



Legislative Assembly for the ACT

STANDING COMMITTEE ON PUBLIC ACCOUNTS

## **Appropriation Bill 2004-2005 (No 2)**

MARCH 2005

**Report 2**

## Committee membership

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## Resolution of appointment

The Standing Committee on Public Accounts was appointed by the Legislative Assembly on 7 December 2004 to:

- (i) examine:
  - (A) The accounts of the receipts and expenditure of the Australian Capital Territory and its authorities; and
  - (B) All reports of the Auditor-General which have been presented to the Assembly;
- (ii) Report to the Assembly any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Assembly should be directed;
- (iii) Inquire into any question in connection with the public accounts which is referred to it by the Assembly and to report to the Assembly on that question; and
- (iv) Examine matters relating to economic and business development, small business, tourism, market and regulatory reform, public sector management, taxation and revenue and sustainability.

## Terms of reference

To examine the expenditure proposals contained in the Appropriation Bill 2004-2005 (No 2) and report to the Assembly by 31 March 2005.

## Conduct of the inquiry

The Committee held two public hearings on 2 and 11 March 2005 and heard from Ministers and their accompanying departmental officers. A list of those who appeared before the Committee at public hearings can be found at Appendix A.



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# RECOMMENDATION

## RECOMMENDATION 1

3.2 The Legislative Assembly pass Appropriation Bill 2004-2005 (No 2)





# 1 INTRODUCTION

- 1.1 On 17 February 2005, Appropriation Bill 2004-2005 (No 2) (the Bill) and accompanying explanatory statement were presented to the Legislative Assembly and referred to the Committee for inquiry<sup>1</sup>.
- 1.2 The purpose of the Bill is to provide for a total additional appropriation of \$75.281 million in the 2004-2005 financial year. A summary of the total allocation of the appropriation is provided at Appendix B. Revised financial statements and accompanying explanatory notes can be found in the Government's Supplementary Budget papers 2004-2005: Appropriation Bill No. 2.
- 1.3 The Government has stated that the Bill will provide funding for: election commitments commencing in 2004-2005; enterprise bargaining agreements; address recommendations from the Vardon Report<sup>2</sup>; amendments to Asbestos Law Reform; benchmark targets for ACTION; and address cost and demand pressures of a number of government agencies.<sup>3</sup> A further breakdown of items included in each category is included in the Government's supplementary budget papers. The Committee has chosen to focus on a number of selected areas, which are outlined in the next chapter.

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<sup>1</sup> Legislative Assembly for the ACT, Minutes of Proceedings No 7, Thursday, 17 February 2005, pp 68 & 69.

<sup>2</sup> The Territory as Parent, report by Commissioner Vardon, May 2004. Also includes The Territory's Children, report by Gwen Murray, May 2004.

<sup>3</sup> Mr Ted Quinlan MLA, Treasurer, Appropriation Bill 2004-2005 (No 2), presentation speech, p 2.

## 2 EXPENDITURE PROPOSALS AND ISSUES HIGHLIGHTED

- 2.1 Interest was expressed in a number of areas appropriated for under the Bill. These are addressed below.

### Manuka Oval

- 2.2 Interest was expressed in the Government's future plans for Manuka Oval. The Bill provides an additional \$142 000 as a subsidy for Manuka Oval.<sup>4</sup>
- 2.3 The Minister for Economic Development stated that the appropriation will provide for operational requirements such as building and ground maintenance, cleaning costs, reduced function room hire, reduced cottage rental and one less football match.<sup>5</sup>
- 2.4 When asked about the future plans for Manuka Oval, the Minister stated that the Government has also budgeted for additional work to the amount of \$240 000.<sup>6</sup> This included the provision of more undercover seating, new fencing and an upgrade of the front entrance of the sporting facility. Further, an upgrade of facilities to meet new occupational health and safety standards such as increasing the height of guardrails was also identified. The Government will track the operations of Manuka Oval with a number of major events. The Minister indicated that he had asked the Auditor-General to examine the structure, use, management and economic performance of Manuka Oval to ascertain its viability.<sup>7</sup>
- 2.5 The Minister also informed the Committee that the Government was more interested in investing in and further upgrading Phillip Oval than Manuka Oval due to its location and surrounding amenities.<sup>8</sup>

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<sup>4</sup> Supplementary Budget Papers 2004-2005, Appropriation Bill 2004-2005 (No 2), p 244.

<sup>5</sup> Transcript of evidence, Wednesday, 2 March 2005, 2.

<sup>6</sup> *ibid.*, p 4.

<sup>7</sup> *ibid.*, p 2.

<sup>8</sup> *ibid.*

- 2.6 The Government has estimated that the upgrade of Phillip Oval would cost in excess of \$1.5 million. Additional costs would be borne by increasing crowd capacity and improving the oval surface to meet current surface standards.<sup>9</sup>

## Gaming revenue

- 2.7 Concern was expressed with the Minister for Economic Development about the transfer of Racing and Gaming from the Department of Treasury to the Department of Economic Development. Concern was expressed that the transfer reflects the view that racing and gaming is a tool for economic development. This concern alluded to the risk that problem gambling could be seen as an inevitable cost of economic development. And further, that there may be increased dependence on gaming revenue in the ACT and more broadly, Australia.<sup>10</sup>
- 2.8 In response, the Minister stated that the change in portfolio areas more closely reflects the work of each respective unit which have been drawn together under the relevant portfolio areas. Of problem gambling, the Minister stated that in consultation with clubs, hotels and the casino, legislation and a code of practice has been developed. The Minister informed the Committee that it had collected in the 2004-05 year \$33.456 million in gaming machine tax, \$2.154 million in casino tax and \$13.94 million in lotteries tax.<sup>11</sup>

## Enterprise Bargaining Agreements (EBA)

- 2.9 The majority of the appropriations provide for wage negotiations totalling nearly \$50 million. Concern was expressed that the amount for EBAs exceeded the original budget estimate of 7.3%.<sup>12</sup>
- 2.10 The Treasurer stated that \$35 million was originally budgeted for wages and wage negotiations. The provision was placed against the administrative line and not in the salaries line, as EBAs are not usually negotiated at the time the Budget is prepared. Including the appropriation in the administrative line allows for negotiating flexibility while it is still accounted for.<sup>13</sup>

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<sup>9</sup> *ibid.*, p 3

<sup>10</sup> *ibid.*, p 4

<sup>11</sup> *ibid.*

<sup>12</sup> *ibid.*, p 7

<sup>13</sup> *ibid.*

- 2.11 Interest was expressed in the need for productivity gains as a result of wage increases. The Treasurer responded by stating that the wages of the ACT public service (ACTPS) have as a result of increases, risen to be on par with Commonwealth agencies that are ranked in the middle of the 'league table of rates payable'. Having lower wage rates than the majority of Commonwealth agencies has in the past had a negative impact on the ACTPS ability to recruit and retain quality staff.<sup>14</sup> The Minister for Health and the Minister for Industrial Relations also supported this view.<sup>15</sup>
- 2.12 The Chair was surprised to hear from the Minister for Industrial Relations that no productivity gains were sought by the Government in granting wage increases amounting to some \$50 million. The pay increase was therefore effectively an additional cost for which no gain was achieved in terms of more or better services to the community.
- 2.13 The Chair notes that productivity gains in return for pay increases do not necessarily mean a reduction in employment conditions. Productivity gains usually arise from finding new ways to make work easier and more efficient. The gains are generally shared between everyone involved so employment conditions are improved, not reduced.
- 2.14 In relation to the Health portfolio, the Committee was concerned that the increase in wages would not address the staff shortages issue. The Minister for Health stated that there were national and international work force shortages in the health profession.<sup>16</sup>
- 2.15 In the area of nursing, a number of avenues were being addressed to retain nurses or provide incentives for nurses to return to nursing: namely new career paths, educational support for nurses with 20 additional clinical development nurses on wards. Nursing shortages exist in specialised areas such as operating theatres, mental health and emergency department nursing. Further, a post graduate course in operating theatre and intensive care nursing which is improving career options for nurses was proving to have positive take up rates. Another option available is the provision of new shift arrangements that allow for greater flexibility.<sup>17</sup>

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<sup>14</sup> *ibid.*, p 8

<sup>15</sup> Proof transcript of evidence, Friday, 11 March 2005, pp 23 & 48

<sup>16</sup> *ibid.*, p 49

<sup>17</sup> *ibid.*

## Community sector wages

- 2.16 Concern was expressed about wages disparity between the ACTPS and the public service generally in relation to the community sector. Concern was also expressed that the Government, in granting wage increases to its public servants, does not take into account the impact on the private sector. Since the private sector has much less capacity to either pass on the cost of wage increases or absorb them, the likely outcome is that employment will be lost.<sup>18</sup>
- 2.17 The Minister for Industrial Relations stated that the issue of wage parity in the community sector was one of concern for the Government and that the Minister would over her term look at making wages and conditions in the community sector more appropriate to the level of work undertaken. That work has commenced with the Community Sector Taskforce, which will work with community providers to work through issues of wages, conditions and retention of staff. Further, it was stated by the Treasurer and Minister for Health, that the issue was a matter for the upcoming Budget.<sup>19</sup>

## Stress and Injury of health workers

- 2.18 Concern was expressed about stress and injury related absenteeism and staff turnover of health workers, predominantly in nursing.<sup>20</sup>
- 2.19 The Minister for Health responded by stating that the work environment under which nurses work is difficult by its very nature, which is compounded by staff shortages and a moral obligation to provide a service, regardless of the hard work already performed. Out of 5500 staff, there are currently 29 stress claims. The most common injury claim is for patient assault of nurses. A revised workplace violence policy is currently being negotiated.<sup>21</sup>
- 2.20 Concern was expressed about the risk to patients from health staff, especially nurses under such daily pressure as mentioned above. The Minister stated that there had been no adverse situations as a result of workload pressures on health workers.<sup>22</sup>

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<sup>18</sup> *ibid.*, p 26

<sup>19</sup> *ibid.*

<sup>20</sup> *ibid.*, p 53

<sup>21</sup> *ibid.*, pp 53 & 54

<sup>22</sup> *ibid.*, p 55

## Asbestos law reform

- 2.21 The Committee was interested in the ongoing work of the Asbestos Taskforce. The Committee was concerned that there was growing public confusion about actions to be taken following identification of asbestos.<sup>23</sup>
- 2.22 The Minister for Industrial Relations stated that the work of the Asbestos Taskforce is evolving in response to growing asbestos awareness as a result of the Government's campaign.<sup>24</sup>
- 2.23 To date, \$350 000 has been spent on the project. The Government stated that as the project has been evolving and a regulatory impact statement was not yet complete, further costs for the project are not presently known. The Taskforce is currently working to develop a budget while it carries out its role.<sup>25</sup>

## Eastman Case

- 2.24 The Committee expressed an interest in the cost associated with the Eastman Case to date.<sup>26</sup>
- 2.25 The Attorney-General responded that the Eastman Case has been continuing for a number of years with its expected conclusion pending the report of Justice Miles by the end of June 2005. The cost of the trial would include costs of his trial, various appeals and conviction as appropriated by the Bill. The amount would be in the millions of dollars.<sup>27</sup>

## Reducing Property Crime Program

- 2.26 The Committee, when discussing the matter with the Attorney-General was interested to know about the specifics of the Reducing Property Crime Program. The Bill appropriates \$278 000 for the program. This includes upgrading the classification of case managers, providing supported accommodation for selected offenders and programs to address offenders behaviour and drug and alcohol programs. The program will accommodate 20 people. The Government is currently in the process of recruiting staff and

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<sup>23</sup> *ibid.*, p 28

<sup>24</sup> *ibid.*, p 29

<sup>25</sup> *ibid.*, pp 29 & 30

<sup>26</sup> *ibid.*, p 65

<sup>27</sup> *ibid.*, p 66

securing a second house for the program. The program will be evaluated once it is implemented.<sup>28</sup>

## **Coronial inquest for bushfires**

2.27 The Government stated that it had spent \$7 761 000 from 2002-03 to the end of February 2005 on the coronial inquest for bushfires.<sup>29</sup>

2.28 The costs are associated with hearing days and counsel assisting and so it is difficult to estimate future costs. Further, the Government stated that it had access to the Treasurer's Advance provisions of the Financial Management Act to appropriate unforeseen expenses.<sup>30</sup>

## **Revised Child Protection Manual**

2.29 The Committee was interested in the amount of \$100 000 appropriated for the revised child protection manual and why this amount had not been included in the usual office function.<sup>31</sup>

2.30 The Minister for Children, Youth and Family Support stated that earlier appropriations to the Office of Children, Youth and Family Support were for additional staff. Later appropriations addressed the next lot of priorities. As the department was essentially under-resourced and under-funded, no savings could be made to address the shortfalls. In addition, the Office has gone through a thorough process of determining, with the aid of the Department of Treasury, an appropriate budget and addressing current shortages.<sup>32</sup>

2.31 The Minister stated that all operational staff involved in child protection work would use the manual. The manual would be easily accessible in electronic format.<sup>33</sup>

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<sup>28</sup> *ibid.*, pp 67 - 69

<sup>29</sup> *ibid.*, p 71

<sup>30</sup> *ibid.*, pp 71 - 72

<sup>31</sup> *ibid.*, p 38

<sup>32</sup> *ibid.*, pp 38 - 39

<sup>33</sup> *ibid.*, p 39

- 2.32 The Committee further asked about overseas recruitment in the area of child protection matters and background checks on candidates. The Minister stated that police checks of overseas recruits and their families are undertaken every two years.<sup>34</sup>

## **Accommodation of the Office of Children, Youth and Family Support**

- 2.33 The Committee was interested in the \$1.478 million appropriated for the Office to consolidate its operations from 12 different locations to 11 Moore Street, Civic.<sup>35</sup>
- 2.34 The Minister stated that the Office was consolidating its operations into a central location as a recommendation of the Vardon Report. The high cost of the consolidation is mainly due to the fact that the Office has doubled in size and there are increased rental costs involved in moving to Civic.<sup>36</sup>

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<sup>34</sup> *ibid.*

<sup>35</sup> *ibid.*, pp 40 - 42

<sup>36</sup> *ibid.*, p 40



### 3 CONCLUSION

- 3.1 The Committee would like to thank Ministers and accompanying departmental officers for their time, expertise and cooperation during the course of the inquiry.

#### RECOMMENDATION 1

- 3.2 **The Legislative Assembly pass Appropriation Bill 2004-2005 (No 2)**

Richard J Mulcahy MLA  
Chair

30 March 2005



## **ADDITIONAL COMMENTS BY RICHARD MULCAHY MLA**

**March 2005**



**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**APPROPRIATION BILL 2004-05 (No 2)**  
**ADDITIONAL COMMENTS BY RICHARD MULCAHY MLA**

I wish to make some additional comments on the report of the Committee. The reason for this is that two important issues in the body of the report are not reflected in the recommendations.

**1. NO PRODUCTIVITY GAINS FROM WAGE INCREASE.**

Paragraph 2.12 reports advice from the Minister for Industrial Relations that no productivity gains were sought by the Government in granting wage increases to the ACT public service amounting to some \$50 million.

The pay increase was, therefore, effectively an additional cost for which no gain was achieved in terms of more or better services to the community.

Contrary to the view expressed by the Minister, productivity gains in return for pay increases do not necessarily mean a reduction in employment conditions. (Paragraph 2.13) Productivity gains usually arise from finding new ways to make work easier and more efficient. The gains are generally shared between everyone involved so employment conditions are improved, not reduced.

**Accordingly I recommend that in preparing for future pay increases the Government take the opportunity to implement productivity improvements to improve both employment conditions and services to the ACT community.**

**2. IMPACT OF PUBLIC SECTOR WAGE INCREASES ON THE PRIVATE SECTOR.**

Paragraph 2.16 reports on concern that the Government, in granting wage increases to its public servants, does not take into account the impact on the private sector. Since the private sector has much less capacity to either pass on the cost of wage increases or absorb them, the likely outcome is that employment will be lost.

Given the size of the ACT Government in the ACT economy, I believe it behoves the Government to take account of its actions on investment and employment in the private sector as well as its own payroll.

**I therefore recommend that in future wage negotiations with its employees the Government should take formal account of the impact of its decisions on the private sector and the ACT economy as a whole, and publish a Territory-wide employment impact statement.**

Richard J Mulcahy MLA  
Chair

31 March 2005

## APPENDIX A: WITNESSES WHO APPEARED BEFORE THE COMMITTEE

### **Mr Ted Quinlan MLA**

#### **Treasurer**

Ms Megan Smithies, Executive Director, Finance and Budget Division, Department of Treasury (DT)

Mr Graeme Dowell, ACT Commissioner for Revenue

#### **Minister for Economic Development**

Mr Shane Gilbert, Chief Executive, Department of Economic Development (DED)

### **Ms Katy Gallagher MLA**

#### **Minister for Industrial Relations**

Ms Pam Davoren, Executive Director, Public Sector Management Group, Chief Minister's Department (CMD)

Mr Warren Foster, Senior Manager, Employment Policy and Workplace Relations, CMD

Mr Lincoln Hawkins, Chief Executive, Asbestos Assessment Project Team, CMD

#### **Minister for Children, Youth and Family Support**

Ms Lou Denley, Executive Director, Office of Children, Youth and Family Support, Department of Disability, Housing and Community Services, (DHCS)

Ms Bronwen Overton-Clarke, Executive Director, Policy and Organisational Governance, DHCS

Mr Frank Duggan, Director, Care and Protection Group, DHCS

Ms Sue Ash, Director, Early intervention and prevention, partnerships, Training and Development Group, DHCS

### **Mr Simon Corbell MLA**

#### **Minister for Health**

Dr Tony Sherbon, Chief Executive, ACT Health

Mr Mark Cormack, Deputy Chief Executive, ACT Health

Ms Laurann Yen, General Manager, Community Health

**Mr Jon Stanhope MLA**

**Attorney-General**

Ms Heather McGregor, ACT Community Advocate

Mr Tim Keady, Chief Executive, Department of Justice and Community Safety (JACS)

Mr Richard Refshauge, Director, Director Public Prosecutions

Mr James Ryan, Executive Director, ACT Corrective Services, JACS

Mr Bruce Kelly, Courts Administrator, ACT Law Courts and Tribunals Administration

Mr Phil Hextell, Director, Accounting Branch, DT

Mr Peter Garrison, Chief Solicitor, Government Solicitor's Office, JACS



## APPENDIX B: APPROPRIATIONS PROVIDED FOR BY THE BILL

Department or agency	Amount appropriated
Legislative Assembly	\$221 000
Auditor-General	\$650 000
Chief Minister's Department	\$2 354 000
ACT Health	\$8 768 000
Department of Urban Services	\$8 619 000
ACT Forests	\$59 000
Department of Justice and Community Safety	\$4 059 000
Emergency Services Authority	\$1 974 000
Department of Education and Training	\$33 854 000
Department of Treasury	\$412 000
ACT Workcover	\$95 000
Department of Disability, Housing and Community Services	\$4 189 000
Office of Children, Youth and Family Support	\$8 724 000
Department of Economic Development	\$282 000
ACT Planning and Land Authority	\$1 021 000
<b>TOTAL</b>	<b>\$75 281 000</b>

