



**LEGISLATIVE ASSEMBLY FOR THE  
AUSTRALIAN CAPITAL TERRITORY**

**SELECT COMMITTEE ON THE FISCAL SUSTAINABILITY  
OF THE ACT**

(Reference: [Inquiry into the Fiscal Sustainability of the ACT](#))

**Members:**

**MS J CLAY (Chair)  
MR E COCKS (Deputy Chair)  
MS F CARRICK  
MS C TOUGH**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 3 MARCH 2026**

**Secretary to the committee:  
Dr D Monk (Ph: 620 50129)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

## **WITNESSES**

<b>BARR, MR ANDREW</b> , Chief Minister, Minister for Economic Development and Minister for Tourism and Trade .....	<b>26</b>
<b>BERRY, MS ASHLEE</b> , ACT and Capital Region Executive Director, Property Council of Australia .....	<b>18</b>
<b>BOWLES, DR DEVIN</b> , Chief Executive Officer, ACT Council of Social Service ....	<b>1</b>
<b>CAMPBELL, MR RUSS</b> , Under Treasurer, ACT Treasury .....	<b>26</b>
<b>GERAGHTY, MS GILLIAN</b> , Director-General, Infrastructure Canberra .....	<b>26</b>
<b>KELLY, MS LISA</b> , Chief Executive Officer, Mental Health Community Coalition ACT .....	<b>1</b>
<b>NAIK, MS SMERA</b> , Policy and Training Officer, Mental Health Community Coalition ACT .....	<b>1</b>
<b>PRIERGAARD, DR JACOB</b> , Senior Policy Advisor, ACTCOSS.....	<b>1</b>
<b>WALTERS, Mr COLIN</b> , Chair, Inner South Canberra Community Council.....	<b>37</b>

## **Privilege statement**

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

“Parliamentary privilege” means the special rights and immunities which belong to the Assembly, its committees and its members. These rights and immunities enable committees to operate effectively, and enable those involved in committee processes to do so without obstruction, or fear of prosecution.

Witnesses must tell the truth: giving false or misleading evidence will be treated as a serious matter, and may be considered a contempt of the Assembly.

While the committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

*Amended 20 May 2013*

## **The committee met at 9.05 am**

**BOWLES, DR DEVIN**, Chief Executive Officer, ACT Council of Social Service  
**KELLY, MS LISA**, Chief Executive Officer, Mental Health Community Coalition  
ACT  
**NAIK, MS SMERA**, Policy and Training Officer, Mental Health Community  
Coalition ACT  
**PRIERGAARD, DR JACOB**, Senior Policy Advisor, ACTCOSS

**THE CHAIR:** Good morning and welcome to the public hearings of the Select Committee on the Fiscal Sustainability of the ACT. Today we will hear from the Chief Minister, the ACT Council of Social Service, the Mental Health Community Coalition, the Property Council of Australia and the Inner South Canberra Community Council.

The committee wishes to acknowledge the traditional custodians of the land we are meeting on, the Ngunnawal people. We wish to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region. We would also like to welcome and acknowledge any other Aboriginal and Torres Strait Islander people who may be attending today's event or who may be watching from somewhere else.

This proceeding is a legal proceeding of the Assembly. It has got the same standing as proceedings of the Assembly itself. We are recording and transcribing in Hansard. We will be publishing, and we are also broadcasting and web streaming live. There is a bit of interest in this inquiry, gauging the media so far, so I would not be surprised if they are watching.

If you take a question on notice—and we do not usually make questions on notice for people who are not government—but if you do, just say, “I will take that on notice.” We will be quite kind; if a community group does not have time to take questions on notice, please just tell us that. That is okay. As witnesses, you are protected by parliamentary privilege, and you are bound by its obligations. You must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly.

We were not going to do opening statements, if that is okay. We have read the excellent ACTCOSS submission. Is that all right if we proceed straight to questions?

**Ms Kelly:** Sure.

**Dr Priergaard:** Sure.

**THE CHAIR:** I will start with the first one. The ACTCOSS submission paints a pretty clear picture that the budget is in an unsustainable position, with a high level of public debt and limited means to raise own-source revenue, and the recovery of budget position will probably require changes in expenditure. The submission then says that:

It is critical these changes do not overly burden those who can least afford to pay, and do not cut the services that allow our community to survive and thrive.

Since you wrote this submission, we now have a report from Saul Eslake, which certainly echoes the first part of that statement. I would say everybody is looking at the same information and walking away with the same conclusions.

There is a lot of information in here about how we might make changes that do not hit those who can least afford to pay, and I wondered if you wanted to talk me through some of those. I was interested, in particular, in preventative health and wellbeing changes—and maybe some of the problems we are getting from short-term contracts and the commissioning process. Is there anything in that space that you would like to tell us, that we can perhaps pass on to government?

**Dr Bowles:** Yes, there is quite a bit there. I think one of the key issues is that, in aligning budget thinking with the wellbeing framework—as we have suggested in our written submission—it will make clearer where government wants to invest, and why. We hope that that will also foster more cross-directorate investment.

Right now, the health expenditure of the ACT government is really clearly a significant portion of the cause of the lack of fiscal sustainability—as I think your question highlights. And so much of the ACT government’s expenditure in all is on acute services.

The Eslake report highlights that, for all of that expenditure, the outcomes are not as good as we might expect, given the level of investment when we compare our territory’s performance to other jurisdictions.

I think part of this stems from a tendency to invest in those acute services. When I was teaching epidemiology, one of the key things that I tried to get across to students was that upstream investment was almost always more efficient, more effective and costs less—as well as avoiding ill health for people.

But it can be difficult to target that appropriately. One of the challenges that the ACT is now facing, for instance, is that more and more people are unable to access food in a secure way. This is a problem that has been growing for years. The government has made some movement toward addressing that—and I absolutely acknowledge that there needs to be structural reform in how we deliver food to people.

But in terms of value for government expenditure, making sure that every person in the ACT is able to access healthy food, when they need it, is virtually the best health investment that we can make. The amount—which is in the relatively low millions—that is invested in that, given the scale of need and the increasing need, is not consistent with the many billions of dollars that we spend on acute services each year.

This, I think, is a policy choice—although I am not sure that the structures are in place that it was a deliberate choice—that is really making our overall expenditure less sustainable, because we are not investing in the best-value opportunities for us.

Similarly, there are opportunities to provide a much greater proportion of care earlier in a downward spiral of health—to prevent that downward spiral of health—often, in the community. And so, engaging with the community sector to identify those opportunities is really important.

On some level, one of the key challenges for government is making budget decisions in the face of imperfect information. Government's information is particularly "not good" when it comes to priority populations, including those experiencing poverty. Many of those populations do not have the resources to engage formally with government. Many have personal histories that mean that they do not trust government. Often, they will not speak the language of government—either literally or in terms of the cultural cues and knowledge of where to access decision points in government.

So, the government needs to be able to better understand the needs of priority populations and identify the most effective investment opportunities. I think that is where continuing work to engage the community sector in that intelligence generation—in terms of being able to provide the right information to government decision leaders, at the right time—is absolutely critical.

Our written submission talks about how we as a sector, and, I think, priority populations more broadly, are not well incorporated into budget-making processes. I do absolutely want to acknowledge ACTCOSS's work with Treasury over the last year, which has been really useful and is the sort of thing that we would love to see continue.

I might pause there and let some of my colleagues offer their views.

**Ms Kelly:** Thanks, Devin. Prevention is absolutely where the key needs to be if we want to actually cut costs in service delivery, long-term. Yet the challenge is we need to actually take a short-term hit around that, to some degree, because we actually need to invest in prevention and in acute at the same time. It is too long now that we have talked about it being one or the other. It is not one or the other. We actually need to invest in both in the short term, to reduce need on acute services.

From a policy perspective, what we keep seeing are policy decisions that push towards the acute end and away from the prevention end. Part of the reason for that is that, whilst there is lots of evidence—buckets of it—around the effectiveness of prevention, it is really hard from a Treasury perspective to draw a very straight line from this prevention activity here, saving a bed here. Because life is not like that, and people are not like that.

What we know is that when we invest in the social determinants, when we invest in community infrastructure, when we invest in community and we reduce loneliness and we reduce isolation and we increase people's access to healthy options in their lives, when we give people homes and employment and meaningful engagement, then their need for acute services decreases.

So, we need to actually be looking at whole people and whole service delivery. We need to stop commissioning and procuring out of siloed buckets that have been traditionally put through on a policy position around, "We need to invest in mental health."

Twelve months I have now been in my role, and the question that occurs to me constantly is, "What do we mean by mental health?"

When we talk about this bucket of funding for mental health and I go, “Wow.” Like, I have never met a person yet who says, “My mental health is this very distinct little bucket of me that needs to be served by this very distinct little policy.”

But rather what I see are people who say, “I need a home and I need meaningful engagement and I need to feel valued in this community, and I need particular help with this particular part of me as well.”

So, we need to start thinking about cross-silo funding. I think the wellbeing framework provides a framework for us to do this, but we continue to make policy and budget decisions based on budget lines and policy areas and policy sections of departments, rather than looking broadly and saying, “What do children in Canberra need? What do families in Canberra need? What do single mums in Canberra need? What do women over the age of 50 in Canberra need? And how do we look at population groups rather than disease or illness or deficiency?”

**THE CHAIR:** Thank you.

**MR COCKS:** This builds on the question that Ms Clay was asking. There has been quite some discussion around contracts for community organisations. In particular, I think it was most stark in a lot of ways last year when we saw contracts expiring right up until budget day. I am really keen to understand. It seems like there is always a short-term contract. Have you ever had any conversations around why that is?

**Ms Kelly:** There have been some changes in contracts through commissioning. So, pre-commissioning, most contracts were about three years. Post-commissioning, they range from about five to about seven years. It is the short-term pilot funding of contracts that is often the most difficult, or where the department has not actually done the work to determine if a contract is ending or continuing, pre budget announcements. That is where the two issues are.

So, I might be provided with some short-term funding to do something for 12 months or two years, but I am not advised early enough whether or not that is continuing or not continuing. I cannot keep my staff if I do not know if it is continuing. I cannot continue to take clients into the service if I do not know it is continuing. And so, the issue is in, “How do you build infrastructure, or how do you build client or consumer or population trust, if we do not know if the program is existing beyond?”

There is a very huge value for pilots. I am not saying we should stop pilots, but where we know that something has a long-term need and needs a long-term investment, then we should be making that long-term investment.

We talk a lot about—particularly in mental health, but across a range of different spaces—this disconnected and hard-to-navigate system. That is partly because we change the names of organisations and programs every, like, two years and so nobody can actually hold a space in the ground and say, “If I have got a mental health problem, this is the service that I go to, who helps me navigate the rest of the system,” because it changes all the time.

**MR COCKS:** So, not having consistent programs, consistent organisations, to go to

actually has an on-the-ground impact. Not just a new announcement.

**Ms Kelly:** Yes, absolutely. So, if I ask a general person in Canberra, “Where would you go if you have a mental health concern?” Most of the time they cannot answer because they actually have no brand recognition with a service that has been in Canberra for a long time.

They will come with “Lifeline” often, because it has massive brand recognition. It is a 55-year-old service that has done the same thing for 55 years.

**MR COCKS:** Lifeline. Beyond Blue.

**Ms Kelly:** Yes. So, I can phone access, but in terms of walking into an actual service that we can pinpoint in Canberra and say, “That is the mental health service. That is this service, that is this service and the initial entry point,” that is really difficult when organisations come and go, and programs come and go, on this cycle of contracts.

**Dr Bowles:** If I could add to that. It is not just the people that are seeking help; it is also the people within the organisations themselves that want to be able to refer clients. So, on some level, the government needs to understand itself as a service ecosystem steward. It is not just a procurer of services which, once the contracts are signed, it is done.

Instead, what it ought to be striving to do is be able to have a functioning ecosystem of services. A big part of that is each organisation understanding client pathways so that they know that 30 per cent of their clients are referred to them from this other organisation. And so they develop really good, warm referral practices with that other organisation.

And then, similarly, even though they are a mental health organisation, they might realise, you know, a significant fraction of their clients would benefit from alcohol and other drug services, or from food relief services, or from more secure housing— and so develop relationships with those organisations so that you can have a really seamless, warm handover, instead of a situation where a worker maybe has five minutes to look on a computer to find, “Where can I find help for this person?”

Short-term contracts really erode the stability of those client pathways. And so, you know, when government is thinking about how efficiently it is helping to deliver services, it is often thinking in terms of single contracts—pretty much always. But it is not seeing that, actually, the way that contracted organisations interact is often almost as important as the services that they are paid to deliver.

I want to acknowledge that the government has brought forward the budget by a couple of weeks to give organisations a little bit more time to understand what is going to happen to contracts. Obviously, much more time is required but I do want to acknowledge that positive step.

The other thing that I would say about short-term contracts is that, with commissioning, government has, absolutely, identified benefits to longer contracts and, for some sectors that have been commissioned through the procurement phase, mostly has longer

contracts. However, a sort of unintended consequence of procurement rounds is that, almost universally, the time that it takes to do commissioning—and procurement in particular—is underestimated.

What we have seen, then, is getting to six months or maybe a year out from when contracts are about to expire, and then government extending the contracts for relatively short periods. That is diabolical for community organisations that have managed to keep their best employees there even though they only have six or three months left on their contract, then to tell them, “Actually, you are going to be in limbo for the next six months at least.”

I cannot swear hand-on-heart that procurement rounds are going to be done in the time forecast this time either. I want to acknowledge government's intent, but I also know that execution has undermined that intent pretty significantly during procurement.

**Ms Kelly:** If I could just add: I think we need to be clearer. There is a service system that we need; there are organisations that function in a service system; there are programs that deliver services; and then there is performance. We get those things completely mixed up, a lot, in commissioning and in contracting, and even in talking about policy.

Policy should be setting a service system and talking about what the outcomes need to look like and how the service system needs to function. Core organisations who have shown themselves, year on year and decade on decade, to be solid, well-performing organisations create the pier of that service system.

The programs need to be fluid and agile and reflective of current need, and responsive to changing communities. Performance needs to be managed through contract management, and adjustments to contract management and outcomes as people are performing or not performing.

What we see is tendering and procurement as performance management—as opposed to saying, “Actually you can performance manage through contracts.”

We should be procuring when there is a need to check that the way in which the public money is being spent is still reflective of community need. That is about the programs, not necessarily about the organisation. So, I think if we start actually defining what we are talking about here, we will start making better fiscal decisions that enable long-term, sustainable service delivery to particularly vulnerable communities who do not often have the level of resourcing to continually navigate their way through a system that is changing.

**MR COCKS:** I think that was really useful. I do want to come back to this question around—Devin, you were talking about short-term extensions, and you also made the comment about the government bringing forward the budget to give organisations more time around contracts.

It sounds like what is happening is the government saying it does not have any money until the budget is delivered, to be able to enter into the next contract. Is that the sense that you get?

**Dr Bowles:** I would say that it is more that government processes sometimes mean that it is not clear whether particular programs will continue to be funded, until the budget or shortly before the budget.

**MR COCKS:** So, this is this question we have been looking at a bit of ongoing money versus terminating money. So, the government—in terms of the bureaucracy end—does not know until the budget whether there is an ongoing amount of money.

**Ms Kelly:** Or is not able to announce. I think there is a difference between knowing and announcing as well. Yes? So, they may know that it is coming through, but until the budget is announced, they are not allowed to make a formal announcement that the money is there—or issue a contract.

**THE CHAIR:** Thank you. I think Ed has asked nearly everything I was going to ask. I think you have both talked around the flow-on effects of short-term contracts. I wanted to tease out that financial flow-on effect of the short-term contract on, you know, staff leaving or being made redundant when a contract ends, the cost of then onboarding, then getting new staff for something else, and all those flow-on actual financial costs.

**Ms Kelly:** So, I would only be guessing if I put an amount on it, but there is—

**THE CHAIR:** The amount itself does not matter. Just the all the different types of costs that add up.

**Ms Kelly:** Absolutely. The loss of expertise is fundamentally the biggest issue. So, I may have invested in bringing somebody up to speed on being trauma-informed—specifically, being trauma-informed to work with children and families that have experienced ongoing trauma. That requires quite specialised training, and quite specialised support to be able to do well and effectively. So, there is the training costs that I have now lost in this person who has gone somewhere else—and may or may not be continuing to use those skills because we may have used a particular model and we have trained them in a particular model. There are the intake costs of new staffing and recruiting new staff—I am going through that process at the moment. There is also the lost opportunity cost. While I am focused on recruiting staff, I am not doing other things.

There are the redundancy costs and the layoff costs that need to be covered, which are often a point of contention around whether government is paying for that or I am paying for that—but I am not allowed to have profit and I am not allowed to have surpluses and I am not allowed to retain money, yet somehow I have got to have money to pay redundancies because the contract has ended and legally, under Fair Work, I need to pay a redundancy.

So, there are all these really big complications that government does not understand. Fundamentally, government bureaucracy does not understand how to run a business. They do not understand things like you need to give a 13-week notification of a redundancy. It is not like I can make someone redundant today and have them leave the organisation tomorrow. There is a whole process that needs to happen, which means

I need to give them notice three months before I am going to make them redundant. If I do not know whether or not I am going to make them redundant, I need to carry that cost and continue to carry that cost.

So the costs of this constant churn are huge. It forces workers out of the community sector and into the public sector. So then we have a problem in keeping and retaining staff across the sector.

But we also forget about the human cost of staff who are then concerned and worried about their mortgage; concerned and worried that they cannot put food on the table for their kids that night; concerned about where their next pay cheque is coming from. Who have invested in an audience and an organisation and a client group that is just been ripped from them. So, the psychological damage that can happen for those families is quite huge as well.

**THE CHAIR:** Yes. And then there is the financial cost for them.

**Ms Kelly:** As well. Yes.

**Ms Naik:** I would just like to add to the cost of that as well.

**THE CHAIR:** I might just get you to state your name, your role and your organisation.

**Ms Naik:** Smera Naik, Policy and Training Officer at Mental Health Community Coalition. I would just like to add to that, the psychological damage for the person that the staff is assisting, as well. There is a huge cost to having a constant turnover in the person that is helping them, as well, and it can really delay and interrupt the outcomes for that person.

We have seen in employment services when we have had constant changes in tenders, and you can really see the interruption of that person's progression. So, I think that is a really important point to note of the vulnerable people at the end of that, as well.

**Dr Bowles:** If I can really emphasise the importance of those points? I think one of the areas which the community sector really excels in, in service delivery, is understanding the whole client. There is a vulnerability that comes from being seen as a whole person. It means that when a service is delivered effectively, it is delivered more effectively, in many cases, because a person feels seen.

Increasingly, as social isolation and loneliness become more prevalent, those are important considerations. But then, to have your worker be changing with some frequency, that really undermines that sense of connection.

I want to also note the cost at the service level. While organisations, absolutely, sometimes formally chart client referral pathways, a lot of it also depends on informal connections. So, when we have sort-of forced churn of staff, it really undermines those informal referral pathways and makes the system, as a whole, less efficient.

**MS TOUGH:** So, having that informal knowledge between organisations or formal connections that you can go, "We're not the group to help you. These people are. Let

me call that person”. Losing that interpersonal connection.

**Ms Kelly:** It is trust, though, too. When I am referring a vulnerable person to another organisation, they are trusting that I know what I am doing and that I can vouch for the person I am sending them to. So, if I have lost all of my connections with somebody in a different organisation, it becomes very hard for me to then instil the trust in the client I am working with, that the referral I am making is a good referral and they should trust it.

So, those relationships are essential, and are really important for the outcomes of everyone involved in all of it.

**MS CARRICK:** On that same vein of the service delivery and the pathways and the connections, and the whole clients: would it be of value to have some sort of community service centre geographically located so, you know, there would be a bit more of a colocation of various services? So, you could go somewhere and you could be taken to food or mental health or housing support or AOD or whatever, so that it is all a bit more collocated and connected so even the organisations can support each other on the pathways?

Because we have got the maternal health places, and we have got Safe Haven—

Would there be a benefit of having geographically located community service centres that brought it together a bit?

**Ms Kelly:** My smile is because I was in a consultation yesterday with Evohealth who are doing some work with the John James Foundation, and we were talking about how in the 90s we had built the regional community services—well, they were built more in the 80s—but we used to have community development officers, and their pure and utter job was to build community, but also to be the source of information.

We now call it social prescribing. That is okay, I really do not actually mind what term we put on it.

But we are lacking that part in our social infrastructure. So, we can either co-locate agencies or what we actually can start to do is put compass workers or community development workers, or social prescribers within the infrastructure we already have—which sits in our regional community service infrastructure—and have workers that are not necessarily judged on how many people per day they churn through a service, but whose job it is to build a sense of community in the region in which they are located, and who are the source and the holder of both the formal and informal supports.

Because not everybody needs a mental health service. Sometimes people just need a knitting group, or a soccer team, or a neighbour, and we are missing that. We really have lost this space around community, which the community councils were filling at some point. We need to just be able to put that back into place, rather than invest a lot of money on re-moving all these other places who are then going to tell you, “I need four times the amount of overhead now because I need to work out of four offices”, et cetera. Rather than going, “How do we centralise a worker or two in the infrastructure we already have, and they act as the navigators?”

**MS CARRICK:** So, for example, I know my area has got the Phillip health clinic, and they are around in other parts of Canberra. You could put a community development officer in there—because a lot of people go, “I’ll go to my local health clinic”, and then they could be the one that directs you and tries to build community in that local area.

**Ms Kelly:** That is what I have been meaning when I talk about having community infrastructure, and knowing community infrastructure.

Where is my guiding signpost? What is the organisation that we are saying, “This is the signpost,” for people? “This is where you go when you need help and you do not know where else to go. They will help you work out where you need to go from there.”

They will not necessarily be the deliverer. In fact, they should not be the deliverer.

**MS CARRICK:** But the triage.

**Ms Kelly:** They are the triage; they are the signposter; they are the person who holds the information or knows how to access the information.

I think we forget. When I live in the mental health world, I assume everybody else knows everything about the mental health system to the level that I do. I am constantly surprised when I am out on a Friday night and somebody goes, “I don’t know any mental health services”. And I go, “How is that possible?” Because that is the world I live in.

But it is incredibly possible.

It is why people turn up to emergency departments: because they do not know where else to go.

**MS CARRICK:** I suppose if you had those around Canberra, you could work out where there are gaps in areas where there are not places to recommend that people come together for the knitting group, because—

**Ms Kelly:** Absolutely, yes.

**Dr Bowles:** This also represents the result of a long-term trend in government investment, I think, towards acute services. And I suggest that one of the reasons that we have probably less infrastructure for social group prescribing than we did 20 years ago is because of how government has attempted to rationalise its investment in community.

Ms Kelly, at the outset, talked about how it is harder to see how upstream investment has an effect on diminishing emergency department presentations, than some other programs or investments.

That does not mean that it is less real; it means that it is harder to measure. I think the trend over the last 20 or 30 years in government has been to slowly attempt to use evidence to guide investment decisions. That is a very good thing. The issue is that, as a combined service sector—by which I mean both government and the community sector—we do not uniformly have the really high level of sophistication to be able to

map outcomes from really upstream interventions.

So, it used to be that you could go to any number of places as an 18-year-old in Canberra and just hang out. That was a place for people that maybe did not feel safe at home. It was a place for people that wanted to connect with some of their peers. It was a place for people that wanted to have, you know, a chat about their homework or a chat about some of the challenges in their lives with a trusted adult. And the benefits for making community, especially for people that maybe do not have other resources or opportunities for a community, were immense.

But being able to draw a clear line between that and better school outcomes or less involvement in the justice system requires a very high level of sophistication—and I would even say investment—that, as a service system, we have not been systematically doing.

So that has skewed government investment away from the really basic work of building community. So it is not a surprise that we are seeing higher levels of social isolation and loneliness in that context.

So, I think one of the key challenges for fiscal sustainability is to be able to refine the information systems so that the bias towards acute intervention is eliminated as much as possible, and we are investing in the basics of community—the basics of health—far upstream, and providing people with the happy healthy lives that they want, where acute intervention is not required so often.

**Ms Kelly:** It can also be done through setting a percentage of budget allocation. The mental health research clearly starts talking about how five to 10 per cent of the mental health budget allocation into prevention will make a significant difference in acute service access—but also in ensuring people are not losing out in other parts of their life as well. So, they are maintaining employment, they are maintaining housing, they are maintaining all of the other areas of their life that will end up causing government money as well.

We are not talking about massive amounts. We are talking about setting a base percentage limit that says that we believe in prevention, and we are going to dedicate five to 10 per cent of the budget into prevention-based service delivery.

**MS CARRICK:** I just want to ask about the use of the wellbeing framework with this, because each minister will have their own views about how their policies align with the wellbeing framework. Like, you have police stations and emergency services and they will say, “We need this; they're preventative so we don't have fires out of control”. Everybody will be making their case. The Chief Minister is in charge of economic development. He will be making the case that economic development is important and aligns with the wellbeing framework to ensure that we bring money into Canberra, and jobs are created.

So, in the wellbeing framework, with such competing needs against it, how are things changed to align with more preventative health and education type of matters?

**Ms Kelly:** I am going to start by saying I am a very big fan of the wellbeing framework.

I actually think that moving conversations from just economic outcomes to wellbeing outcomes is essential in a modern society. I think the challenge is that what we did was we invested in writing this amazing framework, we celebrated it, and then we stopped. And at the time I remember conversations about, “We do not have a lot of indicators for a lot of these things.” So, instead of then going, “Well, how do we create the indicators?” or, “What might those indicators be?” or “What does that mean?”, we stopped.

What we have now are indicators in the framework that do not make a lot of sense to me, at times. One of the indicators for mental health in the framework is access to mental health services, or access to psychologists. And I go, “Well, if that is the indicator, then of course we start investing in the upstream end, or the more acute end, or the more medical end, or the more biological end of mental health and not in the community development end of mental health.”

So, I think that what we actually need to do to make the wellbeing framework make more sense is really think about what the sub-policy areas are, that we want in each of those domains. What are we actually wanting to achieve in that domain? What does it look like? How do we measure that? And who are the people with the most vulnerability to not achieve that?

In Canberra I think we focus a lot on the 80 per cent—and I really want to celebrate the 80 per cent; I am in that 80 per cent who are doing really well, and it is great. Canberra is a fantastic place to live. But we forget about the 20 per cent that are not, and that are struggling to pay their rents, or to catch a bus, or to get the service supports that they need.

So we need to go back now, I think, to the domains again and ask what mental health looks like in a well-supported functioning community, and for all the domains—I am just going to pick on the one that I look at the most—and then how that translates into investment, and then to service delivery.

**Dr Bowles:** If I can really support what Ms Kelly has just said. I think the example of the indicator for mental health being access to acute services, that is an issue that is replicated across the wellbeing framework far too often. That is a relatively easy-to-access data source. What that means is that we are not getting bespoke evidence, and therefore we are letting, effectively, the information we have most readily available guide our investment decisions as a community, which is absolutely backwards.

If we are serious about wellbeing: wellbeing means that you do not need the acute service, right? So, we should be doing the exact opposite of that example, and really deliberately prioritising prevention and community-based investment in the selection of indicators and in the development of strategies.

And I think the next step is to be more clear about goals for the community that are wellbeing goals and linked to that framework, and to link that in a more sophisticated way into budget and fiscal decision-making.

I absolutely acknowledge the government thinks about wellbeing to some extent in budget processes, and, if you are a community organisation trying to persuade the

government about the budget, they are very clear that you should be making your pitch in terms of wellbeing. That is great, but I think the next step in our journey is being able, as a government for the community, to weigh up alternatives and make decisions between alternatives based on a wellbeing framework.

I think that to do that, we need to adopt a clear outcomes framework and program budget.

So, these are things to build on: you know, an excellent document and overall approach to government decision-making, where we just need to increase the level of maturity and sophistication.

**Ms Naik:** There are a few dots that I would like to connect for you. Some of the research right now that is coming out of the Early Years strategy is that, for children to have good mental health, they need time with their parents—as simple as that. Time is one of the domains in the Wellbeing Framework. The indicator there is whether a person is working more hours or less hours than they want to be. But if we are looking at, for example, time with your children as an indicator, connecting that to the Right to Disconnect Bill that came out a few years ago that has not really been evaluated in terms of impact, and then also looking at the research project that is coming out of ANU—that is, the ACT Wellbeing Framework Project to link the framework into indicators for children in terms of relational poverty and things like that—that is sort of like an ecosystem that you would want to look around in terms of how we are implementing it. But that is not the way we are thinking about it at the moment.

**THE CHAIR:** Thank you. There is a lot here. The Greens were big supporters of the wellbeing indicators. We helped bring them in. I confess that I lost a bit of respect for them when the Chief Minister explained to me how funding the horseracing industry met the wellbeing indicators and I was like, “Oh, right; that is how we evaluate it!” I am extremely interested in this concept of how we get our government to invest properly in preventative health care and the community sector—understanding that we will need to invest in both for quite a long time. I am trying to reverse engineer it. It is quite difficult for a committee like ours to come up with good recommendations for government that might then be implemented. I am interested in this concept of, was it, five to 10 per cent of the health budget going into prevention?

**Ms Kelly:** There has been some research done, and I am happy to get it and pass it on.

**THE CHAIR:** Some governments around the world are using wellbeing indicators more effectively than I feel like ours is. If there are any examples of how government should cost the cost of lack of preventative health care or examples of a government or an area that is doing really well that we can point to, I think that will give us a much more robust recommendation that might have more impact.

**Ms Kelly:** Certainly the New Zealand government is an example of where wellbeing frameworks are being used well and within the right intent. A recommendation I would make around the Wellbeing Framework in the ACT is I think we have too many domains. When you look at the New Zealand model and their ability to make transparent decisions from it, it is actually clearer because the domains are not as broad. Participation in democracy, yes, has a wellbeing aspect to it but is that what we actually

want to be making decisions about in terms of our wellbeing investment? Probably not.

**THE CHAIR:** Yes, and in terms of our \$9.5 billion budget, it maybe not the biggest—

**Ms Kelly:** Maybe not the biggest issue. I think some of the recommendations that we should be looking at is how we refine the Wellbeing Framework so the domains are more aligned to actual wellbeing and not to the functions of government or to the functions of a civil society perhaps. One of my questions constantly is: if loneliness is one of the factors that continues to drop down, why are we not investing in loneliness but we are building a new theatre? The people who are most lonely have the most functional impairments because of their range of situations and they are not going to use the theatre. So it is not going to have a direct correlation. For some of those things, I think we could point to New Zealand. I am certainly happy to get you some of the data around the mental health—

**THE CHAIR:** I would not dream of asking you to take it on notice. But, if you happen to find something and send it through, we would love to have it.

**Ms Kelly:** I am not taking it on notice, but there is a particular report that is in my head right now that I will send to you.

**THE CHAIR:** We would love to see it.

**Ms Naik:** Another recommendation would be for the ACT government to work more closely with the Wellbeing Economy Governments alliance, an alliance of existing governments that are already embedding the wellbeing framework into their economies—New Zealand being one of them. That is best practice in terms of the wellbeing economy globally. That would definitely be a recommendation as well—to join with that expertise.

**Ms Kelly:** I would also look to the Scandinavian countries.

**Ms Naik:** Yes; they are part of that as well.

**Ms Kelly:** Yes, they are part of that alliance. But, if we talk about where wellbeing is at really high levels in community, the Scandinavian countries are just off the scale. A lot of that is because they are investing in community, they are investing in prevention, they are investing in people being seen and valued in their spaces and having spaces for people to be seen and valued in.

**Dr Bowles:** A rough proxy for investing in upstream prevention is expenditure on the community sector. It is not an absolute division, but I think there is an acknowledgment from many parts of government that often the community sector delivers upstream intervention in a way that engages with the whole person particularly well and therefore is more efficient and effective.

**THE CHAIR:** And what should that investment be, Devin? I imagine you have a figure.

**Dr Bowles:** One thing that ACTCOSS has asked for in our budget submission is for

publication of the total investment in the community sector each budget. We lack consistent long-term data on this. But, to its credit, the government did provide this on budget day last year. We think it is clear that it is not investing enough now. We have done a little bit to track the level of investment over the time where there is data. We will endeavour to send you that information. But the point I would make is that we need to increase that investment. There exists a relatively simple mechanism to track that, acknowledging that, across all of government, I do not think there probably is good infrastructure to track right now what constitutes upstream investment and how much we are doing it. So this is a reasonable proxy.

**MR COCKS:** I want to go back to the fiscal sustainability side of the equation. One of the things that really jumps out at me is that we have a report that says there are lots of problems and they are driven by the spending side of the equation, but things do not seem to have been increasing evenly across the spectrum of where the government is spending money. I get the sense that, with the community sector, many of the contracts seem to have become tighter and tighter over time and have not been growing in line with the increase in costs. Would that be a fair observation?

**Ms Kelly:** Devin may have a different view on this, but my view would be that we are not growing the investment in community services to respond to the complexity and the increasing need that we are seeing in community. We are continuing to invest similar levels. While there is indexation that is being applied and therefore some of that cost is increasing year on year, it is not necessarily at the same level as the cost of delivering service. It is also not at the same level to meet the volume that people are experiencing or the complexity that people are experiencing.

**MR COCKS:** So it is sort of both parts of the equation?

**Ms Kelly:** Yes, absolutely. It is also not flexible enough. So it is very much stuck in contracts delivering services with very defined outputs. One of the things commissioning was supposed to do was allow for more agility and more outcome-based funding rather than output-based funding. But the bureaucracy still uses numbers as performance. For example, spending 50 hours with one person—which might be better long term—and making a substantial difference in that person’s life across multiple domains is not often seen as a valuable use of resourcing if I could actually deliver two hours to 75 people, where I might make a small impact on their life. So the way in which the funding is being monitored and used is a problem as well.

**Dr Bowles:** I completely agree.

**Ms Kelly:** I thought you would have a different view.

**MS TOUGH:** Obviously, Scandinavia does really well at so many things—education, wellbeing and just generally everything.

**Ms Kelly:** Everything, except weather.

**MS TOUGH:** Exactly right; except weather. So there is a trade-off. I am just wondering how community services are delivered in Scandinavian countries compared to here. Obviously, they are quite a high-taxing jurisdiction as well compared to other

countries. Is it a similar model with a community sector that is separate to government or do they have these services attached to government? I am just curious how they do it—because they do it quite well.

**Ms Kelly:** I will take that one on notice.

**MS TOUGH:** Okay.

**Ms Kelly:** I usually will not take anything on notice. I said to Jacob outside, “Do not take anything on notice.”

**MS TOUGH:** Sorry.

**Ms Kelly:** I will take that one on notice, because I do think it is probably a useful piece of information or work for us to do anyway.

**MS TOUGH:** It just piqued my interest—they do it quite well, how are they doing it differently.

**Ms Kelly:** We will take on notice to have a look at the infrastructure and the way it is funded and resourced and come back to you.

**MS TOUGH:** Awesome. Thank you. Sorry to make you take something on notice.

**Ms Kelly:** No; that is all right. I am curious about the question and the answer. So we will take it on notice for my curiosity.

**MS TOUGH:** Thank you.

**MS CARRICK:** The government is undertaking a sport report that is going to like look at the needs for sports and what we have and where the gaps are. They are also doing it for an aquatic strategy. Do you think those sorts of things that identify gaps in the places where likeminded people can come together to form their communities around town are important for helping address loneliness, mental health and preventative health?

**Ms Kelly:** Absolutely; as long as they consider that part of the population that has a range of factors that make it difficult for them to access the end product of those investigations or those spaces. What do I mean by that? The football oval that does not have disability access to it is not accessible; yet the group of people who have some of the highest levels of loneliness are people with disabilities. If we are making sport expensive, then it is not accessible. If we are making sport accessible by a scholarship where the kid has to stand up at a ceremony and accept the scholarship and be branded as the kid that needed the poverty scholarship, then we are not making it accessible. If we are making a five form in duplicate application to get your fees waived so you can use the diving board, then we are not particularly making it accessible.

It is how we take those inquiries and put lenses over them. The Wellbeing Framework provides some of those lenses. The last regional wellbeing survey showed that the group of people in Canberra with the lowest level of wellbeing at the moment are single mums

who live in townhouses in south Tuggeranong. So, if we are building a sport field in Gungahlin, how is that helping? So I think it is how we take the information we have and layer it and lens it over those inquiries to get really solid outcomes and recommendations that will make a difference to the 20 per cent and not just to the 80 per cent. Then I think they are worthwhile.

**MS CARRICK:** Thank you.

**Dr Bowles:** As Canberra densifies, often at the expense of open space, making sure that the existing spaces are accessible to everyone, especially to the 20 per cent, becomes increasingly important. As the economic shape of Canberra changes and more and more people are feeling cost-of-living pressures, often they are precluding them from engaging with their friends in ways that they used to. Having accessible community or government managed spaces, where people do not have to spend a tonne of money to be social is going to become increasingly important. So I really support noting those sorts of places as critical for our community. I also want to echo Lisa's comments about the necessity of those lenses. I think that necessity is being driven up through densification.

**MS CARRICK:** Thank you.

**THE CHAIR:** On behalf of our committee, thank you for your time, Devin, Lisa, Jacob and Smera. We did have a question on notice. We also had some additional information that we would love to see. If you have the time to get that for us, we would very much appreciate it in our inquiry report. We have five business days for the question on notice. Also members, we have five business days—and courtesy to community organisations who are busy—for lodging questions. Thanks again.

**Short suspension**

**BERRY, MS ASHLEE**, ACT and Capital Region Executive Director, Property Council of Australia

**THE CHAIR:** We now welcome Ashlee Berry, from the Property Council of Australia, ACT and Capital Region Division. Ashlee, as a witness, you are protected by parliamentary privilege and bound by its obligations. You must tell the truth. Giving false or misleading evidence is a serious matter and may be treated as contempt of the Assembly. We have read your submission—thank you very much. We are not doing opening statements and will go straight to questions. I am hoping you had a chance to have a look at Saul Eslake’s report, which we only uploaded yesterday.

**Ms Berry:** I have had a very, very brief look.

**THE CHAIR:** You will certainly spend more time with it—

**Ms Berry:** Correct.

**THE CHAIR:** He has looked at quite a lot of aspects of our fiscal position, including capital. We have had a few submissions from various people suggesting what we should be doing with our capital program and how we should be doing it differently. One submission suggested we should stop all works and everything that was not health or education related—which sounded to me like we stop building public housing and doing anything related to transport, community sport or anything else. So I think there is probably a range of views.

In considering the ACT government’s fiscal position and the way that the government is currently setting its capital priorities, do you think we are doing that correctly or has the Property Council looked at that and thought, “There are actually better ways for you to be doing that”?

**Ms Berry:** One of the points that I really want to make is that, if we just stopped all infrastructure, other than health or education, that would be a really dangerous thing for the territory. It would be terrible in the sense that it would impact workforces, it would impact certainty and investor confidence here in the territory, and it would also delay all of these infrastructure projects that we have been talking about for many years. It would just push them further and further down the track. I think that is one of the key risks from our perspective. We know what the state of the budget is and we need to look at what are we getting value for money on, what is actually needed now and what could potentially be done in stages? But a real risk is just stopping everything. I think that would be catastrophic for the territory, and we certainly would not support that.

In terms of the current priorities, we need to be delivering infrastructure (a) that is needed by the territory and (b) that is going to generate a return on investment. From our perspective, things like the Convention Centre is something that will continue to generate economic activity and it will bring people to Canberra—and that is a good thing. Potentially, one of the things that could be done is looking at the scale and the size of the Convention Centre. But I also think it is risky if we start value engineering everything down just to try and save a buck now. I think it is really risky if we are trying to save money now and then need to spend more later. We need to look at it from a holistic perspective of what we are going to need in the long term and the most efficient

way to get there. We see investors and developers doing this with projects all the time when they deliver things in stages. Sometimes that is just what is needed in order to have a little bit of that capital investment now and a little bit in the future, but not jeopardise the integrity or the ability of the project to actually deliver. So that is on the Convention Centre.

I think we should be looking at all of our infrastructure projects across the board as part of this process and determining whether we are getting value for money, whether our workforces are productive—and that is both in and out of government—and, if they are not being productive, then why? Sometimes that can be, “We are not productive because of design changes,” or “We are not productive because we are still waiting for approvals to come through.” We need to look at that process. But we need to still keep generating buildings. We need health infrastructure. We need to make sure that we have sufficient schools. We should also be looking at not cutting maintenance or things like that. It is actually really risky if we start doing that. And so whilst we—

**THE CHAIR:** It is a high-cost decision in future, isn't it?

**Ms Berry:** Correct. So, while we absolutely need to be frugal, we need to be looking at what we are spending money on. Simply saying that we are not going to spend anything on any infrastructure would be catastrophic.

**THE CHAIR:** I might just test you to see if you know any source of information we have not seen. Saul Eslake gave us a little bit of comparative information on value for money for our health spend and for our education spend. But we do not really have a lot of information about whether the ACT is getting good value for money on our capital spend. Do you know any source of information on that?

**Ms Berry:** I am happy to take that on notice and see if I can—

**THE CHAIR:** Take it on notice and, if you think of something, get back to us. And, if you do not, that is okay.

**Ms Berry:** Yes. Anecdotally, we often hear that infrastructure and construction prices are higher in the territory. But, in terms of sources for that and doing a comparison, I will see if there is anything that can provide some evidence on that.

**THE CHAIR:** Thank you.

**MS CARRICK:** I appreciate that we need to keep the workforce out there working and have investor confidence. Saul does not recommend that we just stop capital expenditure; he recommends that we set a cap and then we work within that cap, because we are just borrowing more and the debt is growing. What is your view about setting a cap and then working within that cap—because we have health, education, spaces for kids and all sorts of things?

**Ms Berry:** I think that could be one way of looking at it. I have not read that part of Mr Eslake's report. So I am coming in slightly blind commenting on that. But it is one way that we could look at limiting the amount that we are spending. At the end of the day, if we keep spending above a certain threshold, presumably, we are going to need

to either increase own-source revenue—which is increase taxes, which we would absolutely not support—or borrow more money. Then your interest goes up, your debt is going up and you get in that spiralling cycle where it gets harder and harder to pay the debt back and you have less money to actually spend on infrastructure. So it is something that I think would be worth investigating. As to what that cap is and who sets it, that would obviously need to go through a rigid process. But it is one way. We simply cannot keep spending beyond our needs. No household can do it; no business can do it; and so we have to expect that the government will not do it either.

**MS CARRICK:** Thank you.

**MR COCKS:** One of the interesting things I found in looking at your submission and then looking at the independent special adviser's interim report is that I think you thoroughly anticipated what he would say in terms of not being able to solve the ACT's challenges just by raising revenue. The other thing in this report that we have seen today is tying things back to GSP as a measure of economic activity. Clearly, property has a fairly significant impact on the ACT's economy. I am interested in your view on what the levers are that we might be able to pull to try and increase activity across the economy rather than just holding everything back.

**Ms Berry:** That is something that we feel very strong about, in the sense that, if you broaden the base, you attract investment here, you get more homes and then you have more ratepayers. If we have more businesses here, ideally, you are getting more payroll tax. If we have more businesses owning buildings here, you are getting more commercial rates. You are getting that side of things. So, for us, it is about looking at our tax system. I know that there has been some work in terms of rates and stamp duty—but looking at the other taxes that are placed on property.

Property is the first go-to for the government. We have the health levy, we have the family and domestic violence levy and we have emergency services levies—all put on property ownership. We have the lease variation charge, which is an ineffective tax. I have seen some modelling done in draft form which shows that we have never actually hit our budget for the LVC or what is in the budget for LVC, and that if you, instead of LVC, charged a nominal amount per dwelling that is constructed, the amount that the ACT would have received over the last few years was in the hundreds of millions of dollars. That is done on basic modelling—and it is not mine to share. I think the government has an opportunity and a responsibility to look at whether that is an effective tax, whether we are getting value for money and whether it is holding a lot of development back. I know you have the Molonglo Group coming in either today or Thursday. No doubt, given their current issues, that is something that they will be talking about. It is holding back that development.

We need to do everything we can to pull the brakes off. Whether it is LVC or things like developer licensing and those charges and the impact that that has on just bringing more people in and increasing that activity, we need to look at planning. We need to look at the timeframes and the barriers that exist there. The worst thing we could do when we have a budget situation like this is put more handbrakes on. We need to still be making sure we are achieving the quality and that we are achieving the safety that we need, but we need to be incentivising and getting people to build and to develop, so that people have somewhere to live and then the ACT government is getting money

through rates.

**MR COCKS:** It seems like, from what you are saying, one of the differences between government workers and the private sector doing this is that the ACT government actually gets a bunch of those taxes.

**Ms Berry:** Correct.

**MS TOUGH:** I am just wondering whether there has been a cost escalation in infrastructure that means that what we used to be able to build for one amount of money we cannot anymore, and particularly how that has changed since COVID, the war in Ukraine and other global events. For an infrastructure project that might have been planned 10 years ago, what kinds of cost blowouts are we seeing, not just for government, but for all property and infrastructure?

**Ms Berry:** We are definitely seeing that things are more expensive than what they were 10 years ago. During COVID, we saw astronomical increases in every quarter—somewhere in the vicinity of 30 to 40 per cent on materials. That has absolutely slowed. We are five to six years post-COVID now, but nothing has gone back to what it was. Prices are not necessarily going to decrease. To build, to develop a home or to develop a commercial building or any sort of infrastructure piece, it is going to cost more than it would have 10 years ago. That is a challenge for the private sector.

We have seen, especially post-COVID, a number of builder-developers who have ended up in administration and ultimately in liquidation because of price increases. We have seen it with cost blowouts on government infrastructure. I have seen it, and heard it anecdotally, with our members, whose margins are constantly being whistled away essentially because of those increases. So, while things are not increasing as much as they were post-COVID, they will still increase. We still have inflation. Things will still go up. At a time when there is a lot of conflict around the world, that impacts us getting materials and it impacts demand for materials. So those pressures and those issues are not going away.

The way to avoid that becoming an issue is to make sure we get things approved as quickly as possible and that our productivity is at its maximum so that we are not delaying, we are not going back to the drawing board and redesigning and we are not having one set of plans knocked back because of a tiny little thing and it has taken 12 months to get to that point. It is about having a really efficient system at the beginning and bringing everyone in the room. From a government perspective, it is about early contractor involvement. It is about making sure that the government knows exactly how much something is going to cost for the way that they want it and getting those people in the room so that we can get on and can deliver, rather than having months or years of delay—and that is when costs do blow out.

**MS TOUGH:** Yes; you plan something at a certain cost and then, by the time you get to build, it is further down the road and things have happened—

**Ms Berry:** Correct; standards change or just the way things are done can change, especially over a period of a few years. So it is really important that, once there is an approval, let us just get on and actually deal with it and get those approvals quickly.

**MS TOUGH:** Because things did skyrocket so much in COVID—it has slowed down but it is still increasing—do you think there is a perception that government and even the private sector are paying more than they should be? For example, you put out a figure that it is going to cost x million dollars to build a project—when 10 or 15 years ago it would have cost such a fraction—that people might go, “You are spending too much on that project,” but the reality is that, to get the materials, the labour and everything, it has gone up.

**Ms Berry:** I have not particularly heard that perception. I think from an industry perspective, the cost is the cost and they are dealing with that. One of the challenges that we have in this jurisdiction is the way that risk is allocated. I often hear that from contractors dealing with investors, banks, developers and between builders and government. That is all priced in. That is something else that could be considered from an efficiency or a productivity or just a simple cost line—that, if the government is putting all of the risk onto a builder, a developer or a designer to deliver a project, that will be priced in. Sure, the government can maybe get away with the risk and not have that hanging over their heads for the contract period but they are paying more. Something that I know has been raised quite regularly is that we need to look at that risk allocation, because it is always priced in.

**MS TOUGH:** So the government will not be liable if something is not met but, in exchange, are paying more in the overall total cost of the contract?

**Ms Berry:** Correct.

**MS CARRICK:** Ms Berry, I would like to ask about the housing program with respect to the 5,000 houses for community housing. The Land Release Program does not specify where these blocks will be. When they come across, they are at market value. There are no annual targets. There is no costing. As far as we can see, there is no risk mitigation if we do not meet the targets—that we do not have annually. Is there a way that the government could work better with the property sector to provide more certainty and incentives to deliver the 5,000 community houses?

**Ms Berry:** We are always after more incentives and more certainty—so, absolutely. The challenge that we have with the way land is released and the function of the Suburban Land Agency is that, on the one hand, they are tasked with bringing in revenue for the ACT government through land sales and, on the other hand, they are tasked with, I would say, engineering or delivering social outcomes. Part of that is around community housing, but part of that is also around community infrastructure—and sometimes making the most amount of money and delivering social outcomes are incompatible. It can be difficult from a developer perspective to meet the financial requirements or the financial limit that the Suburban Land Agency is seeking and also deliver all of the requirements as part of the land sale. Whether it is 100 community housing units, a community facility or whatever it is, it can be incompatible. Something that we are talking to the Suburban Land Agency is about how we can make clearer what is actually required, so that developers and investors can price it accordingly.

In terms of the community homes, we know that our public housing waitlist is in the years, and it needs to have something happen to it. We need to be able to deliver not

just more social homes but also more affordable and more community homes. The current system can be difficult. I said we need certainty, but we also need flexibility on particular sites around things like building height. Developers want to be able to deliver more community and more affordable homes. However, when we are constrained from a height perspective, it makes it really difficult. So that is something that we certainly have been talking to the directorate about and talking about how we can get buildings in the right areas. If they were a little bit higher, then we could deliver more community homes.

For me, it is about making sure that those targets are explained—where are these going to be? We need to have community and affordable homes in well-located areas. We cannot just put them in one particular area with no public transport, no schools and no other community facilities. That is not the right way to do it either. We know that we have an essential worker housing crisis. We did some research last year that talked about the fact that a childcare worker, in particular, cannot afford to rent a home by themselves here in Canberra. They would be lucky if they were in a two-bedroom unit in a share house. That is not good. We know that our nurses and our teachers need more affordable accommodation as well.

I think, absolutely, the government can do more—we can all do more—to try and get really clear where these homes are going to be delivered and what incentives are on the table. We saw some incentives announced around the lease variation charge remissions earlier this year, which we welcomed. But one of the challenges is that it is all tied to a developer being linked with a community housing provider. In some cases, they are and in some cases they are not. So that is a challenge as well. We would have liked to have seen it go further, but there is scope for that.

**MS CARRICK:** Do you think there could be more work done around RZ2 areas? When we talk about being well located, they are a walk to the shops and to schools and to public transport. Could there be a better plan looking at those RZ2 areas?

**Ms Berry:** Absolutely. That would be a great start. It is about identifying the sites. We have been saying for a little while now about having someone in the public service that can identify these sites. We have put in our *Beyond reach* submission as well. We need there to be an audit of what the ACT government own or have access to that is in a well-located area that could be zoned RZ2 and where the opportunities are to deliver more housing. That would be really good. It would stimulate, from an economic perspective, the delivery of more homes. We know that when people are in those areas and when they are not needing to pay a significant amount for public transport or for private transport and they have the public transport available, they have the schools and they have the shops close by, hopefully, the percentage of their income they are spending on housing is reduced and they have more disposable income, which is a good thing for our economy.

**MS CARRICK:** Thank you.

**THE CHAIR:** Ashlee, you spoke in your submission about having a funding strike team for shovel ready projects. You have also said that we should be making sure we are getting commonwealth funding bids for those, which sounds very sensible. I have been tracking some of the projects that we do not have commonwealth funding for. We

did not for the dive pool and we did not in round 1 of the HAFF. There was a Mark Butler million-dollar announcement for mental health facilities, and we did not get any in the ACT. There was \$10 billion in federal funding for city and regional deals since 2015, and we did not get any. AEU says we do not have enough for our public schools, despite the fact that there is \$3 billion of commonwealth funding going into the private school infrastructure. We do not have commonwealth funding for the Canberra to Sydney railway line, but they have managed to get it for Newcastle. Do you have any particular views—with this funding strike team and getting commonwealth funding—about what we could do differently than we are currently doing to get that commonwealth money?

**Ms Berry:** I think, firstly, we should be getting it. We are not just the ACT and we are not just Canberra; we are the nation's capital. So we need to be befitting of that. We need to make sure that we have the infrastructure to support that. As the nation's capital, it is on the ACT government to put in those bids to the commonwealth. I do not have oversight over whether these bids have actually been put in or not and whether they have been denied or rejected from the commonwealth, because they do not support the business case or there is not a business case. I do not have oversight of that. But I think it is really important that, if there is any sort of tangible link to something that the commonwealth should be funding, we need to be asking. If we are asking and getting knocked back over and over again but still getting some funding, then that is better than not asking. If you do not ask, you are not going to get anything. Any opportunity we have for any piece of infrastructure, the commonwealth should be being asked, "Can you please chip in for this, because it is of national significance"—whether it is the rail line or the other infrastructure projects that we have got on, that will benefit not just the people that live here at the moment but also the city and the nation's capital.

**THE CHAIR:** That is great. I put up a motion last year, and parliament agreed with it, that they should bid on everything over \$5 million and they should publicly report on whether they get the money or not. But we have not yet got those reports coming through; so we do not yet know. I am hoping we will at some stage.

**MR COCKS:** One of the things I am struggling with is how expensive some of the infrastructure projects we see in the ACT are. You touched on this idea that the risk is being passed onto the developer and that increases the cost. Can you explain to us a bit more about what sorts of risks we are talking about and how that works?

**Ms Berry:** It is things such as the design. If that is given straight to a contractor, and it is called a design and construct, then there are more obligations put onto the contractor and they would price that in. It is things like warranty periods. It is things like variations—not denied, but it is harder to get a variation essentially. There was definitely a shift—from around COVID or even pre-COVID—where it was really difficult to have a discussion with the ACT government around variations. There were so many variations during COVID. I think that relationship has improved, and there is a lot more openness and discussion. Obviously, there has been a change in leadership at Infrastructure Canberra, but I think that has improved compared to what it was previously.

It is around that perception that, if something goes wrong, are we going to wear this together? Things can go wrong on a construction site or in projects that span over a

couple of years. Costs can blow out and designs do need to change. But, when a contractor is faced with contractual terms that suggest they are the ones that are holding onto all of this risk, they will price that in. Whereas, if there is more of an approach of, “Let’s look at this together and maybe we can pay some more for this and you might need to pay some more for this,” I think the costs would come down.

**MR COCKS:** And that impacts the cost at the outset?

**Ms Berry:** Absolutely. It is what people will price in when they are going through the tender process. They will look at the terms and conditions and go, “That’s a bit risky,” or “I have to design this,” or “I am just left to do this part of it,” and “I am going to price for that.” It can be really difficult. They are running businesses and they need to make sure that they do that to protect themselves.

**MR COCKS:** Thank you.

**THE CHAIR:** Awesome. On behalf of the committee, thank you so much for your time. We really appreciate it. I do not think you took any questions on notice.

**Ms Berry:** Only the one to see if I can find some infrastructure spend sources.

**THE CHAIR:** Yes. If you can, that would be great. Also—and you do not have to do this—if you find you read Saul’s interim report and have something further to say, we would be happy to receive a subsequent submission. But do not feel obliged to do that if you do not.

**Ms Berry:** I will be reading it—and, no doubt, I will have something to say.

**THE CHAIR:** It is an interesting read. Thank you.

**Short suspension**

**BARR, MR ANDREW**, Chief Minister, Minister for Economic Development and Minister for Tourism and Trade  
**GERAGHTY, MS GILLIAN**, Director-General, Infrastructure Canberra  
**CAMPBELL, MR RUSS**, Under Treasurer, ACT Treasury

**THE CHAIR:** Welcome Mr Andrew Barr MLA, Chief Minister and officials. The Chief Minister is appearing in relation to responsibilities for infrastructure today. You are protected by parliamentary privilege. You are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence will be treated as a serious matter and may be considered contempt of the Assembly.

We are not doing opening statements. We did get the government's submission; thank you very much. I might start with the first question on the housing program which I understand is now with Infrastructure Canberra, Housing ACT Program. Is that now with Infrastructure Canberra?

**Ms Geraghty:** We are working with Housing ACT on the next round, yes, with capital projects.

**THE CHAIR:** That is great. I was interested to know, and we have got a lot of targets for how many homes we will deliver in Canberra, but also for how much public and community housing will be delivered as part of that. Have you got milestones for how many of those homes will be delivered per year, and where the land will come from for that delivery from now to 2030? Is that part of managing that program?

**Ms Geraghty:** Currently, we are delivering the growth and renewal program which we have certain milestones attached to. We are now just finalising a business case that looks at delivering the additional 1,300 homes by 2030 that is being considered by government as part of the next budget process. That will have within it a series of steps about the milestones and different targets we will reach.

**THE CHAIR:** With those 1,300 homes, when will those milestones be public, if that is under consideration now, and assuming there will be a public version of that work?

**Mr Geraghty:** I imagine that will come through the budget process.

**THE CHAIR:** Following the budget process. Will it have details in there like where the homes will be, and where the land releases will be so that people can see we are expecting 500 homes in this year and 300 homes in that year? Will it be to that level of detail?

**Mr Geraghty:** I will have to take that question on notice and get back to you.

**THE CHAIR:** Sure. Is there a risk register associated with that work that you are preparing?

**Ms Geraghty:** Absolutely, yes.

**THE CHAIR:** You are doing that work, and you are delivering it. You are delivering it in consultation with Housing ACT, but Infrastructure Canberra is responsible for this work?

**Ms Geraghty:** We are accountable to the minister for homes for the delivery of that program. We are not—and we essentially work for Housing ACT as our client. We work to their budget, yes.

**THE CHAIR:** We have targets that the government set for how many homes. I do not know if those numeric targets will have any relation to the actual need in the ACT. Is that going to be part of that work as to whether these homes actually cater to the need that is established in Canberra at the moment?

**Ms Geraghty:** That is actually a question for Housing ACT, so the way it works is Housing ACT give us the policy settings, and where the demand is, and we deliver to that, in response to that.

**THE CHAIR:** Yes, so they are responsible for policy; you are responsible for the actual buildings?

**Ms Geraghty:** Correct.

**MS CARRICK:** Are we allowed to see the risk register?

**THE CHAIR:** Will that risk register be public when it is done? I imagine you do not have one yet if you are still doing this work?

**Ms Geraghty:** We are considering risk as part of the business case, and so the risk would be integrated within that, so there will be a risk register within that. I am not the business case—so I am not entirely sure how much of that will be made public during the budget process.

**MS CARRICK:** Can I just ask, is it a business case for the whole, say for example, 5,000 community housing, or what is that business case for?

**Ms Geraghty:** So it is only for the ACT Housing new homes; it is not related to community housing.

**MS CARRICK:** So it is the public housing, social housing, so it is a business case for like—

**Ms Geraghty:** For the government-funded housing.

**Mr Barr:** For the public housing component of the social housing program.

**MS CARRICK:** Yes. So the public housing, I think there is another 13,200 by 2030, so it is a business case to get to the 13,200?

**Ms Geraghty:** Yes, that is correct. Thank you.

**MR COCKS:** Chief Minister, you have over time had a fair bit to say about intergenerational costs and intergenerational fairness, and our perspectives on that are different, but please correct me if I am wrong. One of your views is that a percentage of the cost of delivering infrastructure should be worn by future generations because

they will be getting a benefit from it. Is that incorrect?

**Mr Barr:** Well, obviously, that depends on the asset that is being delivered, so an asset that has a life span that is multigenerational, it is I think entirely reasonable for the cost of that to be spread over multiple generations. I think in the past I have used the example of the Cotter Dam expansion that is providing water for the current generation and future generations over more than a century, so the idea that that cost would be borne entirely by the generation at the time it was being constructed was, in my view, an unreasonable proposition.

The government at that time determined that the costs of that asset would be put into the regulated asset base, and the regulator would then make determinations around water pricing, and then that would be over a century or more of the life of the asset.

**MR COCKS:** For example, with an asset like the new Lyric Theatre build, what percentage of that project do you think is fair to apply to the current generation versus future generations?

**Mr Barr:** The existing assets were constructed—the original Canberra Theatre in 1965, and the Playhouse in the 1990s, so the current Canberra Theatre has obviously had a lifespan of 60 years and will continue into the future, so it is reasonable to expect that these sorts of assets have lifespans between 50 and 100 years generally, sometimes longer depending on the nature of their use and how technology may or may not change, but obviously similar projects in other jurisdictions are still operational and many stretch to a century of use.

**MR COCKS:** Do you have a view on what is a fair distribution between the current generation and the future generations?

**Mr Barr:** I do not know that—do you think I should say 21.754332 per cent, or are you looking for a general statement around whether, with an asset that has a lifespan of potentially a century, the cost of that should be borne over a century?

**MR COCKS:** I am trying to understand when exactly do you think that there is a percentage between now and future?

**Mr Barr:** I am certain that the asset will be utilised beyond just this generation, and so it is reasonable that the cost of that asset, and of course its economic benefit, will be enjoyed more than just initially, but over an extended period of time.

**MR COCKS:** Continuing to use that project as an example, then, by what date will the Lyric Theatre be paid off?

**Mr Barr:** Paid off? Well, that will be a matter really for future budget decisions. In terms of its economic return, it is estimated that around \$33 million a year and growing in its economic contribution, so within ten to 20 years of its operation, it will have contributed more back to the economy than the cost of delivering it, but it is not just an economic return that we are looking for here; it also has a cultural benefit.

**MR COCKS:** But in terms of the budget itself, and in terms of—this is fundamentally

funded by borrowings. By what date will the government have that paid off according to budget?

**Mr Barr:** We do not account for individual projects. We would look at the totality of government debt, and I mean in theory, you could pay it off tomorrow, but then you would be incurring debt on other projects, so to the extent that it is just not realistic to ascribe to a project that is capital funded. You may as well say when is the hospital going to be paid off, or when is upgrade to this Assembly building.

There are a range of things obviously that come within the government's capital works remit. The value obviously of the asset is clear in terms of its construction cost, and its value to the community, both in terms of its economic return, and its social and cultural benefit will be there for decades to come.

**MR COCKS:** But what I am trying to get at is: do you think it would be reasonable to expect the current generation to be paying some contribution towards that project, as well as future generations?

**Mr Barr:** Well, yes, there are costs that the current generation of taxpayers are contributing to, as they do to the existing facility. Current taxpayers are paying for the operation of the 1965 theatre as well, so it is not just the capital costs, but it is the staging of events and activities there. Now, clearly the theatre also generates its own revenue from ticket sales and productions, so it is also a revenue-generating asset for the Cultural Facilities Corporation.

**MR COCKS:** I am trying to get this across the budget things because what the independent special adviser has found here is that, in actual fact, the ACT government is currently leaving the entire cost of all these capital projects to future generations when they are funded by borrowings, that there is no projection in the forward estimates of the budget to even start to pay off those borrowings because it increases every year. Is there a plan to actually try and pay this back, or are you just intending to pass the entire cost on?

**Mr Barr:** There are a number of factors that interplay there. The broader fiscal strategy obviously is to fully fund the superannuation liability, which will then free up a considerable amount of capital that is currently being applied every year to achieving that goal, and that can be used for debt repayment.

**MR COCKS:** Can you remind me of how much that is?

**Mr Barr:** It is more than half a billion dollars a year, and rising. Once that liability is fully funded, that expense that—

**MR COCKS:** Is that a cash cost?

**Mr Campbell:** Yes, we make an equity payment at the moment.

**MR COCKS:** In cash?

**Mr Campbell:** Yes.

**MR COCKS:** Thank you.

**Mr Barr:** It accounts for five per cent, roughly, of the territory budget. It is like 500 million of ten billion, or thereabouts.

**Mr Campbell:** Yes, in that order, yes. We need to check that.

**Mr Barr:** Yes, roughly five per cent. Once that liability is met then we will not have to make that annual injection into that fund, and that does provide the capacity for debt repayment in the medium term. The other factor, of course, is that the bonds we issue are not inflation linked, and so inflation erodes the value of the government debt each year as well.

**MR COCKS:** There are two things in this that I want to clarify because you have indicated that no longer having to make the half-billion dollars in cash payments would enable us to start paying back cash, but the—

**Mr Barr:** So that would be an option for the government of the day at that time, yes.

**MR COCKS:** But the current level of cash deficit is over a billion dollars, so still that is not enough to get to the point where you start paying back the borrowings?

**Mr Barr:** The projection and the intent for the government, as outlined in the budget and the budget review, is to have operating cash surpluses, and I think over the forwards they rise to about—

**MR COCKS:** Sorry, I am talking about cash, not operating cash. On a cash basis you are looking at deficits that are around the billion dollars, not operating cash. Operating cash is just day to day and excludes things like infrastructure. I still do not see how you get to actually pay back debt.

**Mr Barr:** Well, you are assuming that the capital program continues at the same level that it is at, at the moment, and the forward estimates indicate that that is not the direction for the forward infrastructure—

**MR COCKS:** No, that is based on the numbers in the budget now.

**Mr Barr:** Yes, but the exhaustion of the superannuation liability is in the 2030s, so I am talking about that period. That is beyond the forward estimates in these budget papers.

**MR COCKS:** Are you suggesting that the infrastructure program is going to drop off significantly?

**Mr Barr:** That is what the forward estimates show, yes, so it will not be \$1½ billion a year into the future. The budget papers are quite clear about that.

**MR COCKS:** At the same time, we hit the question of the level of repayments as well. Clearly, you have some projection beyond the current forward estimates. We are

currently sitting at around \$17 billion in borrowings. How long will it take to repay that amount that we are currently holding, based on the projections that you have, once we start repaying?

**Mr Barr:** I do not have that information in front of me. You need to raise that with the Treasurer.

**MS TOUGH:** Chief Minister, Mr Eslake's report talks about policy choices being responsible for the current budget position. What are these policy choices government has made to be in this budget position?

**Mr Barr:** Obviously, a major factor of this decade was the significant expense and revenue loss incurred during the COVID period. We have also made policy choices through election campaigns, and endorsed through the democratic process, to invest in health and education. They are the two largest areas of ACT government responsibility, and we have also made the decision to invest in generational infrastructure, and have done so at a time when the cost of borrowing was at historically very low levels.

The very clear advice through the COVID period from the Governor of the Reserve Bank and the head of Treasury was that state and territory governments needed to increase their infrastructure spend in order to keep the economy growing during that period, but that period and that very significant wave of infrastructure development in Australia is peaking, and if you look at the forward projections for most Australian states, with the exception of Queensland, who are ramping up their infrastructure program ahead of the 2032 Olympics, you are seeing the tail end of all of that COVID period capital works, coming to an end, and infrastructure spend across Australia will reduce across the states and territories, and at the commonwealth level.

**MS TOUGH:** Thank you. Given those policy choices being infrastructure particularly in COVID, health and education as the main things people want to see, given that other parties have ruled out increasing taxes, cutting services or changing the way the public service works, how does government then achieve this cost sustainability?

**Mr Barr:** Well, this—

**MR COCKS:** Is that a question for the Treasurer?

**THE CHAIR:** Yes. Can we stick to infrastructure questions?

**MS TOUGH:** Infrastructure, yes.

**Mr Barr:** In the context of infrastructure, as I have indicated, we have a peak in our program this year and next in particular, and beyond that it does start to reduce in size. We have made some provisions for new projects, in that the pipeline of infrastructure projects is not as large as it was at the beginning of this decade, because a number of projects have been completed and, clearly, the government can make the determination to have a smaller infrastructure program as one way of contributing to both reduced borrowing costs and a reduced capital ask.

**MS TOUGH:** Thank you.

**MS CARRICK:** I would like to ask about the measurements that we use. We use net operating balance. The Treasurer has talked about operating cash. Is it possible to use, as a measure, a cash surplus so that we can include infrastructure in it; then we are talking about the budget?

**Mr Barr:** That really is a question for the Treasurer, but it is—

**THE CHAIR:** It is probably a treasury question.

**Mr Barr:** But I believe it is all reported in the different ways that you have listed. There are four or five different tables within the budget papers that indicate just those numbers.

**MS CARRICK:** With the infrastructure, it does drop off. The independent report talks about capping infrastructure spend. Have you considered having a cap so that we know how it is going to impact on borrowings, and as we try to reduce those?

**Mr Barr:** Yes. Certainly, there is one cap that is very clear, and that is industry's capacity to deliver, so that cap can really only be lifted when you have a major, tier 1 national operator who is bringing the workforce into the ACT, and in that context you can be competing with other jurisdictions in relation to that available workforce.

There is one: just how much can be delivered in a jurisdiction of this size? That is certainly one upper limit on the annual infrastructure program, and then there is another that relates to borrowings, particularly if the program is debt financed. We have traditionally funded our infrastructure through three or four sources.

One of those sources is commonwealth co-contributions. Another is revenue from asset sales. Those asset sales are principally selling land, but in historical terms have also meant selling other asset types. We have funded infrastructure through operating cash surpluses, and we funded infrastructure through borrowings. We also have a small number of service concession, public-private partnerships, where there is both an infrastructure financing element and an operations and maintenance element that are combined into an availability payment. The courts and the light rail project are two examples.

**MS CARRICK:** Do you talk to the Treasurer about a cap? We need to ensure that the building industry has certainty about the amount of government investment into the property market. Do you talk to the Treasurer about what a reasonable cap would be that will contribute to the fiscal sustainability and reducing debt and interest payments in the future?

**Mr Barr:** Can I clarify: you said property market; do you mean infrastructure market?

**MS CARRICK:** I do mean infrastructure market, yes.

**Mr Barr:** Yes, there will undoubtedly be calls from the infrastructure sector for consistent spending and, from their perspective, the more the better. That would conflict with some of the other points you have raised in relation to fiscal sustainability and also

an intersection with the deliverability of the project or series of projects, and that is where there can often be tension between, if you like, the local infrastructure market and the national infrastructure market. There are some projects that are simply too big for any of the local providers. The answer to the question is yes, and you could, in theory, address much of the future debt accumulation question by not having an infrastructure program at all.

**MS CARRICK:** No, we could not have that.

**Mr Barr:** That would be one extreme, and another extreme would be to continue to debt finance everything and meet every request from every stakeholder, every member of the Assembly, every industry association, to have the largest infrastructure program per capita in the world. They are the two extremes. I do not think either is viable. Clearly, a guiding feature is: what is industry's capacity to deliver? That sets a pretty clear upper benchmark. Then, of course, there is the fiscal component, which is impacted by commonwealth contributions, asset sales, our operating cash position and our willingness to borrow and get finance, particularly for infrastructure.

**MS CARRICK:** I am interested in whether there could be a cap, so there is certainty for the market, plus certainty for the budget as well—like a dollar cap.

**Mr Barr:** Yes, you could do that. The question of whether that dollar cap would be a fixed nominal value over time or a proportion of—

**MS CARRICK:** It is just like a concept—that level of detail. It is just about a cap that looks at the sustainability of the budget.

**Mr Barr:** There are two, both a fiscal one and an industry capacity to deliver. There is no point putting out a program that is bigger than the industry's capacity to deliver, because you just end up with money rolling over.

**THE CHAIR:** Saul Eslake handed up his report yesterday. Did you have a chance to look at it?

**Mr Barr:** I have literally had about half an hour with it.

**THE CHAIR:** Yes, if you need to take it on notice, that is okay, given the timing. One of Saul's interim suggestions, recommendations, is that we need a much more rigorous process for picking what goes into our capital works infrastructure pipeline. Have you got any view on that?

**Mr Barr:** The program has a number of different elements. There is an asset renewal program stream, which is in the order of \$100 million to \$150 million annually, and that is for a whole series of smaller projects.

**THE CHAIR:** Yes, we are probably talking about the bigger ones, I think.

**Mr Barr:** The bigger ones, sure.

**THE CHAIR:** And how the bigger ones get added, whether there is any central

government control over what goes in, what the rigorous analysis is, whether it is a top-down cap on spending.

**Mr Barr:** Yes, we have the capital framework that assesses the projects. We obviously have tier 1, tier 2 and tier 3.

**Ms Geraghty:** Correct, yes.

**Mr Barr:** Gillian can talk a little about that, if that would be helpful.

**THE CHAIR:** Do government set an overall amount of money that they are going to spend on capital and then, with that pot of money, decide which capital projects to add into those tier projects?

**Mr Barr:** As I indicated, there is a deliverability headroom, as in you go much beyond the scale of the current—

**THE CHAIR:** Local capacity to deliver.

**Mr Barr:** The current fiscal year and next year, we can only achieve that level of spend because we have tier 1 national contractors working on very big projects, particularly light rail stage 2A. Without that, without that industry capacity, the number drops back quite considerably.

**THE CHAIR:** Government is setting that funding cap based on the industry's ability to deliver the project, not based on the budget?

**Mr Barr:** That is one element. The other, of course, is our level of, for example, commonwealth co-contribution, asset sale contribution, willingness to borrow. But as a sort of benchmark, deliverability without major tier 1 project has sat a little below a billion dollars annually. It used to be about \$750 million annually, and I can recall, going back 20 years, it was more like \$250 million. As the city grows and our infrastructure sector grows, their capacity to deliver grows, but then that is the deliverability side. The question implicit in Ms Carrick's question was that industry deserves a certain level of spend, regardless of the fiscal situation, which is obviously something that this committee may wish to consider, if the idea there is—

**MS CARRICK:** I do not think I quite said that. I am saying they need some certainty and the budget needs certainty, so it is a matter of government picking—

**Mr Barr:** Sure, but if there is a—

**MS CARRICK:** a number that is good for the budget—

**Mr Barr:** Sure, okay. For argument's sake, if I said a billion dollars was the maximum—

**MS CARRICK:** A billion dollars, yes.

**Mr Barr:** and that anything above that would be a really special circumstance and a

number below that—

**THE CHAIR:** If it is okay, we might just return to this one. It is probably better not to recap on what previous members have said. Another point that Saul made in this report is that the budgets are not particularly good at predicting our costs over the forwards, and he has made that point with the actual capital works expenditure compared to the budget estimate of capital works expenditure three years earlier. Have you had a look at that, and is there any cause for concern that we are spending between 160 per cent more to 60 per cent more than we thought?

**Mr Barr:** The infrastructure pipeline, as you would see in the budget papers, will indicate early feasibility and design, so that will feature before an actual construction spend is added into the budget. That is a feature of why, when you add a new project in, unless a provision has already been made, it is going to be added into the future, and that is the nature of annual budgeting, isn't it? Then a new outyear is being added each year. If you add a project, its construction costs will appear in the forward estimates.

**THE CHAIR:** Of course. Is it good budgeting to be spending 60 to 160 per cent more on your capital works than you thought you would three years earlier than that?

**Mr Barr:** The forward estimates indicate decisions taken at the time of that budget. Obviously, there will be a new parliamentary term within a four-year cycle, a new set of commitments are made, new infrastructure opportunities or challenges may emerge that require additional spending. The corollary of this is that you just said it is going to be, for argument's sake, \$500 million a year flatlined into the future and, regardless of whether a project is needed or not, that is the total capital works spend. That is the alternative. That would give you absolute predictability, but it might make it quite difficult for the delivery agency to deliver projects because—

**THE CHAIR:** Sure. Thank you, Chief Minister. I am sure there are many ways in between those two extremes.

**MR COCKS:** My question builds on the last few answers. In 2016, you made a promise—2015 and 2016—to deliver an ACT-wide light rail network and, from what you are saying, it sounds like the current projections in the budget would not actually include delivery beyond the works and feasibility studies currently underway. Is that incorrect?

**Mr Barr:** The commitment around an ACT-wide light rail network was over many decades, not captured in one forward estimates period. It would be similar to the Canberra Liberals' election commitments that were submitted for treasury costing for both the new stadium and the convention centre that had construction money outside the forward estimates.

**MR COCKS:** When do you intend to actually complete that network in that case?

**Mr Barr:** That is a matter for the transport minister to comment on.

**MR COCKS:** It is a fairly significant infrastructure project. It was core to your promises over many years at this stage, noting that was a decade ago, that particular election. I do not think it is unreasonable that you would have some sort of view as

Chief Minister as to when Canberrans can expect that network to be delivered.

**Mr Barr:** It is not for me to put a date on that at this point. We have an existing project and an existing priority. The work that was undertaken 10 years ago, from memory, spoke about the 2040s or 2050s. I will double-check that, but it was never the intention to roll out an entire territory-wide light rail network within a 10-year period. You are suggesting that was what was suggested at the time; that is just incorrect.

**MR COCKS:** I suggest it would not be unreasonable for people to know when you plan to deliver that.

**Mr Barr:** What I will say is I will not be here in 2040; neither will you, probably. I do not think that announcements I make today about the timeframe to complete a light rail network are particularly worthy of much consideration. The program that we are focused on is this next period.

**THE CHAIR:** On behalf of the committee, thank you very much. Do you have something to add, Ms Geraghty? Please go ahead.

**Ms Geraghty:** Can I give an answer to a question on notice in regard to the specific locations of the housing? I have been told it is protected information under the Housing Assistance Act.

**THE CHAIR:** That is fine. Please take this on notice. Specific addresses would be protected information, but three homes in Weetangera, I do not think would be, I would suggest.

**Ms Geraghty:** Okay, I will take that on notice.

**THE CHAIR:** If the directorate wants to think about answering those—

**Mr Barr:** They are generally answered by region, as in Belconnen, as opposed to individual suburbs.

**THE CHAIR:** I will let you know what the concern is, and maybe you can come back with whatever intelligent answer goes to that concern. The concern is: how are Housing ACT and Infrastructure Canberra going to be able to deliver this pipeline? Where are the mechanisms to make sure you have the land to put the homes on? How many will we get each year and how will we know in 2026, 2027 and 2028 if we are meeting those milestones or if we are falling behind? That is the general concern. Any intelligent answer that goes to that would be most welcome.

**Ms Geraghty:** I will give you a little bit. I will just say that the source will be a mix of development on greenfield and brownfield, redeveloping existing HACT sites and purchase through market, but I will provide more information.

**THE CHAIR:** Thank you very much; that would be excellent. Thank you for your time today. I think we did have a few questions taken on notice. There might be a few more lodged within five business days.

**WALTERS, Mr COLIN**, Chair, Inner South Canberra Community Council

**THE CHAIR:** I welcome our witness from the Inner South Canberra Community Council. As a witness, you are protected by parliamentary privilege, and you are bound by its obligations. Witnesses must tell the truth. Giving false or misleading evidence is considered to be a serious matter and may be considered contempt of the Assembly.

We are not having opening statements. We did get your submission. Thank you very much for that. I do not know whether you have had a chance to read the Saul Eslake report. Yes? That is great. We only put it up yesterday. It is an interesting read. Colin, I might go straight to that. Do you think Saul's interim report is heading in the right direction?

**Mr Walters:** The interesting thing is that it largely confirms what we have been hearing from Jon Stanhope and Khalid Ahmed over the last couple of years. One of the things that has baffled me is why the government has not responded to what Khalid Ahmed and Jon Stanhope have said. I hear stories, which I will not repeat, about why that might be the case. The fact is that Saul Eslake seems largely to have called it the same way.

There are a couple of things in that report that I would suggest you might consider following up. He draws attention to the fact that, as you have heard in the previous session, the capital program is entirely funded by borrowing. But trying to find information about the capital program—what the actual liabilities are—is very hard. If they could be brought together in some way that a normal mortal could actually understand, that would help you a great deal. It would be very informative, as far as we are concerned.

**THE CHAIR:** I might focus on that. The ISCCC suggested that capital works should be restricted to health and education. I confess that we have a general recommendation from Saul that there need to be more rigour and scrutiny when it comes to what goes into the capital works program. I thought that health and education only might be a bit narrow because, from my read, that would mean we would not build our recycling facilities, we would not electrify, we would not do our big battery, we would not do community sports, we would not do public housing, libraries and group centre upgrades, and we would not do the RSPCA.

**Mr Walters:** Yes, I accept all of that.

**THE CHAIR:** Do you think that focusing just on health and education is the right thing to do?

**Mr Walters:** We did not mean to say that, I do not think, if that is what came across.

**THE CHAIR:** I might have misread it. That is fine.

**Mr Walters:** We said that, until the ship was got under control, it would be wise to pause capital projects at the next break point; in other words, let the current contracts run but, before committing to any more work, there should be a pause, so that things could be properly reviewed and business cases and risk management plans could be clearly in place. I think we made the exception for education and health projects on the

basis that they are generally seen as a priority by the community. We are not suggesting that they should be paused.

**MR COCKS:** One of the issues that comes up across the inner south quite acutely—and in some other areas, but the inner south, clearly, is part of my electorate—is that people see a very stark difference between the rates that they are paying and the big, flashy infrastructure projects, compared with the local amenity and local infrastructure. I would be keen to get your perspective on that balance between where the spending is currently going and whether there are infrastructure challenges that are not being met because of other costs.

**Mr Walters:** There are two issues there. One is about what is being spent, and the other is about how it is being raised. Certainly, we hear a lot of concern about rates, and we have given you some examples there. It is not the most scientific analysis that you have ever seen, but there are some examples of how individual people have seen huge rate rises over the last few years—up to 200 per cent, at a time when the rise in the CPI, which dictates how a lot of people earn their money, either by the pay rates that they get in the public service or by pension increases, has only been about 30 or 31 per cent.

People are very concerned about that, and we have spelt that out in some detail. We are not expecting a refund, but we are trying to make the point that going on like that is not sustainable. It is fair enough to say, “Okay, soak these people; they’re wealthy,” but you cannot go on doing that, and it hits a lot of people who are certainly not wealthy. Sixty per cent of people in the inner south live in units of one sort or another. A lot of them, a lot of my neighbours, are retirees. They are often widows that have come down to one income. Other people can afford the increases, but they cannot. It is not sustainable to go on like that.

It is true that some people draw attention to the big capital projects. They have varying degrees of support, depending on who you are. We are certainly seeing a procession of big, prestige projects at the moment. I do not need to spell them out; you know what they are. Some of them have community support and some of them have people scratching their heads and saying, “Who actually asked for a new theatre?” We are getting one, anyway.

We are suggesting that there should be a pause, so that the real case for some of these projects can be teased out and a sensible business case can be put forward. If that proves that they are really worthwhile and should be proceeded with, and they have good risk management plans, by all means they should go ahead. It will be an interesting point, this year. It is not the government’s budget that you will be looking at; it is the Assembly’s budget. The government is in a minority here. It is your budget that will be voted through. I hope all of this information that is coming through this inquiry gives you a good handle on what to vote through and what not to vote through.

**MR COCKS:** You touched on business cases and benefit-cost analysis, both in your comments now and in the submission. That is something we have seen in Mr Eslake’s report as well. Do you think that those sorts of analyses go some way towards achieving trust in what is actually being done?

**Mr Walters:** It would go a huge way, because at the moment we are seeing projects

launched because the government thinks they should be done. That seems to be the main justification. I think there are an awful lot of people in Canberra who have worked on project management. You are not dealing with an ignorant population here. A lot of my people, including myself, have run big projects, big programs, and we know how it should be done. There should be a proper business case. I said this at the MyWay inquiry, which you supported at the time: if there had been a decent risk management plan for that project, there would not have been the waste of so much money. The same goes for various other things that the Auditor-General has reported on. I think that it does lie within the government's power, and the Assembly's power now, to insist that these things are done properly.

Can I mention one other thing from the Eslake report?

**THE CHAIR:** Yes, please do.

**Mr Walters:** I suggest that you have a good look at the future population forecasts and the revenue side of what the government is estimating. Eslake brings out, as Khalid Ahmed did, how often the government's expenditure forecasts are underestimated and its revenue forecasts are overestimated. This goes on year after year.

With the revenue from property, the territory has had a boom in apartment building for quite a long time. But the government is cutting back on immigration. If you look at the education statistics—which I know a bit about, because I used to run the higher ed side of the federal education department—commencement figures in higher education were down 15 per cent last year, and that is cumulative. Those are commencements of first years; they go on to be second years, third years and fourth years, and it all compounds.

We are seeing a flat apartment market, according to the property people in Canberra that I know. There are plenty of unsold apartments in the inner south that we could show you that have been built for a couple of years. What are the sensitivities around the population forecasts?

**THE CHAIR:** Population assumptions, yes.

**Mr Walters:** We heard a very good presentation from the Education Directorate last week. They have been working on this and they have already started reducing their forecasts of pupil numbers. That will flow through to every aspect of government. There will be some savings in expenditure. My question that you might want to put to Mr Eslake is: what will it do to the revenue side if the new apartments are not occupied or they are not built at all?

**MS TOUGH:** In your submission you recommend an independent commission of experts to look at expenditure. What specific functions would this kind of commission perform beyond what the Auditor-General and Treasury already do, and what this committee is doing, with its intent?

**Mr Walters:** I agree that you are going a long way towards meeting that. You have Eslake. If you ask the government to respond to Khalid Ahmed, as I have suggested, that will go a long way, too. You do need some process, especially if you accept our recommendation of a pause for major projects, outside education and health; you need

to look at them one by one. Somebody needs to go through that. That is why we suggested some sort of commission of audit. There may be other ways of doing it, but the public could do with that assurance, given the very difficult financial situation revealed by Eslake and Khalid Ahmed. What is the government really doing to have a look at the state of play with the major projects and whether it really should go ahead with them, given how they feed through into debt levels?

**MS TOUGH:** As the chair pointed out earlier, the projects outside health and education that the public are expecting to be delivered include the recycling facility, RSPCA and pools. There are so many projects that government is delivering. With a commission like this—it could be a commission of audit; that is one name for it—who then determines which projects are cut and which ones are not? Isn't that what elections are for—to say what a government is and is not doing? You could pull out every project, line by line, but who makes the value judgement call on what to cut?

**Mr Walters:** Ultimately, there is a political decision, but an independent audit could look at these projects. It would be looking for a business case for them, and it would say, "You've overstated the benefits; you've underestimated the costs," or something like that. Ultimately, it will be up to the Assembly, given that you are in a minority at the moment, to say whether it thinks they should go ahead.

As to whether or not the public expects all of this stuff to be built, I do not know. I hear in the community councils a lot of people saying, "Do we need this theatre?" "Did we ask for a swimming pool in Commonwealth Park?" "Who needs a new convention centre?" The existing one is hardly used, and all the international businesspeople want to go to Sydney and Brisbane, anyway. That will not change.

I think the question of whether the public want that or not is a moot point. I do not think the public would be too upset if some of them got the chop, to be perfectly honest, or at least deferred until better times, when we are surer about the ability of the territory to pay for them.

**MS TOUGH:** We heard from the Property Council earlier that it is important to have infrastructure projects in the pipeline, to keep jobs going. Our Chief Minister spoke about the COVID years and the importance of infrastructure projects. We are reaching that peak, and we are starting to see that come down. There is going to be a slowdown in infrastructure projects. There is the importance of having those infrastructure spends. You talk about looking at what is being spent. Should an external audit also be looking at where money is coming in, whether that is through tax reform, other sources of revenue or commonwealth funding?

**Mr Walters:** I would be very happy with a commission that looked at sources of revenue and where that is going. Eslake makes the point that the territory has very few options, and I completely accept that. With regard to the Property Council, there was a young woman, before you were born, who famously said, "They would say that, wouldn't they?" It is in their interests to argue for more government spending on property.

I do not see that the government has a primary responsibility for keeping the property industry going. There is a capacity issue there. It is important to have a local industry,

but do not forget that we are a dot on the map, surrounded by New South Wales, and anything that we do here will be part of the New South Wales industry and beyond. When our roof had to be repaired after the hailstorm, the whole gang came down from Brisbane. They then got stuck, because of COVID, and they could not do anything. It just shows that it is a national industry here and the workforce moves around according to the work.

I do not think you need to feel that there is a finite construction industry in Canberra that needs to be kept fed with a certain amount of work. That will go up and down. The Chief Minister has just told you he anticipates that it will fall off. I do not know whether it will or not; it depends on whether you believe the government's forward estimates. That is an acceptance that we do not have a commitment to keeping the industry going at the current level.

**MS CARRICK:** I am curious to hear your views about the measures that the government use to monitor the budget. For example, they will use headline net operating balance and cash operating surplus, whereas Saul just talks about cash balance, which includes infrastructure, because you have a big cash deficit. I want to hear your views about the measurements that the government use, because they will say, "We have a strong balance sheet." What about the targets? There are no targets in the government's fiscal strategy that was in the budget; it is just "return to surplus". Do you think we need to be clear about what measurements we are using and the targets? This is in the context of having risk management.

**Mr Walters:** You are testing the limits of my understanding of big finance, but I would say that you have already had some good advice on this from Eslake. He says, "Use the cash measure, because it includes the outlays on infrastructure." I would say that is absolutely right. The funny thing is that, if you look at the rate demand, there is actually nothing on it that indicates how much is going out on interest payments. Having measures which include those interest payments, which are one of the main drivers for the rates going up, is very important.

In terms of the targets, Eslake also compares the ACT with one of the other jurisdictions—Tasmania, or something like that—and says that our targets are very woolly compared with others.

**THE CHAIR:** Yes, South Australia.

**Mr Walters:** That sounds like pretty good advice to me. I would have thought you would want to support that.

**MS CARRICK:** The government does not seem to have, on housing and many things, risk strategies. With respect to the whole budget and the sustainability of the budget, do you think there should be some risk management so that you can mitigate some of these measures when they are not reaching their targets?

**Mr Walters:** I am a cracked record on this. I have been going on about risk management at these committee hearings for several years now. I could not agree more. I think that all major expenditure lines and all major projects should be covered by risk assessment, a risk management plan and an independent risk monitor. This helped me

a lot when I was running a major program in England. There should be an independent monitor who says, “Hang on.” It would be someone like Saul Eslake, who has been doing this exercise. “You’ve underestimated this risk. The treatment won’t work. The consequences are going to be worse.” You need someone who is independent of the line manager. If it is just trusted to line management, unfortunately, there is a human tendency to downplay problems, and they will.

**MS CARRICK:** That leads me to think that perhaps the Treasury should have greater visibility over the directorate budgets. The directorates get appropriated and they get to spend the money, so perhaps there needs to be greater visibility from Treasury so that they can oversight and ask those sorts of questions, and monitor what is going on with the expenditure.

**Mr Walters:** You see more of the interplay of the different departments than we do, so I do not feel very well qualified to comment on that. We did argue, before the last election, that the roles of Treasurer and Chief Minister should be separated, in the hope that having an independent Treasurer would apply a bit more pressure regarding financial probity and so on. With respect to what happens down the line in the Treasury, you need to be careful about having too much duplication of functions, because you now have a finance minister, too. It is about getting the arrangements right, so that there is some independent look at spending proposals within the government. Our old friends “frank and fearless”: I think that is really important.

**THE CHAIR:** We have come to the end of our time. Colin, if I lodged a question on notice with you, about whether our rates deferral hardship scheme needs adjusting, would ISCCC like to answer that question?

**Mr Walters:** I can take it back to the committee. I cannot promise that we would have anything to offer.

**THE CHAIR:** I will send it through to you, because we are at the end of our time. If you do not want to answer, that is okay. We do not require our community organisations to do homework.

**Mr Walters:** I think it is fair enough to ask us to do some homework. On that particular issue, I do not know whether I could immediately find anyone with the relevant expertise to give you a sensible answer. I will say that in advance.

**THE CHAIR:** That is great. Thank you very much for your time. On behalf of our committee, we thank you for your time today. We might lodge a question; we have not had any questions taken on notice. On behalf of the committee, I thank all of our witnesses who have assisted us today. I thank broadcasting and Hansard. Questions need to be uploaded within five business days. Our hearing is now adjourned.

**The committee adjourned at 12.11 pm.**