

Appropriation Bill 2001-2002 (No. 3)

Report of the

Select Committee on Estimates

April 2002

Legislative Assembly for the Australian Capital Territory



Committee membership

Mr Gary Humphries MLA (Chair)

Mr John Hargreaves MLA (Deputy Chair)

Ms Roslyn Dundas MLA

Secretary: Patrick McCormack

Resolution of appointment

On 19 February 2002 the Legislative Assembly for the Australian Capital Territory resolved that:

- (1) A Select Committee on Estimates be appointed to inquire into and report on the Appropriation Bill 2001-2002 (No. 3);
- (2) The Committee to be composed of:
 - (a) one member to be nominated by the Government;
 - (b) one member to be nominated by the Opposition; and
 - (c) one member to be nominated by the ACT Greens and Australian Democrats;to be notified in writing to the Speaker by 4.00 pm today;
- (3) the Committee report by Tuesday, 9 April 2002;
- (4) the Committee to send its report to the Speaker or, in the absence of the Speaker to the Deputy Speaker who is authorised to give directions for its printing, circulation and publication;
- (5) the foregoing provisions of this resolution so far as they are inconsistent with the standing orders, have effect notwithstanding anything contained in the standing orders; and
- (6) on the Committee presenting its report to the Assembly resumption of debate on the question “That this Bill be agreed to in principle” be set down as an order of the day for the next sitting.

Terms of reference

On 19 February 2002 the Legislative Assembly for the Australian Capital Territory resolved:

That the Appropriation Bill 2001-2002 (No. 3) be referred to the Select Committee on Estimates

Summary of recommendations

Recommendation 1

- 2.10 That unless unforeseen expenditure cannot be dealt with by a Treasurer's Advance, or some other mechanism, Appropriation bills should be delayed until later in the financial year so as to minimise the number of appropriation bills coming before the Assembly.**

Recommendation 2

- 2.16 Government needs to clarify quickly whether the \$27 million extra for education promised during the election is on top of the existing budget, or some other base, and how the potential 2 per cent cuts are to be applied to the education budget.**

Recommendation 3

- 2.21 Amend the Financial Management Act so that appropriations made by the Commonwealth to the Territory for specific purposes may be adjusted as if the appropriations had been specified to be specific purpose payments.**

Recommendation 4

- 2.26 Budget consultation documents need to be available a reasonable period, at least several weeks, before reports of committees dealing with budget issues are due to be brought down.**

Recommendation 5

- 2.28 The Government needs to ensure that agency negotiations, necessary to the issuing of revised financial statements, are completed in a timely manner.**

Recommendation 6

- 2.30 That Government give consideration to extending, by time and scope, its recycling education campaign to reinforce and support all good recycling practices.**

Recommendation 7

- 2.32 Work on a policy framework for Office of Sustainability needs to be accelerated to allow it to operate for the 2002-2003 Budget.**

Recommendation 8

- 2.34 The Government should establish a reference Committee of stakeholders and/or experts to oversight the development and operating ethos of the Office of Sustainability.**

Recommendation 9

- 2.36 The Government provides an explanation as to why answers to questions taken on notice at the public hearing of the Select Committee on Estimates were not provided in a timely manner.**

Recommendation 10

- 2.38 Pursuant to Government protocols in this area, consultants should not be appointed without a tender process and, where consultants have been appointed with a tender process, the documents relating to such appointments should in appropriate circumstances be made available to the Assembly for its scrutiny.**

1. Introduction

Committee's function

- 1.1 Appropriation Bill 2001-2002 (No. 3) was presented to the Assembly on 19 February 2002.
- 1.2 Public hearings were held on two days, namely Wednesday 20 March and Friday 22 March 2002, during which Ministers, accompanied by officials of departments and agencies gave evidence. Details of departments and agencies examined by the Committee are given in attachment 1.
- 1.3 In accordance with the standing orders of the Assembly, Members of the Assembly who were not members of the Committee attended the hearings and, by leave of the Committee, questioned witnesses.

2. Results of Inquiry

- 2.1 The Treasurer, Mr Ted Quinlan, MLA, gave evidence before the Committee to the effect that the Bill under examination “picks up on self-evident cost pressures”,¹ with the exception of one election promise, namely the funding for the Office of Sustainability.
- 2.2 The Committee agrees with Mr Quinlan that Appropriation Bill No. 3 is indeed largely, to use Mr Quinlan's own term, “mechanical”.² It stands in contrast to Appropriation Bill No 2, which was presented principally as a vehicle for the delivery of some of the Government’s election promises. The Committee notes, however, that neither bill serves exclusively one purpose or the other.
- 2.3 The Treasurer pointed out, for example, that Appropriation Bill No. 3 allocated \$1 million to cover “unbudgeted over-expenditure for the last completed financial year”³ for the Canberra Tourism and Events Corporation (CTEC). This relatively large amount was necessary, according to Mr Quinlan, “[b]ecause the event - the major event where [CTEC] lost money, the V8 car race, actually takes place in June, so it takes place hard up against the end of the financial year.”⁴ While it is true that June is “hard up against the end of the financial year” it is also true, as Mr Quinlan himself went to some lengths to point out, that the V8 car race “never achieved”⁵ the revenue generation projected for it by CTEC, and therefore it was likely that there would be a shortfall in revenue for the V8 car race in June 2001. Whilst there was no agreement on the Committee about the actual size of the shortfall, it was agreed that the previous Government knew of the shortfall, the current Government knew also and that sufficient information on the shortfall should have been available to include it in Appropriation Bill No 2.
- 2.4 The Committee understood the Treasurer to describe the need for Appropriation Bill No 2 to be provision for election promises and other urgent matters and that Appropriation Bill No 3 is about “mechanical “ issues and provision for an Office of Sustainability.
- 2.5 The Committee is concerned that there was no guarantee that there would be no further Appropriation Bills which would relate to this financial year.
- 2.6 The Committee asked the Treasurer to provide information to it as to which items were foreseeable and which were not foreseeable at the time of the 2001-02 Budget (i.e. which items in Appropriation Bill No3 were truly “mechanical” and which ones might have been anticipated earlier).⁶ The Committee received no answer to this question.

¹ Uncorrected Proof Transcript, 20 March 2002, p. 2.

² Ibid.

³ Ibid.

⁴ Ibid., pp. 8-9.

⁵ Ibid., p. 9.

⁶ Ibid., p. 31.

- 2.7 The Treasurer's explanation as to why items in Appropriation Bill No. 3 were not dealt with in Appropriation Bill No. 2 was that the Government wanted Appropriation Bill No. 2 "to go through promptly".⁷ Some members of the Committee were concerned at the Treasurer's statement that he could not be certain that yet another Appropriation Bill would not be required before the end of this financial year,⁸ Indeed the Treasurer's statement, to the effect that the \$1 million being allocated to CTEC in Appropriation Bill No. 3 was less than the known "cost pressures"⁹ on CTEC, would seem to make a fourth appropriation bill this year a possibility.
- 2.8 The Committee considers that it is quite inappropriate to have the Assembly consider a rapid succession of appropriation bills. Mr Quinlan stated that it was "in the interest of open government" that Appropriation Bill No. 3 had been brought before the Assembly.¹⁰ Appropriation Bill No. 3, however, can give the impression of ad hoc, rather than open, government.
- 2.9 Where expenditure of an unforeseen nature occurs a Treasurer's Advance should be used until the full nature of the expenditure can be known, and where expenditure has occurred an amount equivalent to that expenditure should be appropriated, not an amount less than the expenditure in the, almost certainly vain, hope that the agency incurring the expenditure will be somehow be able to find cost savings.

Recommendation 1

2.10 That unless unforeseen expenditure cannot be dealt with by a Treasurer's Advance, or some other mechanism, Appropriation bills should be delayed until later in the financial year so as to minimise the number of appropriation bills coming before the Assembly.

- 2.11 The amounts of money appropriated by Appropriation Bill No. 3 are, relatively speaking, small. The Committee was concerned therefore to note that the Government had indicated to agencies that

We want to see you make a two per-cent efficiency gain where it is possible.¹¹

We want 2 per cent saving on everything except where you can't, and where you can't you better explain it.¹²

- 2.12 The Committee considered it to be illogical to hand out relatively small amounts of money while at the same time asking agencies to identify 2 per cent reductions in their overall expenditure. Mr Quinlan asserted that such a process

⁷ Ibid., p. 2.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid., p. 3.

¹¹ Ibid., p. 10.

¹² Ibid., p. 11.

was “a fairly standard part of budgetary discipline before each round of budgets”¹³ and might include job cuts.¹⁴

2.13 The Committee believes that a 2 per cent across the board cut carries many risks and needs to be better targeted. Managers of some agencies may strive diligently to obtain 2 per cent cuts and in doing so may reduce the level of services provided to Canberrans. Other managers may say that they are unable to achieve the 2 per cent cuts, something which the Treasurer expects,¹⁵ and thus some agencies will escape from these cuts relatively unscathed.

2.14 The Treasurer did state that the Cabinet, or himself, would be taking the final decision on the 2 per cent cuts,¹⁶ but that is only after agencies have identified programs for cutting. The Committee is not suggesting that the Government review expenditure “line by line”,¹⁷ to use the Treasurer’s expression, but rather that the Government at least identify the programs it wishes the cuts to be made in.

2.15 There was some confusion about the nature of these potential 2 per cent cuts, for example, in relation to the Government’s election commitment to spend \$27 million more on education, the Treasurer stated that he “might” cut the education budget, including the additional \$27 million, by 2 per cent. The Committee would very much like this point clarified.

Recommendation 2

2.16 Government needs to clarify quickly whether the \$27 million extra for education promised during the election is on top of the existing budget, or some other base, and how the potential 2 per cent cuts are to be applied to the education budget.

2.17 The Committee heard evidence from Mrs Tu Pham, an officer of the Treasury Department, that demand for the First Home Owners' Scheme had been “much higher than expected”¹⁸ and that, as a result, without Appropriation Bill No. 3, there was a danger that payments could be made for which there was no appropriation.

2.18 The Committee noted Mrs Pham's advice but points out that, with regard to the First Home Owners' Scheme, the Territory Government is just a “post office”¹⁹ for the Commonwealth and in such cases, where payments are being made on behalf of the Commonwealth, the Financial Management Act allows the relevant appropriation to be adjusted. According to Ms Megan Smithies of Treasury, the reason no such adjustment was possible in relation to the First Home Owners' Scheme was that the Commonwealth's payment in relation to the Scheme was not

¹³ Ibid., p. 10.

¹⁴ Ibid., p. 31.

¹⁵ Ibid., p. 10.

¹⁶ Ibid., p. 11.

¹⁷ Ibid.

¹⁸ Ibid., p. 4.

¹⁹ Ibid.

categorised as a “specific purpose payment” but rather as part of the Territory's “general revenue assistance”,²⁰ and the Financial Management Act only allows for adjustments in relation to specific purpose payments.

- 2.19 The Committee does not know how money from the Commonwealth, specifically destined for the First Home Owners' Scheme, should have ever been classified as anything other than a “specific purpose payment”. Nevertheless, since money relating to the First Home Owners' Scheme was not classified as a “specific purpose payment”, the Committee wonders whether other Commonwealth monies, although ostensibly for specific purposes, may have also not been classified as specific purpose payments, and therefore the appropriations relevant to them also cannot, under the current Financial Management Act, be adjusted.
- 2.20 The intent of the Financial Management Act is clearly that an appropriation may be adjusted where it relates to payments being made on behalf of the Commonwealth. It appears that the intent of the Act is being frustrated by the misclassification of specific purpose payments.

Recommendation 3

2.21 Amend the Financial Management Act so that appropriations made by the Commonwealth to the Territory for specific purposes may be adjusted as if the appropriations had been specified to be specific purpose payments.

- 2.22 The Committee was dismayed that it, and other Committees of the Assembly, had to hold inquiries on budget matters without the benefit of any budget consultation documents outlining the Government's approach for the upcoming budget. These documents had been promised in mid-February,²¹ but were not released until March 28, six working days before this committee was due to report to the Assembly.
- 2.23 The Committee also acknowledges that the Budget Consultation document promised by the Treasurer was in regard to the contemplative stage of Budget development for financial year 2002-2003 and that the Committee's terms of reference refer its inquiry to issues relating to the financial year 2001-2002, however, the Committee also notes that the Budget Consultation document was relevant to the current inquiry because of the financial information it contained.

2.24 Mr Stanhope MLA, Chief Minister, defended this situation by saying that

There is absolutely no reason for any individual or any community group or any association to not make the representations to committees or to any member of this place in relation to what they see to be the priorities, the gaps, areas of need [in relation to services].²²

2.25 The Committee finds it unacceptable that Committees, community groups and members of the public generally were asked to take part in a budget consultation

²⁰ Ibid., p. 5.

²¹ Ibid., p. 19.

²² Uncorrected Proof Transcript, 22 March 2002, p. 12.

process while knowing nothing about the priorities of the Government for the Budget, or having a comprehensive Budget picture.

Recommendation 4

2.26 Budget consultation documents need to be available a reasonable period, at least several weeks, before reports of committees dealing with budget issues are due to be brought down.

2.27 The Committee was concerned to discover that the reason the supplementary budget papers did not include the financial statements of Departments revised according to the new administrative arrangements announced in November 2001 was because there were still “outstanding matters” relating to “splitting costs between departments”.²³ For negotiations between agencies about splitting costs to still be dragging on over four months after new administrative arrangements have been announced is inefficient.

Recommendation 5

2.28 The Government needs to ensure that agency negotiations, necessary to the issuing of revised financial statements, are completed in a timely manner.

2.29 The Committee heard evidence from Mr Bill Wood, MLA, Minister for Urban Services, that the Government was running an education campaign to discourage people from placing used syringes in recycling bins and thus exposing workers at the recycling centre to risk of injury.²⁴ The Committee applauds the Government for its action in this matter and suggests that the Government extend the education campaign to encourage more Canberrans to recycle.

Recommendation 6

2.30 That Government give consideration to extending, by time and scope, its recycling education campaign to reinforce and support all good recycling practices.

2.31 The Committee applauds the Government’s initiative in establishing the Office of Sustainability. This initiative is one that will hopefully assist in the development of good, integrated public policy for many years to come. The Committee was disappointed to learn that outcomes from the Office of Sustainability would not be able to be used to consider the Budget for 2002/2003, even though the Committee was promised a policy document in about three months.²⁵

Recommendation 7

2.32 Work on a policy framework for Office of Sustainability needs to be accelerated to allow it to operate for the 2002-2003 Budget.

²³ Uncorrected Proof Transcript, 20 March 2002, p. 23.

²⁴ Ibid., p. 56.

²⁵ Uncorrected Proof Transcript, 22 March 2002, p. 14.

2.33 The Committee believes that the Office of Sustainability has a significant role to play in the future of the Territory. The Committee acknowledges, however, that there are many views in the community about the meaning and extent of “sustainability” and therefore believes that the work of the Office of Sustainability would benefit from input from outside government. This input might come from a reference committee of stakeholders and/or experts in the field.

Recommendation 8

2.34 The Government should establish a reference Committee of stakeholders and/or experts to oversight the development and operating ethos of the Office of Sustainability.

2.35 The Committee provided six working days in some cases for questions on notice to be responded to - double the time normally allowed by previous estimates committees.²⁶ The Committee, however, received no answers to any of the questions which were taken on notice at its public hearings on Appropriation Bill No. 3, until one working day before the Committee was due to report. This is unacceptable.

Recommendation 9

2.36 The Government provides an explanation as to why answers to questions taken on notice at the public hearing of the Select Committee on Estimates were not provided in a timely manner.

2.37 Mr Stanhope undertook to make available to the Committee “whatever”²⁷ he could in relation to the appointment of Ms Anne Cross. The Committee notes that nothing has been forthcoming until one working day before the report was due.

Recommendation 10

2.38 Pursuant to Government protocols in this area, consultants should not be appointed without a tender process and, where consultants have been appointed with a tender process, the documents relating to such appointments should in appropriate circumstances be made available to the Assembly for its scrutiny.

²⁶ Uncorrected Proof Transcript, 20 March 2002, p. 1.

²⁷ Uncorrected Proof Transcript, 22 March 2002, p. 11.

2.39 Mr Stanhope undertook to “look at the nature of the advice”²⁸ he had been provided with concerning the necessity of expending \$6 million on Canberra’s hospital system by Christmas 2001 to forestall the “collapse” of the hospital system. He undertook to do so to see if it could be forwarded to the Committee.²⁹ The Committee notes that the information sought was not forthcoming.

Gary Humphries, MLA
Chair
9 April 2002

²⁸ Ibid., p. 20.

²⁹ Ibid., p. 19.

Appendix 1 – Departments Examined at Public Hearings

Wednesday, 20 March 2002

Mr Ted Quinlan, MLA, Deputy Chief Minister, Treasurer, Minister for Economic Development, Business and Tourism, Sport, Racing & Gaming, Police, Emergency Services and Corrections

Mr Howard Ronaldson, Chief Executive and Under-Treasurer, Treasury

Mrs Tu Pham, Deputy Under-Treasurer, Treasury

Ms Megan Smithies, Director, Financial and Budgetary Management, Treasury

Mr Simon Corbell, MLA, Minister for Education, Youth and Family Services, Minister for Planning, and Industrial Relations.

Mr Alan Thompson, Chief Executive, Department of Urban Services

Mr Guy Thurston, Acting Chief Executive Officer, ACTION

Mr Trevor Wheeler, Executive Director, Vocational Education and Training, Department of Education and Community Services

Mr Bill Wood, MLA, Minister for Urban Services & The Arts

Mr Alan Thompson, Chief Executive, Department of Urban Services

Mr Trevor Wheeler, Executive Director, Vocational Education and Training, Department of Education and Community Services

Friday, 22 March 2002

Mr John Stanhope, MLA, Chief Minister, Attorney General, Minister for Health, Minister for Community Affairs, Minister for Women.

Mr Robert Tonkin, Chief Executive, Chief Minister's Department

Ms Sandra Lambert, Deputy Chief Executive, Chief Minister's Department

Mr George Tomlins, Senior Director, Policy Group, Chief Minister's Department

Mr Peter Ottesen, Director, Policy Group, Chief Minister's Department