change our claims reserving practice and to really try to target the central estimate of our liabilities.

Over time, we have been able to pretty much flatline our revenue stream, so our premiums have decreased over the last five years and we have made a number of capital returns back to the budget. Every year we get to a midyear valuation process and then we get to the end of year valuation process. The outcome just keeps improving. At the moment, that funding ratio is fairly high. We make decisions, as part of the budget process, about that funding ratio. There is a forecast of that on page 15 of the report. You can see that there were two capital returns, one in 2016 of \$60 million and one in 2017 of 50. Then, hopefully, that funding ratio starts to tail off a bit, so our assets to liabilities ratio will get a lot closer.

Just because we sit above that target does not necessarily mean we have to do anything dramatic to come back down to meet that target; that is not a number to be overly concerned about. But it is a number that needs to be managed, and we need to try to respond across the whole fund to improve our premium position. We do not want to unnecessarily burden agencies with costs they do not have to incur; they have money to spend on other things. So we want to manage it back down to a position that is closer to the target. In saying that, there is a range in the capital plan that is at 10 percentage points above and below that hundred, and we do not need to start worrying about it until we get way outside that range.

MR COE: For how long has it been in excess of 140 per cent?

Mr Fletcher: It was certainly in excess of 100 and 110 in 2015-16, the prior year to that table. It was up at nearly 146, the same sort of number.

MR COE: Why has it taken so long to respond? Why aren't you cutting premiums beforehand?

Mr Fletcher: The liability profile is something that we need to be cautious about. We are pretty sure about where we think it is heading now after some of those adjustments in previous years, so we have started to respond on the revenue side of things. We rely on actuaries to advise us about decisions we should make in that space. Just on the revenue side of things in terms of our premiums, the 2013-14 premium was almost \$59 million; in 2014-15 it was 67; it was 67 in 2015-16; it was 51 in 2016-17; and for 2017-18 it is down to 50. I expect that next year it will probably continue on a downward trend.

Mr Nicol: Mr Fletcher mentioned the two capital returns partly as a result of that ratio being higher than the target. I would also say that if it stays higher I would expect I would be recommending to the Treasurer a further capital return. As Mr Fletcher said, from a whole-of-government point of view it is not a significant issue whether

that capital sits in ACTIA as a subsidiary or on the main balance sheet; it is just a matter of where the capital sits.

MR COE: However, it is still coming out of operational budgets of agencies, and perhaps unnecessarily so.

Mr Nicol: That is right, and the cuts in those premiums have reflected that as well.

MR COE: In times gone by, has the government ever deposited—

Mr Nicol: Put in an equity injection? Yes.

MR COE: And then withdrawn it in a subsequent year or two?

Mr Fletcher: It has in the past. There were some capital injections in—

MR COE: I am shocked.

Mr Fletcher: They were in 2008-09, 2009-10 and 2010-11, so they were in the early years of the authority. The authority started operating in 2000, and these capital injections occurred—

Mr Nicol: I think the withdrawal, the capital return, was not a couple of years later, though. It was in 2015-16.

Mr Fletcher: Yes.

MR COE: But it was in times when there was a solid surplus and it was easier to put some money across?

Mr Nicol: Capital injection will not affect the surplus.

Mr Barr: It will not affect the surplus.

Mr Nicol: It is a balance sheet movement, and the capital return does not benefit the surplus.

MR COE: The capital injection could only be done as a capital injection as opposed to an operational expense?

Mr Nicol: I am just trying to think of a way you could make it an operational expense. I cannot think of one.

MR COE: I am sure a creative accountant could find a way.

Mr Nicol: You could perhaps increase the premiums and do it that way; that would be classified as an expense. But it is not something that would be relevant. The main purpose of this is ensuring that we have very good risk management techniques, we lower the cost of our claims, we lower the cost of our reinsurance policies and we get good pricing—pricing reflects risk—so that we give an incentive to directorates to

manage their risks. If they do not manage them, prices go up; if they do manage them, they come down. And we ensure that there are sufficient reserves in ACTIA to cover their claims.

MR COE: Was the capital return in the last financial year of \$50 million budgeted for in the 2016-17 budget?

Mr Fletcher: Yes, it was. All those capital returns have been budgeted. The review of our capital position is part of our budget preparation process. We revisit the capital management plan and then input the number into the budget process.

MR COE: What is in this year's budget, the 2017-18 budget, for the capital return?

Mr Nicol: We did not budget for a capital return.

MR COE: Are you expecting a capital return now?

Mr Fletcher: No.

Mr Nicol: Not for this financial year.

Mr Fletcher: Not for 2017-18.

Mr Nicol: We will certainly review it again for next year.

MR COE: So, come 30 June 2018, capital return is going to be zero?

Mr Fletcher: Yes; that is right.

Mr Nicol: At current arrangements, yes.

Mr Fletcher: On the current arrangements, yes. It is not budgeted.

MS CODY: You were talking, Mr Nicol—and maybe Mr Fletcher can answer this—about getting good prices on our insurance premiums. How is that going? How are the savings going? I noticed that there were savings continuously over the last few financial years. Are we continuing that trend? I would imagine it would get harder and harder.

Mr Fletcher: We continue to do well. The outcome for 2016-17 was a reduction of \$300,000 in our reinsurance arrangements. We have done pretty well in the prior years. I will try to find the table.

MS CODY: From memory, it was in the millions in a couple of those prior years.

Mr Fletcher: It was. In the 2014-15 year, our core policies cost us about \$11 million. In 2015-16 those core policies cost us \$8 million; we saved \$3 million in that year. In 2016-17, for the core policies that we have, it is \$6.7 million. For 2017-18 that cost is \$6.4 million. So the market is starting to bottom out.

The hurricanes in the US did not really help the property market this year, so reinsurers are already starting to write, as they do, articles about how hard the market is, to prepare everyone for a potential increase. Certainly, the market is starting to bottom out. There have been a whole range of mergers and restructures within the reinsurance industry locally and internationally. I do not think they could merge and restructure any more, to save any more money.

We are probably going to see things turn a little bit, which is where the hard work starts to come. We have positioned ourselves well with reinsurers who we do business with. They know our risk well. They will start to make decisions on a client by client basis as the market starts to get harder. Hopefully, we have positioned ourselves well to resist those increases.

THE CHAIR: Philosophically—and this is not a reflection on my part on the insurance authority—is the insurance authority the best way to get value for money for the ACT’s insurance dollar?

Mr Nicol: The answer is a yes, with an explanation, and the yes goes to questions of risk management. The alternative to a centralised risk manager is decentralised arrangements where directorates would go off and purchase their own insurance cover or not, as they saw fit, perhaps under central guidance or guidelines.

In jurisdictions where that has occurred you get different coverage across directorates, and essentially the budget bears the risk if an agency is underinsured. So it is not only about getting the best price and best risk management; it is also about ensuring that the government as a whole is covered and ensuring that we know that, if an accident occurs out there, no matter which directorate is responsible, we have appropriate coverage so that we can meet all the costs.

I think centralising it is the best way to go. As Mr Fletcher said, we do reinsure. Essentially, we go to the market and contract out for that insurance pool. With respect to where we set the limits and when that cuts in, it is a question of how much the private sector pays and how much we cover from the budget centrally. They are things to do with retained risk. Depending on the insurance class, the first \$X million we cover from the budget and then we go to the insurer.

THE CHAIR: So you write your own excesses, in a way.

Mr Nicol: Yes, we self-insure. We reserve for those first claims. We outsource, in a sense—

THE CHAIR: The big risk.

Mr Nicol: The big risk, and we coordinate the management of that. That is the way to describe the system.

Mr Fletcher: It is a captive model that is typical of other state jurisdictions. I think the only other jurisdictions that do not have a program are Tasmania and the Northern Territory. All the other jurisdictions have a captive program and they all run fairly similarly to—

THE CHAIR: What program?

Mr Fletcher: A captive program. It is called a captive insurance arrangement. We basically self-insure a large component of the risk. For example, on our property program, the overall self-insured retention is \$7½ million. So everything under \$7½ million, on an aggregate basis, the authority deals with out of its own funds. Once we exceed that aggregate, we head to the reinsurance market for the dollars. But within that is another excess whereby agencies have excesses. Depending on which agency it is, it might be \$5,000 or \$10,000 on liability claims.

The real value in that captive model, as the Under Treasurer has discussed, is centralisation of those liabilities, consistency of process in terms of how we deal with claims in the courts and with the Government Solicitor's Office, a clear understanding of what our liabilities are, and that it is our core business, whereas an agency, in the absence of an organisation like ACTIA, would need to have staff committed to trying to manage those types of claims. The type of thing that agencies, when we survey them, say that they value about us is our claims management activity because they know they can rely on our staff, who are experienced—obviously in consultation with the Government Solicitor's Office, who also support us to get it right.

MS CODY: Talking about liabilities and risk, what are your outstanding liability provisions in relation to defamation or slander cases?

Mr Fletcher: Defamation claims are not a big part of our portfolio. I would have to take that on notice.

MS CODY: If you could, that would be lovely; thank you.

Mr Fletcher: You are interested to know the value of those claims or the estimated reserve—the reserve on those claims?

MS CODY: Yes, and if there are any outstanding amounts or what your liabilities might be in relation to that.

Mr Fletcher: We will do number and reserve.

MS CODY: That would be great; thank you.

MR COE: My question is not dissimilar to the question to the ICRC and to the superannuation authority. With regard to how you manage your tender processes for reinsurance, are they on a contract by contract basis? Is there a parent tender or is there a panel arrangement?

Mr Fletcher: Purchasing reinsurance arrangements is a process that has to involve an insurance broker. The way that our programs are structured, there are multiple participants on each program. Probably the easiest example is our property program. That is split across a range of different insurers and they take a percentage share of the risk. As I mentioned before, we have a self-insured retention of \$7½ million, and from that \$7½ million, up to a \$1 billion limit, there are a range of insurers involved. Their

participation in that program ranges from a 10 per cent participation to the lead that has 25 per cent participation.

With respect to the way that program is marketed, every year we go to the market and ask them to price the risk. The way the process works is that a lead insurer takes the lead and the rest of the market follow that price. Every year, when we go to the London and Australian insurance markets, our broker basically brokers a deal. We basically get them all in the room and ask them to submit pricing on various components of the program, we broker that deal down and it is good for 12 months. It is a 12-month cycle.

MR COE: How do you actually procure the services of a broker?

Mr Fletcher: We have a broker services contract. Our current insurance broker is Marsh. That broker service is currently out to tender. It was a five-year contract. It was a three-year contract with two one-year options. That is out to tender at the moment. Our requirement is for an international broker who can access markets in Australia and overseas to buy the levels of insurance that we are after. We assess their corporate capability, we assess the skills of the personnel that they put forward and their track record with like organisations.

MR COE: Do other states do it through a broker or do any of them do it in-house?

Mr Fletcher: They all do it through a broker. I do not think you can directly—

Mr Nicol: I do not think you can access the reinsurance market directly. It is a peculiar market. They would not respond to a tender, very much like the funds management market. The process, as Mr Fletcher has gone through, does involve assessment of the merits, benefits and costs of each participant. It is a bit different from other services in that it is a consortium approach. We do not rely on one reinsurer for a whole line; we build a consortium. Part of that process is building relationships with consortium members over time, because we will fly them out here and get them to have a look at our biggest risks, to try to drive the price down. If they see we are good risk managers, they will be comfortable with offering a competitive price on the market.

The broker does the bulk of that work, but we still assess the solution. We have an advisory board which meets about quarterly. That board makes a recommendation, essentially to me, as to what the program will be for the year. I look through the process that has been undertaken, as well as the price and the coverage. We sit in a room for three hours after Mr Fletcher has done all of his work to go through and tick off that program.

THE CHAIR: Does ACTIA have an internal audit committee?

Mr Fletcher: It does. We are subject to audit by—

THE CHAIR: No, do you have an internal audit process?

Mr Fletcher: We are part of the CMTEDD audit process. We have been subject to

audits for a number of different things in previous years under the internal audit program for CMTEDD.

THE CHAIR: But you do not have your own audit committee that looks at your own procedures?

Mr Fletcher: No, we are too small.

THE CHAIR: Is that a policy decision?

Mr Nicol: I think it is a practical decision. I think the office is about—

Mr Fletcher: Only 20 staff. It is a very small office.

Mr Nicol: It is a small office. As Mr Fletcher said, it is subject to consideration in the CMTEDD internal audit process. We are a big directorate, but I think the internal audits—

THE CHAIR: What is the internal audit program for the directorate?

Mr Nicol: Could I take that on notice? I do not have anyone from CMTEDD corporate. I am only responsible for a part of it, but I am happy to have a look.

MR COE: Mr Fletcher, have any internal audits been conducted into the authority in the last year?

Mr Fletcher: They have—not in relation to the ACTIA fund but they have in relation to the default insurance fund and the nominal defendant fund. The internal auditors did an audit of those funds in relation to our reserving practice and meeting our obligations under the road transport act and the workers compensation arrangements. Obviously, as an insurer, we are required to respond to certain legislative outcomes, which was one part of the audit.

The other part of the audit was about looking at our database to see whether the data on the database reflected the file position in terms of the claims status. The data is used to run the actuarial process, so it is important that I feel comfortable that that data is accurate and as well maintained as it can be.

THE CHAIR: On notice, Mr Nicol, could the committee have a rundown on what the internal audit approach is?

Mr Nicol: Yes. I have taken that on notice.

THE CHAIR: That would be great. And who is on the internal audit.

MS CODY: It is actually in the report.

MR COE: It is in the report but the program is not.

THE CHAIR: The program would be interesting. I am mindful of the time. Are members content to put any remaining questions on the notice paper? Thank you. Thank you, Mr Fletcher.

We move to shared services, public sector management and the state of the service report.

Mr Barr: Madam Chair, do you want to do this one at a time or range questions across all three? There are different sets of officials.

THE CHAIR: We have three-quarters of an hour. I personally have questions in relation to shared services. Let us see if we can start with shared services and move on from there. I should highlight, for new officials, the pink privilege card. Are you aware of the pink privilege card and the implications of privilege?

Mr Tanton: Yes, thank you.

THE CHAIR: Chief Minister, what benchmarkings are undertaken in shared services, or what KPIs are set, to see that we meet the provision of shared services in the ACT for government entities? Is there an industry benchmark for the provision of shared services? If so, how does ACT shared services compare with those benchmarks?

Mr Tanton: There is a range of benchmarking that we currently do. We do a benchmarking survey across shared services every two years, which is usually provided by an external provider. That will compare our shared services costing model against that of our peers and also peer groups in other states and jurisdictions. We also do an annual report looking at our ICT services, which is provided just by looking at the ICT. We have also subjected ourselves to benchmarking compared to the commonwealth agencies as part of the Department of Finance's benchmarking for the commonwealth.

That gives us a guideline in regard to our performance against other agencies. There is not a specific KPI as such for all those services and the like. There are some base model KPIs around answering calls: 80 per cent of calls answered within 20 seconds is something for our service desks. They tend to adjust the KPIs depending on different agencies' capabilities and also the resourcing that they put in there. We have a range of KPIs that we report against in the annual report that have been set in discussions with the directorates and us. We report against those, but we do benchmark our services against other agencies.

THE CHAIR: How do you compare, in terms of costs or value for money, to peers?

Mr Tanton: In our peer cohort, in our public office, we perform strongly. Compared to the commonwealth agencies, we probably rank in the top 10 to 15 per cent of performance across most of the—

THE CHAIR: The top 10 to 15 per cent of cost or—

Mr Tanton: As in good performance, so we will call it lower costs.

THE CHAIR: The lower 10 to 15 per cent of cost?

Mr Tanton: That is right. That is pretty much where you would like to be. Obviously we are working on that program to keep improving that, going forward, with the work of automation that we have going on at the moment and process improvement. We are fairly comfortable with that. Obviously we are going to keep moving forward, providing those services and improving that cost model that we have.

MR PETTERSSON: You were establishing a pilot website for shared services. Has that been taken up with gusto? Is that the new website that I am looking at?

Mr Tanton: We have a new shared services portal or website for ACT staff, which has gone live. We have shut down the old website. That has been taken up and we have had good responses to date. We are currently doing one of the big programs of work in regard to trying to reduce the number of paper forms and submission processes that we used to go through. At the moment we have only gone live for about a month. We are getting around 700 forms per week submitted digitally, rather than the old system with faxing paper and putting it in the mail. It has been taken up strongly. But we have that ongoing continuous improvement: it is something that you cannot sit and forget; we need to keep working with users to get the benefit out of it. At this point in time, the feedback has been really positive.

MR COE: How do you manage software licences?

Mr Tanton: Any particular software licences or just in general?

MR COE: In general, to start with.

Mr Davis: We have a team. I have a team within SS ICT that looks after contracts and licensing. Many of the licences we have are whole-of-government. For example, there is Microsoft, the service agreement we have with those guys, and there would be a couple of others too. We are looking to try to move down the same path with Oracle, for example.

There are some instances, I would imagine, being the very large entity that we are, where there are software licences that are held and managed by the directorate that may not be known to us. I do not mean that in a pejorative sense; that is the nature of a sizeable organisation. But mainly we control and manage the software licences across government.

MR COE: Are there any known issues with that process at the moment?

Mr Davis: Known issues, Mr Coe? It is always a challenge getting the best deal for government when you are dealing with those vendors. Making sure that we are getting the best use of those licences is always something that we try to achieve. We certainly do not advocate for purchasing more licences for a particular piece of software when we know that there are some unused across government.

We have a project underway at the moment called software asset management, which

is a whole-of-government initiative. All the directorates are involved. We are doing exactly that: making sure we have a catalogue of all of our software licences, making sure they are being used correctly and that we are not overspending.

MR COE: Are there any negotiations or disputes at the moment with any software providers?

Mr Davis: Not that I am aware of, Mr Coe.

Mr Nicol: I am not aware of any disputes, but I would say that, given the complexity of our IT platform, we are constantly looking at the acquisition of new software, so we are constantly looking at licensing arrangements. The government funds half a dozen or more projects every year, for example, for new software capability. That generally involves a tender and software licensing arrangements. But I would call that business as usual.

THE CHAIR: How do you keep track of the licensing agreements? You have Microsoft and we have 20,000 public servants, so essentially you have 20,000 licences for Microsoft.

Mr Davis: In a roundabout kind of way.

THE CHAIR: You might have something like the payroll system, where you would have significantly fewer licences, but how do you keep track of the number of licences you purchased, the number of licences that you have actually authorised, the difference between that and also paying your fees in relation to that?

Mr Davis: There are a number of points in there. Firstly, the contract and licensing team that I mentioned catalogues and has a list of the contracts themselves as well as the number of licences associated with them. They work with directorates in that space too; there is a lot of give and take in that space.

Regarding the next part of your question: how do we know? Is that what you asked? Could I just clarify that part of your question?

THE CHAIR: Yes. How do you keep track of Oracle, OLARIS or something like that? How do you keep track of the number of licences that you have purchased and the number of licences that you have had reissued and do a reconciliation of that? And then, when it comes to the end of the period and when you have to pay licence fees or whatever, how do you reconcile that with the organisation that you have purchased the licences from?

Mr Davis: The contract and licensing team are aware of how many licences are being used. Some of the technology space is able to garner that information from across the system simply by people's personal use; we are able to garner that information and capture it ourselves. We are then able to reconcile that against what we are using. That is how we get agreements with the vendors as well. I will pick one completely at random, With Objective, for example, one of our records management systems, we know that there are 1,000 licences that are currently being utilised across government. If Objective themselves come into the various areas and say we need to buy more

licences, we are able to prove that we do not need more licences.

The challenge for us is that when we are maintaining a whole-of-government agreement from the centre like we try to do, we are making sure we get the uptake from the directorates, because it is still a cost to government. We need to make sure that we are not going out and over-purchasing and then recovering on that. It is not the easiest process in the world. We have a system that tries to bring that together. The project I spoke of before, the software asset management system project we have running, is aimed at improving that even further.

MR COE: Do you have that capability at the moment or not?

Mr Davis: Not in a software sense; not in a fully automated sense, Mr Coe. We have to do it manually at the moment.

THE CHAIR: Is it a spreadsheet?

Mr Davis: Yes, a number of spreadsheets.

MR COE: Have you been hit with invoices for exceeding the number of uses, as opposed to what you have had licensed?

Mr Davis: Not to my knowledge. I would have to take that on notice for the exact answer, but not to my knowledge. That is the sort of thing that normally gets escalated to me quite quickly, but I would have to take that on notice for the exact answer.

Mr Nicol: Could I add that it is an ongoing challenge for any organisation of our size and complexity to optimise the number of licences we have. It will not be a one for one, because you will have periods where you surge up and down, and licence arrangements are not all the same. It is not like when you go and buy software and get a single use; the vendors now are getting very sophisticated in how they license software.

For example, in the revenue management system, our licence fees are based on the amount of revenue we put through the system, not only on the number of users. This is an Oracle-based product; they are getting very sophisticated about how they charge. This is partly as a move to an online space. Rather than a single instance of having it on your desktop or your laptop, it will be how much you access the server, how many people access it and how big your organisation is.

With those sorts of questions, particularly for specialised software, where it is project managed rather than us buying Microsoft off the shelf, it is very much part of the tender process and the assessment process. It is just another cost in acquiring the software. We make judgements. A small part goes into the tender assessment process.

MR COE: I understand that they are going forward, but I am more interested in some of the historical stuff. With these big vendors, there have been no disputes or they have not hit you up with any invoices or fees or fines that you can recall?

Mr Davis: That is exactly right—not to the best of my knowledge, and I have been in

the role for more than 2½ years now. We have a process—Microsoft is a good example—where every year we do something called a true-up, which is exactly as it sounds, which is exactly against that reconciliation, using the Under Treasurer’s language. Microsoft, for example, use our headcount in our annual report as a licence base. That is just the way they have chosen to do it and, as the Under Treasurer pointed out, different systems and different companies have different methods of applying those licences. No, there has certainly been nothing formal sent to me in the last 2½ years that has made an accusation or a complaint regarding the fees.

Mr Nicol: I think the only thing I can recall—and it is not quite in that space—is where we have actually cancelled licences. We have gone to companies and said, “Well, we actually don’t need as many as we have historically had.” Companies never like hearing that, of course, but I would not call that a dispute. In the context of the question, it is just a licence management process.

Mr Davis: A licence management process.

Mr Nicol: But we will double-check and have a look.

MR COE: With regard to that licence management process, are there any issues with demonstrating proof of entitlement or proof of licence?

Mr Davis: Yes. That is part of our process. Under this particular project that is exactly what we are uncovering—making sure that we have that proof of entitlement. That is a very important part because that is where you could get caught out if you were to be audited, for example, by a software company. They are allowed to do that; they are private organisations. They will come in and if your numbers are different to their numbers then that is where the issue could be. The proof of entitlement is very important. We maintain that proof of entitlement with the directorates.

THE CHAIR: How often are you audited?

Mr Davis: On the software front?

THE CHAIR: By a software company?

Mr Davis: In the 2½ years I have been here we have not been audited by a particular company. The two that probably spring to mind who we have the most dealings with are Oracle and Microsoft because of the size of the platform that we have with them. But the relationship is solid enough that it is very open and transparent between those organisations, as the Under Treasurer was pointing out. It is part of our BAU licence management. We negotiate that. We work that through at the time when we work with them.

THE CHAIR: This tends to be a perennial question of mine: is there an audit committee in shared services and, if so, what is the audit program?

Mr Tanton: We are under the CMTEDD audit committee. We used to have our own audit committee until around two years ago, but coming in and reviewing the amount of effort and the size of that audit committee, the cost of running the audit committee,

it actually got wound in. We incorporated the CMTEDD and the shared services audit committee so that the responsibility for identifying audits and the like comes under the CMTEDD audit committee, rather than us having our own established audit committee which had a large cost to manage around it. That program of works is part of the CMTEDD audit.

THE CHAIR: What was the estimated cost of managing the audit committee?

Mr Tanton: We would probably have had one or two FTEs basically coordinating the secretariat functions and then having external members on there as well. For one function, which was shared services, you could probably look at anywhere around \$200,000 or \$300,000 at the time when you have two FTEs, plus you have external independent members chairing and the like. Again, to bring that in—

THE CHAIR: Plus the cost of the actual audits themselves?

Mr Tanton: It really depends on what that audit is, but I think we had a budget at the time of around \$300,000 or \$400,000 a year to do just shared services. But, again, with a lot of those things, we find that, when we are auditing processes and the like, they could have been wrapped up in broader audits going forward, noting that we have been audited quite heavily over the past five years, six years.

THE CHAIR: In terms of performance audits?

Mr Tanton: Performance audits and the like and also by the Auditor-General looking at different audits. And we do the financial statements for each of the directorates as well. There are a number of audits happening around that space, and the ICT performance is part of that annual audit. It was not really justifiable to have our own committee just for shared services. It was basically put forward that CMTEDD and shared services audits be incorporated.

Mr Nicol: This was a matter of some consideration, and when shared services came into CMTEDD about 3½ years ago we did maintain a separate committee because we did not want to move. My recollection is that I had discussions with committee members, who said that it was not efficient and not the best way to run a committee and they would prefer a single committee. So we moved to a single committee, pooled the resources, and we think that is more effective.

THE CHAIR: Actually, with that information about the interim audit that you are taking on notice, could that include the cost of running the audit committee as well as the program?

Mr Nicol: I will see what we can do, yes.

MS CODY: I was looking, obviously, at shared services. Like everyone across the government it has to abide by the procurement framework set out by the PGPA. I was interested to read that you have the Canberra region local industry participation policy which has been developed. Can you expand a little more on that?

Mr Davis: Yes. It is a policy that is developed by our colleagues in procurement,

capital works. I am sorry; that sounds like I am pushing over. That is in that space. I am not sure when they are up.

THE CHAIR: They have been up already.

Mr Davis: The LIPP, as we call it, as you pointed out, yes, we adopt that. It gives a 10 per cent weighting to local industry participants, simple as that, when you are doing the evaluation.

MS CODY: This also might be in the wrong space, so I apologise. The future project to automate the calculation of long service leave for employees, how is that coming along?

Mr Nicol: It is in the exact right place.

MS CODY: My mother is about to retire as an ACT public school teacher and she is still waiting on her long service leave balance. She has been in it for 35 years and it is difficult.

Mr Tanton: And they are probably still calculating it. I think I said at the last committee hearing that it is a manual process at the moment where every ACT employee has basically a library card on their file and an Excel spreadsheet. We are working with Frontier, who are the licensee or vendor for chris21, who are doing the module in the payroll HR system that we currently have.

The complexities in making sure of the data assurance and the migration of the data that we have calculated in it, and making sure that it is correct, are really at the forefront of how we are moving forward. It is behind schedule and we are looking to go live within the first half of the next calendar year. The main priority for us is to ensure that the figures, moving forward, the calculations in the systems, all the user testing and all the assumptions made within those calculations are correct, because one thing that we do not want to do in the ACT is have a Queensland Health payroll fiasco. It is one of those things where we could push forward and push for the vendor to try to hit an outcome by a date, but it is not something that I—

Mr Nicol: We have taken the decision that we want to get this right when it goes live. Rather than get it 95 per cent or 98 per cent and then try to deal with the complaints afterwards, I would rather get that to 99.99 per cent before and then—

Mr Tanton: Yes, absolutely. We do have the bespoke system behind it. With the amount of user testing that is required to the patches and all the upgrades to the existing system, there is a three to four-month window every time there is a change, an upgrade, and the patch is put through. It takes a long time to do it. We are also ensuring that we do have the data correct and we do have companies on board looking at assurance around those figures of what the current balances are and how that moves forward with the calculations. We have a body of work around that, but the premise is that we want to do this one once and we want to do it correctly because we have all got long service leave, probably.

Mr Nicol: If I could just add, we are also working on a longer term replacement of

our HR system. With this process that we are going through, I would classify 90 per cent of the effort on the data. It does not matter which system it is in. When the new system comes in, the data migration will be much slimmer, I expect, because we will have quality assured and we will have made sure everyone is right and the new module will automatically update people's balances once that is live in the current system and then we can switch over to the new system.

Mr Tanton: Your mother, in that instance, will not actually need to send an email away to get a balance and then send a separate email to her boss to put an application in. It will be seamless on the system. You will be able to look into the system, see what your leave balances are, apply for your leave, go up to your delegate to have it signed off, rather than that process where we are currently at at the moment. It will be a big step forward.

MS CODY: It will be fabulous. I can imagine it will save a whole bunch of time for employees—

Mr Tanton: Yes, absolutely.

MS CODY: but also for delegates, as you know.

Mr Tanton: In processing as well, because it does take a lot of effort for people to go and calculate these figures and provide them. We hope to have it in place.

Mr Nicol: We acknowledge that we are behind the times on this one.

THE CHAIR: In the highlights you say that you delivered ICT infrastructure for the secure mental health facility. Was there something particular about that that made it a highlight rather than just a standard rollout of ICT to a new facility?

Mr Tanton: Yes, absolutely. It is a complex project, working in a complex environment. We were looking at how to design a system that looked at security requirements and assisted the people who work in that environment to be safe—not in ICT but also in security monitoring and things like that, which came into Gary's team. We worked closely with them and came up with an outcome that was really fit for purpose, which we thought was a good achievement for us.

THE CHAIR: So it is not just desktop computers; it is the whole—

Mr Nicol: No, it is duress alarms, security.

Mr Tanton: No, duress alarms and everything else.

THE CHAIR: I understand.

MS CODY: I have a final shared services question. Going back to payrolls, you say one of the highlights was the progression of the alignment of the bus drivers' paydays with whole-of-government paydays.

Mr Tanton: Yes.

MS CODY: When you talk about chris21, is that the HR system you have just been referring to?

Mr Tanton: Yes, that is correct.

MS CODY: They will also come online to that, once it goes live?

Mr Tanton: That is correct.

THE CHAIR: Chris21 is already live, isn't it?

Mr Tanton: Yes, the current one.

Mr Nicol: Yes, it is our current system. It dates to before my time. It has been around for a long time.

MR COE: With regard to the billing agencies for shared services, for agencies that have a large number of people in the field, for instance, as opposed to people who are desk based, is there a straightforward model or is there a straightforward quoting and invoicing procedure?

Mr Nicol: It is a complex process and there is a lot of historical—

Mr Tanton: It depends on whether you want a quick, short answer. It is quite a complex process as to how we actually deal with it, depending on what range of services they are doing and whether it is a charge-back or through appropriation. I will ask Ross, our CFO, to come to the table. He does the billing side of it—or we can take it on notice.

MR COE: If we are able to get a quick rundown, it might alleviate the need to take it on notice.

Mr Nicol: I am just wary that doing the answer justice would take a fair amount of time, but we will see what we can do in the time that is available.

Mr Burton: Prior to 2012-13 we invoiced something like 15,000 invoices for a large range of services down to a very minute level. Everyone, no matter what service they use, ends up being paid. At that point in time desktops was our major charge, for desktop support. For those in the field, depending on what equipment they used, they were charged based on that. In 2012-13 we simplified the billing by rolling up a lot of those charges into a higher level charge. They have been basically charged that, without any change in growth or user status, since that point in time.

We are currently working through a process to change that charging model, to break it down and go back to—not to the same degree that we were before but to a higher level—more of a focus on user and user requirements, and what they actually use for those services. That is work in progress that we are currently working through and we hope to have something in place.

We started this year by providing assumption-based reporting for all services provided by shared services—how many recruitments were done, how many pays were paid and how many invoices were processed. That is the sort of model that we are looking at moving to in the future.

MR COE: Are you able to provide on notice what the variables are? You just mentioned pay, invoices and IT. Is there, in effect, a definitive list of variables?

Mr Burton: Yes, there is quite a list of variables. We charge out for licensing, for certain individual licences. For projects and those types of things, we charge out individually. HR and finance are charged out as one charge, as a fixed charge, so that does not depend on the number of recruitments done or number of pays processed at this point in time. We can provide a listing of what our variable charges are.

MR COE: Yes, if you could.

Mr Nicol: It is a challenging area because the costs in any business depend on the time range. In the short term everything is fixed but in the long term everything is variable. Things like providing our LAN, for example, and our fibre network are a fixed cost. It does not matter how many users we have; we have to meet that cost. There are an infinite number of ways you can work out how you charge for that. At the other end, such as for a licence or a telephone call, it is a pass-through, so it is relatively straightforward.

We can provide you with information on how we charge, but I just add that there are decisions as to how you do that. There is not one perfect model. They are all internal charges and I am conscious that chasing billing and setting prices internally does have a resource impact. It does cost us to maintain this, and we make decisions about the level of detail. It is not a third party charging us and paying; it is an internal cost recovery arrangement, to be blunt.

THE CHAIR: We will move to public sector management. The report seems to be reporting a four per cent variance against the original target cost across the public service, the original budgeted cost of 2016-17 and the actual outcome. What is the reason for the variance, and what steps are we taking to reduce that in future?

Ms Overton-Clarke: Can I ask what page we are on, chair?

THE CHAIR: Page 34 of volume 1.2.

Ms Overton-Clarke: Page 34?

THE CHAIR: I am not entirely sure about that page reference. I will leave that one and put that on notice; I am not entirely confident about that page reference because I cannot find it myself. I will have to check the page reference; I will talk to my staff about that.

MR PETTERSSON: I was wondering if you could tell me what work has been done to promote LGBTIQ awareness in the ACT public service?

Ms Overton-Clarke: We have established an LGBTIQ office in the Chief Minister's directorate. The work itself is under the 1.1 output. The policy area, my area under public sector management, is involved in supporting the staff across the ACT public service. We work very closely with the office and promulgate a lot of awareness and training. We work closely with Pride in Diversity, which we joined two years ago, and we have run a number of training sessions for staff across the directorates, and awareness raising.

MR PETTERSSON: You mentioned training. What sort of training is available?

Ms Overton-Clarke: It is awareness raising, both about LGBTIQ status and also about support for colleagues who may be undergoing gender fluidity and the support that they might need in the workplace from both their peers and their supervisors.

MR PETTERSSON: Have you got much feedback on any of these training programs?

Ms Overton-Clarke: We do. As part of our general awareness training across the service we get feedback both in relation to what sort of training we might need to do and also in terms of the support that we are giving. One of the most recent things we have also done is allow staff to adjust their gender status on the HR system.

MR PETTERSSON: Interesting. Thank you.

THE CHAIR: It is volume 2.1, page 217, output class 1.2. In relation to public sector management, the total costs have a variance from the original target of four per cent. It does not seem to have a note.

Ms Overton-Clarke: It just says:

This variance is due mainly to the timing of cash receipts from other directorates relating to training ...

THE CHAIR: No, that is the line below. It is the line above that, the total costs. The target was 10,166 and the outcome was 10,527. The explanation you were reading was for the line below that.

Ms Overton-Clarke: I will take that on notice.

THE CHAIR: Thank you.

MR COE: The state of the service annual report states that one of the elements of a culturally and linguistically diverse workforce is that it has employees who follow different religions. There are several questions on that. Firstly, how do you track someone's religion?

Ms Overton-Clarke: We do not.

MR COE: And what does "employees who follow different religions" mean? Different from what?

Ms Overton-Clarke: Each other. If there are particular requirements for different religions, then we, as a supportive workplace, provide that. A prayer room might be one example. We do not actually monitor or track people's religions.

THE CHAIR: If you were considering putting a prayer room somewhere, how would you determine the need for it if you are not tracking people's religion?

Ms Overton-Clarke: It is usually on demand.

THE CHAIR: How do you work out what the demand is?

Ms Overton-Clarke: People come to us and ask.

THE CHAIR: That is interesting.

MR COE: Is it actually a KPI to have people who are culturally and linguistically diverse?

Ms Overton-Clarke: We track people who nominate themselves as culturally and linguistically diverse. We do have statistics on it, but we ask them about that. We do not ask them about their religion. If they identify as culturally and linguistically diverse, it could mean any number of things.

THE CHAIR: Why does the annual report refer to employees who follow different religions if we do not track it and we do not collect statistics on it? Why is it considered sufficiently important to mention it in the annual report?

Ms Overton-Clarke: Can you just give me the page number?

MR COE: I think it is page 77 of the state of the service report.

Ms Leigh: There are a wide range of factors that go to making up our diverse workforce. Just like our community, it is important that our workforce reflects the diversity in our community. We would be concerned if we thought that employees felt that they were not treated fairly because of the various aspects that go to make up that diversity. Recognising all of that range of factors is important. It does not mean that we have to set targets for all of them and track them all, but we certainly need to be aware of them and aware of whether there are any issues, whether employees are concerned about how they are treated, and whether generally in the workforce there is an inclusive approach.

We want to make sure that we attract the very best people to the ACT public service and that no group are disinclined to put themselves forward for positions in our service, so it is very important that we are aware of all of these aspects. But the extent to which we need to set targets or track data will vary according to the indicators we get as to whether there is a particular area of concern.

Ms Overton-Clarke: Just to add to Ms Leigh's comments, following a different religion is just part of the explanation of who a culturally and linguistically diverse

workforce comprises. That is at the beginning of all of that; it then goes on to say that we have increased the proportion of culturally and linguistically diverse people. It is really just a definitional point.

MR COE: Yes, and that is the point. You have got the headcount percentage of the total workforce, but I am curious as to what constitutes “follow a different religion”. Is anybody who follows any religion somehow going to be counted in a cultural and linguistically diverse workforce?

Ms Overton-Clarke: It actually does not say “follow a different religion”. It says, “follow different religions”.

MR COE: Does that mean that anybody who follows a religion is included in that headcount?

Ms Overton-Clarke: If they consider themselves to include all or one of those components—from a different country, having a different cultural background, speaking a language other than English and/or “follow a different religion”. Probably it would have been taken, I would say, from an ABS definition. It probably means different from our usual, original religions of Anglican or Catholic Christian. It is probably in relation to other than a Christian religion, I daresay.

THE CHAIR: Perhaps it needs a little finessing in the language.

MR COE: Yes, that is right.

THE CHAIR: The language feels as though you need to say, “Different from what?”

Ms Overton-Clarke: That is a good point, and we will make sure that in next year’s report we are a bit clearer.

MR COE: It also suggests that there is, in effect, an incumbent religion.

THE CHAIR: I do not think there is.

MR COE: That would be contested.

MS CODY: I also want to talk about the state of the service report. On page 51 of that report there is a table that refers to “professional officers”. What do you regard as “professional officers” in this context?

Ms Overton-Clarke: I will ask Mr Russell Noud to clarify that. I think it is the certain type that now have a specific enterprise agreement for themselves, which includes the engineers.

Mr Noud: The professional officers group is a job family that goes back to when the classification structures we work under were created. There are different employment streams—administrative services, medical practitioners, nurses, and one of those groups was professional officers.

Professional officers generally encompass the non-medical technical groups; that is, generally speaking, engineers who might work in medical areas, but it could also be accountants or project managers—that sort of broader group. Generally speaking, they are groups that require some type of professional qualification or certification above and beyond that which you would have prescribed for an ASO group.

MS CODY: I have another couple of questions about that table. You may not be able to respond to some of this; it may be in a different portfolio responsibility. There has been a decline in the number of rangers. Is that something that I should be asking one of the other areas?

THE CHAIR: Maybe you will have to ask in the environment area. That would be a policy decision, one presumes, in the environment area.

MS CODY: Trainees and apprentices, though, would surely be across the board because there would be lots of different trainees and apprenticeships across the whole of the public sector. There has been quite a substantial decrease in the number of trainees and apprenticeships.

Ms Overton-Clarke: Yes. I will take that on notice.

MS CODY: Okay.

MR COE: It was reported in the paper this week, as well. Is there a whole-of-government response to that?

Ms Overton-Clarke: One of the areas that we have used for trainees and apprentices is in fact in our inclusion area. So we are taking on more inclusion trainees and apprentices than we used to. I cannot, on the spot, explain the decrease in that number, so I will take that on notice.

MS CODY: Yes; that is no problem. When I saw it, it was quite a dramatic drop compared to some of the others that are easily explainable. It is a nearly 40 per cent reduction between the two financial years.

Mr Barr: We will look at that.

MS CODY: Yes; that is fine.

MR COE: I note that there has been a jump in the attraction and retention incentive payments. Can you please advise when these payments are used?

Ms Overton-Clarke: There is a jump because of a misreport in last year's report. There was a corrigendum for it. I will hand over to Mr Noud to explain exactly why they are used.

Mr Noud: The ARInS, attraction and retention incentives, are used in a wide variety of circumstances across the service. When we do agreements periodically we cannot always forecast the wages and conditions that we will need to put in place for particular wage groups on every occasion. From time to time over the life of an

agreement market rates will change or market conditions will change such that we cannot attract and retain key staff.

ARIns are built as the bridge between agreements to allow us to keep and attract key staff to our workforce. They are often used in project-based environments where we will need, for example, a top-class engineer to complete a project. They may be used in the medical areas. While our medical rates are attractive, to get a specialist in a particular field to the territory we will need to pay them a little bit more or package up an arrangement to attract or keep someone here.

Periodically, when the agreements are done, we will look at the ARIn stock that we have at that time to assess whether the ARIns are temporary and should be wrapped into agreements, to become a systemic wage, or whether they continue to be contingent such that we might remove them or change them. So we will assess that in each round.

MR COE: Do they apply across the board to that entire workforce in that pay scale or in that grading or are they on a person by person basis?

Mr Noud: They could be either. There is a concept called a group ARIn which can apply to a cohort of workers where, for example, that cohort is in demand. That has been used, for example, with care and protection workers, historically. Equally, it could be to an individual where that individual has a skill set which we need to attract or retain.

MR COE: Can you please break down the numbers on page 44 of the annual report by group ARIns as opposed to individual ARIns?

Mr Noud: We would have to do that on notice.

MR COE: Yes. Are these, in effect, being used as a quasi AWA?

Mr Barr: No.

Ms Overton-Clarke: They are used for professions where it is difficult to attract or retain, as the name suggests. In the IT field in particular, there are some specialist IT skills where you really have to be able to pay more of a market rate. We use them to be able to attract them from the commonwealth or the private sector for those specialist areas.

MR COE: Doesn't that undermine—

MS CODY: This is not uncommon. Other jurisdictions do the same thing, surely.

Mr Noud: They are an entirely different product than an AWA.

MR COE: Especially on an individual basis, though. So the individual negotiates that with the employer?

Ms Overton-Clarke: Yes, that is right.

MR COE: Not entirely different, are they?

MS CODY: I would imagine they are.

MR COE: An individual could negotiate to go beyond the EBA, with additional remuneration?

Ms Overton-Clarke: We have very strict monitoring processes in place. They are reviewed every year and they have a maximum life. There is a very whole-of-government, equitable, transparent approach to them across the service. We make sure that there is a strong monitoring approach to it and a consistency to it.

Mr Noud: The key difference, Mr Coe, is that the AWA replaced in entirety the certified agreement. The AWA was an instrument that completely replaced the employment relationship and took it out of the enterprise agreement. This is a statutory instrument done within the confines of the enterprise agreement and it cannot undermine the base terms and conditions in it. They are very different. The AWA was a substitute; this is a supplement.

MR COE: But it is still in many instances personally negotiated.

Ms Overton-Clarke: Personally negotiated but within the context of the market.

Mr Barr: Previous prime ministers may have described it as flexibility above and beyond a minimum set of conditions. It is not a case of people entering into a negotiation outside the EBA stream.

MR COE: I understand that.

Mr Barr: Or, for example, seeking to trade a range of conditions in order to achieve some sort of additional pay outcome. It is not a mini enterprise bargaining—

MS CODY: And this does happen in other jurisdictions.

MR COE: Are there people that could be, in effect, going from an ASO category in total remuneration to an executive pay level by using an ARIn?

Mr Noud: In the SOGA classifications it is not hard to go into executive money, simply because the difference is only a few thousand dollars. The answer to your question is yes, but they do not become executives because of that.

MR COE: That is right, but it also means that the types of contracts do not get tabled, either. Is it possible that people are receiving ARIns to the tune of \$20,000, \$30,000 or \$40,000 a year?

Mr Noud: They vary wildly.

MR COE: If you could take on notice the maximum additional remuneration received in an ARIn that would be good.

Mr Barr: I think their principal use would be in, for example, specialist professions like health, doctors and IT.

MS CODY: Psychologists, surgeons.

MR COE: I understand that, but the EBA provides a bit of clarity as to what the pay grades are. If it turns out someone is getting—

Mr Barr: It is less likely in the ASO stream and more likely in the—

MR COE: In the SOG.

Mr Barr: Yes.

MR COE: Regardless, could you please take on notice what the maximum ARIn would be?

Mr Barr: Sure.

MR COE: If you are able to easily generate an average or something, that would be good, but I realise that could be a bit of a battle.

Ms Overton-Clarke: You want the maximum and the average?

MR COE: If possible; thank you.

THE CHAIR: We will have a short break. When we come back we will be dealing with Icon Water.

Hearing suspended from 3.29 to 3.41 pm.

THE CHAIR: I welcome Mr John Knox, the director, and other officials from Icon Water. Because this is a new set of officials, are you familiar with the pink privilege statement and do you understand its implications? Mr Knox, would you like to make an opening statement?

Mr Knox: I would, just five minutes approximately for an opening statement. I appreciate the opportunity to present today. At our last committee appearance there were a number of questions about our corporate structure and our services. Today I would like to provide a brief context of the business, where we have come from and where we are heading to.

As you know, we operate \$2.4 million worth of water and sewerage assets. We provide water and sewerage services to the ACT, approximately 400,000 population, and a provision of bulk water services to Queanbeyan as well, a population of approximately 40,000. We operate to a total of 73 different acts, regulations and codes across multiple jurisdictions and we are very, very serious about our role to balance service delivery, customer expectations and affordability without compromising on compliance.

When I started in 2014 it was a very challenging time for ACTEW Corporation, as it was known then. It was less than two years after the reintegration of the water business from its previous multi-utility home with ActewAGL. The business was also under considerable pressure from the economic regulator and was currently being held to two biannual pricing assessments.

Since I took on the role as MD in 2014, we have focused on delivering value to our customers. In particular we are here to deliver long-term water security, high quality water and sewerage services at affordable prices. My key priority was to bring corporate stability, and with a new executive team we worked on a lot of the internal core strengths of the business. We focused on strengthening our safety systems and behaviours, our enterprise asset management capability and developing our people. We also focused on improving operating efficiencies and improving our debt position as well, while focusing on long-term sustainable pricing at the same time.

In May 2015 we rebranded from ACTEW to Icon Water to differentiate between the water business and our energy investment, ActewAGL, for our customers. And in 2015 we commenced a substantial investment around the upgrade and renewal of the Lower Molonglo Water Quality Control Centre to ensure high standards for the sewerage treatment plant and to our customers moving forward.

In 2016 a national water industry customer perception survey identified Icon Water customers as the most satisfied with their drinking water in Australia. In 2016-17 we continued to provide safe, reliable and high quality customer service at affordable prices. We continued to achieve strong financial results, with profit after tax of around \$100 million—\$79 million being distributed to the ACT government as the 2016-17 dividend—and an additional \$44 million in income tax equivalent payments. In fact, since 2000 we have returned approximately \$1.8 billion to the ACT government, for the benefit of the ACT community.

We have increased our engagement with the community in the following ways: we have extensively surveyed our customers about their priorities. We have set up a community consultation forum and provided community support and education programs. In addition, this year we have also for the first time published a plain English pricing submission on our website for our customers.

In July 2016 the Cotter Dam reached 100 per cent for the first time, placing the ACT in the best water security position for many years to come. We also received an excellence award from the Asset Management Council for the asset condition assessment program.

Our safety engagement program, switch on, has given our staff additional skills and awareness of workplace safety, mental health and safety in the home. Our staff, including the executive, have enthusiastically embraced this program. Our safety outcomes have continued to track well to ensure we protect our staff and also, importantly, the community.

Our recent analysis shows that we have realised significant benefits from the reintegration of the water business in 2012. The decision to reintegrate the business in

2012 has proven to be beneficial to our community, as demonstrated by our price rises remaining at less than CPI over the last five years and significantly more water security supply for our customers.

Our focus on improving operational efficiencies since 2014 has allowed us to generate further reductions in operating expenditure over time, which will be passed directly back to our customers, with our price rises below CPI for the next five years as well. We will keep doing all these things to ensure value for our water customers through price certainty and water security.

THE CHAIR: Mr Knox, does Icon Water have an infrastructure and capital works program? I cannot find it set out in the annual report. Is it in the annual report?

Mr Knox: I will defer to Mr Sachse.

Mr Sachse: This document is really looking at the past, and we do outline it in our financial statements. In our financial statements there is a cash flow statement which does outline what the capital expenditure is that we spent in the last two financial years from a cash perspective. That information actually is in the report.

THE CHAIR: Where would I find the ongoing capital works program?

Mr Sachse: That would be in the actual budget statement—

THE CHAIR: In the statement of intent?

Mr Sachse: Yes, it would be in the statement of corporate intent as well as the ACT government budget papers which we discussed in June earlier this year.

THE CHAIR: As a brief run-down for the benefit of this committee, which is a different committee from the estimates committee, what are the headline figures in the capital works infrastructure program for Icon Water for the next couple of years and what is the maintenance program?

Mr Sachse: In 2016-17 we did spend circa \$100 million on our capex program. There will be something similar in the 2017-18 period. The rest of the outyears are really subject to the ICRC review that is currently being undertaken. We will get further clarity of that in probably May 2018.

THE CHAIR: What are you looking to spend your capital expenditure on in this financial year?

Mr Sachse: I might defer to the general manager of project delivery, Ray Hezkial.

Mr Hezkial: The capital program for this year is predominantly focused on renewal and most of those projects are focused in our Lower Molonglo Water Quality Control Centre. Approximately 54 per cent of our program this year is focused on renewal. That is by far the largest portion of our programs.

THE CHAIR: Renewal as opposed to maintenance?

Mr Hezkial: The maintenance program is a separate program of work that we typically undertake and of course both of those occur concurrently. When I refer to capex programs, I am talking about renewing the infrastructure as opposed to maintaining it.

THE CHAIR: What is happening at lower Molonglo?

Mr Hezkial: There are a number of large initiatives predominantly focused on improving the capacity of the plant and also on renewing infrastructure that is reaching the end of its service life. You would have to appreciate that most of the plant was built circa 1970s. There are large portions of work, predominantly at the head of the works, designed to regulate the flow into the plant and improve the efficiency of how we use our furnaces. There is also some work in the planning in terms of upgrading our filters. We have secondary clarifiers and tertiary filters that are also part of that programmed work.

There have also been numerous projects in and around the plant to improve the operating efficiency of the plant or to improve safe access and operation for our staff. There are a suite of programs but by far the largest, the lion's share of the program, is focused at lower Molonglo.

THE CHAIR: The Lower Molonglo Water Quality Control Centre is pretty vital, is it? I am not saying it is not; I am just asking the question. Is it fit for purpose and what is its expected life? It was built in the 70s. It is now 40 years old, 45 years old.

Mr Hezkial: It is absolutely fit for purpose. It is a very high performing plant. The quality of treated effluent that it produces is very high. We meet all our licence requirements. On the compliance end of the plant we are performing quite well. What we are really looking forward to now is what we need to do to upgrade the plant to make sure that we have sufficient capacity moving into the future. There are no immediate concerns around the capacity of the plant at all.

Most of the works that we are currently conducting, in addition to being renewal projects, are also factoring in what we have to do to improve the capacity of the plant to accommodate population projections in the ACT. There are not any concerns with the performance of the plant at the moment but of course, given its age, it stands to reason that many of the elements need upgrading. That is what we are doing.

THE CHAIR: It is a process of constant renewal, to some extent?

Mr Hezkial: It is. It is quite a complex plant, but, again, given the age difference, we do not simply focus on replacing like with like. If there are opportunities with improvements in technology or better processes that we can adopt, we are incrementally building those into the plant as well. In effect, what we are doing is extending the longevity of the plant when we are undertaking those upgrades.

THE CHAIR: And do you see some time in the future that that plant will have to be replaced with something else and decommissioned?

Mr Hezkial: Yes. Of course if the population ever got large enough you would probably have to look at options, but the one thing that I would like to point out is that the plant was very well conceived when it was initially designed, in the sense that, in addition to the capacity that we are creating with the existing infrastructure in the plant, there is also available a footprint within the plant to augment the existing filters. We have got space for additional filters. That is a long way off, from our perspective, in terms of our forecast projections, but we are talking decades. Of course you would have to reassess that position.

MR PETTERSSON: In 2016-17 you had 169 water quality complaints. I have a question on that number. Are those individual complaints or is that an incident in an area that makes up that number?

Ms Breden: Those are individual customer complaints. We have a total of 170,000 customers, to put that 169 into context.

MR PETTERSSON: The question I am trying to get to is: was that one incident where you have had everyone on the street call up and complain or was that 169 different incidents across Canberra?

Ms Breden: It is not necessarily just 169 incidents. It could be a lot fewer. As you suggest, there could be multiple customers that are complaining about the same incident, because the code of practice requires us to record any expression of dissatisfaction from a customer as a complaint.

MR PETTERSSON: Is that 169 separate—

Ms Breden: Customers?

MR PETTERSSON: customer phone calls or emails complaining?

Ms Breden: Yes.

THE CHAIR: There could be a subset of those who are complaining about the same issue?

Ms Breden: The same thing. That is correct, yes.

MS CODY: My question might be really obvious. If I am missing it, I apologise. In the graph and text on page 8 of the report we seem to have more water connections than sewer connections. Is that correct?

Ms Breden: That is correct.

MS CODY: Why? I am sure there is a great explanation; I just do not know what that is. Could someone tell me?

Mr Hezkial: The simple answer is that not everyone is connected to the system. There are some people who have off-grid systems such as septic systems, so they might be receiving water from us but they are not necessarily connected to our sewer

system, either by choice or because of where they are geographically.

MS CODY: So we do still have some septic systems in areas where we deliver services?

Mr Hezkial: I understand it is a very small proportion, but yes.

MS CODY: On my reading there are about 500 more water connections than sewer connections. That is a small percentage. Could there be other reasons for that? I am sure there are. What might they be?

Mr Hezkial: I do not have that information to hand but yes, potentially. I am not sure.

Mr Knox: We can take that away.

MS CODY: Do not go to too much trouble. I was just reading that and going, “That seems quite interesting.”

Mr Knox: It is a good question. We will follow through.

MS CODY: Thank you.

THE CHAIR: At the moment, with 277 gigalitres of water in storage, are all the dams at 100 per cent or close to 100 per cent?

Mr Knox: Overall, as at today, we are at approximately 78 per cent on total water storage.

THE CHAIR: If we are at full storage of 277 gigalitres, how many years water supply is that these days?

Mr Sachse: Our customers consume 42 gigalitres in Canberra and we also transport a bulk water supply to Queanbeyan of about four gigalitres per year, so a total of 46 gigalitres per annum is consumed. So there are a number of years of supply without any further rainfall. We would expect further rainfall that would further complement the existing supply we have.

THE CHAIR: It is about six years in supply, if nothing else happens. That 46 gigalitres is down from what? Before the drought it was in the area of—

Mr Sachse: In the 70s and early 80s it was about 70 gigalitres of consumption.

THE CHAIR: That was my recollection.

Mr Sachse: Consumption has reduced by 40 per cent since those days, especially on a per capita basis.

THE CHAIR: That also goes to the question about the capacity of the treatment plant; because you are not consuming as much water, you are not putting as much through the system.

MS CODY: On page 38 you talk about water main breaks per 100 kilometres of water main. We have a target of 20 to 25 and we only had 15. Awesome! That is really cool. I am assuming we set a target because some of the infrastructure we have is old and that is an average number of breaks we have recorded in the past; is that right?

Mr Hezkial: It sounds a bit counterintuitive to have a target for water main breaks, but what we are really trying to do there is forecast, based on asset performance and asset condition, what we think the breakage rate will be. And of course our breakage rate is important to us because we are trying to provide the highest level of service we can. We benchmark ourselves against other utilities in the sector. We use that as a metric to try to improve the level of service we provide to our customers.

THE CHAIR: But our water losses are up, it seems. What are the factors there? When it was Actew they had probably the best performance in the country, and it would seem that it is not as good as it was.

Ms Breden: One aspect of the answer to that question relates to a changeover in our billing system throughout the 2016-17 financial year. Subsequent investigations into that outcome, which looked like real losses were up, revealed that there were some errors in that billing system which meant that our measurements around real losses were not accurate. We are now looking into that. What we believe is that our actual real losses of water have not increased, because we have not had an increase in water bursts and those sorts of things.

THE CHAIR: But there is always general leakage in the system.

Ms Breden: There always is, yes.

THE CHAIR: I will go back to an issue which was touched on during the budget estimates. Since those discussions about the shared services agreement with ActewAGL, have you, Mr Knox, had any further reviews of those agreements between Icon Water and ActewAGL?

Mr Knox: We have put into our internal audit program an audit to be conducted around the governance arrangements on that. We have not had any in particular, other than the ongoing monitoring and governance arrangements that we have at the moment. But we are, as always, looking for further efficiencies in that area. I think it would be fair to say that if we can identify efficiencies that make sense in those areas we will be pursuing them, for sure.

THE CHAIR: If there are efficiencies made by ActewAGL, do they pass those efficiencies on in proportion to Icon Water?

Mr Knox: Broadly speaking, yes.

THE CHAIR: Could you clarify what “broadly speaking” means?

Mr Knox: There is a methodology under which they allocate some of their costs. It is

specific to whether those savings are unique to just the energy business or more broadly across the entire shared services platform.

THE CHAIR: You said that this is going to be subject to internal audit?

Mr Knox: Yes.

THE CHAIR: When will that happen?

Mr Knox: It is on the program and I understand that it is pretty close to being underway. It will go out to panel very shortly.

THE CHAIR: I ask this question a lot. Can you describe to the committee what your internal audit arrangements are for Icon Water: whether you have a program, how you put things on the program and what the internal audit committee looks like?

Ms Breden: Yes, we do have an internal audit program. It operates on an annual basis. We have in-house internal audit capability, which is supplemented by a panel of external providers, depending on the nature of the skills and experience we need to do the internal audit. We develop an annual audit program on the basis of risk. We include in the program audits that relate to key controls, things that we need to audit routinely every three to five years regardless of how we believe they are operating. We also include in that program audits of aspects which we consider to be key risks to our business and also key issues, things that are of concern to the executive or to the board, for example, or to members of the audit committee.

THE CHAIR: Is that audit program published?

Ms Breden: It is not published externally. The program is approved annually by the risk and assurance committee of the board.

THE CHAIR: Who is on the risk and assurance committee of the board?

Ms Breden: There are four members of our board who are on the risk and assurance committee as well.

THE CHAIR: Is that effectively your internal audit oversight committee?

Ms Breden: Yes, that is right.

THE CHAIR: Is anyone external to the board or Icon Water on the internal audit committee?

Ms Breden: Not on the internal audit committee, no. There are two aspects, though, of external oversight. One is that we are subject to the ACT audit office performance audit program. There are sometimes cross-agency audits which include elements of Icon Water, and there are some direct audits of Icon Water.

The second element of external oversight of our internal audit function is that we have an integrated management system which is certified by an external body. There are

three components to our integrated management system: safety, environment and quality. We have a safety management system that is certified to AS 4801, an environmental management system certified to ISO 14001 and a quality management system certified to ISO 9001. We get an external certification body that comes in every year and makes sure that we get a surveillance audit every year and we get recertified every three years. Each of those standards, the two international standards and the Australian standard, have specific requirements for internal audit. Those external auditors are coming to check that our internal audit function is operating as it should be.

THE CHAIR: But the day-to-day management of the internal audit is entirely internal to Icon Water.

Ms Breden: Yes. We have an internal manager who oversees the internal audit function.

THE CHAIR: Could the committee see the current program of internal audit?

Ms Breden: Yes. I will take that on notice

THE CHAIR: Thank you.

Mr Knox: On the internal audit committee, as Jane mentioned, on the risk and assurance committee, we have the external auditor. The ACT Auditor-General is our external auditor who reviews our financial statements. Their contract auditor, who is at the moment PricewaterhouseCoopers, is invited to attend all audit committee meetings as well. They are effectively independent observers of that committee.

THE CHAIR: Could you clarify what the role of PwC is?

Mr Knox: They are the contract auditors to the ACT Auditor-General who undertake the annual financial review on our financial statements. They have always been invited to, and do, participate as an observer in those audit committees. Indeed, the audit committee also has an in-camera session with PricewaterhouseCoopers throughout the year and has discussions pertaining to any concerns they may have as well.

THE CHAIR: How long has PwC been the contract auditor?

Mr Knox: This is the second year.

THE CHAIR: So there is a regular rollover of the contract of the auditor. Who rolls that over? Do you do that or does the Auditor-General do that?

Mr Sachse: The audit office undertakes a tender just prior to the expiry of the existing contract. The previous audit contractor was Deloitte, and that got passed over to PwC from, I think, 1 July 2016.

MS CODY: It is the Auditor-General's office that undertakes that?

Mr Knox: Correct.

MR COE: I would like to go to the shared services agreements. Would you please advise on the proportion that is done between ActewAGL and Icon?

Mr Knox: As I have previously mentioned, Mr Coe, there are quarterly reports that are undertaken and there is a contract control group that meets with various representatives on both sides of the services. They present those reports and they are reviewed accordingly.

MR COE: They are the quarterly reports, but what other reports are undertaken? From what you have said, there are many aspects of the service agreement, so there must be more than just quarterly reports for the various functions of the agreement.

Mr Knox: That is the prominent reporting aspect to the agreements, Mr Coe.

MR COE: There is no further reporting? It is just quarterly reporting?

Mr Knox: Correct.

MR COE: What about sponsorship? What reporting takes place with regard to community engagement and sponsorship?

Mr Knox: Icon Water has its own community support program, and it undertakes that program. Are you referring to the Icon Water community support program?

MR COE: Yes. Does Icon contribute to ActewAGL's community support program as well?

Mr Knox: Yes, it does.

MR COE: What reporting takes place there?

Mr Knox: I would have to take that on notice, Mr Coe.

MS CODY: On the community support program, congratulations. It is a fabulous effort; a lot of money has been donated to the community. Do you have criteria to meet for organisations wanting to participate?

Mr Knox: Yes, we do.

Ms Breden: We do, yes. The criteria are published on our website. They include local benefit, making sure that those that we sponsor provide a benefit to the local ACT community; alignment, whether or not the nature of the event aligns with Icon Water's strategic objectives and our business; and reach, whether or not the activity reaches a reasonable number of participants. There is community interest: we have an obligation under the Territory-owned Corporations Act to respect community interest; we take that into account when assessing applications for sponsorship. The last two include engagement—whether the event provides us with opportunities to engage with our customers and educate customers in the community about the importance of

taking care around our assets in our catchment and with the environment. And finally—probably of lesser benefit but it is a nice bonus for us—is internal benefit: whether or not Icon Water staff can participate in the event or get some benefit from it as well.

MS CODY: Having just participated in an event that you sponsored two weekends ago, I can say that it was very well run and there were lots of complimentary notifications for your continued support of that particular event.

Ms Breden: Was that the Physical Activity Foundation?

MS CODY: It was actually the poker run sponsorship for the Veterans Motorcycle Club. Their ongoing support of veterans in our community is very important to them, and your support for that has been well received and noted by the organisers—and was spoken of quite often during the day.

Mr Knox: Thank you.

THE CHAIR: Could I go back to the shared services agreement. Mr Knox, can you quantify the pass through to customers of the \$27 million shared service agreement?

Mr Knox: The treatment of the expenditure incurred is subject to being in a subset of the pricing submission that goes to the ICRC.

THE CHAIR: Therefore, do you submit your shared services agreement to the ICRC as a demonstration of your costs?

Mr Knox: We have provided the agreements to the ICRC on this. As well, the industry panel reviewed our operating expenditure in the previous period. Prior to the current commissioner, Mr Dimasi, we also provided the agreements.

THE CHAIR: So it is \$27 million and 170,000-odd customers. That is about \$150 or \$160 a year. Is that a reasonable summation of the pass through of the cost to water customers?

Mr Knox: There is a building block approach that is used to determine what the pricing structure is to the customers. That information is provided to the commissioner, then he determines the prudent and efficient nature of expenditure and sets the prices accordingly.

THE CHAIR: Has the commissioner—either the previous commissioner or the current commissioner—commented on the value for money of the shared services contract?

Mr Knox: We have information from the 2012-13 review that was undertaken, and they deemed it as being prudent and efficient at that point in time.

THE CHAIR: Specifically the shared services contract?

Mr Knox: Yes.

MS CODY: Mr Knox, in your opening statement you mentioned drinking water quality. You mentioned that there was a very high percentage of satisfaction. I cannot remember your exact words.

Mr Knox: The highest satisfaction in Australia, Ms Cody. For the last two years, the Water Services Association of Australia has undertaken a national survey across all of Australia. From the 2016 results, we are deemed to have the best water quality or the most satisfied customers in Australia. The 2017 report is currently under review; it should be out shortly.

MS CODY: What sets us apart? Do we do something different?

THE CHAIR: Good catchments.

Mr Knox: And good treatment too, chair.

THE CHAIR: But mainly good catchments, so you have to do less treatment.

Mr Knox: It is a significant contributor, but yes. What also supports that from our utility's technical requirements is our annual drinking report that demonstrates that all of the tests that we undertake and the high level of water quality are also supporting that healthy catchment area.

MS CODY: Obviously our aim is to continue to maintain that record.

Mr Knox: Absolutely.

MS CODY: So we do a lot of testing and maintain those sorts of things.

Mr Knox: A substantial amount of testing is undertaken every year—probably 1,500 samples, that order of magnitude.

THE CHAIR: Can I ask about your IT services. Do you have a separate IT services agreement or is that covered by the agreement with ActewAGL?

Mr Knox: We receive technology services from ActewAGL which are predominantly what we would describe as ICT services, information and communication technology. Phone services and the like are operational technology that is largely provided in house but does have crossover to ActewAGL as well.

THE CHAIR: What do you mean by “operational”?

Mr Knox: Operational technology systems are those that directly support the day-to-day operations of the business more from the perspective of plant operations, identification of the location of our assets and the work that we undertake on a daily basis. When we send people out to do work, all of that is driven by systems that contribute to that.

THE CHAIR: What about the development of a new digital strategy, which is

referred to on page 30 of the annual report? Is that being done in house or is that being done under the shared services agreement?

Mr Knox: There is a combination of perceptions about a digital strategy. The majority of that digital work at the moment would be orientated around our billing system, which is provided by ActewAGL. We are at a point in time, with our technology platform work more broadly, where we are coming to some very aged technology investments. We are a long way from being more sophisticated in that area, if I could say that.

THE CHAIR: On the subject of billing and rolling out new technology, could you provide an update on the water meter program? There have been a number of complaints in relation to the water metering program and the estimated readings et cetera. Could you give us an update on the water metering program?

Mr Knox: Certainly. Can I just clarify the question? There is a replacement program whereby we replace water meters throughout. Is that what you are referring to?

THE CHAIR: Yes, but also there is supposedly a rollout of smart metering as well. Is that not the case?

Mr Knox: If I can answer the second part, which is about the smart meters, I will refer to Ray for the first part. With regard to the smart meters, Icon Water at this stage has not made any decision to invest in or roll out smart meters across the ACT. It is involved in a very small pilot in Denman Prospect with regard to smart meters, but it is a small pilot at this point in time.

THE CHAIR: How small is small?

Mr Knox: I could not give you the exact numbers, but we are talking up to 400.

THE CHAIR: So a couple of district-type areas in Denman Prospect?

Mr Knox: Yes. At this stage the work we have done around smart meters suggests that it is uneconomic for us to pursue those. Many other water businesses have undertaken them, but they have been in areas where leak detection has been incredibly important—that is, high water leakage. Water security is another driver for that. The overall cost of adopting smart meters at this point and the drivers that we would be interested in, and indeed the work that we have done with our community at this point in time, have not supported the adoption of smart meters. We are doing a very small pilot with Denman Prospect, more on a learning basis, just to see what that yields. I do not have any doubt that into the future people will want some form of digitised meter reading and consumption, but it is still a fair way away at this point.

THE CHAIR: It is a fair way away before they get it, even if they want it?

Mr Knox: The issue is cost and passing that cost through. At this point in time we are not in a position where the community want to pay for that. That is the work that we have researched.

THE CHAIR: With the water meter replacement program, that is standard water meters?

Mr Knox: It is traditional water meters.

Mr Hezkial: Within this regulatory period we anticipate replacing up to 30,000 water meters. That is a combination of meters that have failed and we have to replace them and meters that are scheduled for replacement. In the 2016-17 financial year, we replaced in the order of 6,500 domestic meters. Typically, it is those meters that meet our requirement that either need to be replaced based on the age of the meter—typically that is in the order of about 18 years—or have reached a total volume of 5,000 kilolitres in terms of what has ticked over on the meter. There is a combination of reacting to ones that have failed and also proactively replacing ones that are reaching the end of their useful life.

THE CHAIR: If that is the case, would you do a whole part of a suburb? Would you say that a part of a suburb was built 20 years ago, so on average most of those houses would have clicked over the 5,000 kilolitres? Would you do them all at once rather than come back in two or three years to replace the ones that you missed?

Mr Hezkial: Typically, given the age of suburbs and when they were established, you do find that there are cohorts of meters that need to be replaced in a particular area. But what you find also is that since those original homes were built they may have been upgraded or rebuilt, so you might not necessarily need to hit every single house. We also like to validate against our criteria by doing some infill testing to make sure that we are not unnecessarily replacing meters that do not need to be replaced.

MR COE: What percentage of your meter readings are actuals as opposed to estimates?

Mr Knox: I am fairly confident that we have been asked that before. I do not have the information, but it is quite a high number. I will take it on notice.

MR COE: We have, I think, passed on each of them, but we have had a bit of a spate of people complaining about false meter reads, inaccurate estimations or just concerns that there could be a leak. Have you seen a spike in complaints?

Mr Knox: We had a specific issue with regard to our large water users when we were replacing our 150 millimetre water meter: what we procured was not exactly the same as the previous meter that we installed, and that resulted in some issues with regard to our large water users.

MR COE: I am talking about residential here.

Mr Knox: No. As far as I am aware, we have not had an incredibly large turn of indicators on the meter reading.

MS CODY: Can you affirm that there is still the ability to pay water in increments; it does not have to be a lump sum payment?

Mr Knox: Correct.

Mr Sachse: Yes. There are a variety of different payment methods that the customer has options for. They can pay quarterly as per the bill. We offer an easy pay option where they can just pay it in ongoing instalments and that gets reconciled every year to what they actually use.

MR COE: What penalties are in the service agreement for incorrect meter readings?

Ms Breden: ActewAGL has a contract with an external provider who does the meter reads. They do all three meters at once: water, electricity and gas. There was a new contract established earlier this year which includes the new KPIs and an at-risk amount, which is five per cent. There are KPIs that are weighted; depending on whether or not they meet those KPIs, that at-risk component, they get either all of it or none of that five per cent component of the bill.

MR COE: Sure, but that is with the subcontractor. Your contractor is ActewAGL. What penalties are in place with ActewAGL for incorrect meter readings?

Mr Knox: I will take it on notice.

MR COE: Thank you. Can you also take on notice whether penalties have been applied? I am asking about not just what penalties are stipulated in the contract but also what actual penalties have been charged. Just to conclude this section on water meters, there have been no spikes or noticeable differences in the number of complaints or concerns about the accuracy of residential water meters?

Mr Knox: We will double-check it, Mr Coe. We will go away and have a look at it. We were aware of the fact that we had a problem, as I mentioned, with the large 150-millimetre customers, but we will go back and just double-check on the residential side of it.

MR COE: What is an example of a 150-millimetre customer?

Mr Knox: Customers that use a certain volume. Probably the top 10, 15 or 20 customers in water users, so very large organisations, universities and the like.

MR COE: In terms of the problems there, how did those problems manifest?

Mr Knox: They had an existing meter, and we replaced it. When we procured that meter, the configuration of what was actually on it was different to the one before. As we went out and read the meters, it was actually a times ten issue. When that was converted to the billing system, we ended up over-billing the customers. As soon as we identified it, we went out and actually met with all the customers individually, had a look at the issue, corrected the bills and made the adjustment that we needed to on the configuration of how the meter is read and then passed it through into the billing information.

Mr Sachse: In our annual report as well there is some information about our customer satisfaction. It does refer to billing and account complaints, and the results are within

our target from that perspective. There were 0.4 complaints per 1,000 properties; that is well within our target range of between 0.1 and 1.5.

MR COE: I note the time. Would you be able to take on notice a request to provide an update on where things are at with regard to your developer charging policy—what you requested and the status of that?

Mr Knox: Yes.

THE CHAIR: I just have one very quick question before we go to the Chief Minister. Has the Murrumbidgee to Googong transfer system been fired up in anger since we last met?

Mr Knox: It has been through regular operations to make sure that it runs, but it has not been used for operational purposes.

MR COE: It has not been mothballed as yet?

Mr Knox: We are considering the future requirements of the Murrumbidgee to Googong pipeline as a subset of the broader water security project, and we are looking into that for the 2018 calendar year.

THE CHAIR: Chief Minister.

Mr Barr: This relates to the previous state of the service report hearings. I have been handed a note to answer the question on the reason for the drop in the proportion of trainees and apprentices between June 2016 and June 2017. It is due to the reduction in the number of correctional trainees. There were 27 of them in 2015-16 and none in 2016-17. I am advised that this is due to the intake of the apprenticeships not being periodic. That is, it is not necessarily every 12 months. I will table for the committee's benefit the number of apprentices in the different categories.

THE CHAIR: Thank you, Chief Minister, and I thank officials from Icon Water. There will be a transcript available in three or four working days and possibly questions on notice within five days after that. You are asked to answer within five days.

Appearances:

ACT Ombudsman and Commonwealth Ombudsman

Manthorpe, Mr Michael, ACT Ombudsman

Gibb, Ms Doris, Senior Assistant Ombudsman

Welton, Ms Erica, Director, National Assurance and Audit, Integrity Branch

THE CHAIR: Mr Manthorpe, this is your first appearance at the Legislative Assembly?

Mr Manthorpe: Yes it is.

THE CHAIR: I welcome the Ombudsman and his officers to the table. Just for the committee's information, are you familiar with the pink privilege statement which is there, laminated? Mr Manthorpe, would you like to make a brief opening statement?

Mr Manthorpe: Yes, just a brief statement. Thank you for the opportunity to appear before you today. I will make a brief opening statement to the committee.

I was appointed Commonwealth Ombudsman in May this year. As the committee would be aware, the Commonwealth Ombudsman acts as the ACT Ombudsman under the services agreement with the ACT government. The ACT community is able therefore to complain to my office about both commonwealth and ACT government issues.

This is my first appearance before the public accounts committee and can I say I am delighted to be here and I hope that I can be of help to the Assembly not just today but over the course of my tenure. I have lived in Canberra for many years, been a ratepayer for many years and now as Ombudsman I am increasingly aware of the broad scope of ACT government services and the importance of those to the Canberra community.

It has been no surprise to you but I think the ACT, being a comparatively small and compact jurisdiction, presents particular opportunities and challenges in public administration. My impression overall is that ACT agencies try to be innovative but sometimes this is complicated by lack of scale. Overall I think they do pretty well but it is hard sometimes in a small jurisdiction.

In addition to taking complaints and undertaking investigations about ACT government agencies and ACT Policing, my office also fulfils specific oversight functions in the ACT. My office inspects the professional standards records of the AFP once a year. We also monitor ACT Policing's compliance with legislation governing the use of covert powers in ACT Policing's management of the ACT child sex offenders register. During 2016-17 we also worked hard to establish our new functions under the reportable conduct scheme which commenced on 1 July, an employment-based child protection scheme, and we have been overseeing investigations of entities covered by that scheme since 1 July this year.

We also started preparing for our new functions under the Freedom of Information

Act 2016 which will commence on 1 January 2018. We are getting ourselves ready for that and my office will review decisions, grant extensions of time for agencies to consider applications, draft guidelines, and report on the operation of the act going forward. In the interest of time that is all I want to say by way of introduction and we would welcome any questions.

THE CHAIR: Before I go to the reportable conduct scheme can I ask a routine question. Did you swear your oath of office to the Speaker? Have you had that opportunity as yet?

Mr Manthorpe: I have not had the opportunity to do that as yet.

THE CHAIR: I guess we should make that a recommendation.

Mr Manthorpe: I would welcome the opportunity to do that were it presented to me. I attended the swearing in of the Electoral Commissioner the other day and it occurred to me that I have not yet had that same opportunity.

THE CHAIR: I want to ask you about the reportable conduct scheme. The legislation was passed and I need to own up to some prior knowledge of this because when I was the Speaker I was briefed by the audit office on the reportable conduct scheme. There were some concerns raised about the financing of the scheme. Just generally how prepared are you in relation to the implementation of the scheme and is it too soon to tell whether the funding is at the appropriate level?

Mr Manthorpe: I might start with the funding question first. The original funding for our office to conduct the scheme was a sum of \$282,000 for 2017-18 which, when you take into account all the overheads and corporate overheads and what have you, accounted for really just a couple of staff to work exclusively on the scheme. We came back to government shortly after the scheme commenced and sought additional funding and an additional amount has been made available of a further \$615,000 for this financial year. We are satisfied that that is an adequate amount of funding for our activities under the scheme.

THE CHAIR: About three times more than you had?

Mr Manthorpe: Yes. We have got a total of about \$800,000 for this financial year.

THE CHAIR: And you think that that is pretty much on the mark?

Mr Manthorpe: At this stage. Of course the scheme is still in its early stages and perhaps that is a way to segue into the first part of your question. The nature of the scheme is such that it is very hard to know in advance how many reports you are going to get, what they are going to be about, how much effort you are going to need to spend ensuring that those reports are adequately followed up, how much effort you are going to have to put into things like engaging with all the relevant agencies to ensure that they are in fact reporting to you and so on and so forth, educative activities and so on.

With that, it is a little uncertain about how much you will need. So far, however, we

have had roughly the number of reports that we, on a pro rata basis, thought we might get. We have had 39 reports to this point. They come from a variety of employers who fall within the jurisdiction of the scheme and we are working with the agencies to ensure that they are managing those reports appropriately.

THE CHAIR: And there is consultation, I believe, beginning soon to extend the scheme because the scheme was not fully rolled out to all sectors. Do you have a view about what is needed in that space?

Mr Manthorpe: I do not have a policy view about whether or not the scheme should be extended. That really is a matter for the Assembly and the government of the day in the Assembly to contemplate. What I would say is that if the scheme is broadened—and the public discussion is around whether the scheme will be broadened to encompass the major churches as well as schools and childcare centres and all of that—there will be a need to make sure that that happens at a speed that is manageable. It is potentially quite a large broadening of the scheme and could give rise to a considerable number of additional reports. Some of those could be very sensitive. We, and I suspect other players in the space, will need to do a lot of work to prepare for the successful implementation of the scheme if it is broadened in that way.

THE CHAIR: Can you outline for the committee how you undertook to inform and prepare service providers for the initial rollout of the scheme?

Mr Manthorpe: I will start. Because I only started in May I do not have a perfect knowledge of what went on beforehand. I might ask Ms Gibb to help me with this. We certainly engage with all the entities that were covered by the scheme or sought to by way of awareness-raising, networking activities. Ms Gibb, do you want to add to that?

Ms Gibb: In the rollout of the scheme, we put on information sessions for entities. We had over 700 participants in those presentations. We still do present monthly to entities about the scheme and how they participate. We also have a website with extensive materials and guidance on how to report, what to report, how to engage with us. We have a dedicated line, and staff answer inquiries. We have actually had more inquiries than we have had reports; people ring us on how they report and whether something that has come to their attention is reportable conduct. We do that. We are also working very closely with the Chief Minister's office and other directorates as they roll out their policies and start reporting to us. It is multilateral, if you like.

THE CHAIR: How many staff do you have for the reportable conduct scheme?

Ms Gibb: Currently for the reportable conduct scheme we have two but we are moving to four by the end of the year now that we have been given additional funding. That does not include my time or the Ombudsman's time on the reportable conduct. That is purely staff that will be dedicated to the scheme.

THE CHAIR: Those staff are just staff for the reportable conduct scheme?

Ms Gibb: Yes.

MR PETTERSSON: I have some questions about controlled operations and surveillance devices. First, on controlled operations, in your inspections of the records there were identified errors in the general register. Could you expand on that?

Ms Welton: These were things that we considered were more administrative errors. Some information is held by ACT Policing but they are required to have the general register. It is like a duplication of some of the information that is already in the primary records. There are some errors that are easily identifiable when you go through an audit against the original records, things like there might have been typographical errors or spelling mistakes, very minor administrative-type errors.

THE CHAIR: But in your report you highlight that there were four instances of non-compliance where the warrants were issued by a judge who was not appointed to the ACT Supreme Court. That is more than a—

Ms Welton: That was in the previous report.

THE CHAIR: That is 2015-16, yes.

Mr Manthorpe: I do not recall that being—

THE CHAIR: That is right, because there are no warrants this year.

Mr Manthorpe: Yes.

THE CHAIR: Do you oversee every individual warrant as it is issued or do you audit them?

Ms Welton: We look at them after the fact. They are issued by a judge or a magistrate and then we look at warrants that have expired, not live operations. There usually is some delay between the activity and when we will come in and review the records.

THE CHAIR: You do not audit at a particular point in time? All the warrants that are currently in existence, you look at them after the fact?

Ms Welton: Yes, we do them on six monthly rounds of anything that has expired in that six-month period.

MR PETTERSSON: Why do you do it every six months? What I have in front of me says you have to do it at least once every 12 months. Is there a reason you do it more often than it is required?

Mr Manthorpe: We do if we can. It is not unique to the ACT. We pursue a similar strategy with respect to the various commonwealth law enforcement entities we monitor. We seek to monitor really to the extent that our resources allow. Given that we are doing it retrospectively, if you monitor only once a year, if something happens earlier in the year that is problematic, by the time you monitor and report and there is opportunity to report to the parliament or the Assembly, a fair bit of time has gone by. So if we can maintain a routine of doing it more often, I think that is a good thing from the point of view of providing assurance. Whether we can maintain better than

the legislative minimum depends a bit on how resourcing travels.

MR PETTERSSON: The second part of my question was about surveillance devices. Can you tell me more about this New South Wales incident?

Mr Manthorpe: Essentially, as I understand it, what happened was that the ACT police sought and obtained from an appropriate judge or other person in the ACT a warrant to use a surveillance device with respect to a particular investigation into a criminal activity. They used it for three days in New South Wales, and then realised, “Ah, there is a problem here.”

THE CHAIR: Oops.

Mr Manthorpe: Yes, oops. The ACT jurisdiction did not extend to New South Wales; such are the quirks of our federation. Importantly, they self-disclosed, which we think is a really important thing for law enforcement agencies to do with us. We give them a lot of credit for that. I give them credit for doing that now. They not only did that but also sought to rectify the issue quickly. They also, therefore, highlighted an issue that actually needed a systemic response. That systemic response, as I understand it, has been put in place in the form of legislative amendments in New South Wales, and also, as a matter of fact, in the Northern Territory, such that if the same thing happens again it will not be a breach. A warrant will be applicable or have validity outside the borders of the ACT and into New South Wales in the future.

MR PETTERSSON: Excuse my ignorance on this one; this is new to me. ACT police installed a surveillance device in New South Wales, or there was a surveillance device in the ACT that got taken across the border into New South Wales?

Mr Manthorpe: I am envisaging that the surveillance device itself may have been in the ACT or—

Ms Welton: The act does not permit us to talk about anything that is of an operational nature. We avoid talking about things like that and just focus on compliance. The compliance issue was that New South Wales did not recognise the ACT legislation and that therefore it was not a legitimate use of the device outside the ACT.

Mr Manthorpe: To get at your question of how this physically happened, perhaps the best thing for us to do is take on notice whether there is anything more we can say. But we do have to be careful about disclosing operational—

MR PETTERSSON: I completely understand. Thank you.

MR COE: Getting back to the reportable conduct scheme, are you able to provide any insight as to the 39 reports in terms of either industry or sector?

Mr Manthorpe: It is very important, I think, to emphasise that they are reports of alleged conduct. One has to be careful not to jump to a conclusion that 39 terrible things have occurred. About a third of those have been reported with respect to schooling; about a third with respect to out of home care settings, foster and

residential care; about 20 per cent in childcare; and about 10 per cent in directorates. The employees of ACT directorates are covered by the scheme, and there have been a small number of reports from there.

MR COE: Are those 39 absolutely every single time someone is caught up with a report, even if it is bogus, or has that been filtered out?

Mr Manthorpe: It is the reports that come to us in, as it were, a raw form. A report that comes to us will be counted. In most instances, we will expect the agency that reported it to us or the employer that reported it to us to then undertake some form of investigation or some sort of formal assessment to determine whether the report stacks up. One can imagine that, over time, some of the reports will turn out to be unsubstantiated or wrong but others will not.

MR COE: Are you able to say how many of the 39 have been dismissed fairly quickly?

Mr Manthorpe: So far three have been deemed not to be reportable conduct, that is, not at the threshold the legislation sets. Another 11 have been closed; that is to say we have reached the view that the investigation activity that was done and the follow-up activity that was done by the relevant entity was satisfactory to deal with the matter.

MR COE: But there are 25 that are more substantial?

Mr Manthorpe: They are still current. We have not got to the end point. You will appreciate that it is a new scheme. It has been in place for only four months. Most of the cases will take a certain amount of time for an employer to investigate and get to the bottom of, so it will take a little time to get a picture of what the ratios are. This early, you have got to be careful about how much you read into these tiny numbers. It is like election night, you know.

MR COE: An electorate with 28 people.

Mr Manthorpe: That is right.

THE CHAIR: You are sounding like Antony Green.

MR COE: One family is out of town and suddenly there is an eight per cent swing; that is right. It is early days, but in the first few months has it gone according to plan? Are there issues with regard to the resourcing of your office, interactions with the agencies or employers, or even the legislation?

Mr Manthorpe: At this stage I would say it has gone to plan. The number of reports, as I mentioned a few minutes ago, is roughly in proportion to what was estimated before. That is the first point.

Clearly the fact that we are getting reports from quite a number of different employers and in all those different sectors says that all the awareness-raising activity we did and the alertness and professionalism of the entities concerned are delivering reporting. In some ways the fact that there are reports is a good thing. It is of course never a good

thing if a child is harmed, but it is a good thing if people are reporting instances that come to their attention. That is about as far as I want to take it at this point. The resourcing issue has, I think, been adequately dealt with for the time being in the context of the additional money that was given that I mentioned earlier.

What we need to do now is see what those reports are generating, engage in an ongoing way with all the entities that are covered by the scheme and make sure that they are all participating effectively. At this stage the position is a reasonably good one.

THE CHAIR: I want to ask about the new FOI laws. What quality of work has been done to develop guidelines and frameworks to implement your new functions? Will you be providing training to ACT directorates prior to the commencement of the legislation?

Mr Manthorpe: There is certainly work going on to get ready for the new scheme.

THE CHAIR: You have got some stuff on the website.

Mr Manthorpe: I must admit that I have not looked at our website to check but I am sure there is. We have staff who are working away at developing the processes and the procedures to put in place the new arrangements. We will be developing guidelines and refining guidelines in the context of the actual operation of the scheme once it is up and running. But, in the meantime, by way of shaping our thinking about how we are going to operate, we are using templates that exist for similar purposes in other jurisdictions: New South Wales, the commonwealth and so forth. We will be ready to go on 1 January and we will see where we go from there.

THE CHAIR: Last year Mr Glenn said he anticipated that the scheme would require extra staff. You have touched on staff working on this. How many additional staff are there? Are they just dedicated to FOI?

Mr Manthorpe: At the moment we have three or four people working specifically on the FOI piece. We anticipate that that will grow as we roll out the full scheme. Resourcing has been provided. If you like, I can get the dollars which are here.

THE CHAIR: It is close to \$1 million in the first year and a bit less—

Mr Manthorpe: That is right. It is \$950,000 in 2017-18. We will be ramping up further from here. Whether that is in the form of staffing or some form of contractors or what, I am not quite sure, because we are constrained as to the average staffing level we can have, but we are working our way through that.

THE CHAIR: Do you want to explain how you are constrained as to the number of staff?

Mr Manthorpe: As a commonwealth agency, we are constrained as to how many staff we can have by what is called the average staffing level cap in the commonwealth.

THE CHAIR: Even though you are providing services outside the commonwealth?

Mr Manthorpe: That is right. That is an issue I have to manage. I have to work out the extent to which I use contractors or other forms of help to get the work done in the ACT, in the commonwealth and elsewhere.

THE CHAIR: I presume that there is a high figure in the first year and it cuts back. That is presumably to account for the costs associated with the initial rollout.

Mr Manthorpe: Yes there are certainly costs associated with the initial rollout, the educative activity and so on that you mentioned. Then I envisage that as we come up to each budget round we will be informed by data about how many reviews we actually have to do and how resource intensive it actually is, and we will be in a discussion with our colleagues in the agencies in the ACT about how much we need to do that. But, yes, I think your characterisation is fair.

THE CHAIR: Do you think that at the moment the resources you have are sufficient to manage the rollout of the new FOI laws?

Mr Manthorpe: Yes I do.

THE CHAIR: Across ACT government agencies is there a pattern of compliance issues that you keep coming up against? Do all agencies have similar faults, or are they special?

Mr Manthorpe: Our work is essentially driven by complaints. We have a bunch of different things we do but it all comes essentially of the base of a complaint workload. The pattern you see is that the agencies that deal one on one with individuals in the public the most are the agencies that generate the most complaints. Then within each of those agencies there are categories of issues that keep coming up which are more to do with the subject matter of those agencies than they are to do with whether the agencies are good or bad or anything like that.

There are complaints about housing around various housing disputes between tenants or between people and the directorate. There are complaints about a familiar array of themes in the AMC. There are complaints like, “The police did not come and help me quickly enough or did not do enough about my complaint or my issue.” These are things that come up in policing, in prisons, in service delivery. We seek to work with the relevant agencies to ensure that their procedures, their policies and their approach are as good as they can be to deal with those issues.

THE CHAIR: Chief Minister’s is the frequent flyer but you actually did not investigate many of the complaints in Chief Minister’s. Why is that?

Mr Manthorpe: The first thing is that a lot of those complaints are grouped in the annual report against Access Canberra, and Access Canberra is in a way an umbrella for a lot of things. So complaints might not be specifically about the Chief Minister’s department; they might be about—

THE CHAIR: No, there are 128 against Chief Minister’s and 64 against Access

Canberra.

Mr Manthorpe: Yes but there are four under there: Access Canberra, Chief Minister's, ACT Revenue and University of Canberra. That is the breakdown of the things that fit within that broader directorate.

THE CHAIR: I am reading it online. Maybe there is a formatting error so that it looks—okay, I see.

Mr Manthorpe: Half of the ones about that broad directorate pertain to Access Canberra. They can be about a whole variety of face-to-face service delivery issues.

THE CHAIR: For instance, with the revenue office you looked at only one of those, so presumably the complaints about revenue issues are dealt with through other mechanisms.

Mr Manthorpe: There is a bunch of reasons why an ombudsman does not investigate certain things. For one thing, we cannot investigate everything. We just do not have the resourcing or the capacity. More to the point, if you have a complaint about the ACT Revenue Office, the first thing we will say to you is, "Hey, have you taken this up with the ACT Revenue Office?" Some people will not have, so we will simply refer them back to the revenue office, saying, "Look, go and take it up with this person. If you have got a problem you can come back to us." That does in fact resolve a bunch of things. Similarly, sometimes we can provide a simple explanation of what it is that the person has experienced, based on our knowledge of whatever the issue might be. If you can do those things, in many cases you can get to a place where the complainant is basically satisfied that the matter has been clarified and so on, without needing to go through a deeper investigation. That is essentially the rationale.

THE CHAIR: Thank you, Mr Manthorpe and staff. You will receive a transcript in four or five days time. Members will also have an opportunity to raise any extra questions on notice, which will be another four or five days, and then you will have five working days to answer those. Thank you very much for your attendance this afternoon.

The committee adjourned at 5.01 pm.