

LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

*REPORT ON THE GOVERNMENT'S 1995-1996 DRAFT CAPITAL WORKS
PROGRAM*

REPORT NO.3

OF THE

STANDING COMMITTEE ON PLANNING AND ENVIRONMENT

SEPTEMBER 1995

Resolution of appointment of the Standing Committee on Planning and Environment:

[that] a Standing Committee on Planning and Environment [be established] to examine matters related to planning, land management, transport, commercial development, industrial and residential development, infrastructure and capital works, science and technology, the environment, conservation, heritage, energy and resources...

[And that the committee] inquire into and report on matters referred to [it] by the Assembly or matters that are considered by the committee to be of concern to the community.

Minutes of Proceedings (Third Assembly) No.1 - 9 March 1995, amended 22 June 1995

Committee Membership

Mr Michael Moore MLA (Chair)
Mr Wayne Berry MLA (Deputy Chair)
Ms Lucy Horodny MLA
Mr Trevor Kaine MLA

Secretary: Mr Rod Power

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LIST OF RECOMMENDATIONS (with relevant paragraph number)

4.10. The committee recommends that the government direct the Department of Health and Community Care to urgently prepare:

- a strategic plan for the management of its capital works and
- a suitable process for the formulation of proposed capital works projects.

4.14. The committee recommends that the proposed expenditure on replacing the roof of the Canberra Theatre not proceed until after an asset management survey of the building (which endorses the need for such expenditure) has been completed.

4.17. The committee recommends that the Minister for Arts provide the Assembly with a full explanation about the basis for his unilateral decision to relocate the proposed cultural and heritage centre from North Building in Civic to an unspecified site elsewhere in Canberra.

4.25. The committee recommends that the government ensure the documentation provided in the Draft Capital Works Program clearly identifies instances where compliance with NCPA requirements have imposed costs to the ACT community greater than they would otherwise be.

4.28. The committee recommends that the government ensure that a long-term strategy for control of weeds and other noxious plants in Namadgi National Park and adjacent areas is in place in order not to compromise the immediate proposed expenditure of \$400,000 on proposed rehabilitation of the Boboyan Pines area in the medium to long term.

4.30. The committee recommends that the proposed expenditure on Nature Reserves Infrastructure not proceed until a more adequate justification is obtained from the Environment and Land Bureau and the government has had an opportunity to reassess the priority for this expenditure.

4.34. The committee recommends that the government institute an appropriate process to improve liaison between the agencies expending capital works funds and the private firms undertaking the work, in order to minimise the waste of public funds on inappropriate scheduling of works.

4.37. The committee recommends that the government ensure officials appearing before the committee at future hearings in relation to the Draft Capital Works Program are in a position to answer questions about why particular projects have been included

in the Draft Program as well as why other projects have been omitted.

(On those occasions where the explanation is that the government has made a policy decision on a particular project, the committee accepts that this is a prerogative of government and members will debate it in the Assembly rather than in committee.)

4.40. The committee recommends that the government advise the Assembly of the status of the north Watson infill development, including financial details of the arrangement with the Commonwealth under the Better Cities program (and specifically, the terms, conditions and timing of Commonwealth payments and reimbursement of capital costs incurred by the Territory). The government's statement to the Assembly should outline whatever alternate projects are being considered to utilise the Better Cities funds.

4.43. The committee recommends that the government ensure a clear statement is provided for all proposed capital works about how each project fits within the overall priorities and long-term strategy of each agency and of the government.

4.48. The committee recommends that the government institute as a matter of priority a process within the administration, with management responsibility to be clearly identified, to ensure that proposals for capital works projects include at least the following:

- a clearly defined user brief
- a clear program for community consultation and
- that whole of life costings have been prepared.

4.50. The Standing Committee on Planning and Environment gives agencies notice that it will consider recommending to the Assembly that proposed expenditure in future year's Draft Capital Works Programs not be endorsed unless adequate documentation has been provided to the Executive and the committee.

4.55. The committee recommends that the government reassess past recommendations of Assembly committees that have scrutinised the Draft Capital Works Program and, in light of this report of the Standing Committee on Planning and Environment, formally advise the Assembly on their implementation.

4.57. The committee recommends that the government make it a requirement that proposed new capital works meet the need for ecologically sustainable development. Where the proposed works involve the development of new office and facilities infrastructure,

an 'Eco-Office' of the Administration should be resourced to provide advice on whether the plans satisfy best environmental practice.

4.64. The committee recommends that the government prepare a discussion paper on the options for land development in the ACT and that the paper be tabled in the Assembly.

4.67. The committee recommends that the Draft Capital Works Program be rendered more user-friendly by numbering and/or tabbing each agency's projects.

4.72. The committee recommends that no funds be allocated to the demolition of government buildings unless an appropriate survey of the possible alternate uses has been carried out and the survey results are provided for the scrutiny of this committee.

4.80. The committee recommends that the timing of the ACT budget should not work against certainty and predictability for ACT business in order that employment and business success is not hindered unwittingly. When, in future, any government is attracted to the idea of a delay this decision should not be made without the deepest consultation with all sectors of the community.

1. SCRUTINY OF THE DRAFT CAPITAL WORKS PROGRAM BY ASSEMBLY COMMITTEES

Past practice

1.1. The past practice of the Legislative Assembly was that a standing committee examined the government's Draft Capital Works Program before the government brought down its Budget. The government could then respond (as it saw fit) to the committee's report in finalising Budget Paper No.4 (outlining the government's final Capital Works Program).

1.2. The relevant committee that examined the Draft Capital Works Program in the past was this committee's predecessor, the Standing Committee on Planning, Development and Infrastructure (PDIC). The PDIC reported on the government's Draft Capital Works Program in each of the years 1989-90 to 1993-94.

1.3. The PDIC was provided with the Draft Program by the Treasurer each May (or June) and - after a series of public hearings - tabled its report in the Assembly in August. The government's Budget was introduced in September.

1.4. This process was not followed in 1994-95 due to the Budget being brought forward to June that year, which left no time for the preparation of a Draft Capital Works Program. However, the Assembly's Select Committee on Estimates - in reporting on the 1994-95 Budget - recommended as follows:

The benefits to the Assembly of [examination of the Draft Capital Works Program by the Standing Committee on Planning, Development and Infrastructure] include greater in-depth scrutiny of the Government's Draft Capital Works Program, and the opportunity to consult with interested community members about their views on the Program.

The Committee recommends that a Draft Capital Works Program be prepared by Government in future for scrutiny by the Assembly's Planning, Development and Infrastructure Committee.¹

1.5. The last year in which the PDIC reported on the Draft Capital Works Program was 1993. The PDIC's report followed five days of public hearings. The PDIC made 18 recommendations, most of which were accepted by the government. In responding to the PDIC's report, the Chief Minister told the Assembly:

The report covers issues of significant importance to the ACT community ranging from the impact of the Capital Works Program on the local economy to improved preparation and justification of projects.

¹ Legislative Assembly for the ACT *Select Committee on Estimates: Appropriation Bill 1994-95* August 1994, p8

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The committee has established a foundation for improved quality and accountability in the Government's Capital Works Program.²

1.6. As the Chief Minister indicated, some of the PDIC's key recommendations were incorporated in Budget Paper No.4 *Capital Works 1994-95* presented in June 1994, from which the following quotation is taken:

The Government's response to the recommendations of the Planning, Development and Infrastructure Committee last year is being implemented. Major changes that have been effected... [to date] include:

Capital Works Group

This group, chaired by Treasury with representatives from the ACT Planning Authority, Estate Management, sponsoring agencies and Public Works and Services, assesses the quality of project submissions from departments and agencies. This includes project costings, justifications and cost benefit studies.

Whole of Life Costings

As part of the documentation supporting proposed capital works, agencies and departments are now required to provide details of the whole of life costing associated with proposals. This information is contained in the Explanatory Notes for all approved new projects.

Cost/Benefit Studies

As part of the submission justifying projects, departments and agencies are required to provide cost/benefit studies for all projects which exceed \$1m in value.

Value Management Studies

Value management studies have been carried out on the following projects during 1993-94: Lanyon High School; Fire and Emergency Headquarters, North Curtin; Winchester Police Centre, Belconnen (part only); and City Police Station refurbishment (forward design only). The outcome of the studies assisted in containing costs, confirming the scope of works and ensuring best value for the available funds.³

1.7. This improvement in the Budget Papers was based on the following recommendation of the PDIC's 1993 report:

Before a project is placed on the Draft Capital Works Program for consideration by the Executive..., a clearly defined user brief should have been developed by the agency concerned and enough technical assessment completed to ensure the nature of the project is defined.

Ideally, the project and the design solution should be the subject of a value management study to ensure the brief requirements meet the agency's needs and the prepared design solution is appropriate. This will also ensure that the whole of life costs for the project have been developed and considered at the decision-

2 'Government's Response to the Report by the Standing Committee on Planning, Development and Infrastructure on the New Capital Works Program for 1993-94', delivered by Ms Rosemary Follett MLA (Chief Minister and Treasurer), 23 November 1993

3 ACT Capital Works 1994-95 Budget Paper No.4 of 1994-95 p3

making stage and cost benefit analysis done where necessary.

There needs to be a process within the Administration, with management responsibility to be clearly identified, to ensure that this critical examination of the project is carried out.

This will ensure agencies plan the capital works well ahead and will require maximum use to be made of the forward design program. It will require appropriate technical and financial expertise to be brought to the project before it becomes part of the forward design program on the Capital Works Program.

In particular, the value management approach could be utilised in the development of all project proposals before they are put on the Program and form the basis of more detailed value management studies as the designs are developed.⁴

1.8. In preparing this report, the committee has found it useful to review the recommendations of past Assembly committees in relation to the Draft Capital Works Program. Some past recommendations that seem to this committee to be relevant to considering this year's Draft Program are listed in Appendix A to this report.

1.9. The most noticeable feature of past recommendations is the call for more information about the merit and costing of projects. The term 'merit' includes the quality of information about the need for a project and the extent of community consultation that has taken place in framing the project's specifications.

1.10. Apart from the recommendation quoted above, the present committee considers three other recommendations of the PDIC's 1993 report are particularly pertinent. The first is 'that the Capital Works Program include a status report on all projects carried over from previous years, identified by project'. The government accepted this recommendation.

1.11. The second recommendation is 'that the Capital Works Program include information updating the status of items that appeared in the previous year's Forward Design Program (to show if and where money has been spent, together with an indication of whether the project continues to be rated highly by the agency).' Again, the government in 1993 accepted this recommendation - noting, however, that 'the inclusion of a project in the Forward Design Program does not automatically mean it will be included in the Construction Program in the following year. Changing priorities, altered circumstances and funding constraints are important factors impacting on the size and composition of the construction program'. The committee has no problem with this qualification. The committee readily accepts that government priorities change and hence projects that appear on a Forward Design Program one year may not be proceeded with in later years.

1.12. The third pertinent recommendation is 'that the Capital Works Program include information on an agency's list of outstanding new works, in order to provide an insight into the type of projects being considered for future years'.

⁴ Legislative Assembly for the ACT *1993-1994 New Capital Works Program* Report No.16 of the Standing Committee on Planning, Development and Infrastructure August 1993 p9

1.13. The committee comments in Chapter 4 of this report on whether these and other past recommendations are picked up in the 1995-96 Draft Capital Works Program.

Present practice

1.14. On 28 April 1995 the Standing Committee on Planning and Environment wrote to the Chief Minister and Treasurer, Mrs Kate Carnell MLA, to suggest that - in light of the Government's announcement that the ACT Budget would be brought down in September this year - she consider resuming the former practice of referring the government's Draft Capital Works Program to this committee for inquiry and report to the Legislative Assembly.

1.15. Mrs Carnell responded to the committee's letter on 12 May 1995, agreeing to the committee's request that it be provided with the Government's Draft Capital Works Program. In a further letter dated 21 June 1995, Mrs Carnell wrote:

... the Capital Works Program has previously been considered in a single submission coordinated by Treasury. To make the capital works process more effective and enhance accountability, the Government has decided to request Ministers to bring forward capital works proposals for their Administrative units in separate submissions.

This process will mean that Ministers will not be able to refer their draft programs to the Committee until late July... [In order] for the Committee to consider the Government's capital works proposals, I propose that all draft programs be provided to [the committee] by the end of July. Indicative funding for the agencies' draft programs will be included in the Budget Papers, with final decisions on specific project support to take into account the Committee's report.

1.16. On 17 August 1995 the Treasurer forwarded the Government's Draft Capital Works Program to the committee, which authorised its publication at a meeting on 18 August. The same meeting decided to call for public comment on the Draft Capital Works Program, with the deadline for submissions being Friday 8 September. Advertisements to this effect subsequently appeared in local newspapers. The committee received submissions from the Belconnen Community Association; Mr Hatossy; the Master Builders' Association; the North Canberra Community Council; Pathways Information Service for Young People; and the Watson Community Association.

1.17. The Treasurer's letter included an overview of the 1995-96 Draft Capital Works Program and stated:

To enable the projects to be commenced as soon as possible, it would be appreciated if the Committee could table its report by mid-October 1995.

Indicative funding for each Appropriation Unit's draft programs will be included in the Budget Papers. Final decisions on specific project support will be subject to the Government's response to the Committee's report, taking into account the Committee's recommendations.

1.18. The Treasurer's letter is reproduced as an appendix to this report. This document was viewed by the committee as its starting point in examining the government's Draft Capital Works Program.

1.19. The committee was provided with detailed supporting documentation by agencies in late August - one month after the Treasurer's timetable in her letter of 21 June 1995. The delayed receipt of this detailed information put back the committee's scrutiny of the Draft Capital Works Program. The committee considers its ability to properly advise the Assembly was weakened by this apparent lack of commitment by the Executive to the process.

1.20. On 8 September 1995 the committee authorised publication of this detailed information.

1.21. The committee decided that its report would be most useful if it was available to Assembly members and to the public as the Budget was being debated. Accordingly, the committee set itself a very tight deadline: to report on the Monday preceding the introduction of the Budget on Tuesday 19 September 1995.

1.22. The committee set aside two days for public hearings on the Government's Draft Capital Works Program - on Friday 8 September and Monday 11 September. A list of organisations that appeared before the committee is shown in Appendix B. The committee then met privately to discuss the nature of its report and recommendations. In accordance with the Assembly's resolution of 1 June 1995 (amended 24 August) which permits the committee to publish its report out of session (with the approval of the Speaker), this report was circulated on 18 September 1995.

1.23. The committee wishes to thank the many public servants who appeared before the committee at public hearings and who prepared the detailed documentation. The committee also thanks the individuals and organisations who lodged submissions and/or who appeared before it.

Future practice

1.24. The Treasurer's letter to the committee dated 12 May 1995 contained the following information about the manner in which the Draft Capital Works Program will be treated in the future:

I propose that the cycle of capital works formulation be changed to ensure that endorsed projects are achievable within the timetable and the financial parameters agreed. This will entail an indicative program being referred to the Committee one year ahead of commitment of works, with 1995-96 being a transitional year. Under this arrangement it is proposed that the capital works program for 1996-97 should be available for consideration by the Committee by January 1996.

1.25. These comments were enlarged upon in the overview of the 1995-96 Draft Capital Works Program provided by the Treasurer and prepared by the Office of Financial Management (formerly the ACT Treasury):

work is currently underway to improve the development of new proposals, the process for formulating an agreed capital works program, and delivery of agreed

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projects... An improved system will be developed during the year and will be incorporated in the development of the 1996-97 capital works program...

[The new process will see the Planning and Environment Committee assessing the capital works program] approximately six months ahead of the next budget. Projects supported by the Committee and endorsed for funding in the budget context will then be able to be committed immediately the new financial year commences... [- thus ensuring the projects] are achievable within the agreed timetable and financial parameters rather than continue the past practice of projects being supported but not being implemented within time or within budget.

Further details of this revised system will be provided to the Committee as soon as possible.

1.26. The Standing Committee on Planning and Environment obtained a copy of a memo from the Office of Financial Management to agencies (dated 9 August 1995) which elaborates on the new process. The memo states that 'a joint paper is currently being prepared by the Office of Financial Management and the Department of Urban Services on the future management arrangements for capital works'. The memo states:

that the 1996-97 Draft Capital Works Program, including reassessment of projects not supported in 1995-96, be developed by agencies and assessed by the inter-agency Capital Works Group and the Office of Financial Management over the next three months. Draft programs, priority ranked by Ministers, will be available for Government consideration in December, with the supported draft program referred to the PEC in January 1996. Funding will be considered in the 1996-97 Budget context, with approved projects scheduled for commitment at the commencement of the 1996-97 financial year.

In developing the Draft Capital Works Program for 1996-97, proposals should include adequate whole-of-life costings, realistic cash flow estimates and cost-benefit or cost-effectiveness studies (for all projects over \$1m). Documentation must demonstrate how each proposal is directly related to Government policy and will improve service delivery. All proposals must have in-principle Ministerial support and be priority ranked.

Proposals should be submitted to the Office of Financial Management by the 29 September 1995, for referral to the Capital Works Group.

1.27. The Standing Committee on Planning and Environment looks forward to the introduction of the new system. The committee notes that improved systems and documentation have been constant recommendations of past committee examination of capital works.

2. THE 1995-96 DRAFT CAPITAL WORKS PROGRAM

2.1. The overview and summary of the 1995-96 Draft Capital Works Program was prepared by the Office of Financial Management. The overview states that it reflects three factors:

- anticipated expenditure as shown in the forward estimates: '\$80m for continuing works commenced in previous years (works-in-progress) and \$20m for new works committed in 1995-96'.
- the Program's impact on economic activity in the ACT: 'a marginal increase in the total value of public (including Commonwealth) and private work undertaken in 1995-96 to \$880m, compared to \$850m in 1994-95'. This includes 'estimated expenditure on capital works in 1995-96 by the Housing Trust and ACTEW [of] \$38m and \$44m respectively'; and
- the Government's budget strategy: 'the estimate for capital receipts in 1995-96 has been reduced significantly from forward estimates, primarily due to a reduction in lease sales revenue. [And] any capacity for the Government to increase expenditure is hampered by the financial position being faced and the need for urgent financial reforms aimed at reducing outlays and returning to a balanced budget'.

2.2. Further, the overview states in relation to the Draft Capital Works Program for 1995-96 that it:

involves authorisation for new works of \$63m [involving an] estimated cash requirement [of] \$23m, well above the \$12m that would maintain the level of expenditure incorporated in the forward estimates. This is due to the need for two significant projects, related to the swap of Acton Peninsula for the Kingston foreshores, to be completed during 1995-96.

[The effect is that] when combined with the estimated expenditure of ACTEW and the Housing Trust, the level of expenditure in 1995-96 is estimated to increase by over 10% from the level experienced in 1994-95.

2.3. The total Draft Capital Works program of \$63.250m is broken up by Ministerial portfolios as follows:

- Chief Minister, Treasurer and Minister for Health and Community Care: \$2.810m
- Deputy Chief Minister, Minister for Urban Services, Minister for Industrial Relations, Minister for Business, Employment and Tourism: \$24.678m - with \$8.125m allocated to 'demolition of buildings at Acton Hospital' and \$2.960m for 'Holder High refurbishment'
- Attorney General, Minister for Environment, Land and Planning, Minister for Police, Minister for Emergency Services, Minister for Consumer Affairs, Minister for Arts and Heritage: \$13.873m

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- Minister for Education and Training, Minister for Housing and Family Services, Minister for Children's and Youth Services, Minister for Sport: \$21.889M - with \$6.540m allocated to Ngunnawal Primary School and \$2.3m for Nicholls district playing fields.

2.4. The Draft Capital Works Program identifies the following projects as urgent and time critical: Cardiothoracic Unit \$0.380m [Health], demolition of buildings at Acton Peninsula, Holder High refurbishment, Ginninderra Drive rehabilitation \$0.900m, waste management projects \$0.500m [Deputy Chief Minister], Tidbinbilla Nature Reserve (restoration of flood damage) \$0.170m, Point Hut (upgrade and restoration of flood damage) \$0.450m, Corin Dam (replace ranger residence) \$0.185m, Nicholls neighbourhood oval \$0.553m, Conder Group Centre infrastructure \$0.170m [Attorney General], Flynn Primary School reconstruction \$0.530m, minor new works \$1.105m, removal of CFC's at Bruce CIT \$0.607m [Minister for Education].

2.5. The Draft Capital Works Program lists the projects that, though agreed to in previous years, had not commenced by 30 June 1995 and hence were reviewed by the incoming Liberal Government. Projects which were reinstated following the review include the Aboriginal and Torres Strait Islander Cultural Centre (\$2.5m), North Watson infrastructure (\$2.004m) and estate servicing (\$3.916m), Conder 1 Distributor (\$1.225m), York Park infrastructure (\$2.332m), Cultural and Heritage Centre (\$7m) and Playhouse Theatre upgrade (\$7.3m).

3. PUBLIC COMMENT

3.1. The committee received six submissions in its response to its call for public comment on the Government's Draft Capital Works Program. These submissions are briefly summarised in this chapter. As is usual when the committee summarises submissions in its reports, it is not claimed that the summaries are exhaustive; they simply are intended to assist the committee come to terms with the matters raised in the inquiry.

3.2. **The Belconnen Community Council (BCC)** submitted that the library facilities at Kippax are inadequate and are 'badly in need of expansion and re-housing'. The BCC considers community consultation is inadequate and local people do not know the basis on which official advice has been provided to government.

3.3. **Mr Hatossy** submitted that funding for the feasibility design of duplicating William Slim Drive and Drakeford Drive was completed some years ago and hence should not be included in the Draft Capital Works Program. Also, he stated that 'Gungahlin Town Centre infrastructure should be proceeded with immediately...[and that funds for] Ngunnawal Pre-School, Child Care Centre and Primary School are mandatory given the number of young children already present in the area'. Mr Hatossy stated his view that the removal of buildings at Acton is 'not considered urgent'.

3.4. **The Master Builders' Association** submitted that:

the ACT Government needs to consider the efficiency and effectiveness of its service delivery programs. Minimal Capital Works spending, particularly in maintenance programs such as roads will impose an excess cost on future budgets, while propping up existing excess recurrent programs. The MBA argues for increased spending on pavement restoration works in order to maintain the ACT Estate. Also, the MBA recommends the committee require ACT Capital Works to update the findings of the Committee of Inquiry into the Assets and Public Debt of the ACT (May 1990) concerning the cumulative underfunding of ACT road maintenance expenditure.

The MBA is concerned about the ability to commit projects into the field... and resultant failure to spend. The MBA recommends the Government require all projects in the Program be set in a call tender schedule as soon as possible after Budget approval, so as to provide for all contracts to be let no later than 30 April 1996...

The MBA is concerned about the level of cash provided in the 1995/96 Draft Program and in particular, the reliance of a 24% increase in spending by ACT Housing Trust and ACTEW...when these achieved a 22% shortfall in 1994/95.

The MBA is concerned about the Capital Works Program structure in succeeding years... as present figures indicate a radical reduction to future programs.

The MBA also has concerns about the letting of tenders. At a time when contractors are being forced to lay off staff due to minimal work, compressed construction periods demanded by the client are accentuating the problem of industry unemployment... [The] precipitous adoption of Quality Assurance [by

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ACT Capital Works] has... imposed added cost not only on industry but also our clients and consequently the ACT taxpayer.

3.5. The MBA's submission notes that the issue of Quality Assurance in the ACT is being reviewed by the MBA and ACT Works & Commercial Services, along with the Royal Australian Institute of Architects (ACT Chapter) and the Australian Consulting Engineers Association (Canberra Division).

3.6. **The North Canberra Community Council Inc** submitted that it is 'premature to earmark scarce resources for development' at north Watson when the funds 'could be far more effectively used to provide additional, badly needed infrastructure and services for the residents of Gungahlin'.

3.7. **Pathways Information Service for Young People** submitted that resources should be allocated for skateboard and in-line skate facilities in the Civic region and in Tuggeranong, along the lines of that established in the Belconnen Town Centre.

3.8. **The Watson Community Association** submitted that 'scarce capital funds [about \$6m] are being diverted to programs such as north Watson at the expense of development expenditures which... should be made to service the needs of residents in Gungahlin'.

4. CONSIDERATION BY THE COMMITTEE

4.1. Arising out of its scrutiny of the Draft Capital Works Program, the committee is convinced that the major constraint to effective scrutiny of the ACT Capital Works Program comes from inadequate information provided by the Administration to the government and subsequently to this committee.

4.2. A particularly important element of the information that is missing in the detailed documentation provided by agencies about their proposed capital works is **the context in which their projects have been developed**. The committee found itself asking again and again: why did this particular project get onto this year's works program and that other project did not? What criteria were used to decide that this project was more significant than that other one? What other projects were looked at when this particular one was chosen as the most appropriate? Where does this project fit into an overall strategy for achieving this or that goal in three or five or ten years' activity of capital works expenditure?

4.3. The committee asked some agencies to provide this kind of information as supplementary material - and was pleased to discover that sometimes the supplementary material did reveal that an agency had an overall strategy of capital works expenditure in which this year's bids could be placed. Yet this appeared to the committee not to be the norm.

4.4. The committee provides the following illustrations of the difficulty it faced.

4.5. The committee queried Health officials about whether whole of life costings existed for capital works expenditure at Woden Valley Hospital. The committee learnt that such costings existed - but this information should have been included in the original documents provided to the government supporting a recommendation to expend funds on particular projects. The committee should not have to ask for such information when an agency comes before it - such basic material should be included in the paperwork supplied in the first instance.

4.6. For example, the committee asked officials to identify the recurrent costs of the proposed Cardiothoracic Unit at Woden Valley Hospital. The committee was told that the ongoing costs 'are around \$4m' and that 'the original investigation... indicated that we would probably reasonably break even at the high end - up to 500 cases' per year.⁵ The ongoing costs were not listed in the documentation provided to the committee and (officials told the committee) 'the estimates [of recurrent costs] were being worked up and were not available in proper form' when Cabinet made the decision to proceed with the Cardiothoracic Unit.

4.7. The committee is appalled at this lack of adequate documentation.

4.8. The committee asked about the dominance of capital works expenditure in the Health area on Woden Valley Hospital and why items like refurbishment of lifts and the pathology building had not been included in the basic Hospital Redevelopment

⁵ Department of Health and Community Care (Mr Gaskill) *Record of Proceedings* 11/9/95 pp83-84

Works Program. The committee also asked about the long-term future of the health centres (including the Melba Health Centre). The officials were unable to confirm the future of Melba Health Centre but advised the committee that a study was underway into the future of all the health centres: 'We are undertaking a property condition audit of all our properties from which we intend to develop a longer term strategic approach to how we handle our capital works'.⁶

4.9. The committee is disappointed that a major government agency has not found time to prepare 'a strategic approach' to its capital works - despite the recommendations of past Assembly committees and the efforts of past governments to improve the process of formulating capital work programs.

4.10. The committee recommends that the government direct the Department of Health and Community Care to urgently prepare:

- a strategic plan for the management of its capital works and

- a suitable process for the formulation of proposed capital works projects.

4.11. The committee expects that next year's documentation will outline a clear strategy for capital works expenditure in the Health area, and that it will demonstrate that the needs of local health facilities are not being overlooked.

4.12. The committee queried officials about where the proposed allocation of funds (\$500,000) to replace the Canberra Theatre's copper roof fit into an overall maintenance program for that facility. The committee learnt in supplementary information that an asset management survey of the roof had not been made, although the Department of Urban Services agreed that the work needed to be done. The committee also was told that the estimate of \$500,000 is a 'worst case scenario figure in case the National Capital Planning Authority [NCPA] involve a major resheeting in copper'.⁷ The alternative to copper sheeting is the use of Colourbond material at a cost of \$300,000.

4.13. The committee comments later in this chapter on the issue of NCPA requirements adding to the cost of ACT capital works. But in light of the constant demands made by the Canberra Theatre for capital works improvements (for example, the allocation of \$1.2m in 1993-94 to replace air conditioning), the committee considers it is imperative that the government and this committee be provided with proof that the Theatre has a clear capital works and maintenance strategy in place. Until such an assurance can be given, the committee considers this work should not be endorsed by government.

4.14. The committee recommends that the proposed expenditure on replacing the roof of the Canberra Theatre not proceed until after an asset management survey of the building (which endorses the need for such expenditure) has been completed.

⁶ Department of Health and Community Care (Mr Kendall) *Record of Proceedings* 11/9/95 p91

⁷ Canberra Theatre Centre (Mr Ramsay) *Record of Proceedings* 11/9/95 p134

4.15. The committee queried officials from the Arts area about why no financial allocation appeared for the cultural and heritage centre for North Building on London Circuit in Civic. Out of the blue, the committee's attention was directed to a media release by the Minister for Arts and Heritage (Mr Gary Humphries MLA) dated 9 September 1995 announcing that this building would no longer go ahead and that the Minister was seeking new sites.⁸ Apart from the fact that the Minister's announcement flies in the face of long-established government policy (which itself was based on the bipartisan recommendations of this committee's predecessor in 1993), the committee observes that there is no information in the papers about where the deletion of such a facility fits into a long term strategy for cultural development in the city - which apparently is still supported by the Minister

4.16. The committee expresses its surprise and disappointment at this decision of the Minister. The committee observes that this major change in government policy was not identified in the Draft Capital Works Program nor was it stated by officials when they first came to the table.

4.17. The committee recommends that the Minister for Arts provide the Assembly with a full explanation about the basis for his unilateral decision to relocate the proposed cultural and heritage centre from North Building in Civic to an unspecified site elsewhere in Canberra.

4.18. The committee queried Education officials about the costings for a new pre-school at Monash, only to be told that the proposed facility may now not even be located at Monash. The committee considers there is no possibility of accurate costings being developed when an agency is not even sure of the location of a proposed work. Nor is there much likelihood that the expenditure will be completed this financial year. In addition, the committee regrets that this sort of information had to be drawn out by committee questioning - it should have been referred to in the paperwork that went to government and then to this committee. (And if updates are required - that is, something changes between the date of preparing the paperwork and the time the committee considers the project - then the committee should be told when officials first come to the table.)

4.19. The committee queried officials from the Attorney General's Department about the basis on which it has been decided to spend (in the long term) \$7.635m to refurbish the existing Supreme Court building and provide a link between the new and existing court complexes in civic. Again, the committee asks: when was it known this expenditure was desirable? Where did it feature in previous advice to the government about the implications of the new court building on a linking structure? Does it fit a long term strategy for Canberra's capital works in the law area and, if it does, does it rate the highest priority over other types of expenditure?

4.20. Further to this proposed expenditure, the committee queried officials about why the design brief was for a building that was partly underground. The officials advised the committee that this was a requirement of the National Capital Planning Authority [NCPA]. The committee asked whether the proposed building would cost

⁸ Bureau of Arts and Heritage (Ms Gaskill) *Record of Proceedings* 11/9/95 p137

less if it was not placed partly under the ground. The officials told the committee that they thought that would be the case but 'because of the NCPA constraints we have never (to my knowledge) seriously costed that above ground joining of the two buildings'.⁹

4.21. The committee is concerned that the Canberra community may pay more for a project because of the planning ideas of the NCPA. It is obviously a different matter when the NCPA's ideas are fully funded by the Commonwealth than when their requirements impact on the ACT government's own expenditures. Two further examples may be cited.

4.22. The Environment and Land Bureau proposes to spend \$917,000 on servicing the development of Campbell Section 5 at Anzac Park East (corner of Constitution Avenue). The area would be used for national associations. The detailed documentation provided to the committee states that 'agreement has been reached with the NCPA for the land use concept [but] liaison is continuing to define the build form of the development'. The committee would be concerned if the NCPA requirements imposed additional costs on the Canberra community than would otherwise apply.

4.23. A similar matter arose in relation to the nature of roadworks on Morshead Drive between the Pialligo roundabout and the entrance to Duntroon.. This led to the following exchange between officials and the committee:

Member: Is that not National land? Is that not the responsibility of the NCPA?

Member: It is a major avenue coming into Canberra.

Official: Yes, but it is a Territory road.

Member: So, it is their responsibility and they tell us what we must do and we pay for it?

Official: They have got planning control over it.

Member: Who has got control over what happens to that road, where the work is currently being done?

Official: They have got planning control. We have got engineering control...

Member: Who pays for it? We do?

Member: We pay. They say.¹⁰

4.24. The committee is keenly aware from its other activities that the dual planning system existing in the ACT creates considerable tensions. In the context of the Draft Capital Works Program, the following recommendation is relevant.

⁹ Attorney General's Department (Mr Hunt) *Record of Proceedings* 11/9/95 p143

¹⁰ *Record of Proceedings* 8/9/95 pp37-38

4.25. *The committee recommends that the government ensure the documentation provided in the Draft Capital Works Program clearly identifies instances where compliance with NCPA requirements have imposed costs to the ACT community greater than they would otherwise be.*

4.26. The committee noted the proposed expenditure of \$400,000 on rehabilitation of the Boboyan Pines area. The committee is concerned that this expenditure might be compromised if the Administration does not implement a long-term strategy for the control of weeds and other noxious plants in Namadgi National Park and adjacent areas. The committee notes the recommendation of another Assembly committee in 1994 that ‘the government develop a concerted medium-term weed control program to operate in conjunction with existing programs’

4.27. Again, the committee is concerned that the proposed expenditure this year is not placed in the overall context of a comprehensive weed strategy for Namadgi and adjacent areas.

4.28. *The committee recommends that the government ensure that a long-term strategy for control of weeds and other noxious plants in Namadgi National Park and adjacent areas is in place in order not to compromise the immediate proposed expenditure of \$400,000 on proposed rehabilitation of the Boboyan Pines area in the medium to long term.*

4.29. The committee was surprised to find that the Environment and Land Bureau proposes to spend \$435,000 on ‘Nature Reserves Infrastructure’ on the flimsiest justification possible. The detailed documentation supplied by the Bureau notes that the ‘works relate to the provision of infrastructure which will be necessary to facilitate revenue generation... [and] the precise nature of works will need to be determined once plans have been finalised’ for a Nature Based Tourism Strategy and associated marketing plan for nature reserves’. Officials told the committee that the estimates was ‘an educated guess, because the strategy work has not been finalised’.¹¹ And in relation to the Nature Based Tourism Strategy, the officials stated that they could not give the committee any idea of the likely nature of the Strategy.¹²

4.30. *The committee recommends that the proposed expenditure on Nature Reserves Infrastructure not proceed until a more adequate justification is obtained from the Environment and Land Bureau and the government has had an opportunity to reassess the priority for this expenditure.*

4.31. The MBA queried the amount of expenditure on maintaining Canberra’s roads, stating that it is less than that required to protect their long-term life. The committee does not know whether the MBA’s concern is justified or not, but is not aware of anything in the detailed documentation that indicates a long-term plan for maintaining the ACT’s roads and hence the relative amount that should be spent in any one year.

¹¹ Environment and Land Bureau (Ms Webb) *Record of Proceedings* 11/9/95 p103

¹² *ibid* p104

4.32. The MBA also queried the timing of some capital works expenditure, such as agencies requiring contractors to work in winter (to ensure appropriated funds get spent) despite the fact that severe weather may cause costs to blow out more than would be the case if the expenditure was programmed at another time of the year. Again, the committee is not aware of anything in the documentation which indicates this is a factor taken into account by agencies when expending funds.

4.33. The MBA pointed to a further problem in the handling of capital works matters by the Administration. The MBA stated:

where there is delay in the actual commitment of the job (whether it be on account of the budgetary process or a prolonged decision making in terms of the planning of the works) we find that the construction period becomes very compressed and... one way or another, the community pays for that delay...

we have felt that that if the private construction industry had a direct input with people in the planning of when projects are done (especially in a situation where there is limited amount of work going on) that a more appropriate spread of work could be achieved... [We know that] Public Works say to us, "Look, we would not like to dig up a road in the middle of winter but the budgetary constraints are that this is when we have to spend the money." Now, a practical construction company just rolls its eyes and says, "But this is madness, you know, if it was my money..."¹³

4.34. *The committee recommends that the government institute an appropriate process to improve liaison between the agencies expending capital works funds and the private firms undertaking the work, in order to minimise the waste of public funds on inappropriate scheduling of works.*

4.35. The Belconnen Community Council (BCC) queried the long term plans for the Kippax area and for the library service in particular. The BCC's view is that 'replacing the interim building is now overdue'. The BCC raised doubts about the extent of local consultation taking place in decisions affecting these sites.

4.36. The committee would be concerned if officials made important decisions affecting the local amenity of an area on the basis of inadequate consultation and on an ad-hoc basis. The documentation provided to government and to this committee should make it clear where a proposed expenditure fits within a longer term strategy for (in this case) the provision of community facilities for Kippax; and likewise, the committee would like to feel that the officials appearing before it could answer a question about why funds are **not** scheduled for an area by referring to a broad long-term strategy which shows that some alternate project deserves to be rated higher than its fellows.

4.37. *The committee recommends that the government ensure officials appearing before the committee at future hearings in relation to the Draft Capital Works Program are in a position to answer questions about why particular projects have been included in the Draft Program as well as why other projects have been omitted. (On those occasions where the explanation is that the government has made a policy*

¹³ MBA (Mr Middleton) *Record of Proceedings* 11/9/95 p174

decision on a particular project, the committee accepts that this is a prerogative of government and members will debate it in the Assembly rather than in committee.)

4.38. The Watson Community Association queried the nature of the Commonwealth/ACT arrangements under the Better Cities program. The committee asked officials whether the ACT must complete certain works before Commonwealth funds are handled over. The officials replied that it is their 'understanding that the money will not be forthcoming from the Commonwealth unless the Territory expends money on that project against some milestone delivery items on it'.¹⁴ The officials then advised the committee that:

the government is currently negotiating with the Commonwealth to possibly utilise that Better Cities money on some alternative projects involving housing for instance in the north Canberra area but those negotiations have not yet been completed.¹⁵

4.39. This new information suggests that the estimated expenditure of \$5.9m in the Draft Capital Works Program on north Watson may not go ahead - yet there is no indication of this in the Draft Program and the committee had to draw out the information in questions to officials.

4.40. The committee recommends that the government advise the Assembly of the status of the north Watson infill development, including financial details of the arrangement with the Commonwealth under the Better Cities program (and specifically, the terms, conditions and timing of Commonwealth payments and reimbursement of capital costs incurred by the Territory). The government's statement to the Assembly should outline whatever alternate projects are being considered to utilise the Better Cities funds.

4.41. Also on north Watson, the MBA stated that it 'would argue against the funding of infrastructure works at north Watson because of the extent of land which is already on the market'.¹⁶ The MBA's comment is further reason to review the proposed expenditure at north Watson in 1995-96. The committee is surprised that these sorts of issues were not raised in the documentation urging the government to include north Watson in the Draft Capital Works Program.

4.42. The committee cannot stress enough that it is unreasonable to expect any government or Assembly to approve capital works expenditures which are inadequately justified in terms of where such expenditure will place the Territory in some year's time.

4.43. The committee recommends that the government ensure a clear statement is provided for all proposed capital works about how each project fits within the overall priorities and long-term strategy of each agency and of the government.

¹⁴ Department of Business, the Arts, Sport and Tourism (Mr Osborne) *Record of Proceedings* 11/9/95 p116

¹⁵ *ibid*

¹⁶ MBA (Mr Bryant) *Record of Proceedings* 11/9/95 p163

4.44. The committee does not claim to be expert enough to tell the Administration the particular format or method which best enables a capital works project to be rated as the one to be undertaken in this year or that. The committee understands that there are a variety of methods that might be used. The committee noted in Chapter I that its predecessor recommended the use of the value management approach and that this was the policy of the former government for projects over \$1m.

4.45. Nor does this committee consider it should be directive about whether the government should establish a powerful central coordinating and approval body within the Administration in an effort to force agencies to provide the context for their capital works bids. Again, however, the committee notes with interest the recommendation of its predecessor that 'there needs to be a process within the administration, with management responsibility to be clearly identified, to ensure that this critical examination of the project is carried out'. The term 'this critical examination' was defined in terms of a 'clearly defined user brief' to have been developed by the sponsoring agency, ideally to involve a 'value management study' with whole of life costings and a cost benefit analysis if necessary.

4.46. The committee is not convinced that this process of ensuring adequate justification of projects was satisfactorily undertaken in terms of the projects included in this year's Draft Capital Works Program. The committee does not see evidence of a consistent quality of documentation across the ACT Administration.

4.47. While recognising that it is up to government to put suitable arrangements in place to ensure capital works matters are appropriately handled, the committee would be concerned if improvements were not quickly made to better assist analysis of future Draft Capital Works Program. In view of the inadequate documentation provided by agencies this year, the committee recommends as follows.

4.48. The committee recommends that the government institute as a matter of priority a process within the administration, with management responsibility to be clearly identified, to ensure that proposals for capital works projects include at least the following:

- a clearly defined user brief*
- a clear program for community consultation and*
- that whole of life costings have been prepared.*

4.49. The committee is so concerned about the adequacy of the documentation provided by the Administration that it reproduces a significant statement by its predecessor in 1993 (noting that the PDIC statement referred to items such as Minor New Works and Landscaping whereas the Standing Committee on Planning and Environment does not make such a reservation):

4.50. The Standing Committee on Planning and Environment gives agencies notice that it will consider recommending to the Assembly that proposed expenditure in future year's Draft Capital Works Programs not be endorsed unless adequate documentation has been provided to the Executive and the committee.

4.51. The Treasurer advised the committee that next year's Draft Capital Works Program will require agencies to submit their proposals to the 'inter-agency Capital Works Group and the Office of Financial Management over the next three months' so that the government can consider the draft program in December and pass it to the PEC in January 1996. The Treasurer expects this process will lead to projects being commenced at the start of the 1996-97 financial year.

4.52. This process would give this committee a longer time to consider the Draft Capital Works Program (including hearing from community groups and other members of the public), which is a good thing. The committee is not convinced that it will mean that projects in the final Capital Works Program will start at the commencement of the financial year, given the period taken up by Assembly debate on the Budget. But the objective of starting projects early in a financial year rather than later is a laudable one and is endorsed by the committee.

4.53. The committee remains concerned, however, that the new timetable still will not ensure that adequate documentation is provided to the government and then to this committee about why particular projects are included or why other projects don't appear. The committee considers it essential that government act on its recommendation above in order to lift the overall standard across the ACT service to a level where politicians and the community can be confident that projects have been carefully scrutinised before they see the public light of day.

4.54. The committee goes further in this regard. In Chapter 1 the committee referred to past recommendations of Assembly committees. In Appendix A the committee has listed some past recommendations which still are relevant to any scrutiny of the Draft Capital Works Program .

4.55. The committee recommends that the government reassess past recommendations of Assembly committees that have scrutinised the Draft Capital Works Program and, in light of this report of the Standing Committee on Planning and Environment, formally advise the Assembly on their implementation.

4.56. The committee emphasises the obvious point that this year the Draft Capital Works Program has been examined by the Assembly committee that has responsibility for environment matters as well as planning matters. The committee is aware of demands by community groups that governments adopt the requirements of ecologically sustainable development in their capital works expenditure. The committee has not found it easy to identify in the documents provided to it this year where agencies have sought to address the requirements of ecologically sustainable development; hence the following recommendation.

4.57. The committee recommends that the government make it a requirement that proposed new capital works meet the need for ecologically sustainable development. Where the proposed works involve the development of new office and facilities infrastructure, an 'Eco-Office' of the Administration should be resourced to provide advice on whether the plans satisfy best environmental practice.

4.58. A further inadequacy of the documentation this year is that it is not easy to work out how much money is actually intended to be spent in 1995-96. The Draft

Capital Works Program gives the total monetary value of projects but does not state how much is to be spent in which year.

4.59. The committee certainly would have recommended that next year's documentation be altered to clearly show, not only the total value of a project, but also the amount to be spent on it in the forthcoming year. However, this recommendation has been overtaken by events. The committee has become aware that this year's Budget Paper No.4 dealing with capital works will include two tables showing the following information.

4.60. In relation to New Capital Works, the Budget Paper will list these by 'expected completion date', 'estimated total cost' and 'estimated expenditure in 1995-96'. In relation to works in progress, a further table will list these by 'expected completion date', 'estimated total cost', 'expenditure to June 1995' and 'estimated expenditure 1995-96'.

4.61. This sort of information was not provided in the Draft Capital Works Program. Without such information, the government, this committee and the public cannot adequately assess the context of the total works program nor readily identify emerging problems. The committee welcomes this improved layout and expects it to apply to next year's Draft Capital Works Program papers.

Some other issues

4.62. Mention has been made of the proposed capital works on north Watson. A general issue of concern about this and other land developments is the merit of developing land in the ACT by joint venture, by government alone, or by the private sector. The committee is aware that strong arguments have been made for each option; and the committee also acknowledges that governments are free to choose which option they prefer.

4.63. This said, however, the committee considers the ACT community would benefit from the preparation of a discussion paper on this issue which might update the arguments and facilitate general understanding of the issues involved.

4.64. The committee recommends that the government prepare a discussion paper on the options for land development in the ACT and that the paper be tabled in the Assembly.

4.65. Another issue is a general one applying to the documentation provided by agencies.

4.66. With some exceptions, the committee did not find it easy to move about the many pages provided by agencies. (The committee commends the clear headings and layout used by the Department of Urban Services.) It is obvious that some agencies simply pull pages out of various files to insert into the Draft Capital Works Program once its format is finalised. While not wishing to add to the workload of agencies, the committee considers it should be possible to provide a more user-friendly document by numbering and/or tabbing each agency's documentation.

4.67. *The committee recommends that the Draft Capital Works Program be rendered more user-friendly by numbering and/or tabbing each agency's projects.*

4.68. An obviously controversial item in this year's Draft Capital Works Program is the expenditure of \$8.125m on the demolition of buildings at Acton peninsula and the expenditure of \$2.960m on refurbishing Holder High School (required in order to house the tenants being moved from Acton). The committee queried officials on this matter but acknowledges that this expenditure reflects a government policy decision which should be taken up with Ministers and which will be debated in the Assembly. The committee's view about the merit of this particular government policy will be contained in its report on the Kingston/Acton land swap.

4.69. This said, however, the committee was interested to hear business and community groups express concern about the manner in which the government made its decision on the Kingston/Acton land swap - and the cost implications of too readily falling in with NCPA plans for 'designated' land in the Territory. This matter was referred to earlier in this report but the following statement by the MBA adds further substance to the committee's concerns:

the effective ability of the Federal Government to extract enormous benefit from local projects... by applying their planning and design control authority,,, is enormous... [And] if it is local tax payers' money that is actually paying for the difference between what we should and could expect as a local community compared to what we should expect from a federal government, that difference at this stage is being largely absorbed by the local budgets - both the ACT Budget and the private investment budget. I think the relationship b between the NCPA's approving authority in these projects and the hidden costs that are then incurred by the ACT government and local business really needs to be reviewed...

I think the \$8m to be spent in demolishing buildings that the ACT government effectively owns on the peninsula at the moment - and it is an asset that this community owns - I think that really does need to be looked at in terms of the relationship between the Federal Government being able to approve or disprove various projects and the local capacity to pay for the results. [This statement is made] not questioning the objectives of those results but certainly who is actually bearing the cost of them.¹⁷

4.70. The committee is disturbed that a survey of the possible alternate uses of the buildings on Acton Peninsula was not conducted by the Government before the decision was made to commit over \$8 million to their demolition and almost \$3 million to the refurbishment of alternate accommodation.

4.71. Noting that this and other matters will be considered in the context of another inquiry by this committee, the committee nevertheless resolved that in future capital works funds will not be approved where such a survey is not conducted. Furthermore any survey should involve the 'Eco Office', the resourcing of which is the subject of an earlier recommendation of this committee.

¹⁷ MBA (Mr Humphries) *Record of Proceedings* 11/9/95 pp171-172

4.72. *The committee recommends that no funds be allocated to the demolition of government buildings unless an appropriate survey of the possible alternate uses has been carried out and the survey results are provided for the scrutiny of this committee.*

4.73. The broad context of the MBA's remarks concerns the absence of a clear long-term strategy for Canberra's development. The MBA observed:

there is a tremendous amount of friction in the way we actually get our planning resolved... and that friction tends to be relatively unproductive... I think not just our local but certainly the federal planning authority has failed miserably to produce a vision in which decisions like whether to go with north Watson or not [can be made].¹⁸

4.74. A related aspect of a long-term strategy concerns the apportionment of capital works expenditure throughout Canberra. The committee would be concerned if a disproportionate amount of expenditure was directed to just one area of the ACT. The BCC has this concern: 'We think there is a totally disproportionate amount of money going into the centre of Canberra at the expense of the townships where everybody lives, after all... The townships do not seem to rate very highly..'.¹⁹

4.75. In relation to libraries, the BCC observed 'there are three libraries through central Canberra' including Dickson which is very near to that in Civic - yet the Kippax Library is under threat and local people have been told that they can go to the Belconnen Town Centre library.²⁰

4.76. The committee strongly believes that capital works expenditure should be apportioned on merit and not on an ad-hoc basis. This reinforces the need for careful documentation to be prepared for each proposed new capital work so that the priority and context of the project is apparent.

4.77. The committee is concerned about the effect of the Capital Works Program on investment and employment in the Territory. The committee was told by several witnesses that a useful rule of thumb is that only about a quarter of the total value of a proposed capital works project is likely to be spent in the first year it is committed. The committee is concerned about how much of this year's Capital Works Program will be spent in the current financial year and how much will directly impact on employment in the Territory. The view of the MBA is that each \$1m of capital works expenditure leads to the employment of 15 people.²¹ A significant decline in capital works expenditure at a time when the Territory is in some economic difficulty will obviously have repercussions for the employment level.

4.78. The MBA expressed concern 'about the level of capital works funding for future years', stating:

¹⁸ *ibid* p176

¹⁹ BCC (Ms Flint) *Record of Proceedings* 11/9/95 p155 and p153

²⁰ *ibid* p158

²¹ MBA (Mr Bryant) *Record of Proceedings* 11/9/95 p169

This concern is borne from the fact that the Draft Program provides for expenditure in 1995/96 of \$111m, thereby providing an estimated work in progress level for 1996/97 of \$66.69m only.

A new works authorisation next year which is identical to that for 1995/96 would provide a prospective program in 1996/97 of around \$130m only. This would represent a cut of 27% next year, or 41% from 94/95. Such cuts cannot be sanctioned in light of the present industry climate. It is of concern to the industry that this data was not provided in the overview document. The MBA believes the serious problems with future works financing need to be understood by the Assembly.²²

4.79. The committee acknowledges the pressure on the business sector arising from the Government's decision to delay the ACT budget and is concerned about the potential long term damage to ACT businesses with the concomitant negative affects on employment in the Territory. Accordingly the committee has decided to give a high priority to a recommendation in relation to this matter.

4.80. *The committee recommends that the timing of the ACT budget should not work against certainty and predictability for ACT business in order that employment and business success is not hindered unwittingly. When, in future, any government is attracted to the idea of a delay this decision should not be made without the deepest consultation with all sectors of the community.*

4.81. The MBA stated:

We caution against the acceptance of this estimate. First, the figure we believe is an estimate of total private sector spending in the building and construction industry, rather than capital expenditure. Consequently, the figure is inflated by housing renovations and personal spending on household improvements. Secondly, we doubt the figure reflects reduced forecasts by the Indicative Planning Council of housing starts. Thirdly, to the extent that private sector capital spending is related to investor confidence, the level of assurance which can be attached to the estimate is not in our view high.²³

4.82. The MBA stated that it was concerned about the effect of this year's delayed Budget on business, because that:

has delayed our workload, and three months delay is a quarter of a year of work, in an industry that manages between a five and ten percent profit margin, and 25 percent just cannot be found very easily... It also creates a build up later on, which [will lead to projects having] to be done very quickly... and we will probably do it in the middle of the winter again [thus leading to increased costs].²⁴

4.83. The committee did not have time to request a response by officials of the Office of Financial Management. The committee expects that the issues of investment and employment effects of the capital works program and the implications

²² MBA, correspondence to the committee dated 12 September 1995

²³ *ibid*

²⁴ MBA (Mr Printer) *Record of Proceedings* 11/9/95 p171

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of this year's program for future works expenditure will be taken up in debates in the Estimates Committee and on the floor of the Assembly.

Michael Moore MLA
Chair
18 September 1995

APPENDIX A - RECOMMENDATIONS OF PAST ASSEMBLY COMMITTEES THAT EXAMINED DRAFT CAPITAL WORKS PROGRAMS

Legislative Assembly of the ACT *New Capital Works Program 1989-90* Report of the Standing Committee on Planning, Development and Infrastructure, August 1989

- when the Budget is presented the Government provide details of:
 - actual expenditure on those items in 1988-89 which could broadly be classified as maintenance and upgrading
 - estimated expenditure on these items in 1989-90
- when the Budget is presented the Government provide details of the approaches made to the Commonwealth to seek assistance to ensure proper management of ACT parks and reserves
- when the Budget is presented the Government provide details of its proposed review of land development in the ACT
- details of the new works program be made available to the committee in May each year
- the Government in consultation with the committee develop procedures to enable the detailed examination of particular capital works.

Legislative Assembly of the ACT *New Capital Works Program 1990-91* Report No.4 of the Standing Committee on Planning, Development and Infrastructure, August 1990

- a formal government response to the committee's report on the 1990/91 Capital Works Program be provided to the Assembly before the 1990/91 Budget is brought down
- future new capital works programs include details of the indicative costs of projects identified as part of a reserve amount pending consideration by government
- the Department of Education fully explores the advantages of school facilities and resources being geographically placed so as to offer the greatest community access and thus allow for more sharing of facilities and resources
- all projects of an identical nature should be listed in the same sub-program
- before any transport and engineering works are planned or designed, all residents and organisations who will be directly effected by those works should be consulted and, where possible, involved in the decision making process
- regional consultative groups be established to provide a focus for such consultation

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- comment on the extent of community consultation be added to the criteria used in preparing the list of projects for the final works program
- the future recurrent implications of capital works projects should be added to the criteria used in preparing the list of projects for the final works program.
- as far as possible full and complete data and background on all programs be provided before the public hearings so as to ensure that the committee does not have to request the information at a later date.

Legislative Assembly of the ACT *New Capital Works Program 1991-92 Report No.8* of the Standing Committee, Development and Infrastructure, August 1991

- the government should undertake a review of the new capital works budget with a view to ensuring that the level of economic activity generated is sufficient to help prevent any substantial increase in the level of unemployment in the ACT
- projects involving essential maintenance and upgrading - eg the Adelaide Avenue Bus Lane Reconstruction and the City Bus Interchange Pavement Construction - be included in the New Works Construction Program.

Legislative Assembly of the ACT *New Capital Works Program 1991-92 Report No.4* of the Standing Committee, Development and Infrastructure, August 1992

- the government consider a modest expansion of the draft Works Program to help alleviate the economic effects of the current recession
- in future all documentation referred to the committee be full and complete, and that the details of public consultation undertaken and employment potential be provided for all projects. For Minor New Works projects full details of all work to be undertaken should be provided
- in future there be a minimum period of ten weeks between the date of referral of the draft Works Program to the committee and the date upon which it is required to report to the Legislative Assembly
- the concept of Through Life Cost Liability be applied to the ACT Capital Works Program, beginning with the Program for 1993-94
- the government, through the appropriate forums, give further consideration to the issue of project delivery and the capital works process.

Legislative Assembly of the ACT *1993-1994 New Capital Works Program Report No.16* of the Standing Committee, Development and Infrastructure, August 1993.

- that the specific agency responsible for a Program item in the Capital Works Program be clearly identified in the documentation
- that the layout of the basic documentation provided to the Standing Committee on Planning, Development and Infrastructure in relation to the Capital Works

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Program be improved to provide fuller descriptions and explanations of terms used

- that the Capital Works Program contain information on the anticipated capital works expenditure of all government bodies (including ACTEW and the ACT Housing Trust)
- that the Capital Works Program contain brief information on the capital works expenditure over recent years
- that the Capital Works Program include a summary statement of the significance of the program (and of other government related capital works expenditure such as ACTEW and the ACT Housing Trust) to the overall level of economic activity in the ACT for the forthcoming year
- that Treasury officials appear at the start of public hearings on the Capital Works Program in order to explain the documentation and place the Capital Works Program in the overall context of economic activity in the ACT, as well as to respond to questions about matters raised in the committee's report of the preceding year
- that the Capital Works Program include a status report on all projects carried over from previous years, identified by project
- that the Capital Works Program include information updating the status of items that appeared in the previous year's forward design program (to show if and where money has been spent, together with an indication of whether the project continues to be rated highly by the agency)
- that the Capital Works Program contain brief information about the type of works to be constructed under headings such as 'Minor New Works', as well as information on the works actually constructed under this heading in the past year's Capital Works Program
- that in all cases where a sponsoring agency has conducted a whole of life costing of a project, that information should be presented to the Executive and to the Standing Committee on Planning, Development and Infrastructure - irrespective of the value of the project
- that information updating developments occurring since the initial capital works documents are first prepared be provided to the Standing Committee on Planning, Development and Infrastructure in written form prior to the start of public hearings - such information to include instances where projects have gone to tender because of their time critical nature
- that the Capital Works Program include information on an agency's list of outstanding new works, in order to provide an insight into the type of projects being considered for future years.

APPENDIX B - WITNESSES AT PUBLIC HEARINGS (IN ORDER OF APPEARANCE)

FRIDAY 8 SEPTEMBER 1995

OFFICE OF FINANCIAL MANAGEMENT AND DEPARTMENT OF URBAN SERVICES - Mr M Woods (Executive Director, Office of Financial Management) and Mr N Morgan (Director, Budget Management Branch), together with Mr J Turner (Secretary, DUS) and Mr B Dockrill (Director, Works and Commercial Services, DUS).

DEPARTMENT OF URBAN SERVICES - as above, along with Mr R Templar (General Manager, Policy & Programming, Works and Commercial Services, DUS), Mr G Davidson (General Manger, Roads and Transport, City Services, DUS), Mr A Eggins (Deputy Chief Executive, ACTION) and Mr M Castle (General Manager, Emergency Services Bureau)

EDUCATION & TRAINING - Mr T Wheeler (Executive Director, Budget and Facilities) and Mr J Lebang (Director, Facilities, Planning and Projects)

CHILDREN'S, YOUTH & FAMILY SERVICES - Ms H Scully (A/g Director, Children's' Day Care Services), Mr C Webb (Director, Community Development, Family Services) and Mr J Richards (Manager, Community Facilities, Family Services)

CANBERRA INSTITUTE OF TECHNOLOGY - Mr B Agius (Manager, Facilities Unit)

MONDAY 11 SEPTEMBER 1995

HEALTH - Mr G Gaskill (General Manager, Woden Valley Hospital and Associated Regional Services), Mr M Kendall (Director , Strategic Capital Planning) and Mr A Schmidt

ENVIRONMENT & LAND - Ms L Webb (Director, Environment), Ms D Jackson (Manager, Budget Management, Environment), Mr J Thwaite (General Manger, Land Supply, Land), Mr H Chambers and Mr L Osborne

SPORT & RECREATION - Mr M Owens (General Manager), Mr R Nielson (Manager, Facilities) and Ms H Cohen

ARTS & HERITAGE - Ms S Gaskill (A/g General Manager, Bureau of Arts & Heritage), Ms M Hall (Manager of the Arts & Cultural Development Unit), Mr A Ramsay (Business Manager of the Canberra Theatre Centre)

Standing Committee on Planning and Environment

ATTORNEY-GENERAL'S - Mr C Hunt (Secretary), Mr C Dalton (Director, Administrative Law Policy & Courts Section), Mr V Dawson (Finance Manager, Resource Management Unit)

BELCONNEN COMMUNITY COUNCIL - Ms N Flint, Mr D Van Der Vliet and Dr Chris Watson

MASTER BUILDERS' ASSOCIATION - Mr B Bryant, Mr P Middleton, Mr Pinter and Mr Humphries

WATSON COMMUNITY ASSOCIATION - Ms J Smith, Mr S Cronin and Ms L Davey

**APPENDIX C - THE 1995-96 DRAFT CAPITAL WORKS PROGRAM
(OVERVIEW AND SUMMARY OF THE DRAFT PROGRAM CURRENTLY
SUPPORTED BY THE GOVERNMENT) - FROM MRS CARNELL MLA,
CHIEF MINISTER AND TREASURER**