

JOINT COMMITTEE OF PUBLIC ACCOUNTS  
AND AUDIT

Report 428: Review of Auditor-General's Reports  
Nos. 16 to 46 2010-11

Government Response

Department of Defence

Recommendation 3 – Audit Report No. 41 2010-11 –  
Maintenance of the Defence Estate

### **Recommendation 3**

Due to concerns raised by the Joint Committee of Public Accounts and Audit (JCPAA) in regard to implementation timelines, the committee recommends that following the tabling of this report, the Department of Defence provide updates on the implementation of the Australian National Audit Office's recommendations as follows:

- an interim report within six months; and
- a full report within 12 months.

The reports to the committee should address each recommendation and demonstrate how the outcomes of the reform, and review activities underway, have contributed to the implementation of the ANAO's recommendations.

### **Government Response**

#### **Department of Defence agrees with Recommendation 3 (administrative)**

In alignment with Recommendation 3, the Department of Defence agreed with the JCPAA's recommendation to provide an interim report within six (6) months and a full report within 12 months.

Attached is the interim six month report with a full report to follow within the agreed timeframe.

# Audit Report No. 41 2010-11 – Maintenance of the Defence Estate Interim Report

## **ANAO Recommendation 1**

*To improve planning for estate maintenance, the ANAO recommends that Defence:*

- (a) bases its estate maintenance planning on technical assessments of the condition of facilities and their usage, as well as continuing to take into account contribution to Defence capability and legislative requirements;*
- (b) undertakes periodic assessments of the condition of engineering services at bases and ranges and proposes any necessary maintenance or alternative remedial action; and*
- (c) having regard to up-to-date data on the condition and usage of its buildings and infrastructure, as well as its overall priorities, reassesses the level of funding allocated to maintain the estate in an economic manner.*

## **Government Response - Interim Report on ANAO Recommendation 1**

**1 (a)** Defence is reviewing its current Infrastructure Appraisal processes to improve the quality and consistency of the Infrastructure Appraisal data and plans. The review, which is expected to complete in June 2012, will provide a gap analysis of the activities and changes required to align the process with the ANAO recommendations and the WHS Act (Cth) 2011.

Defence is also implementing a new Garrison and Estate Management System (GEMS) which will redefine how Defence collects, validates, categorises and uses estate data to provide decision makers with a more accurate view of the issues impacting the estate.

**1 (b)** Defence is conducting a program of base engineering assessments to determine the condition, capacity and compliance of in-ground engineering services (electrical, potable water, storm water, sewer, gas, fuel, and ICT) of key bases to support planning and future investment decisions.

Assessments of three bases have been completed, a further four are underway and will be completed by July 2012. A request for tender is currently underway to select a contractor to conduct the next stage, which will assess a further 12 bases.

**1 (c.)** Defence has developed a 20 year estate investment program that provides a coordinated view of anticipated funding for the estate (maintenance and capital). Defence will continue to review the balance of the estate budget allocated to maintenance within the overall funding available. This will be an ongoing activity as part of the Defence Estate Investment Program.

Defence continues to improve its process for identifying and prioritising estate maintenance works. The prioritisation process includes base, regional and national forums where risks are discussed and works prioritised. The three year rolling program that results from this assessment and consultation is presented to the Defence Estate Committee in December each year for endorsement, and the Defence Estate Performance and Investment Committee in February each year for agreement.

## **ANAO Recommendation 2**

*To improve the delivery of maintenance services, the ANAO recommends that the approach to estate maintenance delivery be reviewed to focus on the outputs that Defence requires, and that Defence:*

- (a) undertakes work to develop an improved contracting model for the delivery of estate maintenance, including Risk Managed Works, for the next round of contracts;*
- (b) considers building on its initiatives to have prime contractors undertake low cost general estate works themselves, and separating Risk Managed Works between those best undertaken by the prime contractors and those best delivered as mid level capital works: and*
- (c) develops a change management plan to support the implementation of revised delivery and contracting arrangements.*

## **Government Response - Interim Report on Recommendation 2**

**2 (a)** Defence has reviewed the future contracting model for the delivery of Base Services (BS), Comprehensive Maintenance Services (CMS), and Garrison Support Services (GSS), including industry best practice and capacity, service packaging, and performance remuneration models in contracted service delivery. The proposed model envisages all three current contract models in an integrated delivery model, referred to as Base Services. The Base Services Request For Information (RFI) released on 28 March 2012, seeks industry feedback on the future provision of base services. The RFI provides industry with an opportunity to provide insights into leading practice commercial arrangements and influence the future contracting model to be adopted by Defence.

Following the RFI, Defence anticipates a two-stage procurement process commencing with an Invitation to Register (ITR) phase in July 2012 and a restricted Request for Tender (RFT) process anticipated for mid-September 2012. It is likely that the approach to market will be a single tender reflecting the total Defence requirement but leading to the awarding of several contracts. The resulting contracts will transition-in over a 21 month period anticipated to commence in May 2013 (Queensland) and concluding December 2014.

Defence considers the re-tendering of base services a significant opportunity to realise supply side savings to contribute to Strategic Reform Program objectives and lower the total cost of ownership for Defence

**2 (b)** Defence has introduced a fixed-fee, performance based routine/reactive maintenance model in six of its current regional maintenance/base services contracts whereby a range of low cost works are delivered directly by prime contractors.

In December 2011 Defence also established a national contract to enable individual maintenance tasks to be aggregated into larger work packages for more efficient delivery.

**2 (c)** Defence has commenced development of a change management plan for the base services retender and associated reforms, including better definition of the roles and responsibilities of estate maintenance and contract management staff. This plan will complement the future contracting model detailed at (a).