

**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**SELECT COMMITTEE ON ESTIMATES 1996-97**

**APPROPRIATION BILL 1996-97**

*November 1996*



## **RESOLUTION OF APPOINTMENT**

On 28 August 1996 the ACT Legislative Assembly resolved that:

- (1) a Select Committee on Estimates 1996-97 be appointed to examine the expenditure proposals contained in the Appropriation Bill 1996-97 and any revenue estimates proposed by the Government in the 1996 Budget, together with the 1995-96 Annual Reports;
- (2) the Committee be composed of:
  - (a) two Members to be nominated by the Government;
  - (b) two Members to be nominated by the Opposition; and
  - (c) two Members to be nominated by either the Independent Members or the ACT Greens;to be notified in writing to the Speaker by 4.00pm, Thursday, 29 August 1996;
- (3) that 4 members of the Committee shall constitute a quorum of the Committee;
- (4) the Committee report by 6 November 1996;
- (5) if the Assembly is not sitting when the Committee has completed its inquiry, the Committee may send its report to the Speaker or, in the absence of the Speaker, to the Deputy Speaker who is authorised to give directions for its printing and circulation;
- (6) the Committee is authorised to release copies of its report, prior to the Speaker or Deputy Speaker authorising its printing and circulation and pursuant to embargo conditions and to persons to be determined by the Committee;
- (7) the foregoing provisions of this resolution have effect notwithstanding anything contained in the standing orders.

## **COMMITTEE MEMBERSHIP**

Ms Roberta McRae OAM MLA (Chair)

Mr Trevor Kaine MLA (Deputy Chair)

Mr Harold Hird MLA

Ms Kerrie Tucker MLA

Mr Michael Moore MLA

Mr Bill Wood MLA

### **Secretary**

Bill Symington

### **Assistant secretary**

Kim Blackburn

### **Administrative Assistant**

Anne Munns

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## **SUMMARY OF RECOMMENDATIONS**

### **Recommendation 1**

**2.12. The committee recommends that:**

- (i) future budgets include the following information for all agencies:**
  - (a) staffing levels and the extent to which forecast changes were realised**
  - (b) new initiatives and the extent to which new initiatives in the previous budget were achieved**
  - (c) accommodation and/or rental costs**
  - (d) the extent to which efficiencies expected in the previous budget were met.**
- (ii) departmental and agency annual reports comment on their performance in terms of the measures and targets of their Purchase Agreements.**

### **Recommendation 2**

**2.19. The committee recommends that:**

- (i) the budget for 1997-98 provide direct financial comparisons for each output class with the relevant output class in the current budget; and**
- (ii) material differences in the output classes between the current and the next budget be documented with explanations for those differences.**

### **Recommendation 3**

**2.21. The committee recommends that future budget papers contain comprehensive cross-referencing and page numbering between all budget papers and supporting documentation. As an example, the budget overview should refer to other budget papers and provide relevant page numbers.**

### **Recommendation 4**

**2.23. The committee recommends that the summary and overview papers of future budgets present in an appropriate level of detail the Government's spending on environment programs.**

### **Recommendation 5**

**2.26. The committee recommends that performance measures where possible should be in specifically measurable terms and should include social and environmental indicators.**

### **Recommendation 6**

**2.37. The committee recommends that given that in the event of an early budget next year agency annual reports will not be available to the estimates committee, the Government provide more comprehensive information, including statements of expenditure pressures and offsets, in the monthly financial statements of the ACT.**

### **Recommendation 7**

**2.43. The committee recommends that the Government apply the traditional FTE on an annual basis when projecting job creation programs.**

### **Recommendation 8**

**2.53. The committee recommends that the Government report to the Assembly after 6 months on progress with the Kick Start scheme in terms of the number of offers taken up and the number of new housing starts which can be attributed to the operation of the scheme.**

### **Recommendation 9**

**2.62. The committee recommends that:**

- (i) when all tenders in respect of the asset management program have been completed, the Standing Committee on Public Accounts examine and report on the financial arrangements.**
- (ii) a draft statement of policy on asset management be presented to the Assembly at an early date with a view to the Standing Committee on Public Accounts reviewing that statement in time for its report to be taken up in the context of the next budget.**

### **Recommendation 10**

**2.66. The committee recommends that in future budgets, the Government:**

- (i) provide a separate budget paper containing a statement of the financial position of the ACT's marketable fixed assets and liabilities**
- (ii) define in the budget paper the ACT's major marketable fixed assets, indicate whether these assets are Territorial or departmental, indicate the amount by**

which these assets are to be depreciated and the resulting written down values of the assets

- (iii) identify assets which have the potential for sale and leaseback, and sale of lease
- (iv) identify buildings which are currently in private ownership but which are to return to Government ownership.

#### **Recommendation 11**

2.71. The committee recommends that the Government provide details of revenue foregone in the provision of assistance to industry, including revenue foregone in the grant of land to Australian Optical Fibre Research Pty Ltd.

#### **Recommendation 12**

2.74. The committee recommends that the Government present to the Assembly a statement on its medium and long-term strategies for superannuation which also includes an analysis of emerging costs, and an analysis of accrued unfunded liability.

#### **Recommendation 13**

3.4. The committee recommends that the Government consult widely on the proposed Criminal Injury Compensation Scheme Levy proposal, including both the principle that no one should be punished twice for the same offence, and on the implementation of any such scheme to avoid inequities.

#### **Recommendation 14**

3.6. The committee recommends that the Government:

- (i) redouble efforts to ensure that in renegotiating the Legal Aid Agreement with the Commonwealth, the over-riding consideration is the right of all ACT citizens to quality legal representation and service, regardless of their age, sex, status or ability to pay.
- (ii) approach all other State and Territory Governments with a view to ensuring that Legal Aid funding is included on the agendas of COAG and Premiers conferences.

#### **Recommendation 15**

3.10. The committee recommends that all costs associated with the August demonstration at Parliament House be regarded as matters for the Commonwealth to settle and that the ACT Government approach the Commonwealth accordingly.

### **Recommendation 16**

**3.13. The committee recommends that, in further negotiation with the Commonwealth over policing in the ACT, the Government again stress the need to implement the Assembly's clearly expressed wishes in regard to accountability of the AFP to the ACT.**

### **Recommendation 17**

**3.15. The committee recommends that no further action be taken to change private sector workers' compensation benefits until the Government's data base has been in operation for a period which would allow proper analysis of data collected in respect of industry in the ACT.**

### **Recommendation 18**

**3.21. The committee recommends that the Ngunnawal arrangement not be continued beyond the trial period without an independent assessment.**

### **Recommendation 19**

**3.25. The committee recommends that the Government develop, in consultation with pre-schools and their communities including unions, an unequivocal process for establishing pre-school enrolments and hence their hours of operation; and that this process take proper account of historical information on enrolments, of special needs and of the needs of siblings, and of the relationship between pre-schools and area primary schools.**

### **Recommendation 20**

**3.27. The committee recommends that a policy of consultation in regard to significant decisions be developed within the Department of Education and Training. This policy should cover significant policy or staffing changes within the Department and significant policy changes in regard to the management of all schools and colleges, including their possible "twinning" and closure.**

### **Recommendation 21**

**3.32. The committee recommends that the Government review ambulance service arrangements, including financing, and report to the Assembly on the outcome of the review.**

### **Recommendation 22**

**3.54. The committee recommends that environmental community service obligations for ACTION be developed and included in future budget papers and/or the ACTION annual report.**

**Recommendation 23**

**3.60. The committee recommends that InTACT, in its general purchasing policy, apply the Community Benefits section of the RFO to ACT and region small business in respect of all of its direct purchasing.**



## **1. INTRODUCTION**

### **Establishment of the Committee**

1.1. On 28 August 1996 the ACT Legislative Assembly established the Select Committee on Estimates 1996-97 to examine the expenditure proposals contained in the Appropriation Bill 1996-97 and any revenue estimates proposed by the Government in the 1996 Budget, together with the 1995-96 Annual Reports.

1.2. Mr Harold Hird MLA, Mr Trevor Kaine MLA, Ms Roberta McRae OAM MLA, Mr Michael Moore MLA, Ms Kerrie Tucker MLA and Mr Bill Wood MLA were appointed to the committee.

1.3. The committee first met on 3 September and elected Ms McRae as committee Chair and Mr Kaine as Deputy Chair.

1.4. On 24 September the Chief Minister and Treasurer presented the Appropriation Bill 1996-97 to the Assembly and delivered the Budget Speech.

1.5. The Committee was required to report by 6 November 1996.

### **Public Hearings**

1.6. Public hearings were held on 8 days beginning on 9 October during which the Chief Minister and all other Ministers, accompanied by officials of departments and agencies, gave evidence.

1.7. In accordance with the standing orders of the Assembly, Members of the Assembly who were not members of the committee attended the hearings and, by leave of committee members, questioned witnesses.

1.8. Where Ministers or officials were not in a position to respond fully to questions those questions were taken on notice and responses were provided at a later stage. In the time available for the hearings it was not always feasible for questioning by Members to be completed during the sessions devoted to each department and agency. In those cases Members submitted questions on notice with responses available before the finalisation of this report. While most questions taken on notice were answered in a timely fashion there were still a number of answers outstanding at the time of the committee's deliberations on this report.

## **Accountability**

1.9. The estimates committee last year mentioned the important role which the committee fulfils in the scrutiny and accountability processes of the Government and the Assembly. Its principal function is to provide opportunity for the non-executive Members of the Assembly to examine, publicly and in detail, the expenditure proposals in the annual Appropriation Bill.

1.10. There can be little argument that the estimates process is intrusive and can be an ordeal for Members, Ministers and officials. However, it is an established means by which the Assembly is able to bring a focus to the activities of departments and agencies and bring them to account for plans to expend public moneys in the interests of the ACT community. The estimates process is thus both investigative and educative and the committee considers it to be as much a benefit to departments and agencies as it is to the Assembly itself.

1.11. The committee acknowledges the efforts of departments, agencies and their officers in responding to committee questioning and appreciates their care, attention to detail, and dedication to the task of ensuring that the committee was well informed on those issues it pursued.



## **2. OVERVIEW AND GENERAL ISSUES**

### **Committee Approach**

2.1. An essential part of the committee's task is to compare budget forecasts with the outcomes for the previous year in order to assess the accountability of agencies. As part of that process the committee has access to agency annual reports which, in the past, have provided information about performance at program and sub-program levels. The substantial administrative changes made by the Government from 1 July 1995 raised significant problems for last year's estimates committee in tracking the performance of agency programs and sub-programs.<sup>1</sup>

2.2. The committee's task this year has again been particularly difficult. This has been due to the budget transition from input based cash budgeting to output based accrual budgeting, to the presentation of agency annual reports with performance measurement having tenuous relativities to previous programs and sub-programs, and to further administrative re-arrangements during the reporting year which has caused a number of functions to be dispersed among Ministers.

2.3. As a result, the committee had considerable difficulty in assessing the performance of agencies against their former programs and sub-programs.

### **Comparability**

2.4. The committee was concerned about the lack of information other than financial reporting included in most department and agency annual reports. Annual reports, generally, did not contain meaningful information about their activities and it was noted that a number of departments and agencies did not provide performance outcome information.<sup>2</sup>

2.5. Prior to the hearings the committee found it necessary to request the Chief Minister to have agencies provide for each appropriation unit details of assets, certain staffing statistics, details of new initiatives, their costs, performance measures and functions affected by the initiatives, a budgeted operating statement in the same format as provided for each output class, appropriations by output classes and the budget and results for 1995-1996 in cash terms.

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<sup>1</sup> Select Committee on Estimates 1995-96 and Budget Review, p4

<sup>2</sup> For example, see annual reports for ACT Housing, Dept of Education and Training and the Youth and Family Services Bureau

2.6. To the extent that agencies were able to provide some of this information it was helpful to the committee. However, the Chief Minister advised that because the 1996-97 budget was constructed on the basis that operating statements be produced at [both] the Territory and department appropriation unit and output class level, it would not be possible to produce a budgeted operating statement down to the level of each output.<sup>3</sup> The Chief Minister further advised that appropriations by each output was not available as the 1995-96 financial year was not managed on an output basis.<sup>4</sup>

2.7. The committee discussed these matters informally with officers of the Office of Financial Management (OFM). OFM subsequently provided the committee with a qualified reconstruction of 1995-96 output cost estimates for comparison with the 1996-97 budget for the Chief Minister's Department.<sup>5</sup>

2.8. This reconstruct assisted the committee in conceptualising relativities between the output classes in the 1996-97 budget and the 1995-96 outcomes. However, OFM drew the committee's attention to the considerable amount of work undertaken involving the reconstruct for Chief Minister's Department [a discrete and relatively small agency], and the qualifications attaching to the reconstruct.<sup>6</sup>

2.9. Having regard to these factors, the committee decided to not press for a reconstruct of the total budget. However, the committee's attempt to better inform itself by having available to it directly comparable year on year data exemplifies the difficulty it faced throughout the estimates hearings in assessing the performance of agencies and in bringing them to full accountability.

2.10. This year's estimates have given the committee cause to consider how it might function in future. Next year's estimates committee will be far better placed than this year to examine agencies closely and in more detail on their output class performances. However, the time available for the estimates committee to examine and report is always very limited with the result that the examination of agencies tends to be confined to very discrete areas. Accordingly, the committee proposes that once next year's estimates committee has reported on the budget proper, the committee be reformed to examine the detail of all agency operations and performances over a more extended period than is possible during the consideration of the Appropriation Bill itself. Such an examination could take place following the presentation of agency annual reports.

2.11. The committee chair will take the appropriate action to have this matter brought to the attention of the Assembly for debate at a later time.

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<sup>3</sup> Chief Minister, letter to committee dated 3 October 1996

<sup>4</sup> *ibid*

<sup>5</sup> Executive Director, OFM, letter to committee dated 8 October 1996

<sup>6</sup> *ibid*

## **Recommendation 1**

### **2.12. The committee recommends that:**

- (i) future budgets include the following information for all agencies:**
  - (a) staffing levels and the extent to which forecast changes were realised**
  - (b) new initiatives and the extent to which new initiatives in the previous budget were achieved**
  - (c) accommodation and/or rental costs**
  - (d) the extent to which efficiencies expected in the previous budget were met.**
- (ii) departmental and agency annual reports comment on their performance in terms of the measures and targets of their Purchase Agreements.**

## **Budget Format**

2.13. The ACT is the first Australian jurisdiction to make the transition to output based accrual budgeting and the committee accepts as inevitable that, in the transition, there should have been a degree of difficulty in making year on year comparisons. The Government attempted to address this by presenting last year's figures in the budget papers on the same basis as the 1996-97 figures and by presenting the 1995-96 financial statements in accrual format in annual reports.<sup>7</sup>

2.14. While the committee recognises that any transition budget, such as is the case with the 1996-97 budget, would present difficulties in comparability with an immediately preceding budget based upon completely different public sector accounting principles, the committee considers that the Government should have made a greater effort to present year on year comparisons in a way which would have provided the committee with greater opportunity to fulfil its responsibility to test the budget claims and previous year outcomes.

2.15. This problem of comparability arose with last year's estimates committee when it recommended steps to provide for direct comparability.

2.16. It is a concern of the committee that while it has been advised informally that output classes are unlikely to change, except at the margin, in respect of the next budget, the potential exists for change of some magnitude to take place in administrative structures. In that event, the next estimates committee could encounter

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<sup>7</sup> Transcript, p4

difficulties in comparability similar to those experienced by the committee on this occasion.

2.17. A further concern is that if there is to be an early budget next year, the estimates committee will not have access to agency annual reports and financial statements.

2.18. In these circumstances the committee is obliged to reiterate the recommendation by last year's estimates committee.

### **Recommendation 2**

2.19. The committee recommends that:

- (i) the budget for 1997-98 provide direct financial comparisons for each output class with the relevant output class in the current budget; and
- (ii) material differences in the output classes between the current and the next budget be documented with explanations for those differences.

2.20. A further difficulty arose for the committee in cross referencing and page numbering. The committee considers that all budget papers and supporting documents such as performance and ownership agreements should be presented in a more comprehensive package.

### **Recommendation 3**

2.21. The committee recommends that future budget papers contain comprehensive cross referencing and page numbering between all budget papers and supporting documentation. As an example, the budget overview should refer to other budget papers and provide relevant page numbers.

2.22. There was also a concern within the committee that the environment section of Budget Paper No 2 did not contain any information on overall budget payments for environmental programs. The environment section of Budget Paper No 3 only provided a description of government environment policies and programs with inadequate linking to budget expenditure on specific outputs.

### **Recommendation 4**

2.23. The committee recommends that the summary and overview papers of future budgets present in an appropriate level of detail the Government's spending on environment programs.

### **Performance Indicators**

2.24. There was some concern within the committee about performance indicators in the budget papers and with performance agreements. Performance indicators have been

an issue with previous estimates committees and the committee last year again drew attention to the need for such information to be provided in a measurable form and recommended accordingly.<sup>8</sup> The committee last year also recommended that future budgets and annual reports identify social justice and environmental objectives and outcomes on a program basis.<sup>9</sup>

2.25. The committee notes that many performance indicators this year refer to Ministerial policy performance measures and customer satisfaction surveys, rather than specific indicators for the quality of service delivery.<sup>10</sup> While these are not unacceptable forms of measuring performance delivery, the committee considers that, where feasible, the delivery of outputs by agencies should be measured in more specific terms.

### **Recommendation 5**

2.26. The committee recommends that performance measures where possible should be in specifically measurable terms and should include social and environmental indicators.

### **Three Year Budget**

2.27. Last year's estimates committee saw little to differentiate the claimed three year budget strategy from the forward estimates procedure which had been the practice in previous years. It noted that the financial framework for the three "out years" was based on a series of assumptions that appeared unachievable.<sup>11</sup>

2.28. It would appear that the current budget acknowledges the view of the former committee and has returned to forward estimates. The committee notes, for example, that asset sales were not included in the three year budget.

### **Audited Financial Statements**

2.29. The Auditor-General informed the committee that having finalised the audit of all agency financial statements, variations between those statements and the budget

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<sup>8</sup> Select committee, op cit, p10

<sup>9</sup> ibid, p7

<sup>10</sup> Transcript, pp116,117,126,127

<sup>11</sup> Select committee, op cit, p5

actuals for 1995-96 were apparent. The Auditor-General noted that reasons for these variations included:<sup>12</sup>

- (i) unaudited versions of the financial statements being used to prepare the budget papers
- (ii) the costs of goods and/or services provided by departments to other departments free of charge being included in the financial statements but not in the budget papers
- (iii) capital injections/distributions being treated differently in the budget papers to the financial statements, and
- (iv) the accounting treatments for some other transactions being different in the financial statements and the budget papers.

2.30. The Auditor-General noted, as did the committee, that the budget papers included a caveat to the effect that the 1995-96 actuals used as comparative figures are unaudited and may be subject to some change before they are finalised. The Auditor-General advised that the reasons for the differences will be analysed more closely and the results included in a future report to the Assembly. The committee notes that the Auditor-General's intended report to the Assembly will be considered by the Standing Committee on Public Accounts in due course.

2.31. The committee had accepted that agency financial statements would have been audited after the budget was prepared, and that any variations between budget actuals and audited financial statements may arise from a combination of factors relevant to the budget preparation. Nevertheless, the committee sought advice through the Chief Minister and Treasurer on the extent of material variations.

2.32. In responding to the points raised by the Auditor-General and outlined above, the Chief Minister and Treasurer advised that:<sup>13</sup>

- (i) this was acknowledged throughout the budget papers and was due to a timing difference between the final collation of the budget papers and completion of the audited financial statements. Other factors which made it impossible to produce comparative figures matching the financial statements included administrative [re]arrangements, devolution of capital works funding from the Department of Urban Services budget to the budgets of relevant agencies, the distinction between departmental and Territory operations [required by Australian Accounting Standard 29] and the backcasting of comparative figures which were not strictly comparable

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<sup>12</sup> Auditor-General, letter to the committee dated 16 October 1996

<sup>13</sup> Chief Minister and Treasurer, letter to the committee dated 30 October 1996

- (ii) these and other matters leading to differences between the budget comparative information and the audited financial statements had been discussed previously with the Audit Office. While these items could not be estimated accurately in time for inclusion in the budget, they will be included in the 1996-97 financial statements
- (iii) there was a significant change between 1995-96 and 1996-97 in the treatment of capital injections and distributions. The budget treats the figures in accordance with generally accepted accounting treatment of capital compared with earlier budget treatment. Comparative information was backcast to facilitate comparison with the 1996-97 estimates
- (iv) OFM is unaware of the differences referred to and is following this up with the Auditor-General.

2.33. The Chief Minister and Treasurer advised that OFM does not foresee any difficulty with the reliability of the 1996-97 budget as a result of unaudited comparative 1995-96 outcomes being shown in the budget papers as they are provided for comparative purposes only and not as base figures. The committee was further advised that the budget is not generally framed on an incremental approach of last year's outcome plus a growth factor, but by analysis and review of activities and the resources required.

2.34. The committee was subsequently advised that following discussions, the OFM and the Auditor-General had reached an agreed position in bringing a common view to the committee.<sup>14</sup> The committee was advised it was agreed that differences in unaudited opening balances for the Statement of Assets and Liabilities will require adjustment, as noted in the budget papers, to ensure that monthly performance reporting provides a true forecast year-end position. These adjustments will be effected through Ownership Agreements tabled in the Assembly. The committee was further advised that OFM is currently undertaking a Whole of Government Consolidation of the audited financial statements which will be subjected to review by the Auditor-General and presented to the Assembly.

2.35. The committee accepts that errors in the budget papers have been identified and accepts the agreed position between the Auditor-General and OFM as to how these will be rectified.

2.36. If there is an early budget next year, agency annual reports and the audited financial statements will not be available until later in that year.

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<sup>14</sup> Under Treasurer, letter to committee dated 1 November 1996, and letter dated 1 November 1996 to the committee from the Auditor-General

## **Recommendation 6**

**2.37. The committee recommends that given that in the event of an early budget next year agency annual reports will not be available to the estimates committee, the Government provide more comprehensive information, including statements of expenditure pressures and offsets, in the monthly financial statements of the ACT.**

### **Jobs for Canberra**

2.38. Budget Paper No 5 listed initiatives having major employment generation strategies which would create more than 2700 permanent and temporary jobs.<sup>15</sup>

2.39. As this was presented as a major budget initiative the committee sought to establish whether there was, in fact, a basis for accepting that 2700 new jobs would be created. The committee approached this matter in relation to ACT public service jobs and jobs to be created in the non-Government sector.

2.40. With regard to the ACT public Budget Paper No 5 indicated that proposals representing a cost to the budget of about \$2.8m would create almost 270 jobs.<sup>16</sup> The committee had some difficulty in establishing to what extent new jobs would be created given that normal recruitment would take place to fill vacancies arising from attrition through resignations, retirements and so on.<sup>17</sup> It was noted that the net reduction in ACT public service numbers was around 640 in 1995-96.<sup>18</sup>

2.41. A response to a question on notice clarified the position to some extent. The Chief Minister's Department advised that 180 extra positions would be created in the form of traineeships, apprenticeships, the Cleaning Up Canberra Scheme, trainee park rangers, the graduate administrative assistant scheme, the fifth ambulance crew and the Women's Workforce Development Scheme. A further 89 existing positions in some of these categories and others, such as the graduate teacher entry scheme, would be filled. The full-time equivalent (FTE) of these positions was estimated as 245 positions.<sup>19</sup>

2.42. Whether the filling of existing positions which had been left vacant constitutes the creation of new jobs was debated at length during the hearings, as was the issue of FTE. Discussion about FTE principally involved views as to whether or not a full time job should be counted as a job *per se* or part of a job. In this regard the committee

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<sup>15</sup> BP5, page 3

<sup>16</sup> *ibid*, p15

<sup>17</sup> Transcript page 10 et seq

<sup>18</sup> *ibid*, p26

<sup>19</sup> Chief Executive, Chief Minister's Department (CMD), letter to committee dated 21 October 1996



considers there should be no misunderstanding or potential for misrepresentation as to the creation of job opportunities.

### **Recommendation 7**

**2.43. The committee recommends that the Government apply the traditional FTE on an annual basis when projecting job creation programs.**

### **Capital Works and Job Creation**

2.44. Budget paper No 5 stated that the capital works program supported an estimated 1500 direct and indirect jobs.<sup>20</sup> The committee sought to extrapolate the number of jobs created by the capital works program across all agencies. Subsequent advice was that the estimated number of private sector jobs created by the 1995-96 capital works program based on a labour component analysis of expenditures in that year were some 1300 arising from budget funded capital works and around 600 through the ACT Housing construction program.<sup>21</sup>

2.45. The committee had some problem in matching the 1996-97 capital works program with the claimed job opportunities which would be available. This was especially so given the budgeted reduction in capital works expenditure by the Housing Trust in its construction of cottages which is labour intensive. However, the position which emerged was that the increase in the capital works program would deliver some 50 new jobs and that the program would continue to support an estimated 1500 jobs.<sup>22</sup>

2.46. The committee considers that the presentation of the new jobs initiatives in the budget papers has given a misleading impression as to actual numbers of new jobs which will be created, and is concerned that the lack of clear definition in this area could convey erroneous signals to the wider community and to investors.

2.47. The committee was not convinced from the evidence presented that the claimed number of jobs would be created.

### **Kick Start and the ACT Housing Loans Scheme**

2.48. The Kick Start scheme announced in the Budget will provide a grant of \$5000 to low income ACT Housing tenants to assist them to purchase their own home. The

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<sup>20</sup> BP5, p3

<sup>21</sup> Chief Executive CMD, op cit

<sup>22</sup> Transcript, p33

scheme will include concessional interest rates, establishment and insurance fees, stamp duty and legal costs as well as the waiver of the electricity connection fee. The cost of the scheme is estimated at \$2.5m and it is anticipated that 800-1000 jobs will be generated in the building industry.<sup>23</sup>

2.49. The committee was advised that Kick Start provides opportunity for 500 people to own their own homes and that because of the benefits offered, most would be expected to be in new homes. The advice was that the number of jobs to be generated by the scheme was a Housing Industry Association figure coupled with the standard industry multiplier.<sup>24</sup>

2.50. Estimated new housing starts were expected to hold up whether or not people took up the Kick Star offer by buying new houses, established houses through the private market or existing Housing Trust homes. It was put to the committee that each acceptance of a Kick Start offer would mean either the building of a new house or the replacement of an established or Housing Trust house.<sup>25</sup> Under the Commonwealth/State Housing Agreement the Housing Trust is obliged to replace any of its houses which are sold.<sup>26</sup>

2.51. There was a view within the committee that the underlying expectations as to whether current public housing tenants will want to take advantage of Kick Start to purchase new houses, Housing Trust houses or established houses remain to be tested especially given the depressed state of the ACT housing market and the ready availability of established houses at relatively low prices. There was also a concern within the committee that the Kick Start incentives were arranged through the Advance Bank as the participating financial institution without the matter being dealt with through the normal tendering process.<sup>27</sup>

2.52. Kick Start is intended to operate for the one year in which eligible persons can take up the offer, and the committee considers that any extension of the scheme beyond that time should be based upon a complete analysis of its effectiveness.

### **Recommendation 8**

**2.53. The committee recommends that the Government report to the Assembly after 6 months on progress with the Kick Start scheme in terms of the number of offers taken up and the number of new housing starts which can be attributed to the operation of the scheme.**

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<sup>23</sup> BP 2, p25

<sup>24</sup> Transcript, p43

<sup>25</sup> *ibid*, p45

<sup>26</sup> *ibid*, p47

<sup>27</sup> *ibid*, p626

## **Sale and Lease-Back of Government Owned Assets**

2.54. The budget strategy provides for the sale and lease back of the ACTION bus fleet, heavy commercial truck and major plant, and MacArthur House. The new magistrates court will be leased by the Government. Lease back arrangements are claimed to free up considerable capital, negate the need for any new borrowing in the current budget and allow for debt to be retired in the current year.<sup>28</sup>

2.55. Asset management arrangements involving sale and lease back are intended to raise some \$100 m in the 1996-97 financial year.

2.56. The sell and lease back strategy caused some concern within the committee. A view put within the committee was that such arrangements were effectively another way of borrowing by mortgaging assets.<sup>29</sup> There was considerable discussion in the hearings on the merits of lease back and the treatment accorded non-income producing assets in budgetary terms.<sup>30</sup> In essence, it was put to the committee that borrowings incur interest liabilities which are recurring until such time as the debt is repaid, and debt servicing needs to be funded from the budget or by further capital raisings. Sell and lease back arrangements, or the sale of assets provides a basis for managing assets in a way which can minimise the borrowings.<sup>31</sup>

2.57. While the committee generally accepts the logic of arguments put to it in relation to asset management, a view persisted within the committee that lease back is another form of borrowing in cases where the assets to be sold are to be used again by the Government.<sup>32</sup> This view was reinforced by the Government's comment that if asset sales were not used to handle payment for capital works the money would have to be borrowed with consequential additional borrowing of \$300m over [say] three years and interest payments of the order of \$8m in each of those years.<sup>33</sup>

2.58. Evidence taken by the committee focussed on the comparison of the sale and leaseback arrangement with borrowing. In the time available, the committee did not pursue issues such as a comparison with the option of budget management without the need for either borrowing or sale and leaseback; that is, a balanced budget.

2.59. Because there are a number of different arrangements and as final figures depend on the completion of tenders, the committee is not yet satisfied that all issues have been fully examined. For example, with regard to leasing arrangements for the magistrates court and the Dickson building the committee was advised that the leasing

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<sup>28</sup> BP No1, p20

<sup>29</sup> Transcript, p75

<sup>30</sup> *ibid*, p77 et seq

<sup>31</sup> *ibid*, p78 et seq

<sup>32</sup> *ibid*, p81

<sup>33</sup> *ibid*, p193

arrangements would not involve tax advantages, either to Government or the lessors.<sup>34</sup> However, with regard to the sale and lease back of ACTION buses, the committee was advised that taxation benefits would accrue to the financier.<sup>35</sup>

2.60. The committee recognises that these and other issues such as the cost of leasing arrangements over the life of the various leases will need to be explored in more detail. In this regard the committee noted a view that it is not necessarily more cost-effective to own rather than lease assets.<sup>36</sup>

2.61. The committee was advised that there had been attempts in the past to develop a statement of policy on asset management principles and that a draft statement of policy is now in the process of being considered with agencies with a view to wider consultation, including the relevant Assembly committees.

### **Recommendation 9**

2.62. The committee recommends that:

- (i) when all tenders in respect of the asset management program have been completed, the Standing Committee on Public Accounts examine and report on the financial arrangements.
- (ii) a draft statement of policy on asset management be presented to the Assembly at an early date with a view to the Standing Committee on Public Accounts reviewing that statement in time for its report to be taken up in the context of the next budget.

### **Reporting of Assets**

2.63. The budget papers indicate that the assets of the ACT amount to \$9 billion, with liabilities of \$2 billion. While the committee recognises that it is not practicable for the details of all assets to be reported in the budget papers, such documentation is an important component of the accrual accounting process. This was exemplified in the budget speech by the statement that "... the Government has been able for the first time to produce a statement of financial position which discloses the assets and liabilities of the Territory".<sup>37</sup>

2.64. Extensive documentation of assets was, in fact, provided to the committee by agencies at the request of the committee.

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<sup>34</sup> *ibid*, p86

<sup>35</sup> *ibid*, p88

<sup>36</sup> *ibid*, p76

<sup>37</sup> BP 1, p19

2.65. Given the Chief Minister's statements about the assets, and the Government's indication that it may dispose of further assets in the future, the committee considers that more detail about assets is required as a matter of regular reporting and proposes that, consistent with the treatment of assets under output base accrual budgeting, future budget papers should provide this detail.

#### **Recommendation 10**

2.66. The committee recommends that in future budgets, the Government:

- (i) provide a separate budget paper containing a statement of the financial position of the ACT's marketable fixed assets and liabilities
- (ii) define in the budget paper the ACT's major marketable fixed assets, indicate whether these assets are Territorial or departmental, indicate the amount by which these assets are to be depreciated and the resulting written down values of the assets
- (iii) identify assets which have the potential for sale and leaseback, and sale of lease
- (iv) identify buildings which are currently in private ownership but which are to return to Government ownership.

#### **Debt Servicing Income**

2.67. There was extended debate in the hearings on the Budget Paper No 4 statement that debt servicing income will increase in 1996-97 by \$2.698m to \$17.477m due to the full year effect of borrowings of \$62.2m undertaken in 1995-96, and the relationship of this to previous discussion on the sale of Government owned assets as a means of avoiding borrowings.<sup>38</sup>

2.68. The committee was subsequently advised that the \$2.698m is the net increase of debt servicing interest costs from the 1995-96 outcome to the estimated cost in 1996-97, and that for the full year 1996-97 an interest rate of 7% has been used to estimate interest on the \$62.2m for that full year. The committee was further advised that it was anticipated that \$10.570m borrowings will be repaid in the latter part of the 1996-97 year which will reduce interest costs of some \$0.206m.<sup>39</sup>

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<sup>38</sup> BP 4, p68 and Transcript p211 et seq

<sup>39</sup> Chief Executive CMD, op cit

## **Revenue Foregone in Industry Assistance Measures**

2.69. In its response to the recommendation of the Select Committee on Estimates 1995-96 and Budget Review that future budgets include the costs, both real and in terms of revenue foregone, of industry assistance measures, the Government advised, *inter alia*, that it would give consideration to providing, as fully as possible, aggregate information of the type sought, and said that the annual report was the most appropriate vehicle.<sup>40</sup>

2.70. The committee notes that the annual report of the Department of Business, the Arts, Sport and Tourism for the year 1995-96 provides details of three projects approved under the Business Incentive Scheme. However, the committee was unable to locate reference to other benefits provided including the land grant which it is understood was made to Australian Optical Fibre Research Pty Ltd.

### **Recommendation 11**

2.71. The committee recommends that the Government provide details of revenue foregone in the provision of assistance to industry, including revenue foregone in the grant of land to Australian Optical Fibre Research Pty Ltd.

## **Superannuation Liability**

2.72. The committee was advised that the ACT is one of the few governments which pays the emerging costs of superannuation [to retiring public servants]. The committee was advised that the accrued unfunded liability for superannuation is \$821m for 1996 rising to \$986m in 1997 to which should be added about \$100m for accruing long service leave.<sup>41</sup>

2.73. The committee was advised that the Commonwealth had taken responsibility for the liability up to the date of self government and that the figures mentioned above had accrued over since that time. The committee was advised that the liability pointed to the need for the ACT to start generating surpluses in order to make investments as accrual accounting will start to recognise the costs as they occur but will not recognise past liability.<sup>42</sup>

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<sup>40</sup> ACT Government's Response to the Report by the Estimates Committee on the Appropriation Bill 1995-96, p6

<sup>41</sup> Transcript, p221

<sup>42</sup> *ibid*, p222

## **Recommendation 12**

**2.74. The committee recommends that the Government present to the Assembly a statement on its medium and long-term strategies for superannuation which also includes an analysis of emerging costs, and an analysis of accrued unfunded liability.**





### **3. SPECIFIC ISSUES**

#### **Attorney-General's Department**

##### ***Magistrates Court Building - Lease back***

3.1. The committee queried the value of the lease back arrangement for the new Magistrates Court Building, which involves the Department paying \$1m per annum in rent for a building which had been Government built and owned. Over the 15-year life of the lease-back arrangement, this represents a significant expenditure by the Department, for no additional return, as the capital realised on the arrangement will be paid into Consolidated Revenue.

3.2. While accepting that the Department had received budget supplementation for the \$1m rent this year, there was a view within the committee that this money would have been better spent providing additional services. In addition, it was considered that the benefits of the lease-back arrangement (i.e. the capital injection to the Budget when the building is sold), are short-term and do not address the underlying problems with the ACT Budget. There was also a concern that the lease back arrangement may also impair the appearance of total impartiality which is essential to the ACT's justice system.

##### ***Criminal Injuries Compensation***

3.3. Concerns were raised in the committee about the budget initiative to levy convicted criminals and to use the funds so levied to help defray the costs of the Criminal Injury Compensation Scheme. The scheme had apparently not been the subject of consultation prior to its inclusion in the Budget. The concern was that the new scheme, in effect, punishes criminals twice for the same offence - one punishment being meted out by the Courts, and one by the Assembly if it agrees to the new levy scheme. It also appeared that the new scheme had not been thought out in any detail at this stage as officials were unable to answer questions about the operation of the scheme, other than to say that the funds raised would go into Consolidated Revenue.

#### **Recommendation 13**

3.4. The committee recommends that the Government consult widely on the proposed Criminal Injury Compensation Scheme Levy proposal, including both the principle that no one should be punished twice for the same offence, and on the implementation of any such scheme to avoid inequities.

## ***Legal Aid***

3.5. In relation to the Legal Aid Agreement between the Commonwealth and the ACT, the Committee noted the concerns of the Chief Executive of the Legal Aid Office about the severity of forthcoming cuts to the legal aid budget by the Commonwealth. The Committee noted the Chief Executive's assessment that the impact of the cuts will go well beyond their first point of impact and into areas affecting children, women and groups who are involved in non-criminal matters.<sup>43</sup> It was put to the committee that there is an unmet need for legal aid services although this is hard to measure<sup>44</sup> and that legal professionals being used by Legal Aid are being paid substantially below the usually accepted level of 80% of the commercial rate.<sup>45</sup>

### **Recommendation 14**

3.6. **The committee recommends that the Government:**

- (i) **redouble efforts to ensure that in renegotiating the Legal Aid Agreement with the Commonwealth, the over-riding consideration is the right of all ACT citizens to quality legal representation and service, regardless of their age, sex, status or ability to pay.**
- (ii) **approach all other State and Territory Governments with a view to ensuring that Legal Aid funding is included on the agendas of COAG and Premiers conferences.**

### ***Australian Federal Police [AFP].***

3.7. It is of concern to the committee that the reported increase in sexual assaults included increases in the numbers of incest and indecent assaults on children. The committee was advised that the AFP would tackle these and other crimes by having more people with the necessary expertise, and enhancing their skills to be able to undertake some of the more complex and more major inquiries rather than by using specialised squads.<sup>46</sup>

3.8. With regard to the major disturbance at Parliament House in August, the committee was advised that the cost to the ACT so far amounted to some \$86,000 and

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<sup>43</sup> *ibid*, p797

<sup>44</sup> *ibid*, p799

<sup>45</sup> *ibid*, p801

<sup>46</sup> *ibid*, p824

looked likely to double as claims for criminal injuries compensation and workers compensation are settled.<sup>47</sup>

3.9. The committee notes that the disturbance was associated with proposed Federal legislation and took place on national land.

#### **Recommendation 15**

3.10. The committee recommends that all costs associated with the August demonstration at Parliament House be regarded as matters for the Commonwealth to settle and that the ACT Government approach the Commonwealth accordingly.

3.11. With regard to the establishment of a separate ACT Police Commissioner, the committee was advised that the Commonwealth Attorney-General had formally responded to the ACT Attorney-General advising that he did not share the view [of the Standing Committee on Legal Affairs] that such an Office be established. The Commonwealth Attorney-General's view was that such an Office would derogate from the responsibility of the Commissioner of the AFP.<sup>48</sup>

3.12. With regard to equal employment opportunity in the AFP, the committee noted that at end June 1996 there was one female officer above the rank of Sergeant in the ACT, and eight at that level. The committee noted there were 157 female officers of a total complement of 682.<sup>49</sup> The committee was advised that while the AFP had difficulty in retaining women officers for lifestyle reasons as much as anything else, the AFP was conscious of the need to recruit, maintain and promote women within the AFP.<sup>50</sup>

#### **Recommendation 16**

3.13. The committee recommends that, in further negotiation with the Commonwealth over policing in the ACT, the Government again stress the need to implement the Assembly's clearly expressed wishes in regard to accountability of the AFP to the ACT.

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<sup>47</sup> *ibid*, p827

<sup>48</sup> *ibid*, pp828/9

<sup>49</sup> AFP Annual Report, 1995-96, p34

<sup>50</sup> Transcript, p834

## **Department of Business, the Arts, Sport and Tourism**

### ***Workers' Compensation***

3.14. With regard to the interim report of the Heads of Workers' Compensation Authorities [HWCA], the Minister indicated that the [Government] would not proceed with either restricting the current unlimited common law cover until after proper consultation, noting that the HWCA final report is due in May 1997.<sup>51</sup> The committee noted some doubt about the status of the data base for workers' compensation in the ACT but also noted the Minister's assurance that correct and accurate figures would be available to HWCA when the data base is in place.<sup>52</sup> It is a concern within the committee that Government policy in this area be based upon hard data.

### **Recommendation 17**

3.15. The committee recommends that no further action be taken to change private sector workers' compensation benefits until the Government's data base has been in operation for a period which would allow proper analysis of data collected in respect of industry in the ACT.

### ***Facilities for Sport and Recreation***

3.16. The committee is concerned about the allocation of funds to facilities for sport and recreation and considers the Government should consult widely to ensure that the most important priorities in regards to sporting facilities are dealt with appropriately.

3.17. However, the committee noted the work of the Bureau of Sport in developing a directory for sport and recreation organisations and the calender of events. The committee also noted the support offered to those who are not either elite athletes or regular participants in sporting or recreational activities, and encourages more policy development in this area.

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<sup>51</sup> *ibid*, p935

<sup>52</sup> *ibid*

## **Department of Education and Training**

### ***Ngunnawal Pre-School***

3.18. There was considerable discussion about the planned establishment of a new pre-school at Ngunnawal, with some dissatisfaction expressed about aspects of decision-making in regard to the pre-school.

3.19. A view within the committee is that insufficient time was allowed for parents to consider the fact that the Ngunnawal pre-school would be trialing a new model of joint campus child care/preschool, and would be run by a private organisation. There was a concern within the committee that further privatisation of ACT pre-schools could occur.

3.20. There was a concern within the committee that there was no open tender for the pre-school at Ngunnawal and that the service provider had been selected on the basis that it had won the contract to provide child care services at the Ngunnawal centre.<sup>53</sup> The committee noted that this service provider had not previously run a pre-school.<sup>54</sup> There was also a concern that the Ngunnawal arrangement breaches fundamental principles relating to public education.

### **Recommendation 18**

3.21. The committee recommends that the Ngunnawal arrangement not be continued beyond the trial period without an independent assessment.

### ***Inner City Pre-Schools***

3.22. There is a concern within the committee that the process of deciding those inner city pre-schools which would remain full-time in 1997 and those which would change to part-time was causing confusion and resentment in the community.<sup>55</sup>

3.23. During the hearings the committee was assured that the enrolment processes had been made clear to the relevant pre-schools in writing.<sup>56</sup> However, the committee was concerned to learn that, at the time of the committee hearing, no such communication had been provided to the pre-schools, rather it was conveyed by circular dated 21 October 1996. This error was acknowledged by the Department.<sup>57</sup>

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<sup>53</sup> *ibid*, p1025

<sup>54</sup> *ibid*, p1023

<sup>55</sup> *ibid*, p1064 et seq

<sup>56</sup> *ibid*, p1072

<sup>57</sup> Department of Education and Training, Answer to question on notice no 15

3.24. There was also concern within the committee that a statement by the Minister that "If at the February census the effected pre-schools have at least 34 children from their home area who have accepted their place then they will be staffed as a full time unit." is apparently being contradicted by the pre-schools which are advising parents that they can only take 25 home area enrolments.<sup>58</sup>

#### **Recommendation 19**

3.25. The committee recommends that the Government develop, in consultation with pre-schools and their communities including unions, an unequivocal process for establishing pre-school enrolments and hence their hours of operation; and that this process take proper account of historical information on enrolments, of special needs and of the needs of siblings, and of the relationship between pre-schools and area primary schools.

#### *Consultation*

3.26. The committee is concerned about the apparent lack of opportunity given to key stakeholders to make meaningful input to decisions affecting their interests. These concerns surfaced in relation to the shift within the Department from subject based professional support to more generalist services, the decision to twin the Phillip and Stirling colleges and the proposed closure of SWOW.

#### **Recommendation 20**

3.27. The committee recommends that a policy of consultation in regard to significant decisions be developed within the Department of Education and Training. This policy should cover significant policy or staffing changes within the Department and significant policy changes in regard to the management of all schools and colleges, including their possible "twinning" and closure.

#### **Emergency Services Bureau**

##### *Rescue Helicopter*

3.28. Concerns were expressed in the committee that neither the demand for, nor the detailed costs to the ACT of, the proposed rescue helicopter had yet been established. While recognising that the service would serve the whole south-east region of New South Wales, and would predominantly be financed by the New South Wales

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<sup>58</sup> Minister for Education and Training, letter dated 2 October 1996 to Ms Follett

Government, there was a view that was generally critical of what appears to be an open-ended impost on the ACT which will cost some \$2m a year.<sup>59</sup>

### *Road Rescue Fee [RRF]*

3.29. Several aspects of the Government's proposed road rescue fee were queried by the committee, with a view expressed that the fee is primarily a revenue-raiser rather than a significant addition to the Territory's rescue service.

3.30. While the committee commended the introduction of the fifth ambulance service for the Territory, it was aware that the Government had claimed to have introduced this service following the 1995 Budget, for which funds had been appropriated. The committee queried the fact that the RRF was now being introduced to fund the service which, from all appearances, had been funded and introduced more than a year ago.

3.31. The committee was advised that the RRF would also be used to provide free ambulance transport for victims of road traffic accidents. The equity of this arrangement was questioned on the basis that people who have already taken out ambulance insurance will still have to maintain that insurance, and pay the RRF as well. An apparent inequity was also seen in providing a free ambulance service for victims of road accidents, but not for people who require an ambulance in other circumstances. The committee was further concerned at the implication that the ambulance service will be charging for the transport of deceased persons, other than those killed in accidents.<sup>60</sup>

### **Recommendation 21**

3.32. The committee recommends that the Government review ambulance service arrangements, including financing, and report to the Assembly on the outcome of the review.

## **Department of Health and Community Care**

### *Possible Conflict of Interest*

3.33. There was lengthy discussion during the hearings on the issue of conflict of interest as it might impact on the health portfolio given that the Minister for Health and Community Care owns and operates a pharmacy in the ACT.<sup>61</sup> The Minister advised

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<sup>59</sup> Transcript, pp841/2

<sup>60</sup> *ibid*, pp848/859

<sup>61</sup> *ibid*, p475 et seq

that the pharmacy operations were at 'arms length' in accordance with the Government's Code of Conduct. The discussion also covered access to the previous Government's Code of Conduct which is incorporated in the Cabinet Handbook and is held in the Assembly Library.

3.34. There was a view within the committee that conflict of interest can be perceived or actual and that the methadone program is a case where government funding is involved in the management of a program which could provide a subsidy to the Minister's pharmacy should it become involved in the program.

3.35. A further point of concern within the committee is that the Minister's registration as a pharmacist and the management of the pharmacy are regulated subject to the Pharmacy Act 1931 for which the Minister is responsible.

3.36. The committee also noted that the Drugs of Dependence Act 1989 has a direct impact on the management of pharmacies, in particular with regard to the keeping and dispensing of drugs of dependence.<sup>62</sup>

3.37. Both the Pharmacy Act and the Drugs of Dependence Act are within the Minister's portfolio responsibilities, and there is a concern that there is a potential for the Minister a conflict of interest.

3.38. The committee sees the issue of conflict of interest as a matter for the Assembly to consider and notes that such a reference is presently before the Standing Committee on Administration and Procedures.

### *Health Budget*

3.39. The committee noted that the Treasurer's Monthly Financial Statement of the Territory for June 1996 indicated that the Health budget overspend against appropriation for the 1995-96 year stood at \$22.3m.<sup>63</sup> The Minister advised the committee that this sum involved capital expenditures and went on to advise that [recurrent] expenditure had increased because significantly more patients were being treated in The Canberra Hospital.<sup>64</sup>

3.40. The committee sought information about additional funding of \$17.308m included in the Health budget<sup>65</sup> and was advised that the amount is the variation from the original forward estimate and the amount necessary to provide an adequate health

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<sup>62</sup> *ibid*, p652

<sup>63</sup> *ibid*, p499

<sup>64</sup> *ibid*, p499 and 500 et seq

<sup>65</sup> BP 4, p116



and community care service in the 1996-97 year.<sup>66</sup> The main reasons for the increased funding included on going issues from 1995-96 such as increased demand for inpatient services, non-achievement of savings targets, non-achievement of earlier productivity components of enterprise bargaining agreements continuing high costs in disability residential services, and non-achievement of VMO savings.

3.41. The committee noted that savings of \$10 m per year foreshadowed in the 1995-96 budget speech had not been achieved, although it would appear that the monthly hospital reports of increasing activity and costs were exceeding the appropriation. There was a view within the committee that these problems with the Health budget have been probably the single biggest factor leading to the sale of Government assets. That view also attributes the delay in capital works expenditure and job opportunities which would arise from that expenditure to the increasing Health budget.

3.42. The Health budget is an example of inaccuracies in the budget papers or revealed during the course of the hearings, or in response to questions on notice which have been a cause of concern to the committee.

### *Mental Health*

3.43. Figures provided to the committee indicated that 918 of the 943 patient discharges in 1995-96 from The Canberra Hospital Psychiatric Unit were public patients. The balance comprised private, Veteran's Affairs, Defence, third party, public liability, workers' compensation and non eligible patients.<sup>67</sup>

3.44. The committee noted the Minister's comment that if there are facilities for private patients and around 38% of people have private health insurance, then some people who are currently accessing the public health system will access the private system.<sup>68</sup> The committee also noted the Government's proposal that a private hospital and psychiatric clinic be developed in the ACT.<sup>69</sup> However, in view of the fact that some 97% of patient discharges from The Canberra Hospital Psychiatric Unit and 91% of occupied bed days were public patients, there must be doubts as to viability of a new private hospital with dedicated psychiatric beds.

3.45. There was a concern within the committee that recent experience where an obstetric ward at The Canberra Hospital was closed when private beds became available at the John James and Calvary Hospitals could be attempted in respect of the psychiatry beds at The Canberra Hospital.

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<sup>66</sup> Minister for Health and Community Care, response to question on notice

<sup>67</sup> *ibid*

<sup>68</sup> Transcript, p703

<sup>69</sup> Minister for Health and Community Care, media release, 10 August 1996

3.46. The committee was advised that expenditure on mental health has increased by 30% since 1992/93<sup>70</sup>. There was a concern within the committee about access to mental health services, particularly by persons in distress, and about the funds available for these services. The committee noted that the number of acute care beds has not increased since 1979 and that the design of the unit [at The Canberra Hospital] does not allow for increased capacity. The committee was advised that while other States have higher bed ratios to the ACT, their bed ratios are reducing dramatically.<sup>71</sup> The committee notes that the Standing Committee on Social Policy is presently conducting an inquiry into ACT mental health services.

## Department of Urban Services

### ACTEW

#### *Dividend*

3.47. ACTEW will pay an estimated \$31.9m dividend in 1996-97 a 15% increase on the 1995-96 dividend.<sup>72</sup> The committee was advised that [by inter-governmental agreement] government owned enterprises are in "competitive neutrality" with the private sector. ACTEW is required to pay the equivalent of company tax and sales tax, but by agreement with the Commonwealth Government under the Taxation Equivalent Regime, that taxation is remitted to the ACT Government.<sup>73</sup>

3.48. The committee was advised that the \$31.9m dividend comprises about \$10.5m sales tax equivalent levied on materials and equipment purchased, \$16.6m equivalent company tax and the dividend residual of about \$4.5m.<sup>74</sup>

#### *TV Cable Roll-Out*

3.49. The committee was advised that there is a joint use agreement between ACTEW and Telstra under which telephone lines are attached to ACTEW poles. Because all overhead wires in Canberra are put down the back spine and it is less easy for TV cables to be run out in the way they are in other cities, ACTEW has a competitive

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<sup>70</sup> Transcript, p687

<sup>71</sup> *ibid*, p713

<sup>72</sup> BP3, p134

<sup>73</sup> Transcript, p370

<sup>74</sup> *ibid*, p371

advantage in terms of its access to back blocks in terms of putting up fibre optic cables. The committee was advised that ACTEW will be seeking to have only one cable along back blocks, but expects that the cable will replace existing telephone wires.<sup>75</sup>

### *Staff Hospitality*

3.50. The committee noted that the provision of hospitality for ACTEW staff had been the subject of comment by the Auditor-General in the past. The committee was advised that ACTEW is not now part of the ACT public service but appears before the estimates committee because it regards itself as accountable to the Assembly as representing the community which ultimately owns the Corporation. It was put to the committee that the detail business is the responsibility of the ACTEW Board and if the Board considers that [to maintain staff relationships] hospitality should be extended to staff then it will do so.<sup>76</sup>

3.51. While the committee accepts that ACTEW has a duty to conduct its business and staff relationships in accord with established business practice, the committee does not see the Corporation as being beyond the reach of the committee or any other Assembly committee should circumstances require its cooperation.

## **ACTION**

### *Bus Time-Tables*

3.52. The Minister agreed to review ACTION's proposals for changes to bus routes 400 [Kaleen students' access to Radford College] and 406 [Charnwood students' access to Ginninderra High following the closure of Charnwood High School] following concerns raised by the committee and the presentation of statistics on student numbers. The Minister also agreed to extend the consultation period for the current review since many families were disadvantaged by a short two week consultation process which occurred during school holidays.<sup>77</sup>

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<sup>75</sup> *ibid*, p395

<sup>76</sup> *ibid*, p398

<sup>77</sup> *ibid*, pp429/433

## *Environmental Community Service Obligations*

3.53. The Committee was advised that although the budget papers do not directly address the environmental impact of public transport a fair amount of work has been done on road pricing, environmental sustainability and transport, and papers are currently before the Government.<sup>78</sup> However, the committee considers that as the new financial reforms are intended to increase accountability to the Assembly and the community for Government expenditure, it would be consistent for this environmental information to be included in future budget related papers or the ACTION annual report.

### **Recommendation 22**

3.54. The committee recommends that environmental community service obligations for ACTION be developed and included in future budget papers and/or the ACTION annual report.

## *InTACT*

3.55. The committee sought clarification of the Request for Offer (RFO) by InTACT in seeking a "strategic partner" for supply of goods and services in the areas of office systems, electronic data storage and management, communications networks and personal communications networks. The committee was concerned about the position of ACT and region businesses.

3.56. The committee was advised that it was an open process where there will be winners and losers,<sup>79</sup> although the RFO was designed to ensure some involvement of Canberra industry.<sup>80</sup> The committee was further advised that the evaluation process involves the establishment of two levels of committee; one to oversight, direct and finally decide on outcomes, the other to examine in detail each response by product type and report their findings to an acquisitions council of Chief Executives chaired by an independent person. A second level committee, to be chaired by InTACT product managers, will evaluate offers in each product group.<sup>81</sup>

3.57. Concerns were expressed within the committee that local and small businesses could be excluded through the process as a group or consortium which wins the contract could be expected to purchase at best price without necessarily looking at the

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<sup>78</sup> *ibid*, p315

<sup>79</sup> *ibid*, p446

<sup>80</sup> Department of Urban Services, answer to question on notice, 28 October 1996

<sup>81</sup> *ibid*

region first, and this could prevent the local industry from establishing a basis for tackling the Federal Government and wider regional markets.

3.58. While the committee recognised that InTACT will require guarantees from their suppliers, a \$5m bank guarantee required by the RFO was considered to be a disincentive for small local businesses especially if the responsibility for purchasing remained with InTACT.

3.59. The committee noted that the RFO included a Canberra Region Industry Plan (CRIP),<sup>82</sup> and considers that the evaluation which it expects InTACT would apply to RFOs, as far as local industry is concerned, and as outlined in the Community Benefits section of the RFO, is a positive approach which could equally apply to general purchasing policy carried out by InTACT.

### **Recommendation 23**

**3.60. The committee recommends that InTACT, in its general purchasing policy, apply the Community Benefits section of the RFO to ACT and region small business in respect of all of its direct purchasing.**

### *Totalcare Industries*

3.61. Concern was expressed within the committee about the effect upon Totalcare's business of the transfer of its apparently profitable bus fleet to ACTION. The committee was advised that the profitability of the fleet was commercial-in-confidence but its contribution to overall profitability of Totalcare is of similar magnitude to most other divisions.<sup>83</sup> The committee had some difficulty in accepting that such information should be withheld in view of the fact that the bus fleet was to be transferred to ACTION which is funded through the budget.

*R. McRae*

Roberta McRae MLA  
Chair

*5/11/96*

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<sup>82</sup> *ibid*

<sup>83</sup> Transcript, p435



## **APPENDIX – PUBLIC HEARINGS**

### **WEDNESDAY 9 OCTOBER 1996**

#### **Chief Minister's Department**

Mrs Kate Carnell MLA, Chief Minister and Treasurer

### **THURSDAY 10 OCTOBER 1996**

#### **Chief Minister's Department**

Mrs Kate Carnell MLA, Chief Minister and Treasurer

#### **ACT Government Audit Office**

#### **Department of Urban Services**

Mr Tony De Domenico MLA, Minister for Urban Services

### **FRIDAY 11 OCTOBER 1996**

#### **Department of Urban Services**

Mr Tony De Domenico MLA, Minister for Urban Services

*ACT Electricity and Water Corporation Ltd*

*ACTION*

*Totalcare Industries*

*ACT Milk Authority*

*InTACT*

### **MONDAY 14 OCTOBER 1996**

#### **Department of Health and Community Care**

Mrs Kate Carnell MLA, Minister for Health & Community Care

### **TUESDAY 15 OCTOBER 1996**

#### **Department of Urban Services**

Mr Bill Stefaniak MLA, Minister for Housing

*ACT Housing*

#### **Canberra Institute of Technology**

Mr Bill Stefaniak MLA, Minister for Education and Training

**Department of Health and Community Care**  
Mrs Kate Carnell MLA, Minister for Health & Community Care

**WEDNESDAY 16 OCTOBER 1996**

**Attorney-General's Department**  
Mr Gary Humphries MLA, Attorney-General, Minister for Police and Emergency Services

*Australian Federal Police*  
*Emergency Services Bureau*

**Department of Business, the Arts, Sport and Tourism**  
Mr Gary Humphries MLA, Minister for Arts and Heritage

**THURSDAY 17 OCTOBER 1996**

**Department of Urban Services**  
Mr Tony De Domenico MLA, Minister for Urban Services

*ACTTAB*  
*EPIC*

**Department of Business, the Arts, Sport and Tourism**  
Mr Tony De Domenico MLA, Minister for Industrial Relations, Minister for Business, Employment & Tourism, Minister for Regulatory Reform

**Department of Education and Training**  
Mr Bill Stefaniak MLA, Minister for Education and Training

**FRIDAY 18 OCTOBER 1996**

**Department of Urban Services**  
Mr Gary Humphries MLA, Minister for Environment, Land & Planning

**Department of Business, the Arts, Sport and Tourism**  
Mr Bill Stefaniak MLA, Minister for Sport and Recreation