*Estimates 2023 - QTON No. 72

LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2023-2024
Mr Mark Parton MLA (Chair), Ms Jo Clay MLA (Deputy Chair),
Mr Michael Pettersson MLA

ANSWER TO QUESTION TAKEN ON NOTICE DURING PUBLIC HEARINGS

Asked by Jo Clay MLA on 24 July 2023: Andrew Barr MLA took on notice the following question(s):

[Ref: Uncorrected Proof Hansard Transcript 24 July 2023 pp 90-91]

In relation to: Budget decisions related to climate assessment

MS CLAY: If you are not applying this social carbon cost and this climate assessment to every budget decision, which is what you have said, how do you decide which budget decisions—who decides? Is it you who decides? Who is deciding which decisions get that?

Mr Barr: Well there would be a threshold in relation to decisions that reach the Expenditure Review Committee. So, within each budget new spend often is between say one and two per cent of the territory's total budget. So new spending proposals would have an assessment based on their scale and their potential impact. And that would be reported on as part of the—or highlighted, I should say, as part of the decision-making process. And some obviously do have impact. Others would be negligible if any. And, you know in going through a list of budget initiatives, there are some obviously that would require that assessment.

But a reasonable person would determine that if the cost of undertaking an assessment was greater than the size of the initiative then that would not represent good value for money. And, I mean, if you go through the budget papers you will see that some decisions would lend themselves—or some initiatives would lend themselves to a greater degree of analysis of the type that you are proposing, and others, for example, it opens a page in the budget papers.

There was not a climate change assessment on new service responses for raising the minimum age of criminal responsibility—

MS CLAY: Sure. So I might again, focus a sub—you did a really good job of highlighting a lot of the major projects that are clearly emissions reduction projects—

Mr Barr: Yes.

MS CLAY: —like light rail. I am fairly satisfied that they would probably do quite well—

Mr Barr: Yes.

MS CLAY: —under this kind of assessment.

Mr Barr: Yes.

Ms Clay: There is quite a lot of other initiatives. And I mean many of these are not even Cabinet decisions. And I am not actually asking you to tell me about Cabinet decisions, but we have got over half a billion dollars of roads, there has been talk of a new stadium, we have got quite a lot of large capital works that are not climate focused capital works—

Mr Barr: Yes.

MS CLAY: —and they are not like a new hospital that is decided to be all electric. How do we—like, if you do not have any kind of assessment criteria, it sounds like there are not assessment criteria. You have not said everything that is more than one per cent of the budget or every capital works project over $200,000. If there is no criteria, who knows whether it needs to be assessed and how do other people know that it has been assessed and it has passed—

Mr Barr: So the Major Projects Canberra infrastructure procurement framework has a number of different tiers and requirements and thresholds that are published. So perhaps rather than me endeavouring to remember every single assessment point and every single initiative, I will provide on notice, as succinct an explanation as I can around those assessment criteria, as in what is in and what is out—

MS CLAY: That would be great. Yes, assessment criteria for the large budget decisions—

Mr Barr: Yes.

MS CLAY: And what the trigger is, that would be fantastic. Thank you.

Mr Barr: Yes.

THE CHAIR: Thank you, Ms Clay.

Andrew Barr MLA: The answer to the Member's question is as follows: –

The Capital Framework is the policy framework used by the Territory to support the delivery of all capital projects in the ACT. All agencies are required to use the Capital Framework when progressing a capital project Business Case for Expenditure Review Committee consideration and Budget Cabinet decision.

Under the Capital Framework, all capital business cases are required to assess alignment with the Wellbeing Framework through a Wellbeing Impact Assessment. This process provides the opportunity to provide a qualitative assessment and identify climate-related impacts under the environment and climate domain. The Framework further requires that consideration be given to the wellbeing domains in all aspects of the business case, notably the Options Analysis and Economic Appraisal sections.

From a quantitative perspective, the Capital Framework also requires the identification of all project costs and the allocation of projects into one of three tiers, depending on their capital value and level of risk. The Tier of a project dictates the level of analysis the Project Team is required to undertake to progress an investment through the Capital Framework process. The objective of the Tier assessment is to ensure that the project development pathway and analysis is appropriate and proportionate to the risk and capital cost of the project.

For Tier 1 and Tier 2 capital projects, project teams are required to undertake an Economic Appraisal, Financial Analysis and Wellbeing Impact Assessment on all project options. A full Economic Appraisal will consist of a Cost Benefit Analysis (CBA) and Multi-Criteria Analysis (MCA). The primary purpose of this analysis is to identify and measure the economic, social and environmental benefits and costs associated with a project, in addition to the actual project cost of the initiative. The Economic Appraisal, whether conducted through a CBA, an MCA or distributional analysis (an additional tool that articulates benefits and costs of a project across demographic groups) will consider the benefits and costs of each option to both the Government and the ACT community as a whole. For Tier 3 projects, the project team is required to define the base case, identify project options and perform a MCA to determine the recommended option.

Where relevant and identifiable, environmental costs – including, for example, greenhouse gas emissions generated through the construction and operational phases of the investment – are to be included in the Economic Appraisal. Meanwhile, the Financial Analysis section requires that project leads identify all capital costs, including costs related to implementing sustainability measures and obtaining required environmental or sustainability ratings for relevant capital projects.

You may review the Capital Framework for more detail via the following link:
https://www.treasury.act.gov.au/capital-framework

Approved for circulation to the Select Committee on Estimates 2023-2024

Signature: Andrew Barr Date: 1.8.23

By the Minister for Climate Action, Andrew Barr MLA