

2016

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

**QUARTERLY REPORT: UPDATE ON THE ACT GOVERNMENT'S RESPONSE TO
THE LOOSE FILL ASBESTOS INSULATION ERADICATION SCHEME**

1 APRIL 2016 – 30 JUNE 2016

**Presented by
Mr Mick Gentleman MLA
Minister for Workplace Safety and Industrial Relations**

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1. Overview

This is the seventh in a series of regular reports to the Legislative Assembly on the implementation of the ACT Government's Loose Fill Asbestos Insulation Eradication Scheme (the Scheme) by the Asbestos Response Taskforce (the Taskforce). Quarterly reporting to the Legislative Assembly was instituted in 2014 in recognition of the unprecedented nature, scale and complexity of the issues the Scheme addresses, as well as the relative speed with which it was designed and announced, and continues to be implemented. These reports have evolved from Ministerial Statements to the Assembly to become documents that are intended to assist the Legislative Assembly, Canberrans and other interested parties in understanding and monitoring the work of the Taskforce. As such, they focus on activities, issues and achievements in the reporting period and stand as a supplement to the more formal reporting on annual and longer-term targets, and achievement of outcomes, embodied in the ACT Budget Papers and Annual Reports.

This report describes the activities of the Taskforce in the three months to the end of June 2016 – a period during which the Taskforce marked the second anniversary of its formation on 25 June 2014 to deliver emergency assistance and advise on an enduring solution to the continuing contamination of 1,022 Canberra houses with loose fill asbestos insulation. Ultimately, that advice – contained in the Taskforce's report *Long Term Management of Loose Fill Asbestos Insulation in Canberra Homes*¹ – underpinned the Scheme as it was announced on 28 October 2014.

Implementation of the Scheme June Quarter 2016 saw:

- finalisation of the Auditor-General's Performance Audit – the first of three planned for the Scheme – of *The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme*²
- commencement of the First Right of Refusal (FROR) sale process, and the public sale of remediated blocks
- completion of 11 sales of remediated blocks (2 FROR and 9 public sale)
- an increase in the level of safe demolition activity for affected houses (which ultimately saw the target of 200 demolitions for 2016 achieved by 19 July 2016)
- planning undertaken for the release of the third public indicative demolition schedule (which occurred on 29 July 2016)
- removal of 80 remediated blocks from the Affected Residential Premises Register (the Register) (including the 100th such deregistration on 10 May 2016)
- publication and investigation of allegations of misconduct by contractors engaged by the Taskforce, and
- the first return of land sales proceeds of \$4,299,059 to the Territory Banking Account on 24 June 2016.

¹ http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0009/675189/Longterm-management-review.pdf

² ACT Auditor-General (2016) *The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (Report No.4 of 2016)*
[http://www.audit.act.gov.au/auditreports/reports2016/Report%20No%204%20of%202016%20The%20management%20of%20the%20financial%20arrangements%20for%20the%20delivery%20of%20the%20Loose-fill%20Asbestos%20\(Mr%20Fluffy\)%20Insulation%20Eradication%20Scheme.pdf](http://www.audit.act.gov.au/auditreports/reports2016/Report%20No%204%20of%202016%20The%20management%20of%20the%20financial%20arrangements%20for%20the%20delivery%20of%20the%20Loose-fill%20Asbestos%20(Mr%20Fluffy)%20Insulation%20Eradication%20Scheme.pdf)

During the reporting period the Taskforce continued to engage with owners and former owners of affected and impacted properties, particularly focusing on the details of, and process for accepting, FROR offers. There was an increase in house acquisition activity under the Voluntary Buyback Program around 30 June 2016, in part reflecting the expiry of the exemption from the need to comply with Asbestos Management Plan arrangements for occupied houses acquired by the Government by that date.

The Taskforce continued its established program of community outreach and engagement with neighbours about the demolition of affected houses encompassing targeted letters to residents of neighbouring properties, door knocking in cluster areas, drop-in sessions, through the Taskforce's website and social media channels, and through its call centre.

The 2016-17 Budget papers, released by the Treasurer Mr Andrew Barr MLA on 7 June 2016, provided a detailed update on the total and net costs of implementing the Scheme³. Budget Paper 3, which contained an appendix focused on the work of the Taskforce⁴, reported the Scheme's net cash cost (excluding the interest costs on the Commonwealth loan) has improved slightly to \$366 million. The Taskforce appeared with the Minister for Workplace Safety and Industrial Relations, Mr Mick Gentleman MLA, before the Legislative Assembly's Select Committee on Estimates 2016-17 on 30 June 2016⁵.

Data in this report is presented as at 30 June 2016, but as at 4 August 2016:

- the owners of 998 affected houses (including 12 assisted private demolitions and five Housing ACT properties) had agreed to participate in the Scheme
- the owners of all 11 Eligible Impacted Properties had agreed to participate in the Scheme
- 888 affected houses and six impacted houses had been acquired by the Government
- 291 affected properties had been demolished (276 by the Taskforce, 11 through assisted private demolition and four privately), and
- 187 properties had been removed from the Register and were ready for reoccupation and rebuilding.

In the period between the commencement of the sale process for remediated blocks in April 2016 and 1 August 2016:

- 183 FROR were sent
- 59 blocks were offered for public sale
- contracts were exchanged on 44 remediated blocks (three FROR and 41 public sale), and
- sales processes were completed on 21 blocks (two FROR and 19 public sale).

³ http://apps.treasury.act.gov.au/_data/assets/pdf_file/0003/870933/Budget-Paper-3-complete.pdf

⁴ http://apps.treasury.act.gov.au/_data/assets/pdf_file/0008/870902/Appendices.pdf (pp.341-347)

⁵ <http://www.hansard.act.gov.au/hansard/2013/comms/estimates46b.pdf> (from p.1108).

Implementing the Scheme – Taskforce Governance Arrangements

The Taskforce is a division of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) in the ACT Public Service and the Taskforce Head reports directly to the minister responsible for the Scheme, Mr Mick Gentleman MLA. The Taskforce comprises officers drawn from across the ACT Public Service. Aspects of the Scheme are delivered by ACT Property Group (part of CMTEDD) and Procurement and Capital Works (also part of CMTEDD). In delivering the Scheme, the Taskforce works collaboratively with ACT NOWaste, the Land Development Agency and – respecting the independence of regulators – with WorkSafe ACT and the Environment Protection Authority.

From its inception until early 2015 the Taskforce operated under the existing CMTEDD governance frameworks. Taskforce and Scheme-specific arrangements were settled by the Chief Minister in early 2015, and it was those arrangements that were the subject of the recent performance audit referred to above⁶. In that report, released on 27 May 2016, the Auditor-General concludes that the planning for and management of the financial arrangements for the implementation of the Scheme has been effective, and the Taskforce's approach to governance and risk management reflects better practice⁷.

Under the Taskforce's governance framework, the Scheme is divided into four phases:

- Assistance
- Buyback
- Demolition, and
- Sales.

Progress and activity in the June Quarter 2016 is reported sequentially against each phase in the sections that follow.

After the Sales Phase section, whole of Scheme progress, activity, and achievements are canvassed in relation to communications, financial implications, and governance.

⁶ ACT Auditor-General (2016) – see Chapter 3

⁷ ACT Auditor-General (2016) p.1

2. Assistance Phase

The successful implementation of the Scheme cannot simply be measured by the numbers progressing through the Voluntary Buyback and Demolition Programs, or the tracking of expenditure within expected budget. At the heart of the Government's response to the health, social, practical and financial consequences of the continuing contamination of 1,022 Canberra houses with loose fill asbestos insulation are people - owners, residents, tradespeople, and visitors.

As outlined in previous quarterly reports, the Taskforce's Personal Support Team (PST) has provided personalised advice, support, advocacy and connections to community groups to affected homeowners and residents of affected houses since the commencement of the Taskforce in evolving forms to meet the changing needs and desires of the client base. Constant evaluation and considerations of opportunities to improve has been a feature of PST activity, and has extended to conducting surveys of affected homeowners to better gauge their information and other needs, as well as build demographic and other data to share with community groups and service providers.

While the work of PST cannot be measured by numbers alone, there are some key statistics that help quantify the support being provided. The Taskforce's client relationship management (CRM) database tracks interactions with homeowners and the broader community and provides a good indicator of the quantum of support being provided.

Table 1 – Client Relationship Management System Interactions

	As at 31 March 2016	As at 30 June 2016	Interactions in Quarter
CRM Interactions	34,340	38,049	3,709

Additionally, the tracking of financial payments made as part of the Scheme gives a good measure of the impact of the support being provided.

Table 2 - Relocation Grants and Stamp Duty Concessions

	As at 31 March 2016		As at 30 June 2016		Paid in Quarter	
	Number	Value	Number	Value	Number	Value
Relocation Assistance Grants	888	\$10.42 m	924	\$10.81 m	36	\$0.4 m
Stamp Duty Concessions	560	\$13.38 m	587	\$13.98 m	27	\$0.6 m

The number of Relocation Assistance Grants (which are paid as affected homeowners vacate an affected or impacted property) is reducing in line with the number of settlements reflecting the drawing to a close of the Voluntary Buyback Program.

Under the Scheme, affected owners who participate in the Voluntary Buyback Program receive a Stamp Duty Concession to the value of the stamp duty that would be payable on the buyback price of their affected house, which can be applied to offset, completely or in part, stamp duty payable when they purchase a new residential property in the ACT. This support does not need to be used immediately and can be held for a future purchase (including on the FROR acquisition of their remediated block). Use of the stamp duty concession provides a good indication of how many affected owners are purchasing new dwellings. Similar to the Relocation Assistance Grants, the number of Stamp Duty Concessions being paid each quarter is diminishing as affected homeowners move through the Scheme.

Land Rent

Former owners exercising their FROR option on a remediated block are able, if they meet eligibility criteria, to request a land rent lease rather than paying the full lease value.

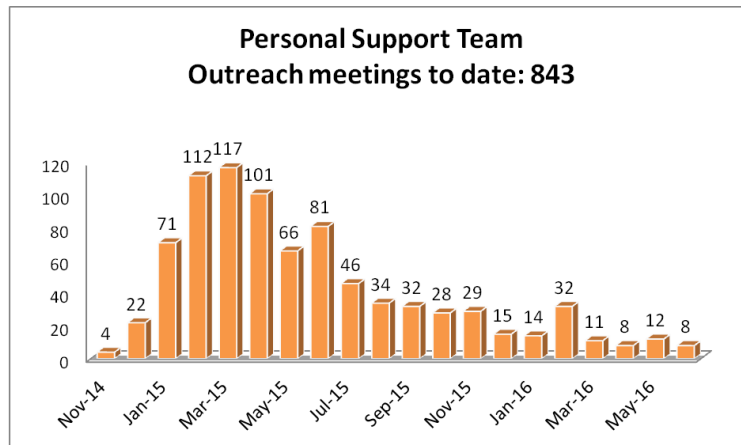
As of 30 June 2016, no land rent leases had been issued under the Scheme.

Homeowner Support

During the reporting period PST refocused its operations to reflect the changing needs of the client base. Changes relating to community-based locations, the assignment of dedicated officers to support FROR processes, and extension of the community partnership focus have been made with a view to better assisting former homeowners.

The expressed desire for one-on-one meetings with affected homeowners continues to decrease. The collocation of PST officers in community service organisations across Canberra has served the need well with 843 meetings held at these sites since the service commenced in November 2014. As shown in chart below, the number of meetings at the community locations has dramatically declined. In line with these changing needs regular attendance at the community centres ceased on 8 July 2016. Homeowners can still meet face to face with their support officer at these community locations offices by appointment, or as required at the Taskforce head office.

Figure 1- Personal Support Team Outreach Activities



With the commencement of the Sales Program in April 2016, three PST officers are now specialising in the personalised engagement with former homeowners regarding FROR processes. This involves a series of interactions commencing with discussing and settling the demolition scope, communication and consideration of the formal sale offer, acceptance of the offer, and contract exchange and settlement processes. The decision to repurchase remediated blocks and rebuild a family home is a significant one and it is recognised that different homeowners will need information and support to varying degrees. As it is early days for the FROR sale process, the volume and intensity of this support work is not yet clear.

Around two-thirds of affected owners elected to reserve a FROR when they accepted the Voluntary Buyback Program offer. Many did so expressing the intention not to go through with the repurchase. For some, returning to their former neighbourhood is a strongly held desire, but as was seen after the 2003 Canberra bushfires, a smaller number than those who initially expressed that desire to return are actually choosing to doing so. Subsequent reports will be able to report meaningful data in this regard. At this stage, only a relatively small number of FROR offers have reached the end of the available consideration period.

PST continues to develop the Taskforce's connections to community service organisations, meeting with them to discuss the number of former homeowners moving into their regions, the challenges they have faced and the services that might be of benefit. Twelve targeted meetings have been held to date with three occurring in the April to June 2016 quarter.

ACT Asbestos Health Study

To better understand the health impacts of loose fill asbestos insulation in Canberra houses, the Government commissioned the National Centre for Epidemiology and Public Health (NCEPH) at the Australian National University to conduct the ACT Asbestos Health Study⁸. The study, being lead by Associate Professor Martyn Kirk and Dr Rosemary Korda, comprises four phases⁹:

- a descriptive study of data from the ACT Cancer Registry and other sources to provide a descriptive analysis of mesothelioma in the ACT, including a comparison of mesothelioma rates in the ACT to those for the whole of Australia
- focus group discussions to assist in shaping the cross-sectional survey
- a cross-sectional survey designed to “assess the health concerns of current/previous residents of Mr Fluffy houses in the ACT. The survey will also gather information on the likely exposure to asbestos insulation, including the occurrence of high risk activities for exposure (for example, whether participants in the survey renovated their house). The survey will also collect socio-demographic and health information, including measures of anxiety and perceived health effects of exposure. The survey design will be finalised following analysis of the focus groups discussions”, and
- a data linkage study that “will link a number of national datasets, including Medicare data, the Australian Cancer Database and death registration data. These data will be used, to estimate the incidence of mesothelioma (and possibly other cancers) in current and former residents of Mr Fluffy houses and to compare this to the incidence among those who have never lived in a Mr Fluffy house in the ACT. The study will also provide estimates of the projected incidence of mesothelioma in residents who have lived in a Mr Fluffy house”.

During the reporting period, the Taskforce assisted NCEPH to promote and distribute information about the cross-sectional survey. The Taskforce was responsible for dispatching the invitations to participate on behalf of NCEPH given its access to current address details of owners of affected houses. The Taskforce has no role in the collection of survey responses, or in the analysis of data provided in response to the questionnaire.

Most responses were expected to be provided online, although facilities were available for telephone interviews by suitably trained people engaged by NCEPH on request.

NCEPH decided to extend the original survey availability period to facilitate higher response rates.

The report on the cross-sectional survey is due later in 2016.

⁸ <http://nceph.anu.edu.au/research/projects/act-asbestos-health-study>

⁹ <http://nceph.anu.edu.au/research/projects/study-details>

3. Buyback Phase

The Buyback Phase of the Scheme is largely complete. The Government's offer under the Voluntary Buyback Program was open until 30 June 2015. By that date, affected homeowners wishing to participate in the Scheme were required to have formally indicated that desire by requesting a valuation of their affected house be undertaken. For a range of personal reasons, and reflecting the time permitted under the Scheme to reach decision points, less than 5 owners were still yet to make a final decision to participate (by reaching exchange on the formal deed for the surrender of the Crown Lease) or not at the end of the reporting period.

The following table shows the participation by affected owners (including the Government in relation to the five Housing ACT properties) and owners of eligible impacted properties in the Scheme. In November 2015 the Scheme was extended by the Voluntary Eligible Impacted Property Buyback Program¹⁰ to allow for the purchase of a small number of properties where it was determined that the associated affected property could not be safely and efficiently demolished without removing some or all of the adjoining impacted property.

Table 3 - Participation in the Scheme as at 30 June 2016

	Affected Properties	Eligible Impacted Properties	Total
Number of Properties	1022	11	1033
Participating in the Scheme	998	11	1009
Not Participating in the Scheme	24	0	24

It should be noted that participation in the Scheme does not necessarily entail participation in each phase. The five affected Housing ACT properties, already owned by the Territory for example, will not be part of the Buyback or Sales Phases but are included in the Demolition Program. Affected homeowners accessing the Assisted Private Demolition element of the Scheme do not participate in the Voluntary Buyback Program, the Taskforce's Demolition Program, or the Sales Program.

During the April to June Quarter 2016, one affected homeowner elected not to accept a buyback offer, bringing the total of affected homeowners who have decided not to participate in the Scheme to 24.

Voluntary Buyback Programs

The voluntary buyback programs for affected and eligible impacted properties both incorporate a valuation process, and an offer, acceptance and settlement process. Tracking progress in these processes is best seen through the number of offers accepted and settlements concluded, as a single property may have more than one valuation round and more than one offer made due to the presidential determination process.

¹⁰ http://www.asbestostaskforce.act.gov.au/data/assets/pdf_file/0007/795778/ART-EligibleImpacted-BuybackProgram-Policy-20151119.pdf

Table 4 - Voluntary Buyback Program Offers and Settlements

	As at 31 March 2016		As at 30 June 2016		Progress in Quarter	
	Affected	Eligible Impacted	Affected	Eligible Impacted	Affected	Eligible Impacted
Offers Accepted	974	5	976	10	2	5
Settlements	840	1	882	4	42	3

As at 30 June 2016, owners of 96 affected properties remained in the Buyback Phase of the Scheme:

- 78 with contract exchanged but not settled, with:
 - 14 planned settlement dates in 2016
 - 11 planned settlement dates in 2017
 - 46 planned settlement dates between 2018 – 2020, and
 - 7 with no settlement date specified
- 13 having accepted offers but not yet exchanged
- 4 considering offers
- 1 awaiting valuation.

These numbers reflect an effective Buyback Program with this phase of the Scheme being complete for 90% of the participants. The remaining 10% will progress slowly due to the inherent complexity of particular cases or as a natural result of the flexibility of the Scheme which allows affected homeowners to remain in their property until June 2020 (subject to mandatory asbestos management plan arrangements). The Taskforce will continue to work closely with all of these homeowners with particular focus being given to those with complex needs.

The Voluntary Eligible Impacted Property Buyback Program, announced on 19 November 2015, shows good progress to date. As at 30 June 2016, 8 of the 11 owners of eligible impacted properties remained the Buyback phase of the Scheme:

- 4 with contract exchanged but not settled, with:
 - 2 with planned settlement dates in 2016, and
 - 2 with planned settlement dates in 2017
- 3 having accepted offers but not yet exchanged
- 1 awaiting Presidential Determination on valuation.

4. Demolition Phase

Building on the solid progress made in the March Quarter of 2016, the Scheme Demolition Program continued to progress safely and ahead of schedule through the June Quarter. The Taskforce was close to achieving its annual target of 200 demolitions for 2016 by the end of that quarter, despite significant rainfall during June. The annual target was achieved on 19 July 2016.

Given that progress, the Taskforce brought forward work on the third public update of the indicative demolition schedule, which was ultimately released on 29 July 2016.

Demolition Works Underway

Eight of the ten head contractors appointed to the relevant panel were active during the reporting period. Work continued to be conducted with safety for workers, and for the wider community, as the paramount consideration. Individual processes occur under the supervision of an independent licensed asbestos assessor, and are closely regulated by WorkSafe ACT. In addition, Procurement and Capital Works (PCW) staff attached to the Taskforce actively manage contractors in the delivery of works.

During the period, Active Assurance Audits continued to be conducted by independent auditors appointed by PCW to review work health and safety compliance, and a range of other issues.

The Demolition Program also includes post demolition soil validation processes, and deregistration of the block. Measurement of both the numbers of properties demolished and deregistered clearly mark the progress that is being made towards achieving the ultimate intended outcome: eradication of loose fill asbestos from Canberra's housing stock through the demolition of all affected properties.

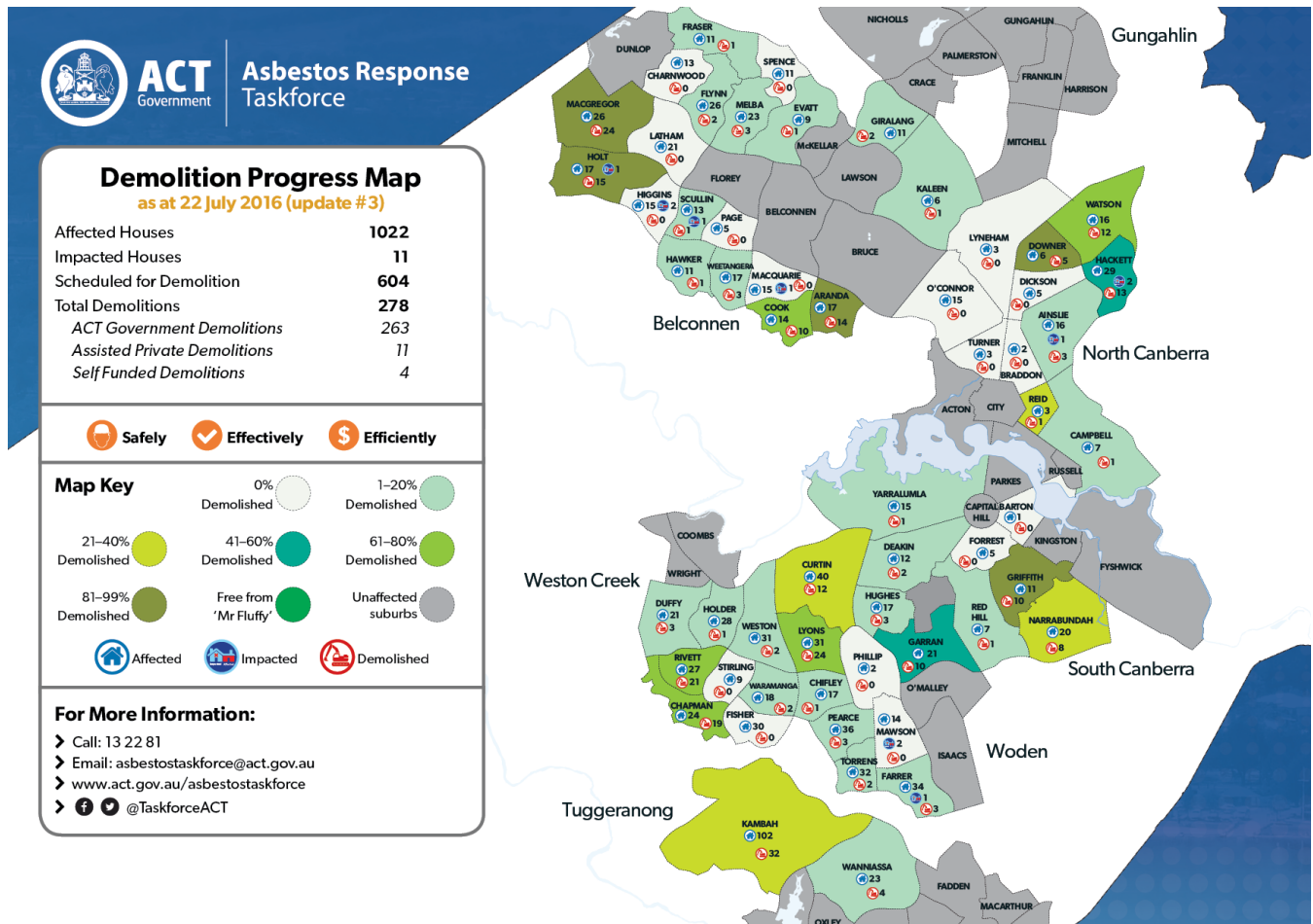
Table 5 - Demolition and Deregistration Activity

	As at 31 March 2016		As at 30 June 2016		Progress in Quarter	
	Affected	Eligible Impacted	Affected	Eligible Impacted	Affected	Eligible Impacted
Demolished	124	0	249	0	125	0
- Taskforce	109	0	234	0	125	0
- Assisted Private	11	*	11	*	0	*
- Self Funded	4	*	4	*	0	*
Deregistered	70	n/a	150	n/a	80	n/a
- Taskforce	59		137		78	
- Assisted Private	7		9		2	
- Self Funded	4		4		0	

* not relevant for Eligible Impacted Properties

The level of demolition and deregistration activity evident at the end of the reporting period is expected to continue in the September quarter as efficiencies gained through industry innovation and effective scheduling are realised. The Progress Map as at 22 July 2016 released with the updated indicative demolition schedule on 29 July 2016 is provided below for reference.

Figure 2 - Demolition Progress Map as at 22 July 2016



Allegations of Misconduct by Contractors Engaged by the Taskforce

In mid-May 2016, allegations were made to *The Canberra Times* about the reuse and resale of abandoned furniture and fittings from affected houses by contractors engaged in the demolition process by the Taskforce. The Taskforce instituted an internal audit process and requested a separate police investigation as soon as it became aware of the allegations¹¹. The Taskforce also required the company alleged to be involved to cease work on all its sites that involved the removal of fittings and abandoned furniture left inside affected houses by former owners (as is permitted under the Scheme) pending the outcome of those investigations.

¹¹ <http://www.asbestostaskforce.act.gov.au/homepage-tabs-more/latest-news/caylamax-recommences-demolitions>

The internal audit process found no evidence of misconduct by any individual or of systemic removal and reuse of abandoned furniture or fittings. CaylaMax explicitly denied the allegations made. The ACT Policing investigation concluded on 6 July 2016 and did not identify any criminal offences or acts of impropriety by employees or contractors of the company.

CaylaMax continued with internal asbestos removal and actual demolition works while the investigations (which proceeded with the company's full cooperation and support) were undertaken. During that period, the Taskforce worked with WorkSafe ACT and CaylaMax to develop a new work practice that would effectively prevent the removal of hard-surfaced abandoned furniture from affected houses. Under this process soft furnishings would continue to be appropriately removed from houses and safely disposed of, but hard furniture and fittings would be disassembled and entirely sprayed with the same dyed bonding agent with which the interior structure of houses is sprayed before demolition. The pieces of furniture would never leave the affected house, instead remaining inside the property until demolition when they would be removed as part of the demolition waste and dumped.

Based on the conclusions of the internal audit and the expected impact of the new work practice, the Taskforce decided to lift its contractual works prohibition and permit CaylaMax to recommence the removal of abandoned furniture and fittings on 30 June 2016. The Taskforce decided to trial the new approach on the remaining houses under the then current CaylaMax contract, before refining it (if necessary) and widening its application to all head contractors.

ACT Policing was informed by the Taskforce of its intention to lift the suspension of works, and indicated that decision would have no impact on its consideration of the allegations.

The trial of the new work practice is now complete, and the new process was found to be effective and to also offer some efficiencies in the demolition process. It has therefore been extended as a contractual requirement for all new works awarded by the Taskforce, and is being applied with the agreement of head contractors on newly commencing demolition processes under existing work orders.

Significant Rain Events – June 2016

The possibility of inclement weather is one of a number of factors considered in the Taskforce's and head contractors' scheduling of demolition works. The Taskforce works with PCW and ACT NOWaste to ensure contractors have access to current information about the status of the West Belconnen Resource Management Centre. The key risk to be managed in this context is for trucks accessing the actual dumping area at West Belconnen and the possibility of them being becoming bogged or even overturning in muddy conditions.

Following particularly heavy rainfall in June 2016, it was necessary to close the West Belconnen facility for short periods in keeping with longstanding practice at that site. Where possible, advance notice (and out of business hours confirmation) is provided to contractors about possible closures. When West Belconnen is closed, a number of options exist – all of which are implemented under the supervision of the licensed asbestos assessor overseeing the demolition (and ultimately WorkSafe ACT) - including:

- delaying the actual demolition works
- retaining building rubble on site for a period (with appropriate dust control and water runoff controls in place)
- where skip trucks are being used, setting down a full skip in a secure area inside the West Belconnen facility, and
- storing waste securely in trucks on the demolition site.

There were no significant delays to the demolition schedule caused by weather related closures at West Belconnen in June 2016.

Clearing Affected Blocks and Post-Demolition Soil Validation Process

With increased demolition activity and the commencement of sales of remediated blocks in April 2016, attention turned to the post demolition soil validation process that underpins the process for removal of blocks from the Affected Residential Premises Register established under the *Dangerous Substances Act 2004* (the Register) and the making of them available for sale and reoccupation.

Background

The approach to the clearing of affected blocks under the Scheme has evolved in light of expert advice, collaboration in policy design and program delivery, and expressed community and former owner sentiment since 2014.

There is no current evidence or scientifically-based suggestion that it is necessary to completely raze every affected block to eradicate the loose fill asbestos insulation present inside affected houses.

The Government's approach to demolition is further informed by:

- advice from the Land Development Agency and real estate agents engaged to market remediated blocks about the attractiveness and added value of established gardens and trees, and approved structures like free standing garages, and
- the clearly expressed desires of owners of affected blocks (especially where they are seeking to exercise a first right of refusal) and of neighbours of affected blocks.

It also takes account of the need for efficiency in the demolition program, and to avoid unnecessary cost to the community.

Soil Validation Process Scope and Design – Scientific and Evidence-based Policy

The Government's approach to demolition of affected houses and deregistration of remediated blocks has been developed by the Taskforce in consultation with WorkSafe ACT, PCW, the Environment Protection Authority, licensed asbestos assessors and contaminated soil experts. It is founded on collaborative policy development by the Taskforce in the planning for Scheme implementation, real-world field testing results gained through the pilot demolition program in July 2015, and consideration of the conclusions of the formal review of the pilot demolition process. It takes account of national guidelines and best practice including the *National Environment Protection (Assessment of Site Contamination) Measure (L999) (ASC NEPM 2013)* and *The Guideline for the Assessment, Remediation and Management of Asbestos Contaminated Sites in Western Australia*¹².

The independent soil validation process that follows the work health and safety clearance of a site by the licensed asbestos assessor overseeing the demolition is central to determining whether an affected block is deregistered. This self-imposed soil sampling process was established by the Government as an additional safeguard and to provide further assurance to prospective purchasers of remediated blocks that loose fill asbestos insulation has been effectively removed, and that blocks are suitable for rebuilding and reoccupation.

Under that process, soil sampling of the demolition works zone (i.e. the footprint of the house and the area around it disturbed by machinery carrying out the demolition as well as waste storage and access areas) is undertaken at double the intensity of the nationally recognised leading regulatory guidance. In most cases this results in at least ten soil samples being taken in the first instance. Samples are examined by an appropriately National Association of Testing Authorities (NATA) accredited laboratory for asbestos in soil analysis. Even if only one asbestos fibre is found by the laboratory, this results in a 'fail' and triggers further soil removal. This results in an iterative process with the site being retested until asbestos is no longer detected. Further detail of this process is contained in the relevant joint WorkSafe ACT/Taskforce fact sheet¹³.

At the end of the pilot demolition program, a formal review process was undertaken, and the conclusions publicised – including in other quarterly reports, and by the media¹⁴. One of the key outcomes of that review was the need to refine the soil validation process to provide greater clarity to those conducting the validation work, for regulators, and ultimately for prospective purchasers. Following the review process, the Taskforce worked with WorkSafe ACT, contaminated soil experts, and asbestos assessors to refine the template report. The revised

¹² <http://www.public.health.wa.gov.au/cproot/3763/2/Guidelines%20for%20Asbestos-Contaminated%20Sites%20-%20May%202009.pdf>

¹³ http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0004/785623/ART-WorkSafe-SoilValidation-InfoSheet-20151110.pdf

¹⁴ McDonald, E. "Fluffy Home Less Painful Now It Is Demolished" *The Canberra Times* 26 October 2015 <http://www.canberratimes.com.au/act-news/fluffy-home-less-painful-now-it-is-demolished-20151020-gkebix.html>

templates report and supporting material were endorsed by the Work Safety Commissioner and Head of the Taskforce, and are published on the Taskforce's website¹⁵.

Informing Affected Homeowners and the Wider Community

Developments in the approach to block clearing and post demolition soil validation have been communicated to affected homeowners and the wider community on a number of occasions. The September Quarter 2015 Report, which covered the period during which the pilot demolition program was undertaken, for example, noted **(emphasis added)**¹⁶:

It is important to note that **the Taskforce will not be clearing blocks through its demolition activity**. The Taskforce's mandate is to eradicate loose fill asbestos from the community and will therefore be removing those structures affected by Mr Fluffy. **In most circumstances this will be just the house and any attached structures such as garages or pergolas.**

Following public forums on 11 and 16 December 2014, the Taskforce published a written record of questions and answers provided. Amongst discussion at those forums, and set out those written answers, was the following update on the intended approach¹⁷:

Will the Taskforce clear the block?

The key priority of the Taskforce is to clear the block of loose fill asbestos. How much of the garden/landscaping or other improvements are removed will be determined at each block by soil testing which will be overseen by a licensed asbestos assessor. Within this key objective, the Taskforce will work with homeowners who wish to return to their block with regard to what external features can potentially remain. Further information will be provided by the Taskforce in early 2015.

That message was repeated in Taskforce Newsletter #26 in May 2015¹⁸ **(emphasis added)**:

If we are returning to our blocks, will we be billed to remove our pool or other structures if we don't want it?

The Taskforce will not necessarily be clearing blocks completely. If there are any structures on the block that have not been properly approved, they will be removed. Discussions about what other improvements will be removed and what can be kept will be had with returning homeowners closer to the time of demolition.

Is it safe to watch the demolition?

Yes. These houses can and will be demolished safely. The work will be informed and led by experts in asbestos assessment and removal as well as demolition contractors. WorkSafe has worked closely with the Taskforce around this work and there will be seven inspectors dedicated to reviewing activities.

...

Air monitoring as well as dust suppression will be in place and soil on the block remediated. **This does not mean that entire blocks will be cleared.** This will depend on the advice of experts as well as discussions with owners if they are seeking to remain on the block

Current Approach

It is neither necessary, nor desirable, nor efficient to clear affected blocks "corner to corner". Completely clearing affected blocks would add significantly to overall Scheme costs, as well as the volume of waste to be safely disposed of, without any health and safety benefit in relation to loose fill asbestos insulation, and at a likely significant detriment to land sales revenue and individual and community satisfaction and amenity.

¹⁵ http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0005/785624/ART-Site-Soil-Validation-Report-Template-16102015.pdf

¹⁶ ACT Government (2015a) *Quarterly Report: Update On The Act Government's Response To The Issue Of 'Mr Fluffy' Loose Fill Asbestos 1 July 2015 – 30 September 2015* http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0019/801811/Att-A-Taskforce-Quarterly-Report-30-June-30-October-2015-PDF-version.pdf p.26.

¹⁷ ACT Government (2014) *Q&A December Forums* http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0010/678106/Q-and-A-DecemberForums.pdf

¹⁸ ACT Government (2015) *Newsletter Edition #26* <http://www.asbestostaskforce.act.gov.au/communications-and-engagement/newsletters/newsletter-edition-26>

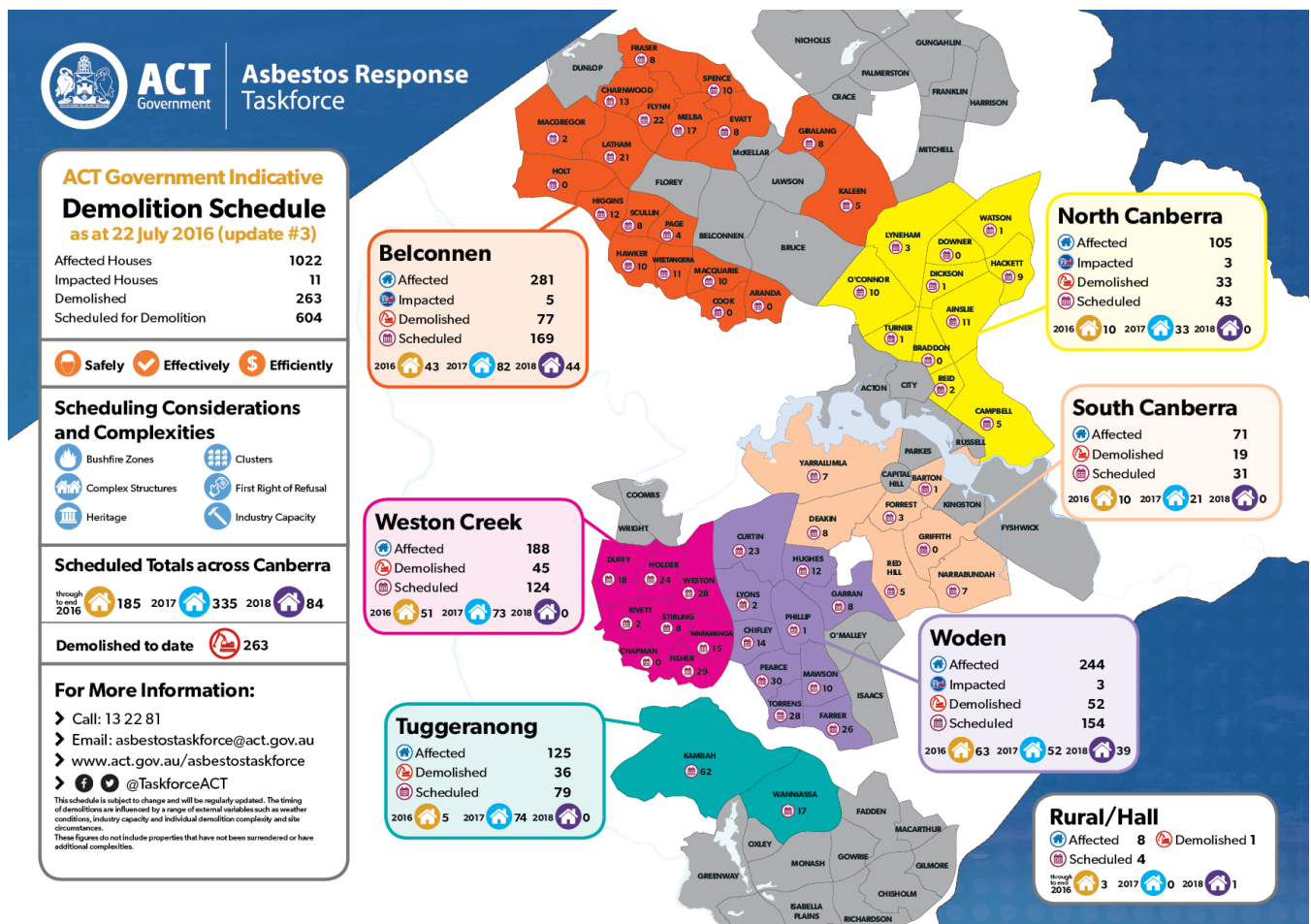
The self-imposed soil validation process was designed to provide additional assurance to prospective purchasers under FROR or public sale processes that the demolition and remediation works have been conducted properly and effectively. The relevant reports form part of the sales contract papers. The feedback from real estate agents, and the record in the sales program to date, is that the remediation and deregistration process is being trusted as the final stage of the Scheme commences.

Demolition Scheduling

Whilst the number of properties demolished and deregistered provides a good measure of progress in the Demolition Program, there is also significant interest in forward planning through the Demolition Schedule. The Indicative Demolition Schedule was originally released in August 2015 with a commitment to the publishing of updates every six months. Since that time two updates have been released - in February and July 2016.

The July 2016 Indicative Demolition Schedule Canberra-wide map is included below for reference. More information about the revised Indicative Demolition Schedule can be found on the Taskforce website along with view district maps and a progress map. Additionally the Indicative Demolition Schedule is represented in the online tool, ACTMapi, which can also be accessed from the Taskforce website.

Figure 3 - Demolition Schedule Map as at 22 July 2016



The Taskforce has now set a target of 350 demolitions for 2016. Further detail about the release process, future releases and demolition schedule targets will be provided in the September Quarterly Report.

Asbestos Management Plans

While significant progress is being made toward eradicating loose fill asbestos insulation through the Demolition Program, it was always understood that the solution would take time – not only because of the large number of properties requiring demolition, but also due to the ability of affected homeowners to remain in their homes in the medium term, or to choose not to participate in the Scheme at all.

The Government's first advice, informed by consensus expert advice contained in the Taskforce's August 2014 report¹⁹, remains that affected properties should be vacated immediately. However, recognising some owners would wish to remain in place at least in the medium term, the Government has established a legislative and regulatory framework requiring preparation and implementation of Asbestos Management Plans to minimise future asbestos exposure risks for residents as well as visitors and tradespeople entering or working in or on affected houses. WorkSafe ACT regulates homeowner compliance with these requirements as part of its functions.

From 1 July 2016 all occupied affected houses – whether or not they are participating in the Scheme – were required to have a management plan in place. In the lead-up to this deadline, the Taskforce worked with WorkSafe ACT to provide support and advice to homeowners through information sessions, information sheets and e-newsletter reminders.

¹⁹ http://www.asbestostaskforce.act.gov.au/data/assets/pdf_file/0009/675189/Longterm-management-review.pdf

5. Sales Phase

The June Quarter 2016 saw the commencement of the final phase of the Scheme: the sale of remediated blocks.

The Sales Phase has two streams:

- the First Right of Refusal (FROR) stream which provides an opportunity for former homeowners to purchase their remediated former block and return to their former neighbourhood without competing with other interested parties, and
- the public sales stream under which blocks are sold on the market.

The first public auctions of remediated blocks were held on 12 and 14 April 2016. The FROR stream formally commenced with the making of 14 offers on 9 May 2016 (although five such offers were made prior to this date as part of testing and refining valuation processes, sales documentation and administrative processes).

Sales Program Policy

The Taskforce published and provided directly to affected homeowners the guidelines for FROR sales (the FROR Guidelines) in September 2015²⁰. The FROR Guidelines set out that:

The Scheme includes the opportunity for First Right Holders to purchase the Remediated Block they surrendered under the Buyback Program when it becomes available: the Buyback Guide indicated the Scheme provides for ***“a first right of refusal to purchase the affected block (at full market value, to be determined at the time of purchase) after it is remediated”***.

Remediated Blocks will be offered for sale in the following order:

- to First Right Holders, then
- to ACT Government agencies (e.g. Housing ACT or the Land Development Agency) for their purposes, then
- by public auction, tender or other method of disposal determined by the Territory.

The FROR Guidelines also set out details of the valuation process to be used in setting the price of remediated blocks for FROR and public sales:

Six months before demolition, the Territory will commence the process to determine the sale price for the Remediated Block. The sale price will be set as at the date of the valuation. This is consistent with the position outlined in the Buyback Guide that the Scheme provides for “a first right of refusal to purchase the affected block (at full market value, to be determined at the time of purchase) after it is remediated”.

The sale price will be determined by the Land Development Agency (LDA) taking account of independent market valuations in keeping with its normal land sale practices.

The sale price offered to First Right Holders for Remediated Blocks will not be negotiable.

...

Where a homeowner decides not to exercise their First Right of Refusal, the Remediated Block will be offered to Territory agencies for purchase at the same market value offered to the First Right Holder. If no agency wishes to purchase it, the Remediated Block will then be sold on the open market through a competitive process such as auction with a reserve price that is no lower than the price originally offered to a former First Right Holder.

²⁰ http://www.asbestostaskforce.act.gov.au/data/assets/pdf_file/0007/772369/ART-ExercisingYourFirstRightOfRefusal-Guidelines-20150909-A11169951.pdf

30 Working Day Period to Accept FROR Offers

Some confusion was evident during the reporting period about the timeline for former owners to exercise their FROR²¹. The six month window referred to in the FROR Guidelines (which some had understood to be the period for acceptance of offers) relates only to the currency of valuations and the time frame for commencing the valuation process. The period for acceptance of the FROR is 30 working days with acceptance of the offer being the trigger for the Taskforce to draw up the sales contract. No legal obligations are created at that point. The sales process provides a further 60 working day period after receipt of the contract to reach exchange (and pay the deposit amount).

This timeline and process mirrors the timeline and process used for the Voluntary Buyback Program element of the Scheme.

The FROR Guidelines relevantly state (*emphasis added*)²²:

Once the LDA has set the sale price, the First Right Holder will receive a letter from the Taskforce offering to sell them the Remediated Block. The **First Right Holder will then be required to notify the Taskforce within 30 working days whether they would like to purchase the Remediated Block.**

...

If the First Right Holder does not exchange contracts within 60 working days of receiving the Contract for Sale of the Remediated Block the First Right of Refusal will lapse.

Sales Program Implementation

Variation 343 to the Territory Plan

The sales program commenced later than was originally anticipated due to delays in finalisation of Draft Variation 343 to the Territory Plan. That Variation gives effect to the intention announced on 28 October 2014 to change planning permissions on blocks remediated under the Scheme to permit dual occupancy and unit-titling on blocks in the RZ1 Zone larger than 700 square metres. The Government decided it would not offer remediated blocks for sale that were subject to Draft Variation 343 until the Legislative Assembly had finalised its consideration of the proposed planning changes.

The approval process for Variation 343 was as follows:

- 10 April 2015 to 25 May 2015 - public notification period
- 25 July 2015 – referred by the Minister for Planning to the Standing Committee on Planning, Environment and Territory and Municipal Services (Standing Committee)
- 27 October 2015 – Standing Committee Report on Draft Variation 343 tabled in the Legislative Assembly
- 11 November 2015 – Minister for Planning approved Draft Variation 343
- 17 November 2015 - Draft Variation 343 presented to the Legislative Assembly

²¹ <http://www.hansard.act.gov.au/hansard/2013/comms/estimates46b.pdf> pp.1111 ff

²² http://www.asbestostaskforce.act.gov.au/data/assets/pdf_file/0007/772369/ART-ExercisingYourFirstRightOfRefusal-Guidelines-20150909-A11169951.pdf at pp. 7 & 9.

- 19 November 2015 – Notice given by Mr Alistair Coe MLA of a motion to disallow Draft Variation 343
- 11 February 2016 – motion to disallow Draft Variation 343 rejected by the Legislative Assembly, and
- 17 February 2016 – Territory Plan Variation 343 commenced

Rather than delay the demolition of affected houses pending the ability to make sales offers on remediated blocks as outlined in the FROR Guidelines, the Taskforce continued the demolition program through 2015 (exceeding its target of 50 demolitions), and recommenced work in early 2016 after the Christmas/New Year industry shut down period. During this time, the Taskforce discussed proposed works timelines and processes with former owners. Once the Legislative Assembly processes were complete, the Taskforce worked to clear the backlog of paused offers, and conduct the offer and acceptance process as outlined in the FROR Guidelines.

Sales Process – First Right of Refusal

The Taskforce is responsible for management of the FROR Sales process. This recognises the extent to which it has already established relationships with former owners, as well as its responsibility for scheduling and scoping the demolition works. The Taskforce has established a process giving effect to the FROR Guidelines under which:

- formal offers are sent by registered post, followed up by conversations with PST
- reminders are sent to former owners and, where necessary their solicitors, during the 30 working day acceptance period for offers, and
- advice and support is provided by PST throughout the sale process.

In the event former owners decide not to exercise their option to repurchase their former block, the block is added to the public sales process in accordance with process outlined in the FROR Guidelines:

Where a homeowner decides not to exercise their First Right of Refusal, the Remediated Block will be offered to Territory agencies for purchase at the same market value offered to the First Right Holder. If no agency wishes to purchase it, the Remediated Block will then be sold on the open market through a competitive process such as auction with a reserve price that is no lower than the price originally offered to a former First Right Holder

Sales Process – Public Sales

The Land Development Agency is responsible for management of the public sales process. It has appointed two real estate agents – Ray White (south side) and Independent Property Group (north side) – to conduct the marketing campaigns and auction events.

Sales Phase - Progress

By the end of the reporting period, both the FROR and public sales processes were well established as shown in the following table. Totals do not add given the time frames for acceptance.

Table 6 - First Right of Refusal and Public Sales

	As at 31 March 2016	As at 30 June 2016	Progress in Quarter
Sales - FROR			
- Offers Sent	5	98	93
- Offers Accepted	5	6	1
- Offers Declined	0	22	22
- Sold (settled)	0	*	*
Sales – Public Sale			
- Offered for Sale	0	47	47
- Sold (settled)	0	9	9

* data withheld in this report given low numbers to preserve privacy of purchasers.

Table 7 - Sales Program Revenue (based on exchanged contracts)

Sales	As at 31 March 2016		As at 30 June 2016		Progress in Quarter	
	Number	Value	Number	Value	Number	Value
Sales - FROR	0	\$0	*	*	*	*
Sales – Public Sale						
- Auction	0	\$0	23	\$13,972,500	23	\$13,972,500
- By Negotiation	0	\$0	7	\$3,725,000	7	\$3,725,000
- Over the Counter	0	\$0	4	\$2,101,000	4	\$2,101,000

* data withheld in this report given low numbers to preserve privacy of purchasers.

Rebuilding – Impact of Variation 343

The Taskforce has no hand in decisions about what will be built on remediated blocks.

While the Scheme contemplates ACT Government entities acquiring blocks, this did not occur during the reporting period.

There has been, and continued to be during the reporting period, misunderstanding about the forms of dwelling permitted under Variation 343 on remediated blocks. As set out in the Taskforce information sheet on Variation 343²³ that variation permits, but does not require, dual occupancy development on remediated blocks larger than 700 square metres sold through the Scheme in the RZ1 zone, except where they are in a heritage area.

²³ http://www.asbestostaskforce.act.gov.au/_data/assets/pdf_file/0005/714830/ART-TerritoryPlanVariation343-InfoSheet-20160226.pdf

It permits unit-titling of such developments (i.e. dwellings can be sold separately). Where both dwellings can face the street (e.g. a corner block), dwellings can be two storeys and adopt a 50% plot ratio. Where both dwellings cannot face the street, they both must be single storey, and adopt a 35% plot ratio.

Any proposal for a dual occupancy development must go through a Development Application process involving neighbour consultation.

Variation 343 **does not** permit:

- building more than two dwellings on a remediated block
- construction of “blocks of flats”
- consolidation of two or more blocks, or
- subdivision of the remediated block.

6. Financial Impact

When the Scheme was announced in October 2014, the total cost of eradicating loose fill asbestos from Canberra houses was estimated to be \$1 billion, and it was that amount the Commonwealth Government agreed to lend the ACT Government to assist in funding the Scheme. In part, the scale of the total costs reflects the Government's decision to offer to acquire all affected houses immediately, reflecting its first advice that houses contaminated with loose fill asbestos insulation should not be lived in.

The current estimate of the net financial impact of the Scheme is set out in the 2016-17 Budget Papers: it has improved slightly to \$366 million²⁴. This is not out of keeping with the \$400 million figure which has been given as the estimated net cost for some time. The Government formally updates and publishes estimates of the Territory's Budget position, and financial reports on financial performance, in accordance with the cycle set out in the *Financial Management Act 1996*. It will continue to provide updates on the financial impact of the Scheme as part of that process.

This approach is consistent with the views of the Auditor-General expressed in the recent performance audit of the Scheme²⁵:

To provide stakeholders and the public with a complete picture of the financial impact of the Scheme, particularly given its potential impact on the financial results of the ACT Government, whole-of-life reporting on the revenue and costs (including borrowing costs) of the Scheme (i.e. from its inception to completion) should be provided on an annual basis through the published budget papers.

The majority of the total cost of the Scheme comes from the acquisition of houses under the Voluntary Buyback Program, the costs of securing houses prior to demolition, and the costs of demolition, waste disposal and block remediation processes. At the end of the reporting period, the Taskforce had spent more than \$628 million acquiring affected houses, with over \$100 million committed through acquisitions with deferred settlement periods.

Table 8- Buyback Program Expenditure (based on property settlement)

	As at 31 March 2016			As at 30 June 2016		
	No.	Total Cost	Average	No.	Total Cost	Average
Properties Settled	840	\$594,301,136	\$706,617	882	\$628,103,328	\$707,920

²⁴ ACT Government (2016) *Budget Paper 3: Budget Outlook 2016-17* http://apps.treasury.act.gov.au/data/assets/pdf_file/0008/870902/Appendices.pdf p.344

²⁵ Auditor-General (2016) p.16.

Net Scheme Costs

At the end of the reporting period, the first actual sales revenue data became available and this data confirmed the aggregate estimates of the net scheme cost were appropriate.

The net direct cost to the Territory of the first 28 remediated blocks resold was \$7.2 million or around \$258,000 per block. That figure only takes account of direct costs (including financial assistance to former owners). It excludes stamp duty concessions, and the Government's borrowing costs on the loan the Commonwealth Government provided to support delivery of the Scheme.

7. Community Information and Engagement

While the work of the Taskforce has concentrated on the owners and residents of the 1,022 affected houses, since its inception the Taskforce has also undertaken a significant and important public information and engagement task. This aspect of the Taskforce's work has become increasingly important as the demolition program unfolds, and more people are directly affected by the implementation of the Scheme. The Taskforce has been acutely aware of the interest and concerns of the neighbours of affected houses, and of the community in general. It has implemented a proactive communication and engagement program including a range of approaches that provide information and explanation using a range of complementary methodologies.

These communication and engagement activities are applied in three tiers:

- direct engagement with neighbours of affected properties commencing from the time of acquisition by the Taskforce, through letters and doorknocking (applying the 'Plus Two' engagement methodology as shown in the example below)
- suburb or district level engagement events held where there is a high level of activity or a number of larger clusters (i.e. multiple affected properties in a street or in close proximity to each other), and
- broader community information provision through the mainstream media, public forums and meetings, and through the Taskforce website, You Tube, Facebook and Twitter channels.

Figure 4- 'Plus Two' engagement - Wanniasa

- two properties either side of the affected property
- directly behind and two properties either side
- directly across road and two properties either side



Neighbour and Community Engagement

The Taskforce understands that demolition activity will be of greater interest to the direct neighbours affected properties, especially where there are clusters of affected properties or where such properties represent a large proportion of houses in a particular street. Through desktop analysis, the Taskforce looks at which areas may need further information and assistance, and undertakes door knocking other activities accordingly. Key Taskforce communication and engagement activities in the reporting period are summarised in the following tables.

Table 9 – Correspondence with Neighbours

	As at 31 March 2016	As at 30 June 2016	Activity in Quarter
Contract Award Letters	977	2556	1579
Deregistration Letters	0	789	789
Upcoming Sales Letters	126	628	490

Notes:

- Figures reflect Demolition Communications Process commenced in March 2016
- Contract Award and Deregistration Letters represent the two communication sent directly by the Taskforce. The Demolition Communications Process with neighbours also includes a letter issued by ACT Property Group upon acquisition of the affected or impacted property, and demolition timing letters issues by the head contractor in compliance with statutory requirements.

Table 10 – Demolitions – Neighbour and Suburb Engagement

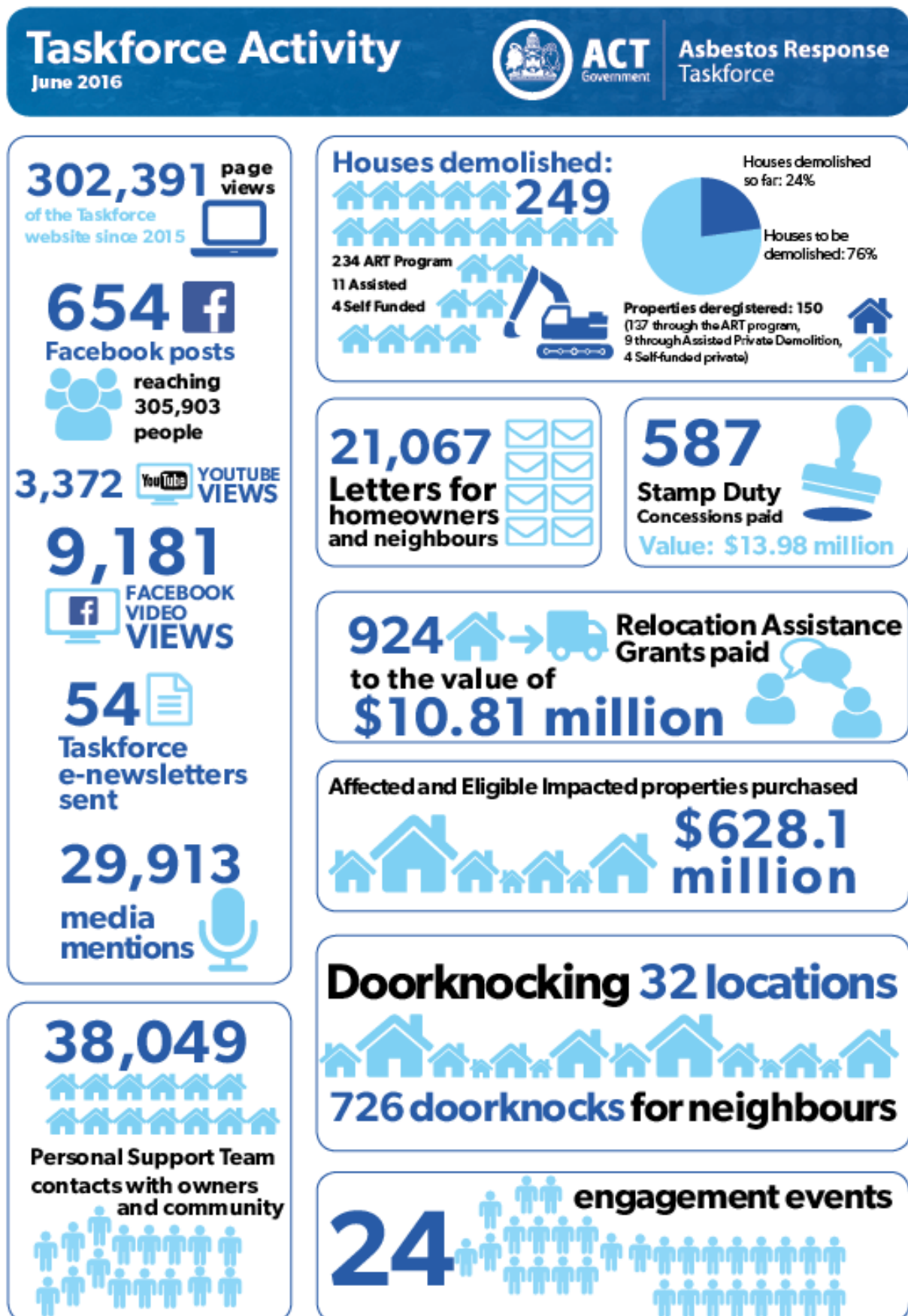
Demolition Engagement	As at 31 March 2016	As at 30 June 2016	Activity in Quarter
Door knocking	554	726	172
Suburb / District Activity	0	2	2

Note:

- Figures do not include broader engagement events held for the community around the Scheme as a whole rather than specific demolition activity in a suburb area.

In addition to hosting direct engagement activities, the Taskforce has been regularly invited to present to Community Council meetings. Up to 30 June 2016, the Taskforce had attended a total of 17 Community Council Meetings.

Figure 5- Taskforce Communications Activity – a Cumulative Overview



8. Scheme Governance

Establishment of the Taskforce

The initial response to the emerging Mr Fluffy crisis in 2014 – prompted by responses to the letter from the ACT Work Safety Commissioner to owners and residents of affected house of 18 February 2014 – was handled by the Office of Industrial Relations (OIR) in the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). At the time OIR had policy responsibility for work health and safety and dangerous substances reporting to the then Minister for Workplace Safety and Industrial Relations, Mr Simon Corbell MLA.

The Taskforce was established as a division of CMTEDD reporting directly to the Chief Minister. This reporting line was changed in early 2016 to the Minister for Workplace Safety and Industrial Relations. The position of Coordinator-General for Asbestos was created, and the occupant of that position serves as Head of the Taskforce. From the outset, the approach adopted was to provide focus and coherence of effort through a dedicated and properly resourced Taskforce, but at the same time to avoid duplicating experience and capacity available and better applied from elsewhere.

Establishing the Taskforce within CMTEDD allowed existing audit, delegation, complaints handling and employment frameworks to be utilised while Taskforce-specific governance arrangements were developed. This approach allowed the Taskforce to be responsive in the initial emergency response phase without compromising probity, and for specific frameworks to be developed incrementally reflecting the realities of delivering the Scheme as it evolved.

As a key step in regularising governance and management arrangements in the Taskforce following announcement of the Scheme, an internal audit was commissioned by the Taskforce under the supervision of the CMTEDD Audit and Risk Committee of governance and delivery arrangements. That report made a series of recommendations, all of which have been implemented, to refine the generic CMTEDD framework to better fit the service delivery focussed work of the Taskforce.

Eradication Scheme Steering Committee

The Chief Minister subsequently endorsed a formal governance framework for the Taskforce comprising an overarching governance strategy and supporting Quality Plan, Risk Appetite Statement, Risk Management Plan, Issue Management Plan, and Assurance Plan. The governance framework provides clarity about expected outcomes, key performance indicators and responsibility for delivering elements of the Scheme. The four Scheme Phases are used to organise planning, implementation, reporting and risk management discussions.

Consistent with the overarching desire not to duplicate expertise available elsewhere, the Taskforce engaged ACT Property Group (part of CMTEDD) to manage the security and maintenance of houses prior to demolition, and Procurement and Capital Works (also part of CMTEDD) to manage the Head Contractor panel and the demolition works. The advantage of these discrete business units being part of CMTEDD is evident in the aligned and consistent risk assurance model in place, all overseen by the CMTEDD Audit and Risk Committee. In addition, the Taskforce maintains its own internal audit and review program that is used to drive improvement in services and efficiency.

The key decision making body in the governance framework is the Eradication Scheme Steering Committee (ESSC) which is chaired by the Taskforce Head, and comprises senior representatives of the Under Treasurer, the Chief Executive of the Land Development Agency, and the Director-General Economic Development.

ACT Audit Office Performance Audit Schedule

During the June Quarter 2016 the Auditor-General released *Performance Audit Report No. 4 of 2016: 'The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme'*²⁶. This is the first of three planned performance audits of the Taskforce and its implementation of the Scheme

The second planned performance audit, on which work is expected to commence shortly, will encompass Scheme delivery including personal support, the buy back process and demolition activities. At the time the ACT Audit Office published the *Performance Audit Program 2016-17 and Potential Audits to Commence over 2017-18 to 2018-19*, that audit was described in the following terms²⁷:

The audit could consider the effectiveness of the Asbestos Response Taskforce's management of the personal support, buy-back and demolition phases of the Scheme. A particular focus of the audit could be the Asbestos Response Taskforce's engagement with the community, specifically affected homeowners, in undertaking its activities to buy back and demolish affected properties.

The third planned performance audit will consider the Sales Phase and post-completion Scheme outcomes and is scheduled for 2018-19²⁸:

This third audit could examine the progress of the sales phase of the Scheme and provide assurance around the outcomes of the Scheme against its objectives. It could also identify lessons learned in the administration of the Scheme.

²⁶ ACT Auditor-General (2016).

²⁷ <http://www.audit.act.gov.au/docs2/Performance%20Audit%20Program%202016-17.pdf> (at p.10)

²⁸ <http://www.audit.act.gov.au/docs2/Performance%20Audit%20Program%202016-17.pdf> (at p.17)

A separate performance audit is currently being undertaken of *WorkSafe ACT Oversight of Demolition of Loose-fill Asbestos Contaminated Houses*²⁹:

It is timely to examine the effectiveness of WorkSafe ACT's planning for, and implementation of, its workplace health and safety regulatory responsibilities for the demolition of houses contaminated by loose-fill asbestos. This audit could focus on WorkSafe ACT's planning for its role in regulating loose-fill asbestos contaminated house demolitions and its response to incidents related to loose-fill asbestos sites

This scope of this performance audit encompasses privately arranged demolitions of affected houses as well as the Taskforce's demolition program. While not the direct subject of the audit process, the Taskforce is cooperating with, and providing information to, the ACT Audit Office and WorkSafe ACT as it progresses.

Performance Audit 1 – Scheme Governance – Financial and Risk Management

Governance and Risk Management

The Taskforce's governance framework, financial management framework, and approach to engagement with risk was endorsed by the Auditor-General in the first performance audit report³⁰:

The planning for and management of the financial arrangements for the implementation of the Loose-fill Asbestos Insulation Eradication Scheme (the Scheme) has been effective.

...

The Taskforce's approach to governance and risk management reflects better practice. This has enabled the Taskforce to develop processes and procedures which provide a structure for managing and re-assessing the implementation of the Scheme, including expenditure and commitments.

The Auditor-General also concluded³¹:

The Taskforce governance arrangements, including the reporting framework and risk management arrangements, underpin its ability to deliver its project outcomes effectively and within budget.

The Taskforce has succeeded in making values-based good governance and decision making part of ongoing business and in fostering a culture and behavioural expectations that encourage the asking of questions, evaluation and lesson drawing. In this regard the Auditor-General observes³²:

The Taskforce has developed and implemented appropriate governance and risk management frameworks. It has put into place governance arrangements which promote transparency and accountability and a risk management framework which is actively managed and embedded in the day to day operations of the Taskforce.

²⁹ <http://www.audit.act.gov.au/docs2/Performance%20Audit%20Program%202016-17.pdf> (at p.7)

³⁰ ACT Auditor-General (2016) p.1.

³¹ ACT Auditor-General (2016) p.3.

³² ACT Auditor-General (2016) p.5.

In relation to maintenance of the governance framework, the Auditor-General concluded³³:

The Taskforce's approach to governance and risk management reflects better practice. Despite being established and becoming operational within a very short space of time, the Taskforce has mature and practical arrangements in place, to the extent that risk management is embedded into its daily processes. The Taskforce has actively reviewed its governance and risk management arrangements and continues to refine them, either through formal review processes or in one case, in response to an incident which prompted a review of risk management arrangements for demolition sites

...

The risk management arrangements are detailed and targeted. Individual positions are identified with responsibilities under the scheme and risk mitigation strategies specified. As noted above these are reviewed and amended, formally and when circumstances require it. The Taskforce is responsive to the emergence of risks and has assessed its risk management strategies in response to events.

Financial Management

In relation to financial management, the Auditor-General concluded³⁴:

The accuracy of the financial modelling for the buyback, demolition and sales phases of the Scheme has been challenging. While data on the costs of the buyback was available early into the Scheme, relevant data on the demolition costs and sales revenue did not start to become available until late 2015 and April 2016 respectively. This means that the final costs of the Scheme are uncertain and may not be able to be determined until the final sales are made in 2020.

...

The early months of the Taskforce operations in 2014 had the characteristics of an emergency situation. At this time, the assumptions underpinning the modelling, although imperfect, were developed and agreed with the ACT Treasury. The financial estimates have been revised as new information became available. Acknowledging the uncertainty associated with the various phases of the Scheme, the Taskforce produced a range of estimates and scenarios to support the development of the costings for the Scheme. Differences in the scenarios could have been better explained.

Discussing the Commonwealth loan to support delivery of the Scheme, the Auditor-General concluded³⁵:

The Asbestos Response Taskforce and ACT Treasury successfully negotiated terms and conditions for the loan which benefited the ACT. The concessional loan arrangement provided modest interest savings and the negotiated loan arrangements enabled the ACT to put in place appropriate financial arrangements.

³³ ACT Auditor-General (2016) p.3.

³⁴ ACT Auditor-General (2016) p.2.

³⁵ ACT Auditor-General (2016) p.1.

Audit Recommendations

The Auditor-General made three recommendations in the performance audit report³⁶ to which the Government tabled its response (agreeing to all three) on 9 August 2016³⁷:

- the Chief Minister, Treasury and Economic Development Directorate should provide information on the total costs of the Scheme by publicly reporting on the revenue and costs (including borrowing costs) of the Scheme from its inception to completion in the annual budget papers.
- the Chief Minister, Treasury and Economic Development Directorate should continue to provide disclosures about the financial impact of the Loose-fill Asbestos Eradication Scheme in future financial statements.
- the Asbestos Response Taskforce should continue to migrate all relevant Taskforce records to the Objective system and complete this process by December 2016.

In relation to the third, the Government Response noted:

The Asbestos Response Taskforce is committed to the migration of all relevant Taskforce records to the Objective records management system, including historical records (first six months of operation) to ensure there is a comprehensive and permanent record of activity through the life of the Scheme.

Records management processes, identified by the Taskforce before this audit began, mandate that all records are filed in Objective and it is no longer possible to use the G drive to save records. The Taskforce has implemented action plans to oversee the migration of all old records onto the Objective system and has ensured the project is appropriately resourced.

It is expected that the migration of all historical records will be completed by the end of December 2016. It is important to note that the ACT Audit Office recognises that no records have been lost.

This recommendation builds on issues identified by the Taskforce in the initial internal audit and outlined by it to the Audit Office at the commencement of the performance audit. While formal correspondence, briefings, and Cabinet Records have from the outset been captured in CMTEDD's relevant systems, and interactions with affected homeowners recorded in the customer relationship management system utilised by the Taskforce since that system was adopted from Access Canberra, a significant volume of records from the early months of the Taskforce, while securely held on ACT Government systems (including individuals' email archives), remain to be attached to the Objective records management system.

This housekeeping exercise was underway before the performance audit commenced, and will be complete in line with the Auditor-General's recommended time frame.

³⁶ ACT Auditor-General (2016) p.8.

³⁷ http://www.parliament.act.gov.au/data/assets/pdf_file/0006/913983/2016-Government-Response-to-AG-Report-No-4-of-2016-Financial-Arrangements-Loose-fill-Asbestos.pdf p.4.

9. Conclusion

The June Quarter 2016 was one of considerable activity and achievement by the Taskforce, and saw:

- the commencement of the final phase of the Scheme with the first public sales of remediated blocks
- continuation of the demolition program safely and ahead of schedule
- continuation of close neighbour and community engagement supporting the demolition program
- commencement of the third stage of the ACT Asbestos Health Study
- continued significant media and public scrutiny, including in relation to serious allegations (subsequently found to be unproven) of misconduct by contractors, and
- endorsement by the Auditor-General of the Taskforce's approach to financial and risk management as it delivers the Scheme.

The September Quarter is expected to see:

- continuation and further consolidation of activity under the Demolition and Sales Phases of the Scheme
- continued provision of personalised support and advice to affected homeowners as they work through the first right of refusal and demolition scheduling processes
- continuation of the established program of neighbour and community engagement through direct contact, as well as the Taskforce website and social media channels, and
- continued engagement with the ACT Audit Office in relation to the Performance Audit of WorkSafe ACT's regulation of the demolition of affected houses.

The Taskforce remains focused on providing clear advice and personalised assistance to affected homeowners as the Scheme progresses. It remains committed to providing clear information and explanation to neighbours and the wider community as the Demolition Program continues across the 56 affected suburbs.

Above all, it remains focused on implementing the Scheme safely, efficiently and effectively so that the overarching objective articulated in October 2014 – to deal with the legacy of Mr Fluffy once and for all by eradicating loose fill asbestos insulation from Canberra's housing stock – is achieved.