Government Response

to the Report of the

Select Committee on Estimates 2005-2006

Tabling Statement

June 2005

Ted Quinlan MLA
Treasurer

Mr Speaker, I present the Government Response to the report of the Select Committee on Estimates 2005-2006.

Mr Speaker, the Government is proud of the Budget. It has been set in an economic and financial climate that continues to be tighter than that experienced by our predecessors. It continues to deliver on this Government's commitments while being both financially *responsible* and *responsive* to the needs of the Community. This Budget continues the substantial progress of the past four years, provides new programs and new funding for targeted services, and continues to invest in our infrastructure.

I note with satisfaction that the Government has delivered a budget that has received the Committee's endorsement to pass through the Legislative Assembly. The Government thanks the Committee for its support of the Budget.

Mr Speaker, the Committee made 19 recommendations and the Government has responded to all the recommendations of the Committee.

The Select Committee's report discusses a wide range of issues. I will not take the Assembly's time by working through 19 recommendations. They are discussed in the Response document. I will, nevertheless, touch on a few.

The Committee has recommended that the Government undertake a whole-of-government review of performance measurement. The Government is committed to a program of continual review and refinement of the Territory's Performance Management Framework with a focus on the information needs of all stakeholders.

The Government has made a significant improvement in the 2005-06 Budget presentation in introducing revised performance indicators. Consistent with our existing commitment, this work will extend beyond one budget cycle.

During the development of the revised performance measurement framework, the Government has, so far, released two consultation papers. The first was aimed at initiating a discussion on the further development of the Triple Bottom Line reporting in the ACT. The second provided specific advice to Members of the Legislative Assembly on the proposed format of the new performance measurement framework into the presentation of future budget papers. With the exception of the Sustainability

Expert Reference Group (SERG), no response was received to either of these papers.

The Government will continue to pursue improvements in the financial management framework, and will provide opportunities for stakeholder input as required.

Mr Speaker in Recommendation 8 the Committee has recommended that the Government adopt a systematic approach to asset management.

The Government is committed to maintaining the long-term service delivery capacity of the Territory's assets. As a part of this, agencies undertake significant asset management planning to form the basis of future service delivery and asset management projects.

All agencies undertake programmed condition audits of assets with a view to ensuring asset management projects are guided by up to date information. A review undertaken throughout 2004-05 has, however, indicated that this represents an area for improvement across government departments. The Government has, in the 2005-06 Budget, initiated a rolling program of funding for ongoing capital upgrades, linking asset management planning and practices to funding. It is, however, recognised that these processes can be resource intensive and will take some time to fully implement.

Mr Speaker, in general, the recommendations raised by the Committee do not raise any serious issues that would prevent the passing of the Appropriation Bill 2005-06, and I thank the Committee for its consideration of these issues.

I commend the Government Response to the Assembly.

AUSTRALIAN
CAPITAL TERRITORY

GOVERNMENT RESPONSE TO THE SELECT COMMITTEE ON ESTIMATES REPORT ON THE INQUIRY INTO THE APPROPRIATION BILL 2005-2006

June 2005

INTRODUCTION

The Select Committee on Estimates tabled its report on the Appropriation Bill 2005-2006 on Tuesday 21 June 2005.

The Committee made 19 Recommendations in its Report. The Government has responded to all Recommendations.

The Government welcomes the Committee's support of the Budget and its recommendation to pass the Appropriation Bill 2005-06.

RESPONSE TO RECOMMENDATIONS

Recommendation 1

2.27 The Committee recommends that the Government review stamp duty on commercial conveyances in light of the GST windfall gains.

Government Response

The ACT has proposed a timetable to abolish a number of taxes over the coming years, in line with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

Duty on the conveyance of non-real property, that is where there is not a change in beneficial ownership of real estate, (such as goodwill, supply rights of a business and intellectual property), is proposed to be abolished by 1 July 2006. The ACT Government has no plans to forgo the revenue collected through duty on transfers of commercial real property. On both administrative and public policy grounds, all States and Territories have stated that they do not support having different treatment of residential and business property.

There are significant, and growing, pressures on all State and Territory budgets to fund services, particularly in areas such as health, education, and law and order. Current and projected sources of State funding, such as the GST, are not sufficient to fund these vital services in addition to the abolition of further State own-source revenues, such as stamp duty on residential property and land tax.

Recommendation 2

3.27 The Committee recommends that the Government undertake a whole-of-government review of the new budget performance measurement framework, including sustainability indicators, which includes a transparent and clear process for consultation.

Government Response

During the development of the revised performance measurement framework, the Government has, so far, released two consultation papers. The first was aimed at initiating a discussion on the further development of the Triple Bottom Line reporting in the ACT. The second provided specific advice to Members of the Legislative Assembly on the proposed format of the new performance measurement framework into the presentation of future budget papers. With the exception of the Sustainability Expert Reference Group (SERG), no response was received to either of these papers.

The Government continues to be committed to a program of review and refinement of the Territory's Performance Management Framework with a focus on the information needs of all stakeholders, including the Legislative Assembly and other stakeholders. Consistent with our existing commitment, this work will extend beyond one budget cycle.

The Government has made a significant improvement in the 2005-06 Budget presentation in introducing revised performance indicators. Comments on the framework, the performance indicators and options for improvement are welcomed on the information presented in the 2005-06 Budget. The Government notes the suggestion that the nature of questioning in the Estimates Committee provides feedback on the performance indicators. While of some use in providing an indication of the thinking of Committee members, the Government does not believe this constitutes a constructive and proactive response or feedback on the discussion papers or framework as presented in the 2005-06 Budget.

It is noted that the Committee's report comments on specific performance indicators in relation to the Department of Disability, Housing and Community Services. It is disappointing that the Committee has not taken the opportunity for providing constructive feedback into the development of either the conceptual framework, or on a proposed direction for the future development and improvement of specific performance indicators beyond these limited instances.

The Government will continue to pursue improvements in the financial management framework, and will provide opportunities for stakeholder input as required.

Recommendation 3

3.36 The Committee recommends that in future budgets where efficiency dividends are made that, where possible, the Budget papers clearly indicate the impacts of such savings on staffing levels, program delivery, policy development and other outputs.

Government Response

The 2005-06 Budget Papers indicate that the aim of current savings measures is on improving service delivery efficiency in government agencies. The papers identify that this will most likely be achieved from general savings in agencies, but also includes removing duplication and inefficiencies in the provision of IT and procurement services.

While agencies have agreed to achieve the savings targets, it remains the discretion of each agency's Chief Executive and the relevant Minister as to the best way savings will be made. In this way each agency is better able to undertake a rolling review of internal processes and structures in order to achieve optimal efficiencies. This is ongoing and forms a part of the normal budget development process.

In relation to staffing levels, while very broad estimates can be made at the time of the Budget, it is difficult to provide any degree of certainty. Departments will try to minimise the impact of efficiency savings on existing staff, using natural attrition and existing vacancies wherever possible to minimise redundancies. The details of these arrangements may take many months to work through.

Recommendation 4

4.13 The Committee recommends that greater consideration be given to additional resourcing to implement the water conservation measures of Think Water Act Water once the review of the first year of the program is completed.

Government Response

The Government considers that it would be premature to consider resource requirement changes prior to the completion of the review of the *Think Water Act Water* program. Any resource variations would also need to be considered in the context of the Government's budgetary priorities and fiscal capacity.

Recommendation 5

4.41 The Committee recommends that, in future, the Women's Budget Statement cross-reference programs mentioned in the Statement to the relevant areas in the Budget Papers.

Government Response

The Government notes the Committee's recommendation. Future Women's Statements will, wherever possible, cross reference programs mentioned in the Statement to the relevant areas in the Budget Papers.

Recommendation 6

4.42 The Committee recommends that, in future, the Women's Budget Statement include a fuller economic based gender analysis of the budget.

Government Response

The Government is committed to the provision of information within the Budget Papers that is easily accessible and highlights the benefits of the budget to women. However, a fuller economic based gender analysis of the budget would require significant additional resourcing across Government. Future progression of this recommendation would need to be considered in the context of the Government's budgetary priorities and fiscal capacity.

Recommendation 7

5.11 The Committee recommends that the Government undertake an analysis of the impact of land rate increases on low-income households that are not recipients of income support (i.e. not pensioner concession recipients) before implementing the measure.

Government Response

The impact of rate increases on residential households will vary depending on the suburb in which a particular property is located. On average, rates for residential properties will increase by $125 ($21 for CPI increase and $104 for additional rates increase) in 2005-06.

Several payment assistance measures are available to ratepayers that may experience financial difficulty in meeting their annual rates bill. These measures include a weekly or fortnightly direct debit time payment arrangement or a temporary extension of time to pay. Both of these assistance measures can be provided without any penalty interest where the ratepayer can demonstrate that they are suffering substantial financial hardship. In addition, property owners who receive unemployment or other benefits, or anyone suffering substantial financial hardship, can apply to formally defer payment of their rates for the home in which they live. A relatively low rate of simple interest (5.68% from 16 July 2005) is charged on deferred rates.

The Government is conscious of the financial impact that increases in rates in 2005-06 will have on ratepayers and, in particular, low income households. Sympathetic consideration and appropriate payment assistance will be provided in genuine cases to assist property owners in meeting their annual rates bill.

Recommendation 8

5.17 The Committee recommends that the Government adopt a systematic approach to asset management.

Government Response

The Government is committed to maintaining the long-term service delivery capacity of the Territory's assets. As a part of this, agencies undertake significant asset management planning to form the basis of future service delivery and asset management projects.

All agencies undertake programmed condition audits of assets with a view to ensuring asset management projects are guided by up to date information. A review undertaken throughout 2004-05 has, however, indicated that this represents an area for improvement across government departments. The Government has, in the 2005-06 Budget, initiated a rolling program linking asset management planning and practices to funding. It is, however, recognised that these processes can be resource intensive and will take some time to fully implement.

The 2005-06 Budget also included an annual provision of $32m within forward estimates for ongoing capital upgrades from the capital works budget. This amount is in line with previous allocations made from the capital works budget for ongoing capital upgrades. This is over and above the existing appropriation provided to agencies for routine repairs and maintenance of the Territory's existing asset base. Furthermore a proportion of the new works program is also used for *major* capital upgrades of existing assets. For example, the 2005-06 Budget provided $3.6m for major fire safety upgrades within the two public hospitals.

The annual Budget process also provides agencies with the opportunity to bring significant asset management projects to Government for consideration. However, it should be noted that changes in service delivery demands, a growing city, and technological changes, amongst other things, place considerable tension on the fiscal capacity of the budget. Hence asset management practices and new construction works will always need to be balanced within the context of the Government's budgetary priorities and fiscal capacity.

Recommendation 9

5.22 The Committee recommends that the Government affirm a commitment to providing accommodation for community organisations within the City West precinct and other inner city areas.

Government Response

The Government's commitment to community facilities, in relation to City West, is clearly expressed in the City West Master Plan, which establishes a framework for mixed-use development, to encourage progressive development of community facilities. In seeking to mandate this commitment through the land uses under Draft Variation 236, the Government has added, amongst the objectives listed in the Territory Plan Written Statement, that the area west of Marcus Clarke Street and north of University Avenue should "provide a focus for arts and community groups." Finally, under the terms of the Deed of Agreement signed with the ANU for the development of the City West Precinct, provision has been made to ensure that all existing community groups can be re-housed in new developments on the site.

In relation to other parts of inner City, the Government is providing significant additional new community space elsewhere in Civic, in locations close to the other facilities required by the community groups, through the new Griffin Centre, which is larger than the old building it replaces, Youth In The City, a mixture of counselling, support and health services, and the Multicultural Centre in the refurbished North Building.

Recommendation 10

5.23 The Committee recommends that the Government table the Deed of Agreement with the ANU before the Assembly.

Government Response

Agreed.

Recommendation 11

6.6 The Committee recommends that the Government provide additional funding to the Auditor-General's Office in line with the recommendation made by the Standing Committee on Public Accounts to the Treasurer in its letter of 24 March 2005.

Government Response

As recommended by the Standing Committee, the 2005-06 Budget provided additional funding of $75,000 in 2005-06, increasing to $133,000 in 2008-09, to meet increased accommodation costs. This is in addition to capital funding of $650,000 provided through the 2004-05 Budget for the fit-out of the Auditor-General's Office. The Office was also quarantined from the general efficiency savings targets, which applied to many other agencies.

Furthermore, the 2004-05 Budget provided additional recurrent funding of $300,000 to increase the Auditor-General's operating capacity. This included provisions for two additional performance audit staff, external consultancy, and training and development.

These additional resources demonstrate that the Government remains committed to providing an appropriate level of resources for the Auditor-General's Office, and will welcome further submissions in relation to the Auditor-General's budget in the 2006-07 Budget.

Recommendation 12

6.11 The Committee recommends that the Government reassign from within the Budget $129 000 for Legislative Assembly Secretariat staffing needs.

Government Response

The Government notes the Committee's recommendation, however, was unable to address this concern in this financial year. The Government will welcome further submissions in relation to the Legislative Assembly's budget in the 2006-07 Budget.

Recommendation 13

7.13 The Committee recommends that ACT Health urgently seek a ruling from the Australian Taxation Office to test the compliance of the current salary packaging arrangements within ACT Health.

Government Response

ACT Health has provided the expert taxation accountancy advice that it obtained from PricewaterhouseCoopers to the Select Committee on Estimates 2005-06 as well as a formal response from the Australian Taxation Office approving a large part of ACT Health for deductible gift recipient status. However, in order to obtain an even greater level of certainty over this issue ACT Health will seek an Australian Taxation Office Ruling on its salary packaging arrangements.

Recommendation 14

7.26 The Committee recommends that the Government should re-assess how it calculates funding associated with responding to Inquiry Reports and ensure that it can demonstrate clear links between funding allocations and recommendations.

Government Response

The Government acknowledges the importance of accurately assessing the funding associated with Inquiry reports. Consequently every effort is made in identifying projects and associated funding levels in responding to individual recommendations made within Inquiry Reports. However, projects and programs will typically be multifaceted in nature, addressing various areas of need and clientele, and may therefore address a number of recommendations at once, or only part of a recommendation. As a result, despite all efforts to ensure that there is a link between funding allocations and the individual recommendations of Inquiry Reports, it is often unrealistic to quantify funding allocated directly to a specific recommendation within an Inquiry Report.

Recommendation 15

7.32 The Committee recommends that all accountability indicators involving client satisfaction measures recognise that a minimum of 90% is an appropriate target.

Government Response

The Government will examine the issue of the appropriate minimum levels for client satisfaction measures as part of the annual review of accountability measures for the 2006-07 Budget. Setting a realistic client satisfaction target is complex and varies from service to service.

Recommendation 16

7.35 The Committee recommends that reducing the waiting period for autism assessments be adopted as an accountability indicator for Therapy ACT.

Government Response

The Government will examine the issue of waiting periods for autism assessments as part of the annual review of accountability measures for the 2006-07 Budget.

Recommendation 17

8.10 The Committee recommends that the Real-Time Information Service be deferred and that the funds be allocated to more urgent priorities.

Government Response

The Government does not agree with this recommendation.

The Real-Time Information Service is a key element of "*The Sustainable Transport Plan*" which affirms the Government's commitment to making transport more sustainable, with a stronger role for public transport, walking and cycling. Replacing some of our car travel with walking, cycling and public transport trips will have major benefits for the environment and Canberra's liveability.

The Sustainable Transport Plan concluded an extensive 18-month community consultation process involving several workshops, a Transport Forum held in June 2003 and community comments on the Draft Plan.

Implementation of a real-time information system for public transport will improve passenger information and encourage use by new and infrequent public transport users. Real-time information systems will be incorporated into new and existing interchanges and major stops. Customer access to the information will be through displays at stops and interchanges and also through the web and via SMS and Wireless Application Protocol (WAP) technology.

Recommendation 18

9.30 The Committee recommends that the Government publicly release the report on the study into the ACT's future policing needs once it is completed.

Government Response

It is expected that the policing study report will be provided to the Government within the next three weeks. A decision about its release is pending consideration by the Government.

Recommendation 19

10.23 The Committee recommends that the Appropriation Bill 2005-2006 be passed.

<u>Government Response</u>

Noted.