LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2011-2012

(Reference: Appropriation Bill 2011-2012)

Members:

MR B SMYTH (The Chair)
MS M HUNTER (The Deputy Chair)
MR J HARGREAVES
MR J HANSON
MS C LE COUTEUR

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 17 MAY 2011

Secretary to the committee:
Ms G Concannon (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.

APPEARANCES

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Amended 21 January 2009

The committee met at 2.04 pm.

Appearances:

Gallagher, Ms Katy, Chief Minister, Minister for Health, Minister for Industrial Relations, and Treasurer

Department of Treasury
Smithies, Ms Megan, Under Treasurer
Ahmed, Mr Khalid, Executive Director, Policy Coordination and Development Division
Broughton, Mr Roger, Executive Director, Investment and Economics Division
Read, Mr David, Acting Commissioner for Revenue, Revenue Management Division
McAuliffe, Mr Patrick, Director, Investment and Economics Division, Investment Branch

ACT Insurance Authority
Fletcher, Mr John, General Manager

ACTTAB Ltd
Curtis, Mr Tony, Chief Executive
Quinlan, Mr Ted, Acting Chairman
Snowden, Ms Kayelene, Executive Manager, Finance and Business Services

Chief Minister's Department
Cappie-Wood, Mr Andrew, Director-General
Davoren, Ms Pam, Deputy Director-General, Policy Division
Hudson, Ms Catherine, Commissioner for Public Administration, Deputy Director-General, Governance Division

THE CHAIR: Good afternoon, Chief Minister and Treasurer. Welcome to this public hearing for the estimates for the 2011-12 appropriation. In front of you, of course, is the privilege statement. Have you read it, and do you understand the implications of that?

Ms Gallagher: Yes, chair, thank you.

THE CHAIR: Thank you very much. We will start with any further general questions on Treasury and then move through the territory banking account, the superannuation provision account, the insurance authorities, the home loan portfolio and ACTTAB. I remind you that the proceedings are being recorded for Hansard, they are being webstreamed and broadcast live as well as being available on Committees on Demand. Are you happy to proceed?

Ms Gallagher: Yes, thank you.

THE CHAIR: Thank you very much. Treasurer, would you like to make a short opening statement?

Ms Gallagher: No thanks, chair.

THE CHAIR: Moving right along, I will start. As you are aware, the budget, through the Assembly, provides some assistance to the committee, and we have employed ACIL Tasman this year to have a look at the budget. Yesterday when we were talking about the lease variation charge, I asked you whether or not you thought developers were going to bring forward development, to which you said no. I asked whether or not you thought there was potential to devalue house prices, to which you said you have seen no evidence. And we asked whether or not you thought this would contribute to higher house purchase prices and higher rentals, to which you said you did not believe it would.

Tasman ACIL has a slightly different view of the world. They say there are some impacts and that the lease variation charge is likely to have some material impacts in the short and longer term. They said there was an incentive for builders and redevelopers to bring forward applications to avoid the tax, which could result in higher prices being achieved for sales in the short term. How do you take that advice from ACIL Tasman?

Ms Gallagher: Thank you. I had a quick look at this overnight and what I can say is: noted. I note the views of ACIL Tasman. I note that they do not really provide us with any evidence to support those claims. The claim around property devaluing is largely in line with the Property Council and the argument they are putting forward. Again, it is essentially an opinion, a view, unsupported necessarily by any evidence. So, noted. It is in line with what some other commentators are saying around the charge.

THE CHAIR: And in regard to higher purchase prices and higher rental costs?

Ms Gallagher: I think it is largely drawn out of the opinions that have been expressed by industry around concerns around this charge. I do not think it says anything new, nor does it provide any further information to support those claims. It is not reflected in the work that has been done by the experts that were commissioned to do this work for the government.

THE CHAIR: So since these concerns have been raised, not just by ACIL Tasman but by other groups, have you had any further work done to either confirm or reject their assertions?

Ms Gallagher: Yes we have.

THE CHAIR: And what format has that work taken?

Mr Ahmed: I must say that these are statements; they are not even conjectures. They have been raised all through the project. Perhaps within the first six months of the project they were raised by the Property Council. They were raised in the Property Council's original submission, and they have been addressed quite extensively and in detail by Professor Nicholls and then Professor Piggott.

I have to say, Mr Smyth, that the suggestions in ACIL Tasman's report seem to be somewhat contradictory. On the one hand, they say there will be a drop in property prices of about $100,000 and then, on the other hand, they say that building prices will go up. There is no evidence, there is no analysis on that, but it is inconceivable that an increase of about $10 million to $15 million would move the property stock value—which is something like $40 billion—to that extent. It is just inconceivable. We have not seen any analysis on that. I think it is important to note that they simply note that the Property Council has said that. There is no analysis.

MR SESELJA: But they are not talking about the entire stock; they are talking about particular stock in redevelopment areas, are they not?

Mr Ahmed: We do not know. There is no detail there. It is just a statement.

MR SESELJA: So ACIL Tasman do not have any credibility when they say that that unit prices could go up or that rentals could go up as a result of the tax?

Mr Ahmed: No, I did not suggest that, Mr Seselja. What I said was that we do not have the details. These claims have been put forward by the Property Council and tested by independent experts.

Ms Gallagher: It is also interesting—

THE CHAIR: So can you table that work?

Mr Ahmed: Well, Professor Piggott's report was tabled in the Assembly, and Professor Nicholls's report—

Ms Gallagher: It does examine those issues.

THE CHAIR: No, but I asked earlier whether you had done work since these concerns were raised, and the minister said, yes, they had been checked. So there is not new work?

Mr Ahmed: Well, these concerns were raised very early on about property prices dropping and dwelling prices increasing.

Ms Gallagher: I think it is important to note that the change of use charge has not determined housing prices in the past. It did not make housing prices go down when it was an incredibly cheap flat fee. And now, because it is—

THE CHAIR: They were not $80,000 in Braddon before—

Ms Gallagher: Look, developers were paying this, and they know they were robbing us. They know it. They have said it to me. They have said, "We had it good for too long, and we accept that you have to fix this anomaly." What they have then said is: "We're prepared to pay $10,000. That's what we're prepared to pay—$10,000 per unit and we'll go away. We'll all be fine." And my response to that is that that is not the way the government works. We will not be basically accepting what property developers are prepared to pay without a fight. We will do what is right for the city—that is, that the lease variation charge should be based on the value of the land. That should be the determinant of what the fee is, not what developers are prepared to pay.

Do not believe for a moment that they do not know how good they have had it for five or six years, and it did not put down the price of housing in the ACT.

MR SESELJA: Why do you not bring it in straightaway? If these are the right values, what is the rationale for doing a five-year phase-in? Would you not just get the money now? Are you not going to be robbed under that rationale for the next three or four years?

Ms Gallagher: No, we are not going to be robbed, Zed. What we are doing is clearly outlining in the budget papers exactly what the subsidy is so the community can see what the subsidy is that they are giving—

MR SESELJA: So are you not being ripped off for the next four years by your logic?

Ms Gallagher: Well, we are providing a remission, and it is a subsidy by the people of the ACT in the introduction of this microeconomic reform. It is not unusual when you are bringing in microeconomic reform that you bring in transition arrangements around that to allow the market time to adjust. That is a pretty standard process.

The question has been what should those transition arrangements be. If you go back and read Piggott's report and if you read Nicholls's report, they all accept that it is a legitimate charge that should be returned to the people of the ACT. They then say, "But, as with all change in this area, the market needs time to adjust." I think Piggott recommends starting at 75 per cent and then working out the timetable over any changes that go from 75 per cent. Nicholls is a bit harder line and he says to go 75, 50, 25 over three years. The government sought advice from industry around what they felt in response to Piggott and Nicholls's transition proposals, and we determined a place in the middle.

MR SESELJA: Are there any examples around the country of a tax of this magnitude being placed on units over and above other taxes such as stamp duty?

Ms Gallagher: I think if you go and read the reports, Mr Seselja, you will see the history and the background of this charge in the ACT and what circumstances exist in other jurisdictions.

MR SESELJA: So there are no other jurisdictions that have a tax this high on units over and above stamp duty?

Ms Gallagher: There are different arrangements that work in each jurisdiction. For example, other infrastructure charges, that we do not charge, are met, depending on the nature of the development. Khalid, can you—

Mr Ahmed: Yes. The review was asked to look at other jurisdictions as well and whether they could come up with similar arrangements elsewhere and whether we could improve them. Change of use charge is unique to ACT. The betterment system is unique to ACT. It draws on the leasehold system that we have in the territory, Mr Seselja. The construct of this is a tax, but you could view it as an asset sale. I could perhaps give you an analogy there, but I think that is adequately covered in the reports. It is constructed as a tax; it is an asset sale. And there would be a very strong argument to charge it at 100 per cent and have no distortion in the market.

MR SESELJA: Sorry, there would be a strong argument to charge it at 100 per cent, did you say?

Mr Ahmed: And those arguments have been there in Canberra's history and they have been had before.

MR SESELJA: Before we had this arrangement, which has now been fixed apparently through rectification, what was the highest amount paid on a per-unit basis for a residential betterment charge?

Mr Ahmed: I do not have the comparison in front of me, but the comparison would be wrong in the sense that land values have increased. So comparing the charge at that time to the charge today, you would need to take into account the current land value. The charge—

MR SESELJA: But if we had the number then we could do the comparison. Do you have the number?

Mr Ahmed: Well, it would be the land values at that time.

MR SESELJA: No, no, in terms of what is the highest ever paid because—

Mr Ahmed: It was 75 per cent—

MR SESELJA: No, no, I am talking about the amount. If we are going to get an idea of what effect the tax might have, looking back at how much was paid in the past might give some indication of whether or not it actually had an impact.

Mr Ahmed: Consistent with land—

MR SESELJA: Has Treasury done that work to actually look at how much was paid before, and are you able to provide us with those numbers?

Mr Ahmed: Consistent with land values at that time, Mr Seselja.

MR SESELJA: So, we do not have a number then?

Mr Ahmed: Well, I do not have it here, but consistent with land values at that time. And the land values in the territory have gone up significantly.

THE CHAIR: So you will take that on notice?

Ms Gallagher: Are we talking about the flat fee arrangement or the time before that?

MR SESELJA: No, I am talking about before. Before the apparent problem—

Ms Gallagher: Before the flat fee came in?

MR SESELJA: Before the flat fee, yes. If the problem arose with the flat fee then it would be instructive to have numbers on what were the arrangements and what were the prices being paid prior to that.

Ms Gallagher: Yes, we can do that.

Mr Ahmed: We can provide the committee with the information on land values going back before these fixed fees came into place. So this is about unimproved land values. We can certainly provide those.

MR SESELJA: Sorry; that is not the question. Just to clarify what has been taken on notice, I think the Treasurer has said you will take on notice the amounts that were being paid and what was—

Ms Gallagher: But we will be putting it in context of what the land value is—

MR SESELJA: Put it in whatever context you like.

Ms Gallagher: So it is a percentage component. I think it is probably the more relevant here.

MR SESELJA: And a number, I think.

Ms Gallagher: You can have the number.

MR SESELJA: Yes, I think we would need the number—

Ms Gallagher: You are welcome to the number.

MR SESELJA: and the percentage, and put it in whatever context you like, Treasurer.

Ms Gallagher: Context is important if we are going to roll out this.

THE CHAIR: The ACIL Tasman report also notes that the LCV also increases the ACT's budget's dependence on revenue from the property sector. I note that you said the other day when the budget was tabled that we are now being asked to stand on our own two feet. If one of those feet is federal government funding and that has sort of been kicked out from under us in some regards, and the other leg therefore is the property sector, is it wise to have an increased dependence on revenue from the property sector?

Ms Gallagher: I do not think it is unusual and I think the ACIL Tasman report, from what I could see, goes to this issue. From my reading of the table, and it was a black-and-white, not colour, copy so it was bit hard to read the graphs, we are not hugely out of step considering our narrow tax base. I think ACIL Tasman make that point in their report.

THE CHAIR: But that is the point: the narrow tax base.

Ms Gallagher: We have not introduced this charge. This charge has been in place.

We have fixed this charge or are in the process of fixing this charge. But I certainly did not go into this piece of work in order to increase our reliance on the property sector. But this issue—

THE CHAIR: But it does.

Ms Gallagher: That is a result of this work. The alternative is to ignore the issue, not raise this legitimate revenue—

THE CHAIR: That is one alternative.

Ms Gallagher: I can tell you where the money is going, Mr Smyth. It is going to the developers. The money is being made. I do not know if you have read the report but the report clearly shows that the developer profits have been enormous—on our land. This is about rightfully returning a share of that back to the budget so that this government and governments of the future can meet the demands that are coming in terms of government service delivery.

THE CHAIR: We will have a new question from Ms Hunter and work our way down the line.

MR HARGREAVES: Can I have a supplementary, please, Mr Chairman?

THE CHAIR: You may, Mr Hargreaves.

MR HARGREAVES: Thank you. Treasurer, from my reading of the executive summary the ACIL Tasman people say that overall the budget's employment forecasts appear reasonable; the wage price index may be on the low side but the long-term projections and forecasts are conservative and appear reasonable. What would happen to this budget if this variation charge were to change and go back to the old regime? Would that mean that many of the services which are being provided in this thing would just not be funded?

Ms Gallagher: I think the difference would be in the order of $15 million a year in revenue. Under the pre-rectification arrangement, it fluctuated year by year, and it did bounce around a bit, but I think we were getting about $8 million.

Mr Ahmed: $5 million to $7 million.

Ms Gallagher: $5 million to $7 million.

MR HARGREAVES: So $15 million is the effect of it. So if in fact this committee felt so inclined to recommend to the Assembly that this charge not go ahead would you be expecting this committee to therefore recommend $15 million worth of cuts to the expenditure to compensate for that?

Ms Gallagher: That would be useful but I would not tell the committee what to do.

MR HARGREAVES: That will do. Thank you.

Mr Ahmed: Can I just clarify that the charge at this time is consistent with legislation. There would need to be a legislative change not to charge consistent with land values. The charges in the schedule that Mr Seselja was referring to are based on current market values of land and they have been signed off by the AVO and the Australian Property Institute, an independent body that accredits valuers.

MR SESELJA: So have you got to the bottom, Treasurer, of who in government was breaking the law?

Ms Gallagher: You have had full access to the audit report, Mr Seselja—

MR SESELJA: So you still do not know who was breaking the law then?

Ms Gallagher: I do not know if you have done your homework on this. If you had read the reports that are available to you, you would have seen that the independent audit that was done could not find any evidence of any arrangement that had been formally put in place and indeed could not locate a specific decision around introducing the flat fee.

MR SESELJA: So we were being robbed blind but no-one is responsible?

Ms Gallagher: I would refer you back to the audit that has been publicly tabled in the Assembly. Since the government was made aware of it through the codification work the practice was ceased immediately and the correct charges have been applied since that date. If the Assembly is going to muck around on change of use charge the opposition will need to introduce amendments to not link the change of use charge to land values. That is what you will have to do in order to not—

THE CHAIR: Treasurer, these hearings are not about the opposition or the Assembly. It is about your budget.

Ms Gallagher: I know. I am just saying that if you do not agree with the charge you are going to have to do something about it and it will have to be through legislation—because I will not break the law and we are applying a law.

THE CHAIR: Right, except it was broken for a long period of time. Ms Hunter.

MS HUNTER: Treasurer, last year I did ask about climate change as an economic risk and you said that Treasury were going to have a bit of a look at this; they had not done any holistic work at that time. I think there was some talk about maybe having a bit of a look. Anyway, I note that again there is no consideration of climate change as an economic risk in that statement of risk which I think is in budget paper No 3. Will there be any work done on this? Will it be seen as an economic risk for the future? Have there been any discussions or any thought put into this at all?

Ms Smithies: I think, from memory, the answer that we gave you before was that obviously we view climate change largely as a longer term risk and a risk around obviously city planning, our assets, infrastructure, service delivery et cetera. So we see it in that perspective, with the exception of a number of things that the government are doing around obviously the federal government moves around pricing of carbon et cetera and then, therefore, the immediate changes to the budget and to the economy in relation to that. I guess we have sort of split it down into those two areas. There has been a lot of work, not necessarily done by Treasury per se but done across the government, to progress the work in relation to climate change so that is probably best answered by DECCEW in relation to that, and the planning agencies.

We also continue to progress, although it is at a relatively slower pace, the issue of climate change adaptation in relation to our asset base and what is the role of the private sector in this issue et cetera with insurance arrangements and acceptable standards taken on in terms of building et cetera. That is work that is going on in the background. That is probably an overview. I am not sure if there is anything else, Roger, you can add to that in terms of work.

Mr Broughton: No.

MS HUNTER: You have said longer term. How long are you going to see it as longer term?

Ms Smithies: When I say longer term I am saying in relation to the budget and the impact on the budget and the economy. A lot of the effects of that really will sit outside the forward estimates and I think that is the comment that we made last year with the exception of the immediate impacts that will drive change in our structural budget, which will be the issue around how the federal government puts a price on carbon and the consequential subsidies that will be given to households and the impact on the economy et cetera.

In terms of our work in relation to that, obviously we are waiting to understand what the detail is on that tax from the commonwealth and how those subsidies et cetera will be passed on to households. So from our perspective that is where we see the short-term work come in.

MS HUNTER: That is right, and that will be a critical part of it all. Have you had any discussions at all with federal counterparts around what that might look like or where it is headed? Have you started looking at that work or what has come out of the federal sphere, or are you going to wait until it is all decided?

Mr Broughton: At this stage the people we deal with in the commonwealth Treasury are not at liberty to disclose much about what the federal government might or might not be doing in this space. I am not sure if that is because they do not know yet or because they cannot tell us yet.

THE CHAIR: But independent of what they might do there is talk of a big tax about to be revealed. Have you done any modelling? Quoting Andrew Barr, “Every tax has a drag effect on the economy.” What effect—

Ms Gallagher: We have done some early work, haven’t we—

Ms Smithies: We have done.

Ms Gallagher: particularly under the previous carbon pollution reduction scheme as it was. I think the issue that makes this one difficult around putting a price on carbon is not understanding what that price might be. You could speculate, I guess, and do a range of different scenarios.

THE CHAIR: So have you speculated and done a range of different scenarios?

Mr Gallagher: We have not—not on price on carbon. In terms of some of the work that was done under the carbon pollution reduction scheme in terms of impacts on our budget it was around a one per cent increase, I think, in our budget—

Ms Smithies: That is right—

Ms Gallagher: forward estimates.

Ms Smithies: around $20 million per annum on our budget and that work was—

Ms Gallagher: In terms of energy costs.

Ms Smithies: Sure, yes.

THE CHAIR: Right. So that is on the government's budget.

Ms Gallagher: Yes.

THE CHAIR: What effect does it have on the economy and on households?

Ms Gallagher: Again it is difficult when you are not driving the policy, when it is happening somewhere else. This is an issue we are learning more about from our own consultations. For example, in *Time to talk* Canberrans rated this as a very significant issue and are very interested in participating in positive action on climate change, which has been supported again by further work that we do across government.

I guess the real issue is that we understand that tackling the issues of climate change will cost. I guess it is how you ameliorate those costs for households. What are the compensation arrangements? How do you deal with some of those pressures when they hit households? But I think there is a pretty good understanding that dealing with the issues of climate change is going to take additional resources.

THE CHAIR: Mr Seselja, another supplementary?

MR SESELJA: Yes. One of those costs is green energy. ACIL Tasman references the current plans to push it up to about 37 per cent, I think. What is the trajectory now, because there was talk of getting it up to 100 per cent? Is that still the government's intention? What are the costings to the budget to get it to 100 per cent?

Ms Gallagher: The commitments we have made have been in the parliamentary agreement with the Greens. From my recollection, that was an agreement about a 10 per cent increase per year. Last year we increased it by 2½ per cent. I think in this budget we increased it by five per cent. You can see the costs of that outlined in the budget initiatives. I think it was $2.9 million, was it—from memory?

MR SESELJA: Yes. Some of the modelling on the government office building uses as its assumptions 100 per cent by, I think, 2016. If that is not the case, does that affect some of the modelling that has been done in terms of the various costs of electricity under the different scenarios?

Ms Gallagher: The work that has been done under the government office block is to achieve carbon neutrality, I think, by—

Ms Smithies: 2016.

Ms Gallagher: No, it is longer than that.

MR SESELJA: One of the documents assumes 100 per cent green power by 2016.

Ms Gallagher: I will have to take some further advice on that, Mr Seselja. I do not recall making a 100 per cent commitment to purchase green energy—not through the budget anyway. We have made commitments around increasing it by 10 per cent a year and we are partially meeting that commitment. We just have to take some advice from DECCEW.

THE CHAIR: If you will take that on notice. Mr Hanson has a supplementary. I am just trying to push along.

MR HANSON: The 40 per cent reduction in emission targets on 1990 levels by 2020—by the end of the forward estimates we are only five years away. Are you saying that there has been no modelling done on the economic impact of that target?

Ms Gallagher: Am I saying that there has been no modelling done?

MR HANSON: Yes. Is that what you are saying? Has any economic modelling been done?

Ms Gallagher: The 40 per cent greenhouse gas reduction target is not going to be met entirely through the ACT budget. It is a community target, so it is not going to be—

MR HANSON: Sure. But there will be an impact on the economy and there will be an impact on the budget, I am assuming. Has Treasury done any modelling on that?

Ms Gallagher: Treasury is very involved in the work that has been done on weathering the change action plan 2, which will outline the strategies for moving forward to meet the 40 per cent target. So Treasury is involved.

MR HANSON: Is there a product that we can see that shows us that?

Ms Gallagher: There will be when it is ready.

MR HANSON: And when will that be?

Ms Gallagher: It is not my document to release. I do not have carriage of that document.

THE CHAIR: So that is in DECCEW?

Ms Gallagher: Yes.

THE CHAIR: Ms Le Couteur has a new question.

MS LE COUTEUR: My question is about financial sustainability and asset revaluations. If you look at budget paper 4—and I will just take one almost at random, which is TAMS, at page 90—you will see that there is an increase and decrease asset revaluation of $113 million, which is what is required to make TAMS have a positive result. TAMS is not the only one that is like this. There is economic development, education and housing. The situation appears to be with all of them that they are relying on asset revaluations to ensure that they break even or make a—I suppose "profit" is not quite the word—surplus. On the Treasury scale, while it is not asset revaluations, the Treasury equivalent is superannuation gains, I guess you could say. Is this a correct analysis? Is this something that Treasury is happy about in the long run—that we are making a profit or a surplus on the basis of asset revaluations? Do you think this is sustainable financially?

Ms Smithies: Probably the way to answer this is that there are normal operating costs of a department which are shown through the operating statements. If you head back to page 90 for TAMS, it outlines the operating costs of a department during the year—that is, salaries, revenue that it gets from the government, revenue that it gets from its own sources and superannuation expenses. It has also got there depreciation and amortisation. You actually see that the department operates at a loss.

Largely, though, it is because of the funding model. It is part of the financial framework that the government has had in place for a long time that the government does not provide funding for depreciation. Most departments, particularly departments with big asset holdings, will be running at operating losses. The reason for that is that it is, I guess, one of those calls that we have made in setting up our framework as to whether we provide funding for agencies so that they can give it back by way of capital depreciation—so they can actually hold it on their balance sheet until they have to replace the asset and develop big cash holdings. Instead, since we fully fund the capital works process on an annual basis, the government decided not to actually give out money. Most departments with big asset holdings will actually run at losses broadly equivalent to depreciation.

What those asset increases and decreases do is one of two things. In years where assets are revalued, particularly where property moves et cetera, you will see the value of those needing to be adjusted on the balance sheet. But that is not really an issue about the financial sustainability of an organisation as it operates day to day. It is really about its longer term viability and its balance sheets. That is what they do.

The other thing that those particular journals do—I guess this is the best way to describe them—relates to transferring assets from one department to the other. In the case of TAMS, that may well actually be largely a movement of the property portfolio from the LAPS portfolio into TAMS. Essentially, what has happened is that—and it has absolutely nothing to do with how the department has operated through the year—the government has made the decision to move a whole heap of assets, worth around $100 million, from the LAPS balance sheet to the TAMS balance sheet.

It is not revenue the department is at liberty to go and sell. It would completely confuse the annual operating performance of an entity to put it through the operating statement, so it is actually recorded in the balance sheet. So you see a big increase in asset values in TAMS largely due to the transferring of the property portfolio. It may well differ as we go through from one department to the other as to whether you see an increase or decrease in assets due to revaluation versus an increase and decrease in assets due to transfers, depending on what has happened through the government's change of budget arrangements. I do not think it is a right assumption to say that departments' annual operating results are being sustained or underwritten by asset values. I do not think that is a fair reflection of what is happening. The issues sit on the balance sheet.

MS LE COUTEUR: It is not just TAMS that has this—

Ms Smithies: No.

MS LE COUTEUR: They have all got it. It appears that you are doing revaluations quite frequently. You have got that in housing; you are doing that every year. My understanding is that it is not required unless it is a volatile market.

Ms Smithies: The nature of the housing business is largely a market business in relation to its sales programs. Therefore, they need to do a fair amount of revaluation in line with market values. There is a fair degree of trading that goes on when they sell their assets and buy assets from the market et cetera. Again, in line with the nature of the business, that is probably appropriate. They are selling off a fair amount of stock each year. They are purchasing from the market. Those assets do need to be valued in line with the relevant accounting standard. I think in housing that is what is happening. I have not actually looked at the education example, but I assume it is more—

MS LE COUTEUR: Education is not—

MR HARGREAVES: Before you get off the housing one, can I ask a question about that? It is supplementary to this one, Mr Smyth. It is to clarify a comment which Ms Le Couteur made which may not have got an answer, which I think is an important one—that is, Housing are not necessarily required to do revaluations. I understood that the housing act requires an annual revaluation of all stock, particularly in relation to the setting of rents and market rents et cetera. Has there been a change to the housing act that requires that to happen?

MS LE COUTEUR: That may well be true. I was asking it from the—

MR HARGREAVES: If there is a doubt on it, let us clear it up.

Ms Smithies: I could not speak in relation to the housing act, I am sorry, Mr Hargreaves. Certainly I could speak in relation to the accounting standards—

THE CHAIR: We will take it up with Housing. Perhaps we can go back to Ms Le Couteur.

MS LE COUTEUR: My question was more in relation to the fact that they are in the financial statements and it is not normal to revalue housing every year. The other thing along these lines is that the depreciation and amortisation rates for buildings and infrastructure have changed in some cases, reflecting that these assets would have a longer life than originally estimated. In 2009 the depreciation rates for heritage and community assets were also reduced. Why have we changed our depreciation rates as well as our frequency of depreciating—or, rather, revaluing—because we have done that as well? Why have we had such a wholesale look at our depreciation and amortisation regime, because this cannot relate to the housing act?

Ms Smithies: Yes. The answer to that would be that the carrying on of these is largely coming out of audited outcomes from last year. Agencies are required, depending on the nature of the asset, to have a look at the useful life of the asset and the value of the asset. The accounting standards actually require them to do that, depending on the nature of the asset. I do not think necessarily there has been a large-scale change. I just think what we are seeing is things flowing forward from what has been picked up in the annual accounts and what chief finance officers are required to report as the true and fair value of those particular assets. We can take that on notice to see whether there has been a change in standards.

MS LE COUTEUR: Thank you.

Ms Smithies: I do not think there has been. I just think it is a flow-on of what has actually occurred in the financials. But we will take that on notice.

MS LE COUTEUR: Okay. My final on this line goes to financial stability for departments. I understand the commonwealth has introduced a certificate of compliance for departments. Has Treasury considered this?

Ms Smithies: I do not know of this, no.

MS LE COUTEUR: Each year a department has to certify that it is financially sustainable, basically. They were concerned about the sorts of issues which I have just been raising—that there have been asset revaluations and things like that which have masked changes and also because every year when the government looks for savings the department says, “No, we haven’t got enough money.” That contradicts what they say at the end of the year, that they are doing okay. They have asked for a certificate stating that the department actually is doing okay. It is financial compliance.

Ms Gallagher: They never have any cash.

Ms Smithies: Yes.

Ms Gallagher: Any useable cash.

Ms Smithies: I think that is probably part of that—

Ms Gallagher: If the committee had a formal view on ways we could improve that. I have a feeling that most agencies would—

MS LE COUTEUR: Not like it.

Ms Gallagher: They may use the signing of the certificate as a way to get further—

Ms Smithies: Bear in mind also that our system is slightly different from the commonwealth's in terms of what they do and do not fund in relation to major assets et cetera, as I understand it. It has been a little while since I have had a good look at how the commonwealth does its own financial frameworks.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thanks very much, Mr Chairman. I refer you, minister and Ms Smithies, to BP4, pages 152 and 157, where some of the explanation may arise. I am looking at the policy adjustments in 2011-12. It was indicated in BP4 that there was a loan facility for Community Housing Canberra for $20 million and another loan facility for the University of Canberra for $23,350,000. What I would be interested in knowing is the nature of those loans and what is hoped to be achieved by both of those two loans.

Ms Gallagher: I might get you to speak technically about how it is going to all occur. But for the University of Canberra, it is to support them to be able—and I always forget the name of the building in Belconnen—

Ms Smithies: Cameron Offices.

Ms Gallagher: Yes, Cameron Offices, and—

MR HARGREAVES: I have only just figured out where Belconnen is.

Ms Gallagher: That is a bit scary for you people from Brindabella.

MS HUNTER: It is a beautiful part of the ACT, John.

THE CHAIR: Moving right along.

Ms Gallagher: Move to the north side.

MR HARGREAVES: There is a care factor but do go on.

Ms Gallagher: But that is in order to finance their purchase of a building to be converted for student accommodation. They can borrow at our rate. We have also provided a grant through the operating budget to support them with that project. We have had a pretty close look at this. It was not everything that University of Canberra wanted but we believe it is a fair outcome which allowed them to purchase a building and provide more student accommodation and further cement their role as Canberra's university here. I think it is a sensible partnership.

The loan for Community Housing Canberra is to extend the current loan facility available to them to purchase, I think it was, 90—

Mr Ahmed: Ninety.

Ms Gallagher:—additional affordable housing properties.

Ms Smithies: Yes. If I can draw the committee's attention to budget paper No 4, appendix C, pages 541 to 543, that is where we actually outline our capital injections of debt to agencies and we have got a narrative there on the new $20 million for CHC and the $23 million for University of Canberra, which gives the loan period et cetera, and conditions of the loan.

MR HARGREAVES: What are those loan periods, to save me looking it up?

Ms Smithies: For CHC, $20 million, it is a 25-year loan. So it expires on 31 December 2036. And for the University of Canberra, it is a 14-year fully repayable loan to be repaid by 1 April 2026.

MR HARGREAVES: For the simple minds, we are loaning the money to both of those entities?

Ms Smithies: Yes.

MR HARGREAVES: They will need to repay that to the territory over that period you specified?

Ms Smithies: Yes.

MR HARGREAVES: Where would those repayments appear in the budget papers in future years?

Ms Smithies: These are administered by Treasury, these particular loans. So they will come back into Treasury, in line with both the interest and the capital payments, when those years start appearing in the budget and then they will move through Treasury and go back into the territory banking account.

MR HARGREAVES: I understand that, in fact, for Community Housing Canberra, which is an excellent move forward, getting another 90 properties out there for low income earners, it is not the first time that the territory has advanced an amount of money to Community Housing Canberra. I think they were in the last lot, were they?

Mr Ahmed: Yes.

Ms Gallagher: Yes.

MR HARGREAVES: They got the initial transfer of property—

Mr Ahmed: Yes.

Ms Gallagher: Yes.

MR HARGREAVES: And a loan facility—I have forgotten the figure.

Ms Gallagher: $50 million.

Mr Ahmed: $50 million in 2008 and there was a transfer of $132 million, from my memory, of properties as well—

MR HARGREAVES: That is it, yes.

Mr Ahmed: It was transferred to them.

MR HARGREAVES: I remember it well. What I did not remember particularly well was whether they had to repay that money. Did they?

Mr Ahmed: That is correct, yes.

MR HARGREAVES: And where does that appear in the budget papers?

Mr Ahmed: The interest gets paid on a quarterly basis. So they are stuck with paying interest. The capital repayment starts after 10 years.

MR HARGREAVES: So we have got about another four or five years to go yet—

Mr Ahmed: That is right. And at this time they have not fully drawn the $50 million as well. There is $43 million drawn.

MR HARGREAVES: Would the repayments actually start to flow along the way as they draw it down or wait until the complete amount has been drawn down before the repayments actually start?

Mr Ahmed: The $50 million is a rewarding facility and it would depend on how they utilise it. At this time they have not fully drawn it. In discussions with them, the way that they would like to treat it is as a rewarding facility. They do the project; they complete the project; and when they are in a position to make some repayments they will do that.

MR HARGREAVES: If I can work this out, you would expect to pay between $400,000 and $500,000 for a normal property, I would assume, just as a ballpark figure. The $20 million will not buy you 90 properties. Is that because the land on which the property sits is already owned by the territory or is there some other process by which you can get 90 properties for $20 million?

Mr Ahmed: I understand you are asking about the $20 million that has been brought in here.

MR HARGREAVES: Yes, I am.

Mr Ahmed: This is not 100 per cent coverage of the value. They will be putting in some of the finance from their own resources as well. What this does is give them access to finance at a relatively low interest rate rather than at a commercial rate. There is a benefit for CHC rather than borrowing from the commercial sector.

MS LE COUTEUR: Does it also relate to the size of the properties? When I went to uni, we had a room. It was not even qualified as a bed-sitter.

MR HARGREAVES: 1929 does not count anymore.

MS LE COUTEUR: No. I appreciate that. But would that also be an element? Do you have an idea of what each unit is costing?

Mr Ahmed: I do not have, unfortunately, the average price here with me. But certainly this is a whole lot of dwellings that we are talking about, not the high-end value.

MS LE COUTEUR: Absolutely.

THE CHAIR: We are assisting them in their endeavours. We are not paying for all of it?

Mr Ahmed: That is right. Yes.

MR HARGREAVES: I do not know whether you can answer this question but possibly you can. I take your point about assisting them. But it would appear that it is going to be between about 40 and 50 per cent of the total price. Given that it is revolving, given that they have other methods of accumulating the capital to acquire the properties—build, buy or whatever—how are they actually going to get the remaining funds? Do you know? And what kind of time frame are we looking at for the acquisition of the 90 properties?

Mr Ahmed: I can broadly describe how the financial model works without going into detail. They have got a rental scheme from the tenants. That is the rent coming through. Until last year, from my memory, they were getting some funding from ACT Housing as well. That was attached to the transfer of dwellings. They do have the finance that they raised out of their development activities. They do undertake developments. There are development properties implicit in that. So they are able to reinvest that back into the business as well.

Our understanding is—and this is based on the analysis of the proposal for the $20 million—that they are not borrowing from the commercial market for this purchase. This is financed partly from the government, not 100 per cent, and the rest is their own cash holdings that are generated from the development activities as well.

MS HUNTER: Can I just say something?

THE CHAIR: On this one?

MS HUNTER: Yes.

THE CHAIR: A supplementary from Ms Hunter on this one, then a new question from Mr Hanson. Before we do that, we acknowledge the presence of a former Treasurer, Mr Quinlan, in the room. Perhaps he has brought us an advance copy of the tax review.

MS HUNTER: Does Community Housing Canberra come in under the affordable housing strategy? Do you see that as part of the affordable housing strategy?

Ms Gallagher: It was, yes. It was part of the initial—

MS HUNTER: Yes. I just wanted to confirm that. One of the things that has been raised by ACIL Tasman has been the lack of, I guess, indicators to demonstrate that the affordable housing action plan is actually achieving more affordable housing in the ACT. Do you have any comment to make on that? It will come up during your time here.

Ms Gallagher: I am sure, and I think it is probably a question better placed to Minister Barr when he comes with responsibility for housing affordability. But we are certainly—Treasury are involved and have been involved in the architecture of the affordable housing action plan and we are measuring our performance against that action plan. A government cannot control the price of housing in the general market. I understand that the affordable housing action plan is being used as a platform for policy development both around the country and internationally. There are ways governments can intervene to promote and offer choice for people entering the housing market and alternatives.

I am not fully across how we report against the affordable housing action plan. But I know we have set our targets of a percentage of affordable housing that has to be delivered. We have implemented the land rent scheme and it is proving to be very popular. We are creating partnerships with CHC and even the University of Canberra to provide that specialised type of student housing. So I think measuring a performance and what we are actually doing—

Mr Ahmed: There were specific—there are two aspects to it. There were specific reports done on the affordable housing action plan and whether they have been implemented or not. So there is that aspect.

MS HUNTER: Yes.

Mr Ahmed: And the other aspect is whether you can come up with measures that actually measure affordability.

MS HUNTER: Yes, and also reflect that outcome.

Mr Ahmed: That is right. Now, there is a range of information resources. ABS publishes a number of measures and we normally rely on those and Real Estate Institute of Australia, REIA, documents. They are perhaps more reasonable than some of the Commonwealth Bank type indicators. Those measures are there and we do monitor them very regularly. As I said, on the other hand the specific action plan measures—the 62 or 63 measures that are there, they are being monitored as well as to whether they have been implemented or not. In large part they have been. They are sort of issues around the supply side and having plans on the shelf, and that is ongoing.

THE CHAIR: Mr Hanson.

MR HANSON: Thank you. I refer to budget paper 3, pages 224, 225, government borrowings and government debts. This is also referred to in the ACIL Tasman report on page 32. It seems that we get to a point where we have got about $930 million in debt in 2013; so towards the end of the forward estimates. I am just trying to work out what is incorporated in that debt because we know that there is a significant increase in the borrowings and in the debt.

But have we factored in things like the new hospital, the $800 million that I assume is going to have to be borrowed, the Gungahlin office block, and I assume the money is going to have to be borrowed for that? I am not sure about the new office block and whether that has been factored into borrowings because I am assuming that that would need to be borrowed as well. So what does the debt peak at and what has and what has not been included?

Ms Gallagher: I think for a start you should not assume things, Mr Hanson, like the Gungahlin office block. I do not think you will see anywhere that we have taken a decision to build and own that office block. So, no, there is not money—

MR HANSON: So you are not going to do—you are not going to lease it, are you?

Ms Gallagher: We have got some money in the budget to go and basically specify and consult with industry about the best way to provide that office accommodation in—

MR HANSON: Surely buying it is the best way based on the new office block in the city—

Ms Gallagher: Gungahlin. Yes, this budget does include new borrowings—I think additionally $200 million more than was indicated in last year's budget to deliver on the infrastructure program. I am very keen to make sure that the borrowings are used for large-scale projects like the hospital redevelopment and, for example, in this budget, the Majura parkway.

I come from the view that I think it is sensible to have some borrowings. We have had historically very low borrowings across the ACT government. I cannot recall when the last major borrowings were undertaken. They were done for Actew. So we have very low borrowings and I think it is sensible to finance an infrastructure program that we need to deliver and use borrowings to assist us to do that.

MR HANSON: But I am after some specific answers and I would like to know what the debt will grow to in the forward estimates.

Ms Gallagher: Yes.

MR HANSON: What is the peak debt?

Ms Gallagher: Yes.

MR HANSON: And I would like to know with the borrowings, and with respect to the projects that have been mooted, things like the hospital—and we have seen Treasury estimates that add about $800 million—the Gungahlin office block, the city office block, what is incorporated and what is not?

Ms Gallagher: Do you want to go through that, Megan?

Ms Smithies: Yes.

Ms Gallagher: We have not taken it—you will see that in this budget we have not funded an $800 million hospital redevelopment. So it is not in this budget. It is not included in those borrowings—

MR HANSON: No, I understand that. But I am just trying to get a grasp of it, because we have got—

Ms Gallagher: Yes. I am just trying to clarify that for you, Mr Hanson.

MR HANSON: No, I understand that. I have got the growth in the debt but it is difficult to sort of pick—

Ms Gallagher: See what it is for?

MR HANSON: Well, that is right. But more importantly, we are talking about the fact that we have got $4 million in there to look at the growth. We have done the inquiry; so we understand the scale of money being put into that. But what impact is that going to have on our debt levels? Has Treasury done the work on that? It seems that we have borrowed a lot of money and in order to deliver some of the promises, I guess, for want of another word, we are going to have to go further into debt. I want to have a view of what that debt is if we are going to deliver on some of those promises. Is that sustainable? How does that affect your AAA credit ratings?

Ms Smithies: Sure. It is a very long question but I will start at the start. Obviously, the budget documents incorporate the current decisions of the government. To the extent the government has made decisions around the infrastructure program for this current year, the next current year and the flow forwards of that across the forward estimates, the job of the budget is to support those decisions that are made. And that is what it does.

MR HANSON: So the borrowings, for example, for the new office block are incorporated in that debt?

Ms Smithies: I will go through that. The budget incorporates general government borrowings which peak at around $930 million in forward 2, which is around three per cent of our gross state product. That is still by other state standards a manageable level of debt, if not on the low side. That debt supports the infrastructure decisions of the government and is allocated toward the Majura parkway and the health projects that have been funded and incorporated into these budgets and forward estimates.

So that is what the debt covers off. When I say it peaks at $930 million, that is a combination of the new debt, or the debt that is going to be put into the budget next financial year and the year after, which is the $650 million borrowing program, on top of a level of general government—$300 million of general government debt that we have had on the books for many, many years. So we have gone from a low level of general government to what is probably still quite a low level of general government—under $1 billion supporting this budget.

But if you have a look at the fundamentals of the budget and I guess the cash capacity, there are other things that are happening. Certainly, by the last forward estimate we are starting to accumulate back cash balances. The unencumbered cash in the territory bank account sits at around $400 million by the last forward estimate.

Over the course of the next two years we are having a cash outflow as we finance the infrastructure program, which is last year's and this year's program. That is being supported by an inflow of cash from borrowings. Obviously, we have also got during those times operating revenues which are coming in from taxation, own source revenue et cetera and we have got our normal expenditure program.

So if you look at the bottom line of the budget, the peak of debt, manageable; cash flow, sustainable across the forward estimates; positive in an operating sense in a bank account balance sense by the last forward estimates coming back—

MR HANSON: Sure, but just trying to get to the detail though—

Ms Smithies: Yes.

MR HANSON: It peaks at 930.

Ms Smithies: Yes.

MR HANSON: But I am trying to understand whether all of the elements of the budget, including the office building, have been incorporated into that debt or whether we will see that next year it will incorporate that and we will see that debt growing by $430 million. What is yet to come in terms of borrowing, because—

Ms Smithies: The budget incorporates the first—

MR HANSON: you have not answered that question?

Ms Smithies: Yes. The budget incorporates the first two years of the outflow of the capital expenditure related to the construction of the government office block. That is being financed through the budget. When I say that it is being financed, I guess it is always a very difficult thing to sit here and say when you borrow—to directly attribute particular borrowings to particular projects. Governments get sources of money from a number of different sources. One is by being able to draw from the capital markets and raise debt. Another one is just from general revenue activity and what is basically on the balance sheet already, which is cash—cash reserves that get built up. I guess the answer to the question is that the budget provides capacity to pay for the operating costs—for the capital construction costs of the office building. Yes, it does.

MR HANSON: And this debt level—

Ms Smithies: It is being offset by—

Ms Gallagher: So the overall program of capital works overall—

Ms Smithies: Is funded.

Ms Gallagher: is in excess of $1 billion, I think—

Ms Smithies: Yes.

Ms Gallagher: across the forward estimates of which we will require borrowings in the order of $650 million to finance that total program. I think that answers your question. But everything that the government has announced and that appears in this budget is funded through that. It is very difficult and impossible for the Under Treasurer to answer: what does that mean for next year? This is because the cabinet has not taken any decisions about infrastructure next year.

MR HANSON: No, that is right.

Ms Gallagher: If we are looking at some of the big ticket items, like the hospitals, part of the work that is being funded in this budget is to examine potential financing options that will inform decisions that the cabinet has to take next year. We know that there is further infrastructure required. Whether that will be a cost to the budget or delivered through another part—they all will be a cost to the budget. The extent of that cost will be informed by some of the work that is underway.

THE CHAIR: We are going to have to wrap up or we are going to run out of time. A quick final question in general from Mr Seselja and then we will move on to the territory banking account.

MR SESELJA: Before I ask that general question, Mr Chair, I would like, if I could, to go back to clarify an earlier answer. I was asking you, minister, about whether or not you were going to take it up to 100 per cent. In the financial document, the government office financial analysis in the first appendix, on page 12, it talks about this 100 per cent. It is obviously one of the assumptions they have used. It assumes that a carbon pollution reduction scheme was implemented in 2010, I believe, but it also says that the cost of electricity is irrelevant to the owned buildings in the portfolio—that the ACT government currently purchases 30 per cent green power and will progressively move to 100 per cent by the year 2016. Given that you have said now that that is not the case, is that the wrong assumption?

Ms Gallagher: I do not think I did say that was not the case.

MR SESELJA: So you are planning to go to 100 per cent by 2016.

Ms Gallagher: I am saying that what is in this budget is a move to 37½ per cent—

MR SESELJA: Okay. But I asked you about moving—

Ms Gallagher: And funded in the budget.

MR SESELJA: But I asked you about whether you were moving to 100 per cent. It is relevant to—

Ms Gallagher: We are moving up all the time, Mr Seselja. In fact, we are leading the way. We are the government leading the way on the purchase of green power.

MR SESELJA: Are you still planning on being at 100 per cent by 2016?

Ms Gallagher: Those decisions will be taken year by year, which is what we have done.

MR SESELJA: So is that assumption—

Ms Gallagher: We made a commitment to our colleagues the Greens, for example, that we would increase the purchase of green power by 10 per cent a year.

MR SESELJA: But you have not done that yet.

Ms Gallagher: Because of the budget constraints, this is something we look at year by year. In the year post the global financial crisis we increased by 2½ per cent. We are progressing and increasing all the time, and increasing within what scope we have for further expenditure.

MR SESELJA: How much will that cost to get to 100 per cent by 2016?

Ms Gallagher: I will be able to provide you with that figure based on what we have—we can easily cost that figure—but, as I said, it is subject to budgets of the future.

MR SESELJA: Thank you. On another issue, the election commitments costing bill—this is probably a question for Ms Smithies, if anything. When I look at the overview in the draft explanatory statement, it looks very much as though it was written by Treasury, and I understand why. It says that the bill will ensure, during the election process, that the Department of Treasury and political parties have a shared understanding of roles and responsibilities and will allow the Treasury to operate with a clearer degree of certainty during the election process. I very much understand—

Ms Gallagher: This is my bill, Mr Seselja, not Ms Smithies' bill.

MR SESELJA: Sure. I am happy for you to answer it—

Ms Gallagher: I will.

MR SESELJA: But I think it will be relevant for Ms Smithies—

Ms Gallagher: I can.

MR SESELJA: because I am not sure that—

Ms Gallagher: Because I do not think you will like the answer.

MR SESELJA: I am not sure that you will be able to answer it, but—

Ms Gallagher: I will. I know where it is heading.

MR SESELJA: We will see. I will ask the question. I do understand the direction of it. The question is: given that it says that Treasury needs to operate with a clearer degree of certainty during the election process, does this come from a concern within Treasury that in previous elections there was a lack of certainty during the election process about the costing process and about the role of Treasury versus the government, opposition and/or any other members of parliament?

Ms Gallagher: It came from me and my decision after being involved in the last election campaign about—I am trying to recall the specific incident. I thought that there was room to improve clarification and protect the Treasury during an election period. It was not from the government's behaviour.

THE CHAIR: Protect the Treasury from whom?

Ms Gallagher: It was, I think, comments attributed by you, Mr Seselja, about what Treasury had said about some of your election commitments—that no jobs would be lost or something like that. Treasury had confirmed that this would be the outcome, and I think that compromised Treasury because I do not think that Treasury said that at all. Anyway, this fixes it up for everybody.

MR SESELJA: If I could just—

Ms Gallagher: And I look forward to the support of everyone for this—

THE CHAIR: Just very quickly. We are running out of time.

MR SESELJA: Ms Smithies, the question for you, then, is this: during that process—during the pre-election period, just for us to clarify what the status of Treasury is—while it is costing election commitments from both sides, during that period are you taking direction from the minister in relation to the costing of election commitments?

Ms Smithies: During the pre-election period?

MR SESELJA: During the pre-election period.

Ms Smithies: Are we taking instruction from our minister?

MR SESELJA: Sorry.

Ms Smithies: Sorry—the question is?

MR SESELJA: Were you taking, and do you see it as the arrangements that are in place—and you were there before the last election—that you take direction from the minister in relation to election costings during the pre-election period?

Ms Smithies: We still work for the government of the day, and obviously we do as the government requests in relation to its costings, yes.

MR SESELJA: No, but in relation to costings generally. Are you taking direction or is it a completely independent process when, for instance, you are costing opposition or cross-party election promises? Is there any involvement from the minister? You say you are taking direction. Was the minister providing you with direction as to how to go about that costing process, given that there is nothing in legislation? Were you given direction as to how to go about that costing process during that pre-election period?

Ms Smithies: No.

MR SESELJA: There was no direction from the government on that?

Ms Smithies: No. Costings are a fairly technical exercise—

MR SESELJA: I am not saying how you should cost it, but the process for the costings—whether you cost them all in one bunch, whether you cost them as they go, whether you publish. Did you take direction from your minister on that process?

Ms Smithies: No.

MR SESELJA: Okay.

THE CHAIR: We will have to finish there. We will move to the territory banking account. Treasurer, page 215 of budget paper 3 has the general government sector investments. I note that the outcome for the current year was meant to be $135 million, but it has ended up at $238 million. Can we have an explanation as to what has happened there? And in the coming year it drops to just $58 million. Could we have an explanation of them? Where does it come from and where does it go?

Ms Gallagher: Where is it going? Yes.

Mr Broughton: I can answer that at a fairly top level. The returns we got from our investments this year were much better than we anticipated, for which we are very grateful—

Mr McAuliffe: Those balances described there are simply the asset balances of estimated holdings of investments at points in time. I missed the first part of the question, Mr Smyth.

THE CHAIR: What are the components that see the growth from $135 million to $238 million? And what happens from the $238 million down to the $58 million?

Mr McAuliffe: Again, that is just the sum movement of all the cash flows moving through the territory banking account, which are effectively your unencumbered cash movements. It is simply the reflection of that net sum of the revenues that you transferred in and the appropriations going out.

THE CHAIR: But it is 90 per cent more than was expected. Why is it 90 per cent more than expected? And then it declines by 75.

Ms Smithies: Can you just clarify which page you are talking about, Mr Smyth.

THE CHAIR: Page 215 of budget paper 3.

Ms Smithies: Yes. And you are talking about the territory—

THE CHAIR: The territory bank account.

Ms Smithies: And you are talking about the balance of 58 from what we had at this time last year; is that right?

THE CHAIR: Yes. Why has it gone from an expected $135 million to $238 million? And why does it go down from $238 million to $58 million when, in the previous year's budget, the plan for 30 June 2012 was that 58 should effectively be 119 million.

Ms Smithies: Yes.

THE CHAIR: That was the expectation?

Ms Smithies: I can do some of this or we can give you a more detailed reconciliation on notice if you want because you have asked for two different ways.

THE CHAIR: If you give us a reconciliation on notice, that is fine.

Ms Smithies: Certainly from budget to budget what we have seen is that we had around $100 million extra in cash that has come through at the end of 2009-10, which has gone into the 2010-11 account. So we are up $100 million worth of cash. That obviously is available for distribution in the budget. So we have got an extra $160 million worth of revenue, $150 million worth of borrowings, net outflow of $315 million on the capital program, around $60 million in recurrent initiatives and around $140 million worth of rollovers between those two years, which essentially takes what was the $120 million down to $60 million.

So that is on a budget-to-budget reconciliation, on a year-to-year reconciliation. Again, it is the incremental differences between the two—some increase in revenue, a change to the borrowing profile, additional capital in the capital works program between the two years—accentuated by the rollover of funding not being spent this year but into the next year et cetera. So that provides a bit of a year-on-year reconciliation for you as well.

THE CHAIR: Take it on notice and give me the details.

Ms Smithies: It is probably easier that we do it on notice because they are quite—

THE CHAIR: That is okay.

Ms Smithies: It comes from two different directions when you ask those questions.

THE CHAIR: Ms Hunter.

MS HUNTER: I want to go to budget paper No 4, page 211, the statement of assets and liabilities. And the current assets at the top of the table lists “Other” at $3.18 million and that is more than double what was forecast last year. Could you explain what is included in the category and the difference in the outcome?

Ms Smithies: Sorry, I think we might have to take that one on notice. Can we take that one on notice?

MS HUNTER: Yes, certainly.

Ms Smithies: We do not have the detail with us.

THE CHAIR: Ms Le Couteur.

MS LE COUTEUR: This is going to my asset revaluation theme. Page 211 tells us that the territory bank account has cash and receivables and investments, which is fine. If you go to page 210, we have got two quite substantial figures in terms of revaluation. First, $990,000 was the estimated outcome, although the budget was only expected to be minus three. That is for 2010-11. And then moving along to 2013-14, we have got $1,516,000 as the estimated revaluation. What exactly are we revaluing, because it is obviously not property, plants or equipment? Is this your forecast gain on investment, or what is it?

Mr McAuliffe: No. Some of the general government sector debt is funded by the floating interest rate, the commercial rate. And some years ago we actually put in place some interest rate swaps to actually hedge that variable rate exposure.

MS LE COUTEUR: That makes sense.

Mr McAuliffe: So effectively what we are doing is hedge accounting those revaluations of those swaps and by applying the hedge accounting rules you can put that through a revaluation reserve account as opposed to moving through the A&L because it is—

MS LE COUTEUR: Why are you so confident that in 2013-14 we are going to make some money?

Mr McAuliffe: I guess it is a point in time from where the value of our swap is now, and I guess what we are saying is that swap actually, the one that is out in that year, gets closed down in that year. I guess we are closing out the current value that we are carrying it at. We are not trying to predict the value of that swap.

MS LE COUTEUER: That is what I was thinking.

Mr McAuliffe: No.

MS LE COUTEUR: You are doing very well.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: I am fine, Mr Chairman. As usual, I am content.

THE CHAIR: That is a good thing, Mr Hargreaves. You stay that way. Mr Hanson.

MR HANSON: BP4, page 213, in the 2014-15 estimate, the financing payments, we go from a fairly flat rate of $554,000 to a $19 million figure. I am just wondering why there is this significant jump.

Mr McAuliffe: I cannot tell you which line of debt it is that there is some capital being repaid on, but that is effectively what it is.

THE CHAIR: Are there more questions on the TBA?

MS HUNTER: On page 209 of budget paper 4, changes to appropriation to the capital injection, what is the $214,000 injection each year?

Mr McAuliffe: There is a line of borrowings from the commonwealth that we have had since self-government and there is a repayment schedule for that of interest and principal. There is a fixed rate of principal repayment on that debt each year. And basically what we do with the territory bank account is, for transparency, we try to show an appropriation to this account to reflect the repayments that are occurring in terms of the debt. We do not need to under the legislation. We do it for transparency reasons. So there is an annual repayment on that particular line there of $214 million.

MS HUNTER: And they include, what, Housing ACT stock?

Mr McAuliffe: It is actually old land and buildings and related debt.

MS HUNTER: This is the pre self-government municipal debt, is it?

Ms Smithies: Yes.

THE CHAIR: Ms Le Couteur.

MS LE COUTEUR: This is something which may be just a mistake but at page 209, we have got the territory bank account. We have got exposure—

THE CHAIR: BP4?

MS LE COUTEUR: Thank you. Is there anything else, Mr Chair? Sorry.

Ms Gallagher: Not ones that get you as interested though, you and the chair.

MS LE COUTEUR: At 1.1.b, the exposure of debt portfolio to floating interest rates, we had a target of less than 30 per cent. We have managed to achieve 72 per cent. Is this a mistake in printing or is it reality?

Mr McAuliffe: That reflects where the portfolio is sitting at the moment. We think about the general government debt portfolio, which is about $197 million predicted at the end of this year. I guess this is a problem we have with targets. We have got some borrowings. We have deliberately not tried to fix our floating rate exposure at the moment. We are thinking about it but at the moment, as things stand, we do not have the whole lot of this floating rate debt fixed. Because we have got an upcoming borrowing for next year, I guess the thinking is that once we want to implement a $350 million line of borrowings we will implement that and then look at the rest of the portfolio at the same time to get our variable-fixed exposure back into line.

MS LE COUTEUR: So effectively you are going to fix it by borrowing more on a fixed rate?

Mr McAuliffe: Yes. The alternative is: I can put a swap in place and swap the interest rate around but once you go putting a swap in place that commits you to a long-term, fixed arrangement for the sake of doing it when we want to go and actually do a real transaction. So it makes better sense from a transaction point of view to try to, I guess, kill two birds with one stone.

Mr Broughton: It minimises the transaction costs we have got if we wait until we do the actual physical borrowing and then sort it out as part of that process.

THE CHAIR: As there are no further questions on that, we will move on to the superannuation provision account. Treasurer, BP3, pages 231 and 232, looks at the objective of the escalated peak in liability being in 2030. Is that still valid and is the strategy in place to reduce that?

Ms Gallagher: The answer is yes.

THE CHAIR: How do you intend to achieve that?

Ms Gallagher: We are having our triennial review this year. I think it starts this year. That will inform the decisions that need to be taken going forward.

THE CHAIR: Will the terms of reference for the review be made available to the committee?

Ms Gallagher: I do not see why not.

THE CHAIR: And it will start when and be completed when?

Ms Smithies: I do not have those details but I think I have got draft terms of reference for the guys. They want to get started on it in the coming few months. We need to have it done as we start into the budget process so—

Mr McAuliffe: I guess there are two parts to it. We need to do the actuarial review first, and we cannot do that until we have membership data available as at 30 June this financial year. So by the time we get that data, do the reconciliations for that—it is typically not until we have the stats in and it is typically towards the end of the calendar year that we have actually got the financial data available from the actuarial review outcome—we would then need to look at that in conjunction with, I guess, the asset funding side of things to see how it all fits together.

THE CHAIR: And that will feed into the next budget and then we will have the complete review of the funding plan?

Mr McAuliffe: Yes.

THE CHAIR: Ms Hunter.

MS HUNTER: Will the funding review be looking into achieving the 2030 goal? The question I have relates to the projected proportion of funds. It is on page 198, BP4. That rises by one per cent a year, which is going to take us to that fully funded position by 2030. How are we going to get there?

Mr Broughton: Part of the reason we are doing the funding plan is to try to work out where we are now because the actuarial review that Mr McAuliffe mentioned is about working out exactly where we are at in terms of our membership, ongoing membership, revisiting the assumptions that you have about the way the liability grows in the future in relation to increases in wage rates, morbidity levels, people who take pensions versus people who take the lump sum. All that feeds into the actuarial review. Once we have got the results of that, we then know where we stand as far as the growth in our liabilities is concerned. Then the next thing is to work out how we build our asset base to enable us to meet that 2030 target.

MS HUNTER: You do an annual actuarial review. What is the difference with this next actuarial review because you have obviously been doing this process annually? Is it putting it all together?

Mr McAuliffe: The annual review typically just looks at an update of your membership data. So we will update the member activities from the last year to the current, to the next year. And if we think it is necessary to tweak any of the financial assumptions, which we do not tend to do, we might look at those. The triennial review actually does a full update of everything. But the important part of that is—

MS HUNTER: And then you can make major changes to your strategy?

Mr McAuliffe: Yes. The importance of that is actually the demographic assumption, all the underlying demographic changes.

MS LE COUTEUR: Can I ask a question about some of your actual investments? I assume in this case—it is possibly irrelevant—that the government supports the commonwealth's plain packaging legislation for tobacco products. Whether or not the government supports it, it is likely to happen, and the tobacco industry has certainly been very clear that they see this as a risk to their profits. My understanding is that we have investments in the tobacco industry. How are we proposing to respond to that risk? How do we reconcile whatever our response would be with the government's overall policy intention of selling fewer cigarettes and certainly having fewer cigarettes consumed in the ACT?

Ms Gallagher: Pat can probably talk about some general market risk assumptions that are built into some of these decisions. I am not sure that plain packaging and what the tobacco companies are saying about that could necessarily be factored specifically into our investments decisions. We are doing some work, as you know, around ethical investing. The government is keen to progress that work with you around areas like tobacco, particularly, in general. There are a whole range of risks that operate in relation to our investments that need to be considered. That would be the short answer.

Mr McAuliffe: There are a couple of parts to that. One is obviously we will see where the overall review goes. Ultimately we could be out of tobacco altogether and it goes away. The other part is our funds managers are regularly updating their valuation models around all investments, so we would expect that that will continue. Our actual total exposure is in the order of around $8 million out of a $2 billion portfolio.

MS LE COUTEUR: To tobacco?

Mr McAuliffe: Yes, our direct exposure to tobacco, companies who produce tobacco.

MS LE COUTEUR: But, presumably, you would be, in effect, a lot lighter than that. I imagine you have exposure to retailers who are selling tobacco. One assumes you are.

Mr McAuliffe: Depending on how far you want to take that, yes.

MS LE COUTEUR: So basically consumers are not going to make any difference, so the policy will be ineffectual, therefore, it does not affect your investments.

Mr McAuliffe: I do not think we have taken that view. One of the things we need to clarify is the ultimate decision and policy arrangements in terms of the overall investment arrangements. We have got to be careful; we cannot jump off on one side. If we are not investing in some of these things, it changes everything. We are engaging our funds management to make sure they are looking at all these issues and taking those into account.

Mr Broughton: I would be very surprised if our professional fund managers are not looking closely at this, because you make a very good point in that the reaction of the tobacco companies to the proposal would suggest that they see a significant threat to their revenue. Our analysts, our fund managers, will be thinking exactly along those lines as well. That could result in our fund managers deciding on our behalf to either reduce or completely remove their investment in some of those companies.

MS HUNTER: Have you had conversations with your fund managers around shares that might be in mining or the processing of uranium? We know the shares have dropped dramatically since Fukushima. What sort of conversations do you have around that risk around these investments?

Mr Broughton: On a day-to-day basis we do not necessarily have specific conversations with the fund managers. They employ a lot of people to undertake analysis of all these sorts of either short-term or long-term trends. Yes, I imagine they would be looking at the issue of uranium, given that it is my understanding that Japan have said they are going to reduce their reliance on nuclear energy going forward. But then I note that at the same time Roxby Downs is proposing to expand at quite considerable cost its production of uranium. There are obviously quite different and disparate opinions about where uranium as a commodity is going.

MS HUNTER: Energy Resources of Australia lost 50 per cent, and there are other examples I have here: Toro Energy, which lost 30 per cent so—

Mr Broughton: Energy Resources have got problems associated with not treating the waste properly in the Northern Territory. That is my understanding, and that is where a lot of people have devalued that investment. I am not saying which one is right and which one is wrong. All I am saying is that there are mixed messages out there in the market, and that is why we pay these professionals to interpret those and make decisions on our behalf.

MR HARGREAVES: Just a quick one; probably a yes or no answer really. On BP4, page 204, the notes to budget papers there under the statement of income and expenses on behalf of the territory says:

> The decrease of $1.351 million in 2010-11 estimated outcome from the original budget was due to former Totalcare employees' superannuation settlements being below expectations.

Where are you at with the finalisation of the Totalcare super payouts?

Mr Broughton: Well, look, I will do my best. My understanding, Mr Hargreaves, is that we have almost completed our work in relation to the Totalcare employees. There is still a small number of people that we either have not been able to locate or they have not responded to our efforts to contact them, and the liabilities associated with those people will be transferred from the Totalcare organisation to the super provision account. They will be maintained there, so that if these people ever do get in touch with us, we will be able to sort it out and we will have a liability there that will accommodate that. That is only a very small number. The greater majority of the ex-Totalcare employees have either been reinstated to the correct superannuation arrangements, compensated where that is not possible, or a review of their file has deemed that they were not entitled to either reinstatement or compensation.

MR HARGREAVES: Does this essentially, for the main part, close the books on that particular issue?

Mr Broughton: It will, yes.

MR HARGREAVES: That was the answer I was looking for, Mr Chair. That is a yes.

MR HANSON: That is the matter that was arising from the High Court decision, is it?

Mr Broughton: No, it is not. This is something entirely different, yes.

Ms Gallagher: This is just people who were not paid their super properly when they were employees of Totalcare.

MR HANSON: Okay, well, moving to the High Court decision, recently the High Court made a payout based on some of them who transferred and did not get their entitlements and so on. Have we had a look at what the implications of that may be? Have the lawyers started doing their work?

Mr Broughton: They certainly have. I think you are referring to the Cornwell case.

MR HANSON: Yes, John Cornwell.

Mr Broughton: Yes, that is right.

MR HANSON: So it is the commonwealth superannuation scheme in 1965.

Mr Broughton: Correct. In that particular case it was alleged, and presumably proven some way or another, that Mr Cornwell was incorrectly advised that he could not join the commonwealth super scheme when, in fact, he could. As a result of that, he has been compensated because, had he have been in that scheme over the period of his employment, he would have been a lot better off in terms of his super than what he was.

MR HANSON: Who compensated?

Mr Broughton: I think that was all the commonwealth government. Yes, all the compensation for that was by the commonwealth government. There are quite a large number of other cases or claims pending associated with that same story, although it is yet to be decided by a court whether you will be entitled to compensation if you were misinformed as against whether you were not informed. A lot of people possibly were entitled to the amendments of the CSS but were never informed of that entitlement. In the past the courts have taken the view that it is up to the individual to understand their entitlements, but if you are actually told by someone, like a foreman or something like—

MR HANSON: But you would need to prove that, I suppose. What was the order of magnitude in terms of numbers of people and amounts of money?

Mr Broughton: Well, where I was getting to was that it will depend a little bit on the circumstances of the individuals and whether they have been misinformed or not informed. So to try and pull a number around this at the moment is pretty near impossible.

MR HANSON: Yes.

Mr Broughton: The other issue that we face is, if there is compensation payable, who will be responsible, because quite a large number of these people have spent time both with the commonwealth and with the ACT. There are issues around whether any compensation be split according to the proportion of employment they had with each of the parties or, alternatively, if the court found in favour of these individuals, it would be on the basis of a negligent act by the commonwealth, because the ACT did not exist back then and so, therefore, should the commonwealth not pay for their own negligence rather than the ACT? So there are a lot of issues we need to work through before we really understand and can put a figure around what it might cost.

I have just been handed a note. You may or may not be aware there is a Senate inquiry being conducted at the moment on this very issue because of the potentially large implications for the federal government.

THE CHAIR: Ms Hunter has more on the SPA.

MS HUNTER: Yes. And I do realise, chair, that we will have to move on. Treasurer, I ask you to note that I have put a question on notice about shareholder activities and so forth, and I still have not received an answer on that one and it is overdue.

Ms Gallagher: Is it overdue?

MS HUNTER: Yes.

Ms Gallagher: I will chase that up.

MS HUNTER: I want to ask about the account management and how you interact with the contracts you let out around the superannuation funds. Do you actually say, "We want this percentage"? How do you interact with them? Do you explain what you want it invested in? Do you explain you want a certain per cent in fixed interest, a certain amount in Australian equities or whatever? How much control do you have, or do you just sign on the dotted line and say, "Thank you very much. Bring us back the statement once every six months and let us know how you're going"?

Mr Broughton: I might respond to that, and Patrick can correct me if I get some things wrong. Treasury decide, subject to the approval of the Treasurer, as to where we allocate our investments, so what type of investment that we engage in, be it fixed interest, be it either Australian equities, overseas equities, property and non-listed companies. We take advice from a strategic asset adviser in relation to how we can balance our desire for a particular rate of return. It is our policy—this has been mentioned I think for many years now—to try and target a rate of return that is five per cent higher than CPI. We have deemed that that is a reasonable rate of return to try and achieve, which balances off trying to cover the liabilities and growth in liabilities but also does not expose us to too much risk.

The strategic asset consultant then advises us on how we can structure between the asset classes in order to achieve that rate of return but at the lowest possible risk. So that is called our strategic asset plan, and then from there we then decide who would manage that money on our behalf.

Let us say, for example, we decide that 30 per cent of our total funds should be invested in Australian equities. We then decide what style of investment we need as part of that process. There are various styles out there in the market, and then we do manager research, and our strategic asset consultant helps us with this as well. We select the appropriate managers and then allocate then funds to them. Once we get to that stage, we do not instruct the fund manager as to which companies they should invest in or how much they should put in particular companies. They have got the expertise, they have got the resources, Treasury does not have them. So we leave it to them to make those decisions for us.

MS HUNTER: What percentage of our portfolio would be in securities that enable us to vote on shareholder resolutions?

Mr Broughton: We have that number. We are just pulling it up. How about we take that on notice—

Mr McAuliffe: I have got the number here; I just have to add them all up.

Mr Broughton: All right. When he adds them up we will give you the number.

MS HUNTER: You can send them both together.

THE CHAIR: We might move on to the Insurance Authority. On page 411 of BP4, I notice that the payments that we make are broken down into a number of areas—employees, superannuation, suppliers, which account for about $3 million—but the bulk of it is in "Other" at $90 million. Is it possible to get a reconciliation of what the $90 million is?

Mr Fletcher: Sorry, I did not hear your question.

THE CHAIR: The payments that we make, the first three categories total about $3 million, but "Other" is $90 million. Is it possible to get a reconciliation of those categories and how much is in each? If you want to take that on notice, that is fine.

Mr Fletcher: I can tell you broadly what some of it is about.

THE CHAIR: That is fine.

Mr Fletcher: Most of it is our normal claims payment activity. Another big chunk of it is payments associated with a significant property damage claim from flooding in October and December last year and the other component, which is offset by the revenue at the top, is the payments that we make on behalf of the Office of Industrial Relations for workers comp payments on behalf of the territory. They use our accounting mechanisms to recover those costs from territory agencies. If you want more I can break that down.

THE CHAIR: October and December: which buildings were involved there?

Mr Fletcher: In late October last year and then on 2 December last year there was a fairly lengthy period of time where there was a high rainfall in the ACT. On 2 December there was a significant rain event that meant that we sustained a significant amount of damage to bridges and stormwater infrastructure. That claim at the moment is estimated at about $15 million, of which the territory's property policy meets the costs of $10 million in terms of reinsurance recovery from that event. Self-insured retention on that policy is $5 million so we meet the first $5 million and there is a reinsurance recovery of $10 million underway at the moment. We are working our way through with a range of territory agencies but the most substantial element of material damage there is with roads and stormwater infrastructure. There are a few claims for schools for flooding but most of it relates to bridges and roads.

MS LE COUTEUR: Your KPIs talk about conducting risk assessments over the government. I have got a lot of questions here but given the time I will just summarise them. Most of the large directorates or the departments before them obviously have not established internal audit functions and they have people who look after risk; they do all this stuff internally. Why are you doing it as well?

Mr Fletcher: We do not in fact manage risk on behalf of agencies. That is really the responsibility of the chief executives. Our legislation asks us to develop and promote good risk management practices across the territory. So the authority in some ways owns the broad territory risk management policy and framework which was implemented in 2000 then revised in 2004. Then, as you will see in our statement of intent, one of our priorities for 2011-12 is implementation of a revised policy based on new international risk management standard. So we provide the policy statement and the very broad framework and then each individual directorate tailors their own risk management framework to suit their own business activities in an effort to identify risk within their own agencies.

So we are not really duplicating what agencies do. They are very much responsible for managing their own risk, which of course the authority does not have visibility of. But our responsibilities are to help them develop and promote those good practices. We do that in a number of ways; as I have described, in terms of revising the current framework in terms of the new standard. But we are involved in helping them review their own framework, providing information about their claims activities, which in some ways helps them to try and identify areas of risk within their business that they need to focus on. We help them with training activities. But we are not involved with the day-to-day risk management activities of different agencies.

MS LE COUTEUR: Are you involved in looking at it from a whole-of-government point of view of the catastrophic but hopefully rare things like what have happened this year? Floods come to mind, or bushfires.

Mr Fletcher: Sure. In terms of natural disasters and an all hazards risk management process, COAG at the moment have tasked states and territories to undertake a review of what those risks might be and the ESA are leading that process on behalf of the territory. That involves a forum that they are running at the moment with a range of different agencies in the territory, including a couple of my staff, to try and quantify what those risks are. But in terms of our insurance and our policy coverage, we are well placed to meet the type of natural disaster or other that might occur of that magnitude as per our response to the 2003 bushfires and the way in which the authority's policies responded to that incident and the property damage incident in December last year.

THE CHAIR: We might move on to the home loan portfolio. Mr Hargreaves, have you got anything?

MR HARGREAVES: In BP4 on page 189, the third dot point talks about new arrangements for the home loan portfolio. What will they be exactly? I am a bit interested in this from my housing past. Will these new arrangements have any bearing on the ACT's ability to repay the principal owing in 2040?

Mr Read: We are replacing the system which we currently use to manage the home loans themselves.

MR HARGREAVES: Okay.

Mr Read: So it will not have any impact on—

MR HARGREAVES: So a policy impact is just a practical impact; is that right?

Mr Read: Exactly, yes. The existing system has been there for a number of years and dates back to when the portfolio was managed on behalf of the government by Perpetual Trustees and while it has been a very stable system and reliable the cost of it now, given the number of loans has reduced quite significantly, is quite high. So we have been looking at options to replace that system and we think we have found a replacement for that system which we—

MR HARGREAVES: How many loans are outstanding at the moment?

Mr Read: As at the end of April, there were around 150 loans outstanding and we expect that to be down to about 145 by the end of the financial year.

MR HARGREAVES: Is there only half a dozen or so discharged a year?

Mr Read: No. At the moment the discharges are about 2.3 loans being discharged every month so that is a reduction of about 20 to 25 per year.

MR HARGREAVES: Okay. Presumably that 145 or so that you are talking about have got a long time to run or a short period to run?

Mr Read: The estimate if all the loans were to run to completion is for approximately another 11 to 12 years for those loans to be fully expired. So, yes, there are still a number of years to go on some of those loans.

MR HARGREAVES: Does the liability take a dramatic downturn towards the tail end of it, or is it just pretty static, flatlining?

Mr Read: The liabilities depend more or less on the loans that remain in the system.

With the home loan portfolio there are a number of loans that have what we call deferred assistance and so as the number of loans reduces the loans that are left are probably what you would regard as your more difficult home loans, so more of those loans will have a higher percentage of deferred assistance. So it will vary depending on what the balance of those loans is.

MR HARGREAVES: Right. Any of those loans covered by potential bad debt?

Mr Read: There is a provision for bad debt in the portfolio, but as the number of loans reduces that provision is actually reducing.

MR HARGREAVES: Thanks, Mr Chair.

THE CHAIR: Thank you. If we have finished with the Treasury portfolio, I will call ACTTAB.

Ms Smithies: Before we change over, I just need to clarify for the record something we were discussing around the government office block yesterday. This was done on reflection last night and in consultation with my colleagues around checking some of the modelling. We were talking about whether the value of the land was in the modelling, and I think my answers really related to the budget impact. But just to clarify in relation to the economic analysis that was done and the net present value analysis that was done around that, it did take account of the value of the land, the block next to the Assembly building, of around $30 million and that does sit in the financial model I just wanted to clarify that because I did not want to leave the committee with the wrong impression around the economic modelling.

THE CHAIR: Thank you for that.

Mr Broughton: I have an answer to Ms Hunter’s question about the percentage of the portfolio for which we have active equity management; that is approximately 25 per cent.

MS HUNTER: I look forward to that other question on notice, Mr Broughton.

THE CHAIR: I now welcome ACTTAB to this session of estimates for 2011-12. I am not sure whether you were here when I did the introductions so I need to remind witnesses of the protections and obligations accorded by the privileges statement on your table and ask that you confirm that you have read the statement and you understand the implications.

Mr Quinlan: Yes.

THE CHAIR: Good lad. Just for your interest, we are having Hansard record this so we can transcribe it. We are also webstreaming and broadcasting it and we have a thing now called Committees on Demand where a video loop will be on the web for people to view it into the future. Are you happy to proceed with those conditions?

Mr Quinlan: Absolutely.

THE CHAIR: Thank you. Would you like to make an opening statement?

Mr Quinlan: No, other than to apologise for Con Kourpanidis, who cannot be with us today, so you have got me. I think ACTTAB is fairly straightforward and people understand what it does, so I do not think there is any need for a boring statement.

THE CHAIR: Thank you for that, Mr Quinlan. I think that is the shortest answer you have ever given me to a question.

MR HARGREAVES: No. "Very soon" was the shortest answer you have ever been given, Mr Chair.

THE CHAIR: On page 433 of budget paper 4 I notice you started the year with 68 staff and the outcome for 2010-11 was 72 staff but the actual outcome was 63 staff, going back up to 65 staff in the coming year. Can you explain the nature of the suspension on recruitment and what effect it may or may not have had on the organisation?

Mr Curtis: There was a period last year where our financial position caused us to rein in expenditure as best we could to try to improve the trading position of the organisation. Part of the measures that were put in place at the time was to not fill vacant positions and I am pleased to say that the trading position of the organisation is now improving and some of those positions will be filled during the current financial year.

THE CHAIR: Thanks for that. Ms Hunter?

MS HUNTER: On the capital works program, is that just the betting system or is there something else in there as well?

Ms Snowden: No, that is just the new betting system.

MS HUNTER: Okay. Thank you.

THE CHAIR: Ms Le Couteur?

MS LE COUTEUR: We could put it on notice.

THE CHAIR: All right. Mr Hargreaves?

MR HARGREAVES: I am sweet, thank you very much.

THE CHAIR: Yes, but do you have any questions?

MR HARGREAVES: And I do not have any questions either.

THE CHAIR: Mr Hanson?

MR HANSON: No questions, thank you, Mr Chair.

THE CHAIR: Look at that. I just have a final question then. Mr Curtis, there was a report in the *Canberra Times* in March of some charges being laid in the fraud case. What chance is there of recovering what is estimated at something like $1.4 million of fraud?

Mr Curtis: It is probably not appropriate for me to discuss the actual incident as the matter is still before the court. The amount of money involved is alleged to have been $1.4 million. You probably saw from that *Canberra Times* report—it is on the public record–that the Australian Federal Police have taken proceeds of crime action in respect of the moneys that are alleged to have been misappropriated. So I guess there is some prospect in the event of a guilty verdict in that matter that the moneys may be recovered.

THE CHAIR: Has the loophole that allowed this to occur been shut?

Mr Curtis: Yes. Without going, again, into detail of how the matter was discovered, it was an internal process that detected the matter and that loophole has been addressed.

THE CHAIR: Right. That is it for me. We may have other questions on notice but thank you for your attendance and there endeth this session. Thank you, Treasurer, for your attendance.

Meeting adjourned from 4.04 to 4.18 pm.

THE CHAIR: I welcome the Chief Minister, appearing on the first occasion to answer for the appropriation for the Chief Minister's Department.

We would like to welcome all of you here this afternoon. Today we will start looking at the Chief Minister's Directorate and, hopefully, get through output class 1, outputs 1.1 and 1.2.

I need to remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the yellow-coloured card before you. Could you confirm for the record that, having read it, you understand the privilege implications of the statements. Yes? All confirmed; thank you for that.

As normal, we are recording these proceedings so that Hansard can transcribe them. They are also being webstreamed and broadcast live. The Assembly is also trialling Committees on Demand, which will allow the audiovisual record of the proceedings to be publicly accessed via the web after the hearing is over. We have a great deal of ground to get through this afternoon and ask witnesses to assist by keeping their responses concise and directly relevant to the subject matter.

Chief Minister, would you like to make a short opening statement?

Ms Gallagher: No, thank you. I think we can just proceed to questions. I will rely somewhat more than usual on my officials. We only had a chance for a half-hour briefing this morning.

THE CHAIR: Thank you for that, Chief Minister. Perhaps we will start where Treasury finished off. At the conclusion of the session on Treasury, the Under Treasurer offered a correction that in fact the cost of the land had been factored into some of the finances for the new ACT government office building. Is it possible to have an explanation of what the impact of that costing is?

Ms Gallagher: I am not sure if CMD are in a position to do that. What Ms Smithies was saying was that in some of the economic analysis that has been done as part of the government office project the cost of the land—I think valued at $30 million—was factored into the economic analysis. It was not part of the budget deliberations that resulted in the estimates being provided in the budget. I think that was the clarification that she was providing.

I took some advice this morning on what information has been made available to committee members, as I did not have carriage of this issue. I have here a package of information, with a CD of information that was used in an industry briefing on Friday—I do not know if people have had that—which I am happy to provide to committee members. Because of the interest in this project by the committee, it may be useful—and I will leave this open to the committee—for the same experts who provided that industry briefing to make themselves available for the estimates committee to assist you with your deliberations on this.

THE CHAIR: That might be something that the committee takes up. It is interesting that Ms Smithies makes the statement, because I want to follow up the line of questioning on the opportunity cost of the whole of the government office building.

Were there any alternative uses discussed for the block of land that the building may be built on?

Ms Gallagher: Again these are questions that should be put to LAPS, who have managed this project and the consultancies that fall within it. They can speak in great detail on those issues—as could Treasury, if you wanted to discuss that further. I am not sure that this has been CMD's responsibility. I cannot speak on behalf of the agency, but on my understanding LAPS have been managing it. They have been managing the consultancies and Treasury has been assisting. So in terms of those technical questions around opportunity costs and things, questions are better placed with those agencies.

MR SESELJA: The analysis, though, was prepared for the Chief Minister's Department.

Ms Gallagher: At the time that is where major projects sat—through David Dawes. This work has been done over a number of years, and indeed was started prior to the commencement of Land and Property Services.

MR SESELJA: So you are saying that the Chief Minister's Department is not in a position to answer any questions on these documents that have been prepared for the Chief Minister's Department? Is that correct?

Mr Cappie-Wood: May I clarify that. A number of those initial reports were commissioned at the point in time that that project was in the Chief Minister's Department or transiting, some time ago, into the Department of Land and Property Services. A number of those projects might have been commissioned or actually delivered to LAPS in that form, and there have been subsequent levels of analysis since that period of time undertaken by LAPS, to the point where the final financials, the final cost-benefit work and the final pros and cons were within the responsibility of LAPS. Chief Minister's was there at the initial conception, but not necessarily at the final report stage.

THE CHAIR: The Chief Minister put out a press release on 14 May that said that the building would improve workforce efficiencies, increase productivity and bring extra vitality to Civic. I assume that you are not going to say that these are not in the realm of the Chief Minister's Department.

Mr Cappie-Wood: Some of those have certainly been discussed with me, yes.

THE CHAIR: How does it improve workforce efficiencies and increase productivity, and how did you determine that?

Mr Cappie-Wood: What has been looked at is a range of benefits associated with this that cover operating and running costs and differences in productivity more generally. They can be broken down. I think the figure of 19.3 million has been quoted as well as a further $15.2 million in workforce productivity areas. I am just checking to see whether you have been provided with a breakdown of that. I am happy to go through those today if you wish.

THE CHAIR: The committee has not. It would be good if you went through them.

Mr Cappie-Wood: Okay. A number of questions have already been asked about this, so I just wished to clarify that.

In terms of going through that—with running and operating costs, there is a potential rental saving which is a reduction through the abolition of rental claims on currently leased buildings. At the commencement it starts at $12.7 million per annum. That would actually grow over time, because factored into that is the gradual diminution of the existing rental stock. That is because trying to get all of your rentals down to come to cessation at one period of time is obviously difficult. So the commencement of $12.7 million would climb in current-day dollars to approximately $20 million per annum. So in terms of round numbers the amount of rental property that we purchase from the private sector that would go into this building has been calculated at $12.7 million and rising. Effectively it is $20 million a year, so over 10 years that would equate, in current-day terms, to $200 million.

Going to workforce efficiencies, we are looking at workforce efficiencies by having a common shopfront and making sure that by coming together there are benefits around security. We would see that we do not necessarily have duplications in terms of front office security. Facility management, mail, et cetera—that has been calculated at approximately $4.6 million per annum.

MR SESELJA: That is the total of those items?

Mr Cappie-Wood: That is the total of those items—the general efficiencies in terms of admin, shopfront services, security, facilities management, mail and other general efficiencies there. Again, instead of having these things replicated in a range of locations they will be able to be done more efficiently in one location.

THE CHAIR: So the total is?

Mr Cappie-Wood: I am running up to that $19.3 million.

Ms Gallagher: This is what forms the $19.3 million.

Mr Cappie-Wood: This comes to the $19.3 million. The remainder of the $19.3 million is $2 million which is estimated to be the savings from the churn which would otherwise happen in the normal course of events through movements of administrative arrangements or other general flex in the public service where you would have to otherwise spend that on changes to office accommodation arrangements. So we would be able to look at the configuration of the office so that you would be able to do this much more effectively and efficiently, making sure that instead of having these flexes in the size of the public service in a number of locations it can be done more effectively in one location. We see that as an annualised potential saving of $2 million. That comes to $19.3 million.

In addition to that, we see that there are further productivity efficiency savings in a range of places. We would see that there are savings in office consumables; ICT; interagency travel costs; reduction in electricity, water and gas costs; and reduction in attrition, because we believe that there would be a more beneficial workplace. We do see people commenting on the quality of the existing workplaces that they work in, saying that if they had known some of these things they might not have come and worked for us. I hate to think that we would be in that position in the future. We see those general efficiencies coming in at $4.2 million.

There are further potential productivity arrangements, which would be around the reduction in unexplained absenteeism due to improved workplace amenity and morale, at $4 million per annum. Increased coordination across work groups and business areas could go as high as $4 million. There is better technology utilisation of $2 million and reduced interagency travel times of $1 million. That 4.2 plus 11 is a further $15.2 million on top of the $19.3 million which was previously mentioned.

MS LE COUTEUR: You talked about savings in ICT. I would have assumed that those are basically going to come simply from upgrading existing hardware and software. Wouldn't you be doing that over a period of time anyway? I am not sure that the office building has got anything in particular to do with any savings. My other comment is this. In terms of churn, on looking at your figures, which could be incorrect, it appears that the office building will be full when it is built. As the ACT public service keeps on growing—admittedly slowly, but it does keep on growing each year—aren't you going to end up in the first year, or the second or third, where you have got a problem?

Mr Cappie-Wood: There are two questions there. I will go with the first one and come back to the second one. On the IT savings area, I asked the secretary of DEWHA—who have just moved into major new accommodation over on Marcus Clarke—where they saw their significant savings coming from in terms of the nature of their office arrangements. Not only were there environmental savings, but one of them particularly was in terms of ICT. They are looking at networked ICT solutions there, which would provide better printing and better usage of ICT services more generally.

MS LE COUTEUR: You do not need a new building to do that. You could do it here. In fact, I keep on asking why we do not.

Mr Cappie-Wood: Yes, you can retrofit your existing arrangements, but if you are going to invest you have the question about whether you invest in existing office space or you invest in new. That is one of the benchmark questions about saying, "Where do you place that assumption?" If you see that you are going to invest and you invest in a new office block, you build in the benefits associated with that investment. And IT savings would be one of those.

MR SESELJA: The $19.3 million—is that a gross number or a net number?

Mr Cappie-Wood: What we have there is made up of potential rental savings and, as I said, the $12.7 million, which is the majority of the number you mentioned, is the figure that has been given to me in terms of the potential rental savings at the commencement of the project. That would progressively climb by market anyway. But also the relevant benefit would increase over time because you have some existing rented stock which you are going to have to manage in the short term because when trying to manage all your existing leases not all of them fall exactly at the same period of time for entry into the building.

MR SESELJA: What about the costs that are associated? What about interest, borrowing the money to build the building?

Mr Cappie-Wood: That would be part of the total financial analysis, and I defer to my colleagues in LAPS for that. I am looking at, if you like, the workforce efficiencies associated with the public service in this regard.

MR SESELJA: So does that come off the savings?

Mr Cappie-Wood: Would they come off the savings?

MR SESELJA: Yes.

Mr Cappie-Wood: In regard to the cost of rental—you would have to look at the model—certainly that is included in the material that the Chief Minister has just given you. So that is—

MR SESELJA: In which of the 16 documents that were released last week are the $19 million and the $15 million figures? I presume the disk you have contains those 16 documents. But where is that analysis actually found?

Mr Cappie-Wood: There is a spreadsheet in there which covers all the costs and cost assumptions associated with that. It is included in that one spreadsheet there. As to which number document it is out of the 16 I am at a loss but it is certainly within those 16 documents.

Ms Gallagher: You will have to have a look.

MR SESELJA: We have had a look and I have got to say it is a bit difficult to find, particularly the financial analysis that I assume is the main analysis that looks at this. It does not seem to come up with those kinds of numbers and certainly not in any detail. So there is a spreadsheet there where it works through all of those numbers, quantifies them and looks at savings and costs?

Mr Cappie-Wood: There is a spreadsheet in there which deals with your issues, as I understand it from looking at it, which are: what are the attributable costs and what are the attributable savings associated with this project?

MR SESELJA: But you do not know which document that is in; is that right?

Mr Cappie-Wood: I just do not have on the tip of my tongue the title at the top of that spreadsheet, but certainly I have seen it in those documents.

MR SESELJA: It might be useful, given there are a lot of documents, if someone is able to provide that at some point to the committee.

THE CHAIR: Perhaps by the end of the session somebody could tell us exactly where that document is. Mr Hanson has a question.

MR HANSON: My comment is about the workplace morale that I think the minister said is going to save $4 million a year. It seems interesting that the government on the one hand are saying that the best way to improve morale seems to be to move into an office block close to where people live in Gungahlin and places like that. But on the reverse they are saying that putting everybody into a central location is somehow going to improve morale, to a point of saving $4 million a year. Could you explain to me how putting everybody in one office block generates $4 million of savings in morale?

MR SESELJA: Imagine if you doubled the size of the office block, presumably morale would go even higher.

MR HANSON: Having worked in a big, centralised office block before, I can assure you that morale does not improve.

Ms Gallagher: Go and work in Callam Offices.

Mr Cappie-Wood: Yes, Callam Offices, where the floors move up and down. Clearly there is a question about what modern workplaces look like. I agree with you. I have worked in very large offices as well and if they are not designed well and if they are not very carefully thought out you actually have unhealthy buildings, even though they can be quite modern.

What we are looking at—and we have given considerable thought to this—is: what is a conducive office environment to produce a collaborative, cohesive workplace so that employees want to come to work not only because of the nature of the work they are doing but how they work and how they engage with their colleagues and that this is something that they see as conducive to good workplace relations? It is healthy. We have seen—and it is, therefore, verification in terms of the advice we have received—that this can be seen as reducing unexplained absenteeism. People want to come to work because of the nature of the workplace.

You have to think about it carefully, though, about large, modern offices. It is not a location issue. It is actually the workplace issue, and the workplace issue can be completely stuffed in the modern office or they can make it work well. And some of the things we have been carefully thinking through are: how this is going to be conducive, how we minimise unused work spaces, how we make collaborative work spaces, how we can make sure that the public and private spaces within this office block will be supporting the government's intention about delivering better service and incorporating things such as shopfronts—a combined shopfront, rather than individual shopfronts—and how we can not only deliver better services from here but also how, in bringing together a lot of the clerical staff across the public service, we are producing better results for the government of the day.

MR HANSON: And what is the difference between the Gungahlin and the Civic buildings? I asked earlier about the loan borrowings we might need to make for Gungahlin. I was told it is probably going to be leased or rented.

Ms Gallagher: No, I said there had not been any decisions taken around that, other than we are to proceed this year with nutting out the specifications of what is required.

MR HANSON: So the decision to buy this building is a unique decision? Gungahlin might be different, based on what factors? It just seems that there is a difference here. This one we have got to own, whereas in Gungahlin we might be able to lease it?

Ms Gallagher: I do not know. They are two different projects, for a start. As we have gone through the financial analysis—as you will see from your reading of the documents you already have and the ones I have provided you—there are a range of different scenarios as to what is the optimal outcome for this project. The financial analysis supports owning. It is a design, construct, own, operate, manage model for the specifications of what we set, and we set co-locating, pulling everybody together, looking at a six-star building and some of the savings and the leadership that would come from designing a building like that in the city. When all of those specifications that we gave to the consultants were examined, this is the outcome in terms of the best way forward.

MR SESELJA: You talked about efficiencies in the main financial report that was provided to CMD.

Ms Gallagher: What page is that?

MR SESELJA: Page 35 of the Cox report states:

> It is probable that aspects of the existing Shared Services' functions could be delivered more efficiently than at present and with fewer staff, if it were a consolidated government office building complex.

So how many staff go as a result of these efficiencies?

Mr Cappie-Wood: At this point in time the shared services entity is not necessarily seen as a tenant or part of the main government office building. It is mainly for clerical as opposed to the shared services.

MR SESELJA: Do those other efficiencies you talked about then come with staff reductions?

Mr Cappie-Wood: Certainly there are some assumptions that you could do potentially with fewer private security firms. But there are some questions about whether you are having facility management associated with this built into the contract and whether you would therefore see that it is the preferred procurement method, which it currently is. What savings could be made in terms of current facility management across a number of government office blocks? You are then effectively building that into a contractual basis. There is the handling of mail. The fact that you could get a consolidated shopfront would also benefit us all because a consolidated shopfront would be of significant benefit to the people of Civic.

Ms Gallagher: And you have those outlined on page 35.

MR SESELJA: Sorry, I was just told that that was not the case.

MS LE COUTEUR: I asked a double-barrelled question before. I want to also ask about the number of people the building will be able to accommodate. On looking through it, it looks like the building is basically going to be filled when it is initially opened. Given that the public service continues to grow, which I agree is an assumption, have you thought about what you are going to do? Build another building?

Mr Cappie-Wood: In fact, most of the growth in the public service has been in front-line services, rather than necessarily on the clerical side. And we will be continually looking to make sure that we constrain the growth in the clerical side and focus upon front-line management. So that is one of the issues. One of the things we need to keep in mind is that this does not house every public servant.

MS LE COUTEUR: I am well aware of that.

Mr Cappie-Wood: There are 3,534 calculated to be included in here and as such we need to make sure that we have got flexible work spaces, work spaces that can match project-specific approaches, rather than necessarily silo-specific approaches et cetera. So we can obviously continue to focus upon making sure that we get as much effectiveness and efficiency out of the people whom we house in here. And making sure we have got the design right to do so will be one of the critical factors. So the internal fit-out questions, for me, are sometimes more important than the mere bricks and mortar of the external construction.

THE CHAIR: A new question from Ms Hunter.

MS HUNTER: I want to go to budget paper 4, page 37, around the government policy and strategy and the whole-of-government policy and project initiatives. You have a target of four initiatives here, but note 1 at the bottom only talks about three of them. What is the fourth project?

Ms Davoren: In that note we identified three but it was not that we had intended to include four and had forgotten one. We use the words to describe what these projects include and we name three because they are three that have already been considered and agreed by cabinet. The additional project is one that is still subject to cabinet consideration.

MS HUNTER: You have 10 initiatives. You have six for your 2010-11 estimated outcome and for next year you have four. I will leave that for a moment. I do want to go into the detail of the ones that you have mentioned. There was some finalisation of the triple bottom line policy assessment tool and it looks like it is going to be ready by June 2012. Will that be in time to use in the development of the 2012-13 budget?

Ms Davoren: The issue there will depend on the scope of what that triple bottom line assessment framework turns out to be. The proposal at the moment is—and we are currently working on the discussion paper, which has yet to be considered by government—to take that out for wider public discussion, get that feedback on the triple bottom line policy assessment framework and then finalise the framework.

I think at the end of the day we would probably be proposing to government that we would implement that incrementally because it has got some complexity in it. And I think that on that basis it is quite possible that it would not be encompassing that budget process at that stage.

MS HUNTER: Another was around the implementation of the performance and accountability framework and I just want a little more information on this. There is $355,000 and it seems to be rising for the next four years. So I am thinking it must be something reasonably substantial. Would you give a bit more information on this particular initiative?

Ms Davoren: That is the follow-up to the release of the performance and accountability framework and evaluation policy guide during this financial year. Both of those were released late last year. The funding is to provide capacity to implement those initiatives, and the funding will go to staff. The increase represents the indexation for those staff. So there would be capacity to employ in the first instance two staff who would be supporting the implementation of those frameworks, which are quite important pieces of work for our overarching public service strategic planning and accountability performance work.

But also, going back to the Hawke review, there was a proposal or suggestion that the government would create a performance and analysis unit within CMD. So the aim is that that small team would also, in the longer term, provide the basis of that analysis unit. The function would change over time. In the first instance it would focus on performance and accountability implementation and then, as we get that underway, we can move to working on the broader performance and analysis, which is a linked function.

MS HUNTER: And the final one was around development of the service planning framework. Could you give a bit of information about the service planning framework?

Mr Cappie-Wood: In broad terms—and Pam Davoren might like to provide further detail—the service planning framework, for us, was a critical element to say what and how we provide a coherent framework of thinking about how we plan for services in the future. Some of the greatest challenges we face are not only changing demographics et cetera but how we then link our thinking within government around service planning.

It is all very well to talk about some direction setting on one hand and accountability on the other. What is in the middle is how we actually deliver services, how we plan for them, how those planned services then link to infrastructure demands, for instance, so that we have a degree of coherence in that. What we are investing in there is—and a number of other jurisdictions and numbers of other governments are thinking in that same space, where it is certainly a new area of thinking—how we actually do service planning in a linked-up sense and with a degree of transparency about how we actually think that through. We see this as one of the fundamental tenets, because of the challenges of meeting service demand growth over time. And to be able to allocate resources appropriately to those changing service demand profiles as demographics change will be something which we have to be absolutely up-front about.

MS HUNTER: I just wanted to link in also the Canberra plan because it is on this list. There is the annual report on the Canberra plan, but we also have the release of an issues paper on the 2013 Canberra plan. Where are we up to with the Canberra plan? Underneath the Canberra plan, of course, is the social plan. I understand that has actually been out for consultation or whatever; it has been going through some process for quite some time now. If you could just give an update of where we are up to with, particularly, the social plan and the Canberra plan.

Mr Cappie-Wood: It is anticipated that the social plan update will be released shortly—very shortly, I have to say.

THE CHAIR: The traditional word in estimates is "soon".

Mr Cappie-Wood: Sooner than you think—very soon.

MR HANSON: So "shortly" would be within the next month?

Mr Cappie-Wood: I would certainly like to think that that can be achieved within that period of time. It is an important part of the Canberra plan. There are some additional resources to refresh the Canberra plan, but I think it is time for us to think through what form that takes. Is the Canberra plan in its best shape for the future? Rather than just rolling it forward, it is about saying, "How is this best serving?"

It is the guiding document. It is an outcome-based document. It is an intergenerational document in terms of the aspirations of places there. How best does that inform the next layer of planning within agencies? Have we got the tone right between the peak Canberra plan and the subsequent planning documents that come out and eventually roll right the way through into individual agency strategies to see that connection vertically through the planning process and make sure we have consistency in there? And what then supports that? How is that supported at the various levels for the accountabilities as you get into further specificity as well?

Hence at the Canberra plan at the peak we are talking about measuring our progress, which is literally societal outcomes with 28 indicators, which people say is really great because you can see the headline outcomes there. But then how is that progressively rolled down as we look at planning and accountability at various levels throughout the public service? So with that money that we have got there we want to make sure that the next iteration of the Canberra plan, and its four-year cycle, will be fit for purpose.

MS HUNTER: Will we be getting an annual report in June this year on the Canberra plan?

Mr Cappie-Wood: Yes.

MS HUNTER: We had one in the previous June. You have noted it here, so you are obviously going to ensure it gets released in 2011-12. It is one of your targets. What is that going to include? What is that paper going to focus on or contain?

Ms Davoren: I am sorry, the—

MS HUNTER: The 2013 Canberra plan issues paper.

Ms Davoren: Again, it is early days. We have not yet started that work, other than doing the broader thinking around the accountability framework. We would be looking at the outcomes of "Time to talk", which was an important bit of work last year, and the existing Canberra plan—how we are tracking against that plan and then projecting into the future—and I would think also having some further community discussion around what the shape of the Canberra plan should be.

THE CHAIR: Ms Le Couteur, a new question?

MS LE COUTEUR: Yes. There are many new things in Chief Minister's, but you have got a scoping study—

THE CHAIR: I am sorry, what page?

MS LE COUTEUR: I apologise. It is budget paper 4, page 37, output class 1.1. We have got h and i. Item h states:

> Complete a scoping study on opportunities for electronic service delivery.

When you look at the note you will find that it also relates to—

MR HARGREAVES: BP3, page 84.

MS LE COUTEUR: Yes.

MR HARGREAVES: There is the explanation for it.

MS LE COUTEUR: Yes, Mr Hargreaves, I have read it. My other bookmark is in there. You will find the note says it relates to Government 2.0. Item i states:

> Finalise and release an across-government ICT Strategic Plan.

My first question is: how does all of this link with InTACT? Up until now I had thought that these were the sorts of things that InTACT was doing. Have we changed—

MS HUNTER: It is about the chief information officer.

MS LE COUTEUR: And also, even more than that, the ICT strategic plan, which last year we talked to InTACT about. Do we no longer talk to InTACT about it? What is the story?

Mr Cappie-Wood: I am happy to explain. One of the things which we have been long looking for—and it is in the budget this year, which we are pleased about—is the government information officer. This tries to bring it together. InTACT is a service provider. Quite frankly, having the service provider tell you what the service is is usually a problem in any circumstances. So it is a capacity to have input and advice from InTACT, but it is also about the capacity for a government to form its own view about ICT strategic planning. We already have the first ICT strategic plan out there. What we will be looking to do, and that was done internally within Treasury, is to work with InTACT in terms of the new government information officer in the formation of the ICT strategic plan as we go into the outyears.

What that government information office, or officer, will be able to do is link the ICT strategic plan to, more broadly, the government's management of the knowledge management framework, which we want to be able to produce underneath this initiative as well. Knowledge management, ICT, also links through to service and how service support can be delivered in future as well.

The scoping study that you originally mentioned is there to say: what is the next potential iteration of use of our service strategy, particularly the use of social media and online capacity in terms of how we conceptualise service in the future? These things link up. What would be a new vision of a service using new technologies linked through to how you can use information more effectively and that also links through to the ICT strategic plan? InTACT is a critical deliverer of much of this. It is making sure that you are not necessarily having the persons delivering the service in control of dictating what the strategy should be.

MS HUNTER: Is it also in your thinking around changes that may be made around freedom of information and more of that sort of push model—so getting information out there? Has this been taken into account?

Mr Cappie-Wood: Certainly it is something that we see that government has a rich vein of data and information on and we would like to see it more effectively used. The most visited website in Canberra, I think, is the real estate website that actually uses ACT government data. It is the only one in Australia to do so and it is valued accordingly. In other jurisdictions they make you pay for that data. Here it is freely available and the private sector has utilised that effectively in terms of a public good. That is where we need to think about how data that is held by government can be utilised much more effectively, and quite often by private individuals rather than merely just government releasing datasets, to actually turn them into added value. Those are the sorts of things which I think we need to think about.

MS LE COUTEUR: So this new person will have the responsibility for implementing the Assembly's resolution on Government 2.0?

Mr Cappie-Wood: I am sorry; I have just missed it.

MS LE COUTEUR: This new person or office, I am not quite sure which—is it a person or is it an office?

Ms Gallagher: It is not a big office.

Mr Cappie-Wood: It will be an office of one person, I suspect.

MS LE COUTEUR: So this new person will have responsibility for implementing the Assembly's resolution of a few months ago about Government 2.0?

Ms Gallagher: We will certainly be informed by that resolution, yes.

MS LE COUTEUR: Hopefully it will, yes. I still feel a little bit confused. There has also been an Assembly resolution about ICT sustainability. Who has responsibility for this now? Is it InTACT or the new officer?

Mr Cappie-Wood: Clearly, ICT sustainability goes to issues of procurement, recycling, purchasing and general usage, as well as cut-out switches. There are all sorts of bits and pieces in there. If you look at the totality of that from procurement, that would be an InTACT issue. I know they are looking at this in terms of how government can procure more effectively—that is, green-style ICT products being purchased and the software they utilise to make sure there are energy savings. That is part of the operational environment and hence the recycling. So you could see that in terms of an operational sense.

There are also other levels of sustainability, which is to say, what are some of the decisions which government makes in terms of its investment in ICT major systems—which is more than merely buying the boxes and plugging them in—which would be able to support a more sustainable approach? That means that some of the sustainability is trying to knock out duplication in terms of some of our applications, trying to make sure that we have an aligned approach and not necessarily a duplicative effort around how we form up some of our major systems, and trying to make sure that it is generally a more efficient and effective way that our ICT strategic plan is delivered. It would operate on a number of levels, some of which are already actively being pursued—certainly in the procurement and recycling area.

MS LE COUTEUR: So does that mean in procurement you are going to look at—this is a question I was going to ask InTACT, but I am not sure if it is you or InTACT now—

Mr Cappie-Wood: It is InTACT primarily, yes.

MS LE COUTEUR: Recently in the Assembly we have had a replacement of computers. I assume what we have had has been fairly standard around what is being done.

Mr Cappie-Wood: Yes.

MS LE COUTEUR: One of the things that surprised me, given the government has a commitment to sustainability, was that we replaced the screens and the keyboards, which in virtually every case were operating absolutely fine. You could make an argument that we should have not done the whole upgrade, and I will not bother going there, but is it going to be normal policy to replace components which are still working?

Mr Cappie-Wood: That is a detailed question for InTACT. I understand in terms of the procurement they were looking at the life cycle anyway. If they were going to purchase one they looked at a whole set of purchases so they could get into a complete replacement cycle. What happens otherwise is that if you start doing episodic purchases your cost of maintenance and replacement in the long run becomes higher than if you do it now. I am sure they will be able to elaborate on that more effectively.

I noticed that as well; when they came into my office and replaced the ICT suite, everything went. I would like to think that some of that was recycled. I would like to think that there is logic not only from an efficiency point of view but also an effectiveness point of view for why that was happening. They assured me that there is great logic behind this. What we would be asking for at a higher level in terms of the ICT strategic plan is to be able to build those elements of sustainability into the ICT strategic plan more broadly.

MS LE COUTEUR: You talked about the new government office building and you were saying that that provided an opportunity to make major ICT changes. I believe people will not be moving into that until 2017, which is still six years away. Does that imply that you are not anticipating—this would be a strategic question—any substantial ICT changes between now and then?

Mr Cappie-Wood: Yes. Usually the ICT refresh happens on approximately a four to five-year cycle. That seems to be the norm. So between now and then there may well be elements of the public service that are refreshed, because there is a constant rolling refresh at any one time. That will continue to operate in the background—be they just operating systems or hardware—in that period of time. There is no doubt that some of the elements of sustainability can be built in now—some of the really groundbreaking stuff, which is to say, how do you get whole enterprise shifts, as opposed to merely segments of agencies shifting? How do you get whole enterprise shifts in terms of some of the things there?

For instance, in DEWR they have got a combined security and environmental saving device. In fact, you have to put your pass key into the slot beside your computer. That not only turns your computer on—conversely, if you pull it out, it turns it off. It is your coded security to operate it. You actually have a dual function there. When you do those sorts of things on an enterprise-wide basis, you can really make some jumps. That is what we want to explore: how do you take the whole lot into another paradigm? Otherwise we are doing incremental bids that do not necessarily always link up.

THE CHAIR: All right. We might move on to Mr Hanson.

MR HANSON: My question is about a strategic indicator on page 32, retention of employees. It is a bit of a long-winded question; so excuse me. In indicator d, the separation rate for 2009-10 is indicated as 6.4 per cent.

Mr Cappie-Wood: Yes.

MR HANSON: You talk about maintenance of low employee separation rates. I have gone back through the budget papers. This was obviously a new strategic indicator at some stage. I have gone back to 2006-07 to try to find it as a strategic indicator. It is not there.

Mr Cappie-Wood: Yes.

MR HANSON: But if you read that strategic indicator, it talks about a rate of 6.4 per cent separation being comparable with those in other Australian jurisdictions and so on. I want to compare that with the ACT government financial analysis, which was prepared for the Chief Minister's Department—as part of the justification for the office block. In box 5 it talks about the job turnover in the ACT public service and—

Ms Gallagher: What page are you on, sorry?

MR HANSON: Page 39.

Ms Gallagher: Yes.

MR HANSON: It says that the general observation is that turnover in the Australian public service—the commonwealth—is considerably lower than in the ACT public service. It talks about a figure of 15 to 20 per cent. It goes on to state that it is felt that one of the major reasons is that ACT public servants are moving to the APS. It refers to 2006-07 data from ACT Shared Services and so on. You can read that there. But basically you have got the document that is used as a justification for the new office block talking about a high rate of separation, a lot of people going to the commonwealth public service and a separation rate of essentially 15 to 20 per cent drawing back to 2006-07. But I look at the budget paper and it says that we are maintaining a low separation rate of 6.4 per cent, which is consistent with other jurisdictions.

Ms Gallagher: There are a couple of things there and I think it is partially explained because when you are looking at your senior officers, administrative services, you do have a higher separation rate because that is the market that the commonwealth are directly competing with. It is lower because, overall, the largest proportions of our workforce are teachers and nurses, who the commonwealth does not directly employ. So the stability there—the separation rate is not that high. Overall, our permanent separation rate is lower than that 15 to 20 per cent.

MR HANSON: So you are saying that the figure that is taken from—

Ms Gallagher: And it has changed. In fact, since the global financial crisis it has been lower.

Mr Cappie-Wood: Yes, it has been close to 12 to 15 in the past.

Ms Gallagher: Yes.

MR HANSON: So it is now lower than it was in 2006-07?

Ms Gallagher: Yes.

MR HANSON: Does it therefore present a stronger justification for the building? I mean, we have said that basically we have got to try and bring everybody in to make them happier because we are losing too many people, but are we saying that we are not really losing that many now?

Mr Cappie-Wood: The separation at any one time is a major issue because it effectively is a loss of investment in staff members through training, experience and their capacity to be effective immediately. So every time we have a turnover there are replacement costs, there are training costs et cetera. Every time we lose someone, we lose that investment. So whilst it is lower, it does not mean to say that the relevant impact cannot be dismissed, and it has lowered since 2006-07 across the board. That is in most jurisdictions. It has come down. It used to be about 12 per cent a few years ago. It has come down significantly and the GFC has impacted that.

MR SESELJA: Is part of the rationale for the government office building, and with some of those economic savings that you have claimed like higher morale, based on the fact that you believe that with a new government office building you are less likely to lose staff to the commonwealth?

Mr Cappie-Wood: It is based on advice given to us as well by the private market, which has been looking at how office blocks and new modern ones impact upon workforce behaviours.

MR SESELJA: So which is that advice?

Ms Gallagher: Well, it is in the financial advice. I mean—

MR SESELJA: So this is the case study you are talking about?

Ms Gallagher: It is part of that, but it does appear in other places in that document.

MR SESELJA: Because the case study does not actually give any rationale. It actually says it is difficult—

MR HANSON: It is about the money, isn’t it?

MR SESELJA: to draw confident quantitative calls or conclusions. What can be stated is that a consolidated office building may well lead to reduced staff turnover. But it does not actually say why. Is there anywhere where the documents actually say why and how?

Mr Cappie-Wood: Certainly, in terms of the site visits that were undertaken with South Australian Water, Westpac and others where the team went and asked the new operators of these, both public and private, what was the impact associated with moving to more efficient and effective office space, some of the clear issues that were coming forward from that were that it was a reduction in absenteeism rates and that there is improved satisfaction and retention. If you like, that might be anecdotal but there were certainly, from the industries that were spoken to—we can certainly provide the details of who we spoke to and under what circumstances. This might be able to provide you with further background on that.

MR HANSON: Is it not the reality though that the reason for moving to the commonwealth APS is because of the money and it is the difference? We can say that putting people in a new office block makes an impact. I am yet to be convinced, but the real reason is the money, isn't it, and there is a difference there.

Ms Hudson: Retention issues and attraction issues are influenced by a number of factors. Office accommodation is one, as well as salaries, as well as making a difference in the community—the work that you do. You might have noticed that the CPSU put out a statement around the government office block welcoming it in terms of moving from C or D-grade accommodation to A or B-grade. It is definitely something that we hear about anecdotally all the time—you know, "I have just gone over to DEWR" or "I have just gone over here and their buildings are fantastic." So it is a part of the mix that makes a difference.

What makes people feel valued is the workplace that they are in. In terms of some of the issues that were raised before—workforce morale—there were consultations with staff about the factors that staff wanted—our existing staff—in the new office block. Now that was quite some time ago, maybe a couple of years. But some of the things that people talked about, which actually impact on productivity, are air quality and OHS issues. These are issues that people look forward to in a higher quality building.

I know that in terms of the air and being able to open the window, sometimes we have checked if the air quality is okay in our building just because people have seemed to get sick from one person being sick and then it coming through the air conditioning. So those are things that people do value. People like being healthy. They like working in a productive workplace and they like being able to get a lot done.

MR SESELJA: How many square metres per person of office space does Chief Minister's occupy? So what is the average rate?

Mr Cappie-Wood: I would have to say that this is off the top of my head and I would have to confirm it but it is in the order of about 17 square metres.

MR SESELJA: And what is the class of office space that CMD occupies?

Mr Cappie-Wood: It is C grade, I understand.

MR SESELJA: And your cost per square metre?

Mr Cappie-Wood: I will have to provide that to you because we do not rent it, obviously. Well, we do pay the rental, but in terms of the leasing that is undertaken, that is undertaken through the property management area of LAPS.

Ms Gallagher: I just want to be clear about the $19.3 million—what I think has been known as direct savings—that has been incorporated into the financial and economic analysis underpinning this project and, in turn, informing the outcomes of that, which have recommended to government that we proceed to construct a new office building. The efficiencies around productivity and workplace efficiencies are what are known as indirect savings. They have not been factored in. So the project stands on the factored in—

MR HANSON: That is a different issue, though, minister. This is about the justification based on separation—

Ms Gallagher: Well, I am just making it clear because I can see where it is heading. The Liberal Party seems to have a view that—I am just picking up a feeling that these savings will not or cannot be realised and I am just saying to you that the project—

MR SESELJA: They look a bit rubbery, minister.

Ms Gallagher: stands on the direct savings. The indirect savings have not been factored into the economic analysis, but it has been agreed that they are potential and considerable savings to government in addition to the ones that have been factored in.

MR HANSON In terms of the differential between the ACT and the commonwealth public service, have we done an analysis of what that difference is, because sometimes it might be difficult to compare?

Ms Gallagher: In wages?

MR HANSON: Yes. I am just interested to see in the same category what an ACT public servant is being paid. I assume less in most cases. Have we done that as a body of work?

Mr Cappie-Wood: Because the gradings are not like for like, it is only a comparative—

Ms Gallagher: The CPSU has done it for us.

MR HANSON: Are you happy with that comparator? You have looked at their work and you think it is broadly accurate?

Mr Cappie-Wood: I would have to say that I have not looked at it recently. I have looked at it in the last few years; I have not seen an update of that. But there is no doubt that we still attract people from the commonwealth public service because of the nature of what we do. If you want to be at the pointy end of national policy development there is one place for you; if, however, you want to provide services to the public and you are much more of a people person, there is a different value proposition in the ACT government.

Ms Gallagher: And we do have a very talented public service who, as Andrew said, make those decisions about what work they want to be involved in.

MR HANSON: It is not about their talent; it is about how much money they are getting paid. That is the issue.

Ms Gallagher: That is one consideration for employees.

THE CHAIR: We might move to a new question. Mr Seselja and then Ms Hunter.

MR SESELJA: I was just pursuing a line of questioning. Going to the Hawke review, I know there is some money in the budget—performance and accountability and evaluation, implementation and strategic board secretariat. What are the other costs of implementing the Hawke review in the next couple of years?

Mr Cappie-Wood: There is currently an implementation task force drawn from across government, but at this point in time there are three people and their wages are contributed by the individual agencies. So there is not—

MR SESELJA: So there are three FTEs—

Mr Cappie-Wood: Three FTEs, but that is not an additional cost to budget. The other issues are these. Obviously there are a number of areas where work is to be progressed and the outcome of that work is to be concluded. It is about saying that there are questions raised from a range of areas and further work has to be done on those before government will take a decision as to whether they want to implement elements of that. And then there will be costings associated with it. So at this point in time it is very difficult to be able to give you that accurate figure.

Clearly, from the budget, there are a number of initiatives, as you pointed out, that have been funded, which is pleasing. We are not anticipating additional costs associated with that. We have just moved to a directorate structure, as you are aware. And, as previously advised, we are looking at a common presentation or logo; effectively that is being done internally and it is on the website so agencies can pull down their new directorate look and feel. That has been done at no external cost.

It is those sorts of low impact changes which we are not necessarily saying are costed into the future of Hawke. We are trying to do things as efficiently and effectively as possible. There will be, obviously, further elements and work within Hawke that government will take decisions around. At that time, any questions about further funding or otherwise will be considered.

MR SESELJA: So the rebranding, from what you say, is at zero cost to government: it has been done in house. Is that right?

Mr Cappie-Wood: It has been done in house, yes.

MR SESELJA: Has a final decision been taken on which organisations will be able to keep their individual logos and identities? I think we discussed Emergency Services having that individually. Are there others that will get that—CIT and others?

Mr Cappie-Wood: Advice has gone out just on the directorates themselves, and advice has gone out that the government's detailed consideration of where co-branding, and no branding, if you like, would apply will still be considered by cabinet. It is only related to the directorates at this point in time. Clearly there is a case where there are entities, semi-commercial or statutory, and how they would be applied. That is still to be thought through very carefully.

MR SESELJA: When do you anticipate that that will be finalised? Will that be prior to 1 July or some time down the track?

Mr Cappie-Wood: Certainly prior to1 July, yes.

MS HUNTER: I might jump in there. I want to go to budget paper 4, page 37. Again it is those accountability indicators. Noted down there is the infrastructure plan. I note that the first annual report is going to be called the 2011 infrastructure plan; it is due out in the first half of this year. I am just wondering when it will be finalised and available. And when this report is released, is it going to be different from the last iteration? I note that you have had a number of round tables. Have you taken anything from those round tables that will go into this infrastructure plan? What do we expect to see? What should we expect to see?

Ms Davoren: The infrastructure plan was first released last year and was intended as a kind of rolling 10-year plan which would be updated periodically. Because this was our first go at something like that, we wanted to update it this year; then government will make the decision about how frequently it would want to update it in the future. We hope that that plan will be released before 30 June. That is just being finalised now.

In terms of the round tables, the outcomes of those are on our website, so you can have a look at those in more detail. But we are just going back to some of the issues that were raised; they are being looked at and built into the infrastructure plan for this year—opportunities that were identified in the Hawke review for enhanced collaboration across government; embedding a clearer vision of the desired look and the function of Canberra through the infrastructure plan; the importance of integrated land use and public transport planning, which is reflected in—

MS HUNTER: So that does pick up on that issue around transport-oriented development and transport corridors?

Ms Davoren: Yes. I am just saying that they are some of the issues that were discussed and raised at that last round table. There is the importance of continuing our demographic work and the impact of demographic change on infrastructure development. Also there is the question about working in collaboration with the commonwealth, industry and the community; that was an issue that was raised by a number of stakeholders—that the infrastructure plan focuses on government infrastructure, but it should also include issues around private sector generated infrastructure. That is quite difficult.

We build in information from Canberra airport because they release that through their master planning, but not all private sector companies would want to share their 10-year business planning information with us. That is a challenge for us. Again, the focus is on the government infrastructure. Where we have information from the private sector, we would certainly include that. That is just a bit of a snapshot from the last session, but certainly the more detailed material is available on our website, because we released the minutes of those round tables.

THE CHAIR: Mr Hanson, you want to ask a supplementary on that direct comment.

MR HANSON: Yes; it is to do with infrastructure, in particular the Majura Parkway. Essentially, what now? What went wrong and what do we do now?

MS LE COUTEUR: It is really a whole new question.

Ms Gallagher: I can answer briefly.

MR HANSON: This is an infrastructure issue. You were talking about transport corridors in your question, weren't you?

THE CHAIR: It is infrastructure.

MR HANSON: You were talking about transport corridors. This is about a transport corridor and infrastructure.

Ms Gallagher: I can answer. We essentially have 12 months to get the commonwealth to pay their share of the road, and that is what I will be working on.

MR HANSON: Have you had any indication from the commonwealth yet?

Ms Gallagher: I was disappointed that it was not in this year's budget. I have been working closely with the commonwealth, as have officials, around funding for this project. We understand that it went right to the line; but it did not get over, so we have got more to do.

MR HANSON: But when you say that we have 12 months, what is that based on? What happens in 12 months if we do not get the funding?

Ms Gallagher: That is the phasing of the construction of the road. There is some work to be done this year with some existing appropriation that remains, and then in the budget you will see that we have factored in our $144 million starting in the next financial year, in 2012-13, for the major commencement of that construction. What we were seeking from the commonwealth, and indeed we are still seeking it, is that their $144 million would form the later stage of that road—so that we would fund the first two years and they would come in with their money in the final two years of the project.

THE CHAIR: Ms Le Couteur, a new question. And then Mr Hanson.

MS LE COUTEUR: Yes, a new question.

Ms Gallagher: I have put that to them in writing; they seem supportive. It is just getting the money out of them.

MR SESELJA: Did they give you a reason why? You said it came down to the wire. Did they give you a reason why not?

Ms Gallagher: Competing priorities. I think a lot of money went to regional Australia. It is a regional road. Every time I say it: it is a regional road.

MS LE COUTEUR: Budget paper 4, on page 32, talks about community engagement. There a new community engagement guide due out soon. My major question with this is: is this going to inform, influence or, hopefully, even change what seems to be our major area of problems in community engagement, which is planning?

Mr Cappie-Wood: Clearly, I think the improvements there recently was in terms of *Canberra 2030: time to talk*, which was on the road to saying, "How do we get broad-based community engagement in the planning related aspects?" That was aimed at the urban form, what people wanted to see in the future there. I would have to say that that was very broad based and very well responded to—and was, I think, a landmark change in how we are looking at and engaging the community.

We have had considerable feedback and encouragement that that is what people wanted. They now want to see the next iteration of that, and we are currently working on how the planning strategy—which combines the spatial plan and now, under the new directorate arrangements, how transport builds into that and how the environmental aspects build into that, to say that we have a cohesive planning strategy.

That would be the subject literally flowing from *Canberra 2030: time to talk*. We see that we have made significant changes; that we have learnt a lot; and that the investment in the web infrastructure and the social media embedded in that has been very successful. We want to continue that in the future. We have made that investment available to all directorates so they can utilise that more effectively in their own community engagement arrangements. We see that, as we go into more specificity, we will have the benefits of that community engagement flow through.

MS LE COUTEUR: I think "Time to talk" is an excellent idea, but where the real angst is is on the ground in planning when things change. So how are you going to move that high-level, feel-good consultation down to what happens next to people when they see the house next to them knocked down or whatever, which is where we are getting major levels of community angst?

Ms Gallagher: There is an initiative in this budget to progress a program of master plans around the city. I think that question is best asked of Simon Corbell.

MS LE COUTEUR: It will be, but given you are doing the whole-of-government community engagement guide presumably ACTPLA comes under that?

Ms Gallagher: Yes, and it will inform all of that. Whether it can take the angst out of planning I am not sure, no matter how effective your community engagement is.

THE CHAIR: If you took the planning out of planning it would probably take the angst out.

MS HUNTER: What about the politics?

Ms Gallagher: We have already done that; we have taken the politics out.

MR SMYTH: But now take the planning out of planning. We are running out of time. Mr Hanson, a quick question.

MR HANSON: It is about the centenary of Canberra and the money that was given to us by the commonwealth government—

MR SESELJA: Given, in inverted commas.

MR HANSON: Yes, given back perhaps—the money for Constitution Avenue. What I mean is quite clearly that was not a centenary gift; that was money that was owed to us. I think that is well acknowledged. Have we got enough money in other areas to do what we need to do for the centenary of Canberra, and how is that funding coming along?

Ms Gallagher: To some extent with Constitution Avenue we are satisfied with that outcome. The way that had occurred with money being provided and then land being provided and then money being withdrawn was a problem that remained until it was resolved, and we feel it has been resolved. There is money—

THE CHAIR: Sorry; before you say "resolved", there was initially, I think, $75 million and the initial offer was for money, I understand, for the upgrade of the Parkes Way-Coranderrk Street intersection. So what happens then?

Ms Gallagher: The issue that was unresolved for us was around the value of the land that we had transferred. I have not had a full briefing on it yet. I will once I get out of estimates, once you let me out on good behaviour.

THE CHAIR: Think of this as a learning curve, Chief Minister—on-the-job learning.

Ms Gallagher: This deals with the issue of the land. There is $20 million for the arboretum and there is another $6 million fund for partnerships, unspecified at this point in time going forward.

MR HANSON: And that $20 million for the arboretum, was there any consultation with the community as to what they might want as a centenary gift? How was that handled? Was that directly from the previous Chief Minister?

Ms Gallagher: You would have to ask the commonwealth government that.

MR HANSON: You are saying there was no—

Ms Gallagher: We did not go—

MR HANSON: They just guessed it was to be the arboretum, did they?

Ms Gallagher: As far as I know, as far as I understand, we did not tell the commonwealth what to give us.

MR HANSON: So they just guessed it? They just plucked it—

Ms Gallagher: I do not know whether Andrew is in a better position to indicate—

MR HANSON: We did not go to them at all saying, "This is what we would like"?

Ms Gallagher: We had been seeking funding for the centenary of Canberra celebrations.

MR HANSON: So there was absolutely no interaction between the ACT government and the commonwealth government about what they would provide us for the centenary of Canberra; is that what you are saying?

Ms Gallagher: No, that is not what I have said. I said we did not tell them what to give us.

MR SESELJA: Did you ask?

Ms Gallagher: There were discussions and letters and meetings, as far as I understand, between the Chief Minister and all the way up to the Prime Minister about getting them to be in genuine partnership with the ACT government over the centenary celebrations.

MR HANSON: Specifically to the arboretum?

Ms Gallagher: Ultimately the commonwealth decided that the arboretum was an opportunity to provide—

MR HANSON: Did we provide a list of what we wanted as a priority, and did that form part of that list?

Ms Gallagher: Not that I am aware of.

Mr Cappie-Wood: If I can just add on the program money, they gave $6 million in the programmatic money. We did ask them to match the $14 million that we put in, and the $6 million came back. So we did ask for that but we did not ask them specifically for a list or whatever—

MR HANSON: Where did this arboretum money come from then? It is not a priority for the community. It just seems odd that they would pick the previous Chief Minister's number one priority.

Ms Gallagher: I do not know that you can say it is not a priority for the community.

MR HANSON: How do you know?

Ms Gallagher: It would be interesting to know what you guys would have done with that area of land post the bushfires. You can campaign against the arboretum, but what would you have done—left it there with nothing?

MR HANSON: I want to get this $20 million sorted.

Ms Gallagher: Anyway, aside from the fact that there are no alternatives, the community—

MR HANSON: I want to understand why it is that the commonwealth gave so much money to the arboretum.

Ms Gallagher: The community, Mr Hanson, is increasingly, in my own view, supportive of the arboretum and I do not think you can say it is not.

MR SESELJA: The original question was whether you sought the community's views.

Ms Gallagher: My answer to that is that this was a matter for the commonwealth government.

MR SESELJA: So no interaction with the—

MR HANSON: It is odd, isn't it, that it is the previous Chief Minister's pet program?

Ms Gallagher: No. We have our own program for the centenary, which is being managed. There are extensive consultations with the community around the form of the celebrations. Robyn Archer is leading that work and I am sure she has met with all of you as she meets with all of us and every organisation in Canberra from grassroots, tiny organisations right to the leading national institutions. So I do not think for a moment you can say that there has not been consultation with the community around the centenary celebrations—because there has.

MR HANSON: No, it is not the issue. I want to know why—

THE CHAIR: Sorry, Mr Hanson, a very quick final question from Mr Seselja and we will call it quits for the day.

MR SESELJA: Yes, just a quick one. Is the arboretum insured and, if so, for how much?

Ms Gallagher: We had the Insurance Authority here. I am positive that it is, but I will check that.

THE CHAIR: You will take it on notice? Thank you.

Ms Gallagher: Yes.

THE CHAIR: That is it for the day. Thank you, minister, for your attendance. In relation to questions, there is a time frame of five working days for the return of answers to questions taken on notice in this hearing. With reference to that financial spreadsheet have we been able to find that out?

Ms Gallagher: I have not had an answer while I have been sitting here.

MR SESELJA: We are cross-examining the LAPS tomorrow morning and it would be very useful if we knew which document—

THE CHAIR: To have that available.

MR SESELJA: It would be good if we had it before because it is not clear from the documents.

THE CHAIR: So, Mr Cappie-Wood, you are going to arrange for that to be delivered? Thank you very much. In relation to questions on notice, these will be accepted for four working days following the public hearings for Treasury Directorate output class 1, superannuation provision account, the territory banking account, the ACT Insurance Authority, the home loan portfolio, ACTTAB Ltd, the discontinued agencies Rhodium and Totalcare, and Chief Minister Directorate output class 1.1, government policy and strategy. I would therefore ask members to provide any questions on notice pertaining to these areas to the Secretariat by Monday, 23 May 2011.

On behalf of the committee I would like to thank the Treasurer, officials from the Department of Treasury, ACT Insurance Authority and ACTTAB Ltd for attending today and the Chief Minister and her officials for also attending today. Tomorrow, members, we will continue with the Minister for Economic Development.

The committee adjourned at 5.32 pm.