



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [Appropriation Bill 2013-2014 \(No 2\) and  
Appropriation \(Office of the Legislative Assembly\) Bill 2013-2014 \(No 2\)](#))

**Members:**

**MR B SMYTH (Chair)**  
**MS M PORTER (Deputy Chair)**  
**DR C BOURKE**  
**MS N LAWDER**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**TUESDAY, 29 APRIL 2014**

**Secretary to the committee:**  
**Dr A Cullen (Ph: 620 50142)**

**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.

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## **Privilege statement**

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*Amended 20 May 2013*

**The committee met at 1.31 pm.**

**BARR, MR ANDREW**, Deputy Chief Minister, Treasurer, Minister for Economic Development, Minister for Sport and Recreation, Minister for Tourism and Events and Minister for Community Services

**NICOL, MR DAVID**, Under Treasurer, Chief Minister and Treasury Directorate

**MURRAY, MR PETER**, Acting Executive Director, Infrastructure Finance and Advisory, Chief Minister and Treasury Directorate

**DAWES, MR DAVID**, Director-General, Economic Development Directorate

**STEWART, MR DAN**, Deputy Director-General, Land Development and Corporate Economic Development Directorate

**HOWSON, MS NATALIE**, Director-General, Community Services Directorate

**MATTHEWS, MR DAVID**, Senior Director, Policy and Organisational Services Community Services Directorate

**HUBBARD, MR IAN**, Senior Director, Finance and Budget, Policy and Organisational Services, Community Services Directorate

**THE CHAIR:** Good afternoon, minister and officials. Welcome to this afternoon's hearing. There is a privilege card in front of you, with respect to the protections and privileges afforded to you. Could you please acknowledge that you have read and understand it?

**Mr Barr:** Yes. Has it changed since the last time?

**THE CHAIR:** It has not changed. Fancy that! Minister, would you like to make an opening statement?

**Mr Barr:** Very briefly. In the context of my overarching responsibility as Treasurer, we have brought forward this appropriation to fast-track a number of government priorities. Within the context of my portfolio responsibilities outside Treasury, there are a small number of projects that have been fast-tracked. Clearly, the bulk of the appropriation relates to enterprise bargaining but there are a number of specific projects that are advanced. I am sure the committee will want to have some discussion on them with the relevant officials from those agencies when we get to that particular section. Having said that, I am very happy to take any questions, initially on the Treasury elements and then we can move into those other discussions.

**THE CHAIR:** We will start with Treasury, we will then move to EDD and then we will go to Community Services. By way of a general overview question across the whole bill, is it necessary to appropriate these funds at this time and what consideration was given to absorption of some of the wage parameters, for instance?

**Mr Barr:** We gave some consideration to those questions. Given the quantum of the appropriations, particularly in relation to the length of time associated with reaching agreement in relation to the EBA, and also the length of the EBA and how deep into a financial year we are in relation to this, it became necessary to provide a supplementary appropriation. It would not have been possible for agencies to absorb this or for it to be met within the Treasurer's advance. So we deemed it necessary to provide, through this mechanism, for these increased costs to be met across all the different agencies, given it is a whole-of-government EBA. In relation to some of the

other specific projects that have been advanced, some of these will be new projects and will require a new appropriation in order to proceed.

**THE CHAIR:** Education, for instance, is getting \$14,000 in wage parameter supplementation. Is that not the sort of amount that the department could reasonably absorb?

**Mr Barr:** The policy approach was to supplement the EBA outcomes, and that was applied consistently across the directorates.

**DR BOURKE:** What was the rationale for that?

**Mr Barr:** Consistency across the directorates.

**Mr Nicol:** Our wage system is that we essentially fund wage costs as they are awarded under EBAs. We do not provide a parameter and then ask our directorates to work within that parameter; we calculate the exact wage impact of EBA decisions on each directorate and we essentially calculate an amount to be supplemented. We apply that consistently across all directorates, and that is the reason why the outcomes are as they are.

**THE CHAIR:** I have another broad question. I noticed this morning you flagged the possibility of borrowings.

**Mr Barr:** Indeed, yes. I saw your comments on that. You gave some cautious support in the area, did you not?

**THE CHAIR:** What sort of quantum of borrowings are we talking about and what impact does it have on the AAA rating?

**Mr Barr:** We have borrowed in previous budgets. From memory, the nature of that borrowing has been in the hundreds of millions. From memory, in the last budget there was about \$192 million for new capital works and a range of other borrowings for a range of other purposes. So we have tended to keep our borrowings very modest. From all of the benchmarks we have either the lowest or the second lowest debt level of any state or territory government. Yes, I am certainly aware of the constraints that the AAA credit rating places upon our level of gearing. That is a consideration that the government will take full account of in the construction of the forthcoming and future budgets.

**THE CHAIR:** So all borrowings will be for capital?

**Mr Barr:** Yes. We have maintained strong operating cash surpluses, so we are not borrowing for recurrent activities. Yes, we will have a particular focus on borrowings for infrastructure investments that would facilitate private sector co-investment. Examples I used in the media this morning include, in Woden, some government investment in the town centre, particularly around the bus interchange. That would allow for significant investment coming from Westfield and GPT, who have a financial interest in that particular precinct. A similar approach would be adopted in other parts of the city whereby government infrastructure investment can facilitate

some significant complementary private sector investment. I think there is a very strong case to be made for that.

The other observation I would make is that, clearly, the federal government are placing a range of incentives before state and territory governments to invest in new productive infrastructure. They have recognised the importance of that infrastructure investment to the national economy. I would argue, given what they intend doing to the ACT economy, that it is even more important that we have new infrastructure projects for the territory. There is a wide range of them. Some of them we even agree on, in terms of particular priorities. We would intend to take advantage of our balance sheet and our very low levels of debt in order to facilitate some of those opportunities.

**THE CHAIR:** You mentioned the Woden bus interchange redevelopment. On page 61 of the supplementary papers, I notice that the \$1.5 million due to be spent in this financial year has been rolled over to next year. Is that because you do not have enough funds to cover it this year or has the planning not been done? What is the reason for the delay in that case?

**Mr Barr:** We will come to that when Economic Development are here.

**THE CHAIR:** It is just that you mentioned it in Treasury.

**Mr Barr:** Yes, indeed. It is a project that we are pursuing. We are meeting with Westfield this week to progress that.

**THE CHAIR:** We will come back to that in a moment.

**DR BOURKE:** I want to talk about the loan to EPIC. Can you tell us about that? It is not for more chook sheds or something, is it?

**Mr Barr:** We will get you some specific information on that.

**Mr Nicol:** There was a transpositional error in the original budget. The loan that was agreed by government was for \$1.5 million. \$1.05 million was actually put in the budget. We thought that was sufficient at the time because it was a loan of up to \$1.5 million. Since the budget we discovered that there were some extra site works that had to be completed which required the additional funding. So we have essentially increased the loan to the amount that the cabinet originally agreed on.

**DR BOURKE:** What are they doing with the money?

**Mr Nicol:** That is for low-cost accommodation, I think.

**Mr Barr:** We will come to that when we get those officials here.

**THE CHAIR:** If the officials are not here for that in Treasury, why is it listed in the Treasury directorate?

**Mr Nicol:** Because we provide the loan.

**Mr Barr:** We provide the loan.

**THE CHAIR:** So it is a loan from Treasury. You can tell us about the loan and they can tell us what they will do with the money?

**Mr Nicol:** That is right.

**Mr Barr:** Indeed, yes.

**THE CHAIR:** A fair division.

**MS LAWDER:** The workers comp and work safety improvement plan: are you able to explain more about what that money will be used for?

**Mr Nicol:** That probably falls better under the Chief Minister's part of the directorate, which is at 3.30 today.

**DR BOURKE:** That gets us back to the infrastructure finance and advisory unit. Can you talk about that one?

**Mr Barr:** We can.

**DR BOURKE:** Excellent. Tell us about it.

**Mr Nicol:** That is a new unit that the government has agreed to establish. It is a very small team. Its primary objective is to assist the government as it moves into alternative methods for procuring infrastructure and capital works. The government announced recently, for example, that the Supreme Court is going to be acquired through a private-public partnership arrangement, which the territory has never undertaken in the past. Capital metro is being considered for a similar arrangement. There are other infrastructure projects that are also going to be considered. The objective of that team is essentially to provide the necessary advice and financial capability to ensure that the territory's interests are protected through the contractual arrangements that we enter into.

**DR BOURKE:** What sort of risks and pitfalls are there in these PPPs that you need to be getting specialist advice to be protected from?

**Mr Nicol:** Perhaps I can ask the head of the unit to come up and give you a far better in-depth description of some of those risks—and benefits. There are certain benefits. They have to be used for the right specific purpose; they are not a blanket for every project that comes up. We are looking on a case-by-case basis. We are assessing each case and, in cost-benefit terms, giving government advice as to what is the best value for money, taking into account risk and the scope of the private sector to participate and deliver the project. I might ask Peter to add some advice.

**Mr Murray:** Some of the benefits of a PPP are around providing an integrated solution so that you get maintenance, operations and financing included as well as just standard design and construction outcomes. You can procure this all in one package, which is an advantage for government. So you get quite a significant degree of

systematic risk transfer as part of the procurement outcome. As to some of the risks for government, some of the disadvantages are that it is a longer procurement period and the cost involved in procuring and in bidding these projects are much higher than other methods of procurement. But some of the outcomes you can achieve include that you can get a well maintained and well operated facility on a cost-effective basis over a lengthy period of time.

**Mr Nicol:** I could add one example, and it is not restricted to PPPs. We are exploring options to incorporate design into the construction. So a bidder will bid for both the design and the construct. In that way, the design will take into account costs of construction. If you can get a better design that adds to a lower value but good quality outcome, that can obviously be a benefit to the territory, whereas with other ways of procuring assets the government might agree the design first and then go out to market to ask for bids to build that design.

The next step is to incorporate maintenance. You can have a design, construct and maintain type project. Again, in those sorts of projects, the private sector bidder will both design it and construct it so that it is cheap and easy to maintain. So we incorporate the whole-of-life costing and, hopefully—the goal is to get better value for money over the entire life of the project.

But as you go into those more complex forms of procurement, as Mr Murray said, you have to put in more effort up-front to make sure you specify the project well—because once you have specified it, it is much more costly to adjust it and amend it once you go to contractual close and hire the preferred bidder.

**DR BOURKE:** You have mentioned two projects which are potentially suitable for this approach. You also said that other projects would not be. What sort of project would not be suitable for a PPP?

**Mr Nicol:** I might ask Peter to comment.

**Mr Murray:** Typically it would be a project where it is very difficult to get any whole-of-life benefits. I guess many people and practitioners will have different views on this, but, for example, if I was building a road project, and that road was not tolled, so it did not have significant maintenance or operational components in there, it would be very difficult for me technically to get a good, cost-effective outcome for a PPP—under a project like that. Typically, again, a similar example would be a building where I am not wrapping in maintenance and operations, in which case I am just financing a building that could have been done under a construct-only or a D&C. On projects where I am wrapping a whole range of benefits—particularly, for example, a health project where the ratio between the cost of the capital construction and the operating cost is quite close in the sense that I might spend 30c in operations and maintenance for every dollar of construction I spend—it is much easier to demonstrate the whole-of-life benefits associated with PPP delivery.

**Mr Barr:** It is probably worth adding that there is seemingly little value in projects under \$100 million. The costs associated with the procurement mean that with projects under that size, it is just not really worth while; you do not get the cost benefits. That is a rule of thumb. That is not to say that there would not be a project



that might sit at \$99 million that might just qualify and be useful or that there might be some other projects of \$105 million or whatever that would not have the benefits. But one of the reasons the territory has not used this procurement methodology through its initial history is that we simply have not had projects of the scale that would necessitate exploring this procurement methodology. We are now starting to enter into an era where our capital program is in the order of \$500 million to \$600 million a year, as opposed to \$100 million, \$140 million or thereabouts going back a decade. It is a bigger capital program and it requires a greater degree of flexibility around the procurement methodology.

As Mr Murray indicated, when you are looking at the design, construction, maintenance and operation of a facility over a long lifespan, there certainly are benefits. Infrastructure Partnerships Australia, who are the peak body in this area, have done some considerable analysis of the cost savings associated with well-structured PPPs and have indicated that the experience is about 11 per cent on those. But it has to be done well. Hence the need to make investments in infrastructure finance and advisory divisions within government. We need that capacity because there are also many examples—we have seen them around Australia and around the world—where, when these PPPs are not done well, there are potential pitfalls either for the private sector partners or for the government. We have experienced both sides of that equation in this country. There are a few famous toll roads, cross-city tunnels and others that have been—

**THE CHAIR:** That is twice I have heard “toll roads”. Is this on your mind?

**Mr Barr:** No, it is not. That is a solution looking for a problem in the territory—although, interestingly, Infrastructure Australia, in their initial analysis of Majura parkway, did suggest that it should be a toll road. That was rejected by the territory government.

**Mr Nicol:** Can I add just one extra point. Another disadvantage for a PPP that is privately financed is that financing costs are higher so the efficiencies have to outweigh that cost. We are not entertaining PPPs to get things off budget or to find other financing alternative arrangements. That is not the reason. The reason is to get better value for money, better projects at the end of the day.

**THE CHAIR:** A supplementary, Ms Lawder.

**MS LAWDER:** It is \$487,000 for the remainder of this financial year, so there will be additional costs on an ongoing basis. Do you include those costs when you look at the cost benefit or the economic efficiency of those projects? Do you take into account the fact that you have had to set up this unit and the cost involved?

**Mr Barr:** Yes. In the context of government procurement advice, it is a relatively modest addition. But on specific projects, you would also engage advisers on the delivery of those specific projects who would have specialist skills associated with that project.

**MS LAWDER:** In addition to the ones—

**Mr Barr:** In addition to, yes.

**Mr Nicol:** Yes. That does include some cost for meeting the Supreme Court procurement in terms of the Treasury engagement on the contractual arrangements there. For newer projects, there will be costs on top of that in terms of commercial and legal advice so that we protect the interests of the territory.

**MS LAWDER:** And potentially, if there were more and more of these types of projects, that unit might grow?

**Mr Barr:** I guess that would depend on how many you took on simultaneously. We would have balance sheet constraints, where we began our conversation this afternoon, about how many you could take on simultaneously. But there is obviously a degree of work associated with them. Once you have reached that contractual stage, that would free up capability within the unit to look at others. But we do need specialist procurement advice regardless of which procurement methodology we utilise. Ultimately, I would expect the Assembly to want to hold the government to account around value for money for all procurement outcomes.

**THE CHAIR:** Why is this not vested in procurement ACT?

**Mr Barr:** I think this is within my portfolio, but this is specialist advice around—

**THE CHAIR:** But again, why is that specialist advice not with procurement ACT?

**Mr Nicol:** When the government came to Treasury and said, “We want to explore a PPP,” our advice was, “Well, we need to do some thinking about how best to set up the infrastructure in the ACT government to ensure that we protect against risks.” We undertook an exercise over a period of six months in the second half of 2013 where we went around the country and basically explored how every other jurisdiction ran this sort of model. Essentially—Peter, who led that work, can add some details—in every jurisdiction this type of unit is in the Treasury-finance portfolios of each jurisdiction.

**THE CHAIR:** Is that why they have been such outstanding successes in other jurisdictions?

**Mr Nicol:** I do not know that I can comment on that. I do not have that much information.

**Mr Murray:** Typically, if we look at New South Wales, there is a PPP support unit within Treasury New South Wales. Victoria has Partnerships Victoria. Generally speaking—there are some exceptions—these sorts of units typically sit in the Treasury function, where they are providing specialist advice, particularly around project finance elements, to government.

**Mr Nicol:** We have also set up governance arrangements, and it is in the PPP handbook that we have put out about how the unit interacts with procurement ACT and CWD and how the unit interacts with the sponsoring directorates. There is shared governance; there is a common committee. The key is to bring all three parties

together—delivery expertise, financing and budget, protecting the budget interests, the government’s risk interests, and also the stakeholders. That is typically represented by the sponsoring directorate. We all have to work together to deliver these projects successfully.

**Mr Barr:** A whole-of-government approach, Mr Smyth.

**THE CHAIR:** Scattered across many directorates in various locations. How many staff in the unit?

**Mr Murray:** There are three permanent staff, one contract role.

**THE CHAIR:** When did the unit start?

**Mr Murray:** Mid-February.

**THE CHAIR:** If the unit has started, how come this initiative is to provide for the establishment of the unit—if it is already there?

**Mr Nicol:** When this was introduced, it was for the establishment of the unit. They were contemporaneous when this document was produced. We are meeting that cost through our existing resources—to undertake the function.

**THE CHAIR:** Anything else for Treasury?

**DR BOURKE:** No.

**THE CHAIR:** We might abandon Treasury and move on to EDD. Welcome, gentlemen. In front of you is the pink privilege statement. You were both in the room when it was read; I assume you are both across it and accept the protections that it gives you and the obligation it affords you. Both witnesses nodded.

Let us go straight to it. The city to the lake West Basin public waterfront—there is a capital injection of \$520,000. What is that for?

**Mr Barr:** This delivers the forward design of the public realm works proposed for West Basin. This will define the edge of the city to the lake precinct and the promenade for use by pedestrians, cyclists and slow-moving traffic, and will also link with the proposed future amenities at West Basin.

**THE CHAIR:** A fabulous read of page 62 of the supplementary documents, minister. If you could turn back to page 60, though, I see that the revised funding profile of the city to the lake assessment feasibility has not been carried out this year and will be deferred to next year. How are they different, and why have you not carried out the feasibility before going along with the forward design?

**Mr Stewart:** I would have to double-check that particular entry, but my recollection is that it relates not to the West Basin design but to some of the engineering studies that we are doing for Parkes Way.

**THE CHAIR:** Sorry, studies for?

**Mr Stewart:** For Parkes Way. There are a number of moving parts to city to the lake. The supplementary appropriation deals specifically with the design of the public realm within West Basin. There are other projects in relation to feasibility for the theatre, which is another element of the appropriation, and there is also an existing project underway doing some feasibility and engineering studies looking at options for Parkes Way.

**Mr Dawes:** We are also undertaking some work and getting things working. Also, some work that we are carrying out as part of that city to the lake project is around the convention centre, the Australia forum. We have been working to get that to investment-ready as well. That process is also wrapped up in some of that other funding.

**THE CHAIR:** But, minister, if Parkes Way is not feasible, what happens to city to the lake? What happens if the plans for sinking Parkes Way are not feasible?

**Mr Barr:** There would need to be an alternative traffic treatment, but that does not curtail the project. You still have a West Basin waterfront and a range of development opportunities, but you would need to look at a different road treatment.

**THE CHAIR:** So you might not end up with city to the lake; you might end up with city and lake?

**Mr Barr:** No. I think there are a range of alternative treatments. In the end, the work will look at ensuring that there is that major east-west arterial route, but there are also slower paced suburban-level streets. Then, clearly, there are a range of options for pedestrian movement to connect. At the moment, I think that is inadequate, by means of two narrow footbridges. If it were, in a hypothetical scenario, not feasible to complete the Parkes Way work as has been initially envisaged, you would look at alternative ways. There are countless examples of land bridges and the like that could achieve a similar outcome. I think it would be less preferable than the option that is being pursued.

**THE CHAIR:** Did the government do any work to compare a cut and cover as opposed to sinking Parkes Way?

**Mr Barr:** Yes, that work was undertaken.

**Mr Dawes:** And it was deemed far more expensive to do the cut and cover than to do what has been proposed. But there are a number of other design solutions that are being looked at, as the minister has indicated, with a view to alternatives if, for example, sinking or lowering Parkes Way does not evolve.

**DR BOURKE:** I notice that the feasibility for the new Canberra theatre is in recurrent but the West Basin waterfront is in capital. What is the difference between a feasibility study and design?

**Mr Barr:** It is around, obviously, accounting standards and, I think, the proximity of

an expense to a capital allocation. If you are designing something that you intend to construct within a short period then the design element can be capitalised. If you are just undertaking a feasibility study that is not yet associated with a capital project then it is a recurrent spend. That is the appropriate application of the accounting standards.

**DR BOURKE:** So tell us about the feasibility study.

**Mr Barr:** This particular project is a shared one between me and Minister Burch, who has responsibility for the arts portfolio and the Cultural Facilities Corporation. The government has determined to pursue the next stages of this project in parallel with the city plan and the city to the lake work. This will allow for the functional requirements, delivery options and concept design of a new theatre to be located within an arts precinct in the environs of City Hill.

The work builds on work undertaken to date to determine the optimal site for a new theatre. Further work will need to be undertaken, including financial analyses and more detailed design, before the government will then commit to a project budget or a construction time frame. This allows the work to continue to a point that the government will be able to then make a determination around investment in the precinct.

**DR BOURKE:** What sort of new theatre is envisaged?

**Mr Barr:** This is the basis of the feasibility work. The initial discussions that Minister Burch has had and that I have had with the Cultural Facilities Corporation include facilities in the order of about 2,000 seating capacity and a larger performance space. The detailed business case behind the optimal size facility is exactly what this work will provide. So we will get a sense of what will be economic, what will be viable, noting the challenges that are currently faced with the, I think, now nearly 50-year-old existing Canberra Theatre facility.

**DR BOURKE:** What sort of consultation will be involved with that?

**Mr Barr:** Minister Burch and the Cultural Facilities Corporation are obviously leading that work. There have been some design workshops and discussions already had that have provided input into this process. There are a variety of views around what the optimal facility is—the question of how big a black box do you need, what level of functionality, the level of adaptability and integration with the Playhouse and what you do with the existing theatre.

Options, including potentially expanding the existing theatre, have been examined. As I understand it, there has been quite a robust debate within the Cultural Facilities Corporation and its stakeholders around what their future needs will be. This particular work will obviously provide government with some further information about how to progress the project in the medium term.

**DR BOURKE:** Would 2,000 seats be something that would be comparable with cities elsewhere in the world of a similar size to Canberra?

**Mr Barr:** I understand so, on the basis of what has been provided to date. But, again,

this work will provide further analysis of those issues. I think it is fair to observe that the existing theatre will, in the not-too-distant future, reach the end of its useful life without major refurbishments or a change in the nature of events that are held there. There is, for an example, one option—I think the Playhouse has about 600 capacity and the existing theatre about 1,200, and you would then have a larger facility as part of a broader arts precinct that would give you three venues of differing sizes that could accommodate different performances and the like.

Again, at this stage I am just speculating on what the outcomes of this work will be. I think it is broadly acknowledged that, as part of our thinking for the city plan and for the next stages of city to the lake, that new theatre infrastructure will be important for the city and its arts and cultural life in the next decade.

**MS LAWDER:** The \$170,000 for the Canberra Theatre feasibility: would all of that be expended before the end of this financial year?

**Mr Barr:** That is the undertaking that has been provided. One of the criteria for entry into this particular appropriation was that the money would be expended.

**MS LAWDER:** Does that mean the total for the feasibility study is \$170,000? Or will there be additional money?

**Mr Barr:** Some work has already been undertaken and there will be some work in the future. To the extent that you can define a feasibility study—it has very sharp beginnings and endings because, in the end, it is part of an evolution of a business case development—then my advice is that, provided the Assembly deals with this bill with some expediency in the May sittings, that will give time for this work to be done.

**MS LAWDER:** Has there already been a tender process for the feasibility study?

**Mr Dawes:** Not yet.

**MS LAWDER:** So you have got to go out to tender and appoint someone before the end of the financial year—

**Mr Barr:** That is right.

**MS LAWDER:** and spend it.

**DR BOURKE:** But you have to have the money allocated before you can go to tender.

**Mr Dawes:** Correct.

**Mr Barr:** As I understand the committee learnt yesterday, or possibly already knew.

**THE CHAIR:** Some of the committee may have learnt yesterday.

**Mr Barr:** Some of the committee learnt yesterday, yes.

**THE CHAIR:** Could we go to the Woden bus interchange. Why has it been delayed?

It is on page 61 as a technical adjustment.

**Mr Dawes:** There are a couple of reasons that it has been delayed, but Dan can elaborate a little more fully. Some of it relates to some of the time lag that Westfield and GPT have been doing in working up their final planning and preparing the lodgement of the plans. A lot of it revolves around the demolition. Some of it we cannot do this year; it will be next year. Dan can go into something more specific.

**Mr Stewart:** Similar to the city to the lake feasibility project that we were discussing a moment ago, for the vast majority of the reprofiling it is simply a reflection of the timing of cash payments. The work is well underway and for the vast majority of the project it is tracking along to the time frames that we had envisaged. However, at the point the budget is published, the project managers make an assessment of how the project will track and the timing of the payments. As the procurement is undertaken and the project commences, you can pin down what those payment timings will be, and we have reprofiled our program accordingly. For Woden bus interchange, the 1.5 is an expense that will require a cash payment in the next financial year, but the work is already underway.

**THE CHAIR:** How much has been spent on it so far?

**Mr Stewart:** I do not know off the top of my head.

**THE CHAIR:** Can you take that on notice?

**Mr Stewart:** Yes.

**THE CHAIR:** Minister, there is a series of rollovers in relation to Molonglo 2: water quality ponds, \$500,000; sewer and pedestrian bridge, \$1.4 million; water supply trunk sewer, \$2 million; north-western road intersection, \$7 million; Uriarra Road upgrade, \$1.5 million—and then \$3.5 million in the outyears—and John Gorton Drive; \$8 million has been put to \$6 million next year and \$2 million in the following year. Why have so many projects for stage 2 Molonglo not been completed this year?

**Mr Dawes:** It is a similar issue. It comes back to profiling as well. Obviously, when we do any sort of planning and projections we actually look at the particular project. As I have reported to the committee before, there have been some issues around some environmental clearances. We have got some fairly strong constraints about the footprint and how we can actually do that job. One of them is that the sewer and pedestrian bridge, in particular, is very sensitive around some habitat. We have had to do a little bit more work on that. That planning has been done. That tender has now been awarded.

Obviously, we have looked at what we will spend reasonably this year. We know that we are not going to spend all of that this year so we have moved it. It is the same with some of the others. Some of the other works that we have been doing in the Molonglo area are ahead of schedule as well. Some of them have been delayed. It comes back to different constraints that we might have had.

We also had some unexploded devices, for example, that we found in Molonglo. That

meant that we had to stop work in and around that particular area. These are unidentified things when we start some of these programs. We have had to reprofile that particular job. We have now got all four clearances from the explosive experts so we can now move ahead. It must have been an old firing range, I would say.

**THE CHAIR:** This is World War II ordnance?

**Mr Dawes:** Yes.

**DR BOURKE:** You mentioned something was sensitive before—what did you mean by that?—about the bridge.

**Mr Dawes:** We are going over the bridge and there are some pink-tailed worm-lizard habitats there. Under the plan that we are operating we have to be very careful about the way we go in and work within that particular habitat. We are allowed to disturb a certain percentage of the habitat, but if we do not get that right we will end up having a shortage when we get further down the track. We are just being extremely cautious to make sure that we do not remove more habitat than required.

**THE CHAIR:** On the previous page, page 60, there are three projects—master planning and feasibility—hydraulics, preliminary geotechnical and major electrical infrastructure. They have all been pushed back a year. Why is that?

**Mr Dawes:** Again, it comes back to some of the times. When we are reprofiling and doing some of the work it makes sense not to actually spend the money. As the minister reported earlier, in some cases where we might be borrowing funds, it is the same as any sort of prudent way that you deliver capital works. We do not want to be borrowing funds and then not spending those particular funds if there is not a requirement to do it. That is the reason we smoothed it out. We have actually looked at the work program as well to work with industry to try and smooth out some of these capital works over a couple of years.

**THE CHAIR:** Does that, therefore—

**Mr Stewart:** I am sorry to interrupt. If I can just clarify one point: for those three projects the physical completion is still running to schedule. It has actually been brought forward and will occur this year. For many capital projects, the final invoice does not require payments until some months after physical completion is obtained. For those projects we do not expect to make a final invoice payment until 2014-15. That is why the money has been pushed out.

**THE CHAIR:** But if they are on time, surely that would have been the expectation? If you are running to timetable then surely you would have been expecting the final invoice payment in 2014-15 anyway.

**Mr Stewart:** Not necessarily.

**THE CHAIR:** So what has changed? If it is on time and you expect it to be completed when you said it would be completed and the final invoice would come due when you expected it to come due, surely that means—



**Mr Stewart:** It depends on the terms of payment for a particular project. If a project is slated to be physically completed within the given financial year, and those projects will be completed, it simply comes down to a matter of when the final invoice is sought and provided. Then the payment terms are such that the final payment will not be made until the following financial year and that does not have an impact on the delivery of the project. I have been advised that perhaps the original cash timing was a little overambitious.

**THE CHAIR:** That is probably a reasonable concession. Can we go back to page 61 then. There are a number of projects that relate to Gungahlin. The Horse Park Drive extension to Moncrieff is now delayed. Horse Park Drive water quality control funding has been pushed back over two years—and the Horse Park Drive extension from Burrumarra Avenue to Mirrabai Drive, access to Throsby. Again, why have they been delayed?

**Mr Dawes:** As the committee is well aware, we have had some major constraints with getting our environmental clearances. We only received those late last year. Again, it is reprofiling.

**THE CHAIR:** Is that late last financial year or calendar year?

**Mr Dawes:** Last calendar year. If you look at, say, the water quality pond in Moncrieff and the fact that we are now getting into that particular subdivision—you are aware that we have got a special ballot for builders and we will be letting four contracts for that particular work—it does not make sense to do that water quality pond until the completion of the works, otherwise it will be completely silted. We will be putting in all of the barriers and all of that to protect it. Because of the nature of the work and the fact that we will be letting four civil contractors into that estate all at once, it makes sense to build a pond at the completion of that work.

**THE CHAIR:** But does the water quality pond not assist in retaining some of the run-off during construction?

**Mr Dawes:** In the development plans for that we make up some other temporary ponds to capture that particular water as well. These are things that are evolving when you look at some of the ponds that have been done before. When you have got up to four, five and even six contractors working, it is hard to manage all of that. If you think of all the wet weather that we have had, in particular, it is hard to constrain it all on site. It is far better to do it at completion. That is just one example where it makes sense to do it at the end of the job and we will not have to be redoing it.

**DR BOURKE:** What did you mean by a special ballot for builders?

**Mr Dawes:** I beg your pardon?

**DR BOURKE:** Could you tell us about the special ballot for builders?

**Mr Barr:** Yes. The LDA will be releasing a section of Moncrieff for a builders-only ballot. This will allow for builders to get in, the smaller players in the industry, and

construct house and land packages.

**Mr Dawes:** Correct. It is something that the industry has been lobbying for for a while. We have been working with both the HIA and the MBA to accommodate that. It has been very well received by both industry organisations and also the smaller builders.

**DR BOURKE:** Is that particularly important to the construction industry at the moment?

**Mr Barr:** As David has indicated, yes, it has been very well received, particularly by smaller builders who tend not to be in the marketplace for medium or large size englobo sales and for whom this opportunity will present a chance to undertake—is it one, two, or three?

**Mr Dawes:** Packages of three and five. We have got a couple of larger packages as well for some of the larger builders. It is packaged up in threes and fives for some of the smaller builders, which, as the minister and I have said, has been very well received by the industry.

**DR BOURKE:** Three to five blocks?

**Mr Dawes:** Yes.

**THE CHAIR:** Going back to the main question, does the delay in the delivery of these preliminary works and feasibility studies have any impact on the land release?

**Mr Dawes:** I do not believe it will.

**Mr Barr:** Not since the environmental clearances have come through. That was the delay.

**THE CHAIR:** Page 60 refers to the Isabella weir spillway upgrades. I know Ms Lawder is interested in this, given that she cleaned up Australia at the Isabella weir location. Why has that been delayed given that water quality has been such an issue for the people of Tuggeranong?

**Mr Dawes:** With that particular one, we have been doing quite a bit of work on that. An engineering firm have been looking at that particular site to maintain the integrity of the site. They have not finalised their work. They are in the process of finalising that bit of work. It is a fairly complex bit of infrastructure. We had to explore where and what level of expenditure was needed. Did we need to pull it out and redo the whole weir? Can we actually anchor it and expand it? So a number of different engineering solutions have been looked at. That work will be conducted. The next part of it will commence in the next financial year.

**THE CHAIR:** Remind me: was not the fear of a catastrophic failure of the weir one of the reasons for the feasibility study? Why are we delaying something that is at risk of—

**Mr Stewart:** We are not delaying it at all. The work is underway. Again, it is a timing of cash issue.

**THE CHAIR:** When do you expect to get the work?

**Mr Dawes:** We will get the final lot of results in from the engineering firm and the feasibility and, hopefully, we will be able to get underway and construct it in the next financial year.

**THE CHAIR:** The outcomes of the survey will inform a request for funds in the coming budget?

**Mr Dawes:** Yes. That will be informing a business case for us to take forward.

**Mr Stewart:** Physical completion is this month.

**THE CHAIR:** On page 61 there is a revised funding profile for the government office accommodation and relocation fit-out that has actually been brought forward. When will we see the government office accommodation strategy?

**Mr Barr:** Once cabinet has completed its consideration and made some decisions.

**THE CHAIR:** Is the great big government office building still on the agenda or is that well and truly off the agenda still?

**Mr Barr:** Sorry, the great—

**THE CHAIR:** The large government office block, the Versailles of the south.

**Mr Barr:** The government is looking at its office requirements in the CBD, in Dickson. We have obviously made a decision in relation to new infrastructure in Gungahlin. So, yes, we are looking across our property holdings. We are looking at those that we might divest, particularly given the incentive that Treasurer Hockey has provided for such divestment. We have certainly got a range of options and considerations before us. The decision on Gungahlin clearly means that, as you had described, the great big office is not as great or as big as a result. But there will still be significant government office requirements in the CBD, and we will certainly make some further announcements on that. Obviously, it is linked in with city plan and capital metro work. We have office holdings in the Northbourne corridor. The Dickson group centre is the midpoint of capital metro and is an important location for us as well.

**THE CHAIR:** So there is still consideration of the government building its own office block in Civic?

**Mr Barr:** Not the government building its own office block, but we would adopt a procurement methodology not dissimilar to what we undertook in Gungahlin—expressions of interest from the marketplace.

**DR BOURKE:** What sort of strategic advantages would accrue to the ACT

government by co-locating directorates which are currently separated in the same building?

**Mr Barr:** This is deja vu!

**THE CHAIR:** Read the estimates committee transcript.

**Mr Barr:** Considerable benefits, Dr Bourke, but I would not wish to chew in to the available time for Community Services scrutiny, as I think we have got seven minutes left.

**THE CHAIR:** We will get you a page reference for last year's transcript. Why don't you lead off on Community Services?

**DR BOURKE:** Thank you. Minister, can you tell us about the ACT concessions program funding of \$7.628 million?

**Mr Barr:** We have in recent years experienced considerable growth in demand for the variety of ACT government concession programs. It would be fair to observe that the creation of the assistance website and the work that the Chief Minister coordinated a couple of years back have resulted in increased awareness of the availability of a variety of concessions. That has resulted in increased demand in a number of areas that required budget supplementation for the Community Services Directorate who, until the recent past, have administered the program on behalf of the territory government. Concessions will be transferring to the Revenue Office. The transfer of that process is now underway and the function will be performed within the Revenue Office in the future. But in the context of this appropriation and the last couple of years, CSD has had to manage this territorial expense, and the level of demand has been higher, so we have responded by providing additional funding to assist those most needy.

**DR BOURKE:** You mentioned that some areas have grown more than others. Which are those areas?

**Mr Barr:** There has been a general increase across the board but there are some concessions that have received a greater level of focus, particularly in recent times. There has been quite a debate on energy concessions. There have also been some increases in rates concessions in recent times. The government spectacles scheme and funerals have also received some growth in demand.

**DR BOURKE:** Can you tell us a bit more about the funerals scheme?

**Mr Barr:** Who would like to tell the committee more about the funerals scheme?

**DR BOURKE:** I had a constituent ask me about it a week ago.

**Mr Barr:** I must confess that I have not contemplated it myself.

**Mr Matthews:** The funerals scheme is available for low-income earners. Like most of our concession programs, it is linked to being a recipient of a pension card, either

through veterans affairs or a Centrelink pension card, or being a commonwealth healthcare card holder. As a general rule, up to \$500 is available to pay for a respectful and low-cost funeral. But consideration is given to meeting any cultural requirements that might also need to be addressed, in particular, whether there might be a requirement for people to travel, in the case of Aboriginal and Torres Strait Islander people. So there is some flexibility around the scheme, but generally it is to support that one-off financial expense in the form of around a \$500 concession.

**DR BOURKE:** Is that an adequate amount to bury somebody in Canberra?

**Mr Matthews:** It makes a contribution. It does not cover the total cost. The scheme is administered in conjunction with the funeral directors, the funeral home providers, and under contract. We negotiate those arrangements with the funeral providers. The scheme is not intended to cover the entire cost of a funeral but is to make a contribution on behalf of the ACT government.

**DR BOURKE:** So you actually work directly with the funeral home?

**Mr Matthews:** The funeral people normally approach funeral homes to arrange for funerals. The funeral provider will talk to them about their circumstances and assist them to make contact with the ACT government to access that assistance if it is needed.

**Mr Barr:** Just to complete my answer to your earlier question, there will be the introduction of a new rebate for medical heating and cooling conditions through the expansion of the life support rebate. I am also advised that the introduction of the new access card for asylum seekers to provide enhanced access to ACT government services has led to an increase in demand for concessions.

**THE CHAIR:** Could you provide a table to the committee with a breakdown of what each of the programs will receive from this additional \$7 million?

**Mr Barr:** Yes, we can do that.

**THE CHAIR:** And perhaps the original budget and then a total?

**Mr Barr:** Yes.

**MS LAWDER:** I note it is not your responsibility specifically, minister, but the SACS equity award has a specific separate amount under the Health Directorate but not in Community Services. Is that because it was covered earlier in the year?

**Mr Hubbard:** If you look on page 174, you will see that there is a pay equity for SACS amount for 2013-14 from the commonwealth.

**MS LAWDER:** So there is no supplementation in this appropriation?

**Mr Hubbard:** Other than that fund coming through. Of course, we also provide WCI indexation as well.

**THE CHAIR:** The total funding for the concessions program for the year is how much for the full financial year?

**Ms Howson:** Just over \$40 million, but, David, what is the actual figure?

**Mr Matthews:** I think it is important to note with the concessions program that there is an amount that is appropriated each year as territorial expenditure, and then it is only drawn down as it is accrued. In previous years, the appropriation has actually exceeded what we have drawn down. Last year that did not. So the amount that was actually expended last year was \$44,264,081.

**THE CHAIR:** That is last financial year?

**Mr Matthews:** That is for the 2012-13 financial year.

**THE CHAIR:** And in 2013-14, how much did you appropriate?

**Mr Hubbard:** That is also on page 174 and shows that the amount in territorial for 2013-14 is \$51,585,000.

**THE CHAIR:** So \$51 million, and we are adding another 7½ to that?

**Mr Hubbard:** That is correct, yes.

**THE CHAIR:** If it was \$44 million in 2012-13 and it is going to be almost \$60 million this year—

**Mr Hubbard:** No; \$51 million.

**THE CHAIR:** \$51 million is the total, is it?

**Mr Hubbard:** Yes.

**THE CHAIR:** Okay. So there is a 20 per cent increase, a 15 per cent increase. What is driving that? Have you done any analysis as to why the extra need?

**Ms Howson:** There are several factors that we believe are driving that increase. There has been increased demand as a result of an increasing number of ACT citizens that are receiving ACT Centrelink income support payments, which is one of the important eligibility criteria for concessions. As the minister has already indicated, there has been the introduction of the new access card for asylum seekers. That was introduced in 2011 and we are now seeing the uptake of that flowing through.

**THE CHAIR:** How much has been expended on that?

**Ms Howson:** On the access card in particular?

**THE CHAIR:** Yes.

**Ms Howson:** David, can you help me with that figure?

**Mr Matthews:** The expenditure on the access card is relatively small, because in this program it covers transportation expenses for asylum seekers. The access card also gives asylum seekers access to other general education and healthcare services that are available to people in the community. I do not have a financial breakdown of the amount of the transport concessions that was accessed by asylum seekers, but it would be a relatively small amount of money.

**THE CHAIR:** So going back to the question: what is driving this increase?

**Ms Howson:** Those two factors I have just mentioned. We have also had the introduction of the new rebate for the medical heating and cooling conditions that has added to the costs of what we have always called the life support rebate. That is calculated at about \$71,000 for the 2012-13 period, and that has been factored into these projections going forward. We have also had the increased costs of some of the essential services. And the funeral assistance program has been transferred into this whole package. Those particular reasons are what accounts for this increase.

**DR BOURKE:** Increased awareness?

**Ms Howson:** I beg your pardon?

**DR BOURKE:** Increased awareness of the programs?

**Ms Howson:** In the period that we have seen these increases, we have introduced the Chief Minister's targeted assistance program, and that certainly has made access to concessions easier.

**Mr Barr:** Surprisingly! It is targeted assistance.

**Ms Howson:** It is easier for people to understand what their entitlements are and how to apply for these concessions. So while we cannot draw a direct correlation, that certainly has been a change in the conditions as we have seen the increase go up.

**THE CHAIR:** Perhaps you could give us a breakdown of the various programs for 2012-13 and then 2013-14.

**Ms Howson:** In that table that was requested, we can do that for you, yes.

**THE CHAIR:** Thank you.

**Mr Barr:** Noting that it will be a partial financial year, obviously, as we are not yet through the year.

**THE CHAIR:** As best you can. Further questions? No. Thank you very much, minister, and thank you to all the staff that have attended. We have a very tight schedule because the minister wants to pass this next week or the week after.

**Mr Barr:** Certainly in the May sittings, yes.

**THE CHAIR:** We would be grateful if answers to any questions you have taken on notice or any information you want to provide further are provided speedily. We will get you a *Hansard* as quickly as we can so that you might check it to see if there is any clarification required.

**Mr Barr:** Yes. I understand that was very speedy. I read yesterday's last night so it was very efficient.

**THE CHAIR:** There was some interesting reading in yesterday's. We will return at 3.30 to speak with the Chief Minister.

**Meeting suspended from 2.34 to 3.29 pm.**



**GALLAGHER, MS KATY**, Chief Minister, Minister for Regional Development  
Minister for Health and Minister for Higher Education

**KEFFORD, MR ANDREW**, Deputy Director-General, Workforce Capability and  
Governance Division and Commissioner for Public Administration, Chief Minister  
and Treasury Directorate

**YOUNG, MR MICHAEL**, Executive Director, Continuous Improvement and  
Workers Compensation, Workforce Capability and Governance Division, Chief  
Minister and Treasury Directorate

**OGDEN, MR PAUL**, Chief Finance Officer, Chief Minister and Treasury  
Directorate

**BROWN, DR PEGGY**, Director-General, Health Directorate

**GEORGE, MS JACINTA**, Acting Deputy Director-General, Health Infrastructure  
and Planning, Health Directorate

**FOSTER, MR RON**, Chief Finance Officer, Health Directorate

**THE CHAIR:** Good afternoon, and welcome, Chief Minister and Minister for Health,  
and officials, to the public accounts hearing into the Appropriation Bill 2013-2014  
(No 2) and the Appropriation (Office of the Legislative Assembly) Bill 2013-2014  
(No 2). There is a pink privilege card in front of you. Could you all show that you  
have read the card and understand the implications of the card?

**Ms Gallagher:** Yes, thank you.

**THE CHAIR:** Thank you very much. Ms Lawder can have the first question of the  
afternoon.

**Ms Gallagher:** So we will start with Chief Minister's?

**THE CHAIR:** Yes, we will start with Chief Minister's and then go to Health.

**Ms Gallagher:** Thank you.

**MS LAWDER:** My question is about the ACT public service workers compensation  
and work safety improvement plan. Can you explain what is involved in that  
particular project?

**Ms Gallagher:** This was an initiative that was initially funded for two years.  
Essentially it was to look at how we manage our case management across the service,  
or efforts to improve on our case management for supporting injured workers and  
returning them to work, to improve the skills of our case managers across the service,  
to aim to lift the standard from a whole-of-government point of view about  
management of workers compensation and return-to-work programs, and also  
separately but running alongside that the opportunity to brief the cabinet on future  
decisions around management of our workers compensation arrangements, which are  
still under consideration by the cabinet. To date we have seen very pleasing results  
from this work. This will keep the improvement plan going. The early estimates to  
date are that we have saved more money than we have spent on improved outcomes  
for workers and putting downward pressure on our claims.

**MS LAWDER:** Do you expect all of that to be spent in the remainder of this financial

year or is it a continuation?

**Mr Kefford:** Ms Lawder, this has been an ongoing function, as the Chief Minister has described. In fact this work has continued pending the introduction of the supplementary appropriation. The original decision was that the program would be funded for two years and then reviewed to see that it was actually achieving what we thought it would. Having demonstrated that case, the government has agreed to centrally fund the team which sits as part of my division. The answer to your question is yes, but that recognises that this work has continued on unbroken from 30 June, when the original funding for the program ceased.

**MS LAWDER:** What kinds of things will that money be spent on? Is it for staffing the unit?

**Mr Kefford:** It is essentially the operating cost of the program. It is broken into a series of initiatives. One goes to the co-location and skilling and training of our rehabilitation case managers who are responding to injuries that occur at work and managing those claims through the Comcare system. There is a stream of work that goes on in terms of the injury prevention function. What we have shown in our performance over the life of the improvement plan is that we have made good progress in preventing injuries from occurring in the first place, which is obviously the best outcome in this space.

There is a series of other initiatives which we have undertaken in terms of trialling innovative and different approaches to rehabilitation, to workforce management and redeployment in an attempt to get back to the circumstance which is preferable for all, which is healthy work. So there is a range of initiatives right across the whole of the public sector.

**MS LAWDER:** It is a central unit and they go out and provide training?

**Mr Kefford:** Correct. The case management function is all centralised now in Chief Minister's. It was moved from Shared Services into Chief Minister's so that the delivery, design and policy functions were co-located. That was done in the administrative arrangements after the election. We have a team that provides that service across the whole of the public sector and then separately we work closely with our colleagues in directorates and agencies in terms of the injury prevention function and the general training. This program extends into things like the pilot program that we run around people management master classes to try and increase the skills of our managers of people in the service, to both deal with issues as they arise and also to avoid some of those cases which inevitably gain notoriety in the *Canberra Times* where management decisions become the subject of compensation claims and discussions.

**MS LAWDER:** You are talking about bullying-type behaviour?

**Mr Kefford:** Not so much workplace bullying but those ones that stem from performance management discussions. A number of matters come up where, in fact, what is happening is performance management; it is not workplace bullying. But we have piloted a program for which the evaluation has been successful in equipping our

managers to have those conversations in a respectful and appropriate way and also equipping staff to participate in those conversations freely. That work is fed into the work on the new performance management framework for the whole of the service, which the former Head of Service launched in the middle of last year.

**DR BOURKE:** Mr Kefford, the co-location of policy and programs in one place: what advantages have accrued from that?

**Mr Kefford:** What it has allowed us to do, Dr Bourke, is to have greater visibility of what is actually happening at that really practical service delivery end of the compensation system. So while in one sense the public service, even at its greatest extent, is not a big organisation, having the case managers reporting directly to my executive director who is responsible for the program has allowed us to ensure that what they are doing is consistent with the overall intent of the program. What we have seen is a much greater cross-flow and sharing of good practice at the delivery end back into the service design as well as a greater understanding—and even simple things like common systems, common data and better data reporting from having the whole of the function located in one unit.

**DR BOURKE:** Are you able to give us some examples of that better practice?

**Mr Kefford:** Do you mean now or on notice, Dr Bourke?

**DR BOURKE:** Either.

**Mr Kefford:** I will come back to a couple. I might ask Mr Young to join me at the table. The sorts of things we have done include, as I mentioned, the HR master class program, which has fed into it. Also, amongst the case managers, instead of having rehabilitation case managers sitting out in their own HR areas of directorates, we have been able to put in place a structure with a senior case manager, standardisation of practice and sharing of good day-to-day engagement practices with injured workers. It has allowed us to take a more holistic approach in our dealings with Comcare. I might ask Mr Young, my executive director, to expand on that.

**Mr Young:** Further to that question, there were a range of benefits arising from the economies of scale that were created by centralising what were previously decentralised and disparate case managers into a single unit. It allowed us to modify the return-to-work practices based on commercial insurance principles. Essentially, we moved to a streamed case management model whereby we had specialists able to look at purely triaging particular cases. We were able to set up a team that was focusing on managing complex case management matters rather than just having a decentralised approach where a single person would need to manage the full range. There are economies of scale around setting up specialisation in the case management function. We are able to set up a consistent quality assurance and management framework to ensure consistent service standards around case management service delivery.

In terms of the linking of the policy and the operational case management functions in one location, a number of benefits arose. One was that we have been able to work very closely between those operational and policy areas to look at the way that

rehabilitation providers are managed. We looked at shifting from a fee-for-service based model to an outcome-based model for the purposes of remuneration. That practice has been piloted a number of times with quite good outcomes. That link between the operational staff and the policy area was integral in achieving those outcomes.

**Mr Kefford:** Dr Bourke, the other advantage that I would highlight to you is the extent to which, from having a view of all of the activity, we are able to make better decisions around redeployment of injured workers across the service as a whole rather than perhaps having a more narrow view. We are getting better at that. There is probably more we can do in that space, but having visibility of the whole of the caseload is important. That was part of why, towards the end of last year, we moved CIT into this model. When it was first established CIT continued to provide this function separately, but that is now being transitioned into being part of the whole-of-service response.

**DR BOURKE:** That would be a real benefit for small agencies with a worker who needs some sort of alternative return-to-work program?

**Mr Kefford:** Certainly, Dr Bourke. Especially if you are dealing with psychological injuries, return to work in a small workplace is more difficult than in a larger one. It is a feature, too, of now having whole-of-service industrial agreements. Again, it is another factor that makes it easier for us to redeploy a worker who is fit for work but, for good reasons, cannot return. The best response is to get someone back to their job and their existing networks. But where that does not work, the next best is healthy work somewhere else. This approach allows us to consider that across the whole of the service and not just within our silos, or to negotiate across the silos.

**DR BOURKE:** Thank you.

**THE CHAIR:** I have a question on some of the financials. On page 43 in the revised operating statement, I see under depreciation and amortisation that the revised budget is \$1.1 million but the expected outcome is only \$300,000. Is there a reason for that?

**Mr Ogden:** Essentially the change in the depreciation is associated with the completion of the AIMS projects and the IPMS projects—the aids and information management system projects and the injury prevention management system. The projects were planned to be finished in the earlier part of this financial year whereas they are now to be completed at the end of the financial year. Therefore, there is a final effect in depreciation.

**THE CHAIR:** So why in the 2014-15 year does it suddenly increase?

**Mr Ogden:** Because it will be fully complete and operational.

**THE CHAIR:** On the top line of the employee expenses, the expected outcome for this year is \$25.9 million but for 2014-15 you are only expecting to spend \$25.3 million on employee expenses. Does that forecast a reduction in FTE?

**Mr Ogden:** There could be. It could be associated with programs that are dropping

off at the end of this financial year. I would have to provide the detail of that.

**THE CHAIR:** Take that on notice.

**Ms Gallagher:** We have lost the centenary team.

**THE CHAIR:** Yes. How many was that?

**Ms Gallagher:** It varied. It had peaks and then it wound down. We can certainly provide that on notice.

**THE CHAIR:** That is kind. Any further questions?

**DR BOURKE:** You talked about the benefits of injury prevention as a result of these changes. Is that quantifiable at this stage?

**Ms Gallagher:** Some of it is, but the continuing work we are doing is collecting a lot more data to ensure that we better understand that and make decisions about future arrangements, which have been talked about publicly but the government has not made a final decision on. There is some actuarial advice around that our premium would have been quite a bit higher had we not embarked on these changes, but our premium grows with the deficit levy that is being charged by Comcare anyway, despite that we have got some agencies, and some of our larger ones, who are improving on their actual incidents. We are seeing a decrease in their incidents but the premium is rising because of other arrangements through Comcare. There is advice that there have been quantifiable savings, and I think we will just let it go a bit longer before we start putting dollar figures on that. But we did get the premium down a bit on appeal in the last year.

**Mr Kefford:** Yes. We have appealed the last two premiums. Two years ago there was a reduction reflecting both our improved performance and also a change to our regulatory levy. Last year there was a change only to the regulatory levy that Comcare imposes. But the Chief Minister is correct: the actuarial view of our premium is that the deficit levy and economic revaluations that Comcare is levying on all of its premium payers is more than outweighing the improvements that we are seeing in both the human and financial outcomes of the improvement plan. But it is possible to actuarially break out the fact that this scheme, this plan, and the approach we are taking at the prevention end and at the rehabilitation end, are working.

**Ms Gallagher:** We know it is working; we have just got to work out the sustainable way of managing our workers comp and the premiums associated with it into the future.

**DR BOURKE:** Do we have to use Comcare as an insurer?

**Ms Gallagher:** That is one of the options—that we do not use them as an insurer.

**THE CHAIR:** Given that we only have half an hour, any further questions for the Chief Minister might be put on notice. We might ask her to change hats, discard some staff, pick up some additional staff and go on to Health.

**Ms Gallagher:** Yes.

**THE CHAIR:** I welcome new witnesses. Could you please acknowledge that you have seen the privilege statement and understand the statement?

**Ms Gallagher:** Thank you.

**THE CHAIR:** Minister, on page 50 of the appropriation documents there is a revised funding profile for the Aboriginal and Torres Strait Islander residential facility.

**Ms Gallagher:** Yes.

**THE CHAIR:** Why has that been pushed out? And am I correct in saying that the funding allocated to it has been reduced?

**Ms Gallagher:** There has been some expenditure on the Ngunnawal bush healing farm. It is being pushed out. For several months this year it remained in ACAT under appeal by some of the rural lessees out near where Miowera is. That has delayed moving forward with the project as originally intended. But there has been some expenditure against the program. There has been no reduction in the budget. Is there anything you would add to that, Jacinta? We have been remediating the site. We have been doing things we can do on the site whilst awaiting the ACAT decision. The ACAT decision was made last week or the end of the week before, and has approved the lease purpose DA.

**Dr Brown:** The lease variation DA.

**Ms Gallagher:** The lease variation DA. There is a separate DA around siting that is currently before the planning authority. So there is a bit more work to go.

**THE CHAIR:** How much has been spent to date and when do you expect it to open its doors?

**Dr Brown:** We will have to take on notice the exact amount that has been expended to date; I do not have those figures with me—unless Ms George has got them. In terms of when we expect it to open its doors, we are still awaiting the process in relation to the second development application. We cannot proceed with any construction until that process is determined. Our original date was, from memory, late 2016. It will be outwards of that. I am just looking at Jacinta George for confirmation around that date.

**THE CHAIR:** September 2014, according to the document here.

**Ms Gallagher:** Is that the previous budget?

**THE CHAIR:** Yes.

**Ms George:** June 2013 is the date I have. I can also answer the question on expenditure to date. To the end of March, it is \$2.24 million.

**THE CHAIR:** So \$2.24 million, with \$4 million to come. So the expected total cost is \$6.24 million for the facility?

**Ms Gallagher:** No.

**Ms George:** The approved budget is \$8.933 million.

**Ms Gallagher:** Because there was some money from the commonwealth that came forward on this project. I will say that the budget for this is under pressure. I am currently looking at it now. There are a range of different factors that have to flow in, including the clean-up of the site, which was not factored into the original budget, and the delays that have been associated with this project. That is something that we are going to have to consider once we get approvals to move forward.

**DR BOURKE:** What sort of clean-up has been required?

**Ms George:** There has been site contamination identified from some of the landfill and also because of the area. It was previously a sheep dip.

**DR BOURKE:** Sheep dip, landfill.

**THE CHAIR:** That will do it. Just further up that page, another half a dozen lines up, there is reference to a “Staging and decanting—moving to our future” initiative, which I think started at about \$22 million. In 2013-14 you were to expend \$8.5 million. It seemed to have been pushed out to 2014-15 and 2015-16. What is the cause of the delay to “Moving to our future”?

**Ms Gallagher:** We can certainly give you that information.

**Dr Brown:** We have had changes in that, primarily due to the way in which the contracts have been let. We have moved to a new form of contracting. I might ask Jacinta to provide some more detail in relation to that. We have a number of staging and decanting projects, as you can see. I have to confess that, from time to time, I get a bit confused as to exactly what is covered in which one. Jacinta, can you speak to “Moving to our future”?

**Ms George:** Yes. With “Moving to our future”, we have bundled up some works from continuity of services staging and decanting and moving to our future under a bundled GC21 contract so that the contractors are able to undertake the works simultaneously. The continuity of services related to level 9 of building 1; building 15, the design; and level 3 of building 19, the design. Moving to our future undertakes construction works and conversion of the actual construction works, for example, in building 15 and building 19.

**Ms Gallagher:** In short, there is a series. It is a timing issue about how those individual projects roll out and the cash flows out.

**Ms George:** And the cash flow.

**Ms Gallagher:** This is like a domino situation. For example, we are now reconfiguring the ward area where paediatrics were, because paediatrics have moved into the new women's and children's hospital now. Once they have moved, we can start making beds available to take into that place. But then we are shifting people from other parts of the hospital. "Staging and decanting" does not really sum up the complexity associated with that line in the budget. One of our challenges in terms of presenting this program and presenting it in the budget is how to predict exactly when the cash flow will flow out.

**THE CHAIR:** I do not want you to go through them all here, but could you take on notice those technical adjustments, the revised funding profiles, and detail which ones have started?

**Ms Gallagher:** For all of the health infrastructure program?

**THE CHAIR:** Yes, please.

**Ms Gallagher:** Under the technical adjustments revised funding profiles?

**THE CHAIR:** Yes. There is an enormous amount of money shifted from 2013-14 to 2014-15. It might be a question for Mr Foster: is it timing and payments or have projects not commenced?

**Ms Gallagher:** It is probably a bit of both.

**Dr Brown:** It is a bit of both.

**Ms Gallagher:** With the bush healing farm, it is probably a bit of both.

**THE CHAIR:** Are you happy to take those on notice and give us a reconciliation?

**Ms Gallagher:** Yes.

**THE CHAIR:** Thank you.

**MS LAWDER:** I understand generally that the health budget is certainly under some pressure. The SACS pay equity award amount, \$8,000, is a small amount to come for appropriation. Was there no way you could find other savings in order to save this additional small appropriation?

**Ms Gallagher:** I think this item, as I understand it, was omitted in the original budget. It is just a minor adjustment, but it does increase in the outyears. I would say that it is probably fixing up an error of sorts. Health already absorb a number of different costs through their budget. Do you want to add to that, Ron?

**Mr Foster:** It is purely and simply the fact that it was missed, and there has been a decision to allocate that. So, for completeness, it has been put through in this technical adjustment, if you like. It is not something that—

**Ms Gallagher:** You did not actively lobby for it.



**Mr Foster:** No. I was a bit surprised to see it myself.

**Ms Gallagher:** But you took it, Ron.

**Mr Foster:** It is just to match up with the earlier decisions to transfer these funds around.

**THE CHAIR:** The \$6.3 million, or the revised wage rate, will all be spent this year?

**Ms Gallagher:** Sorry?

**THE CHAIR:** The \$6.3 million under the revised wage parameters?

**Ms Gallagher:** Yes.

**THE CHAIR:** That will all be required for this year?

**Mr Foster:** Obviously, it comes down to the timing of finalising the individual agreements and having the back pay processed. The nursing back pay has been going through this month. The clerical will go through fairly soon as well. There might be some issue that emerges which would not have been known at the time of doing this supplementary appropriation that could delay one of the work groups from having the back pay paid this financial year. But, certainly, all expectations at the time were that they would all be able to be processed and paid out this financial year.

**THE CHAIR:** If we go to page 56, the revised operating statement, the employee expenses were \$576 million. We are adding \$6 million, but it jumps to \$585 million.

**Mr Foster:** In addition to the \$6 million that you refer to, there is \$1.3 million for an impact on employee accrued entitlements. The \$6 million-odd is a cash figure, plus there is \$1.3 million associated with the movement on the provisions that are accrued. So, as you get a pay rise, it impacts on the balance sheet that is already there. We also have a technical adjustment. We forecast an increase in employee expenses to do with a settlement.

**THE CHAIR:** Why do you not need to appropriate that then?

**Mr Foster:** Which one? We do not have to have a GPO appropriation for the movement on the balance sheet. That is why we always budget for a deficit. We actually do not get the cash up-front to pay for employee entitlements as they go out the door. We will always have a deficit for that reason, and depreciation, for example. We only needed appropriation to deal with the cash payments per se related to the wage outcomes.

**DR BOURKE:** So you do not appropriate for things that you are not going to necessarily be spending this financial year?

**Mr Foster:** We never appropriate for movements in employee provisions where there is a change because of a pay rise, and we do not with depreciation. We got the

appropriation because we thought we would be paying all the pay rises out this financial year, though.

**THE CHAIR:** The difference between the revised budget and the estimated outcome: why are they different figures?

**Mr Foster:** The revised budget deals with the items in the supplementary appropriation bill. The estimated outcome picks up on the audited outcomes from the financial statements. The budget was put down before we had the final outcomes. All the numbers have changed on the balance sheet from that outcome for that reason. You find that with all the directorates.

**DR BOURKE:** You mentioned back pay. What amounts are we talking about?

**Mr Foster:** Back pay?

**DR BOURKE:** Yes; you mentioned back pay to staff. What amounts are you talking about?

**Mr Foster:** The back pay relates to the fact that these are effective from 1 July.

**DR BOURKE:** 1 July last year?

**Mr Foster:** Yes. So all the staff will get the new rates as soon as they get the agreements passed and then Shared Services calculate the back pay and process that, usually the following pay. With the nursing pay rise, for example, the standard increase in the rate went through in the first pay in April and the back pay went through in the second pay in April. All those figures account for the change in the rate going forward and the back pay.

**DR BOURKE:** So the nurses have already got the money?

**Mr Foster:** The plan was that they would be paid this in April, yes.

**Ms Gallagher:** Who knows? They are not on strike so—

**THE CHAIR:** That is a good start. Thank you, Chief Minister. I assume the government want to pass the bills some time in May.

**Ms Gallagher:** Yes.

**THE CHAIR:** So the quicker you get your answers back to the questions taken on notice, the quicker we can report.

**Ms Gallagher:** No worries.

**THE CHAIR:** The *Hansard* will be provided. You might want to check that and, if there is anything requiring any correction, get that to us quickly. I now formally declare this public hearing closed.

**The committee adjourned at 4.00 pm.**