The Commonwealth Office of Regulatory Review has developed a checklist for assessing regulatory quality articulating seven principles and features that characterise best practice in the design of regulatory structures. The consideration of these design elements needs to occur both at a whole of government level as well as at the individual agency or operational unit level.

Given the limited time, such an analysis has not been undertaken. The Review proposes that this work be undertaken within 12 months to identify the potential to simplify ACT Government regulatory activity.

Table 7.8.5: Checklist for assessing regulatory quality – Office of Regulatory Review

Regulation that conform to best practice design standards are characterised by the following seven principles and features:

Minimum necessary to achieve objectives

- overall benefit to the community justify costs;
- kept simple to avoid unnecessary restrictions;
- targeted at the problem to achieve the objectives;
- not imposing an unnecessary burden on those affected; and
- does not restrict competition, unless demonstrated net benefit.

Not unduly prescriptive

- performance and outcome focused; and
- general rather than overly specific.

Accessible, transparent and accountable

- readily available to the public;
- easy to understand;
- fairly and consistently enforced;
- flexible enough to deal with special circumstances; and
- open to appeal and review.

Integrated and consistent with other laws

- addresses a problem not addressed by other regulation; and
- recognises existing regulations and international obligations.

Communicated effectively

- written in 'plain language'; and
- clear and concise.

Mindful of the compliance burden imposed

- proportionate to the problem; and
- set at a level that avoids unnecessary costs.

Enforceable

- provides the minimum incentives needed for reasonable compliance; and
- able to be monitored and policed effectively.

Sources: Argy and Johnson (2003) derived from: OECD (1995); Office of Regulatory Reform, Victoria (1996 and 1998); COAG (2004) – as amended; and Cabinet Office, United Kingdom (2000).

Recommendation 161: all agencies should review their regulatory activities against the 'assessing regulatory quality' guidelines and, where possible, develop regulatory nodes to discharge their regulatory obligations.

7.8.6 STATUTORY COMMISSIONS AND TRIBUNALS

The ACT Government has established a substantial number of statutory commissions and tribunals. These bodies undertake a range of functionally similar roles, across a diverse range of subject areas.

While all of these functions play a vital part in securing citizen rights and justice, the small scale of the ACT argues for the greatest possible integration or amalgamation of these areas to achieve the most efficient and effective service delivery.

Commissions Dealing with Citizen Rights

At present, the ACT has several commissions dealing with citizen rights and administrative review, including the Human Rights Office, the Health and Community Services Complaints Commission, the Office of the Community Advocate, as well as payments to the Commonwealth Ombudsman and Privacy Commissioner.

Work is underway to combine the Human Rights Office and the Health and Community Services Complaints Commission, as well as the new positions of a Disability Commissioner and a Children and Young People Commissioner, to create a new Human Rights Commission. The Commission is to be headed by a President as a separate position to the other Commissioners.

The Commissioner positions are currently proposed to be separate full time positions. Combining the Children and Young People Commissioner and Disability Commissioner positions with the President's position can deliver savings of approximately $400,000 per annum through reduction of 2 FTE positions.

Recommendation 162: the President of the Human Rights Commission also be the Children and Young People Commissioner and Disability Commissioner, delivering savings of approximately $400,000 per annum.

Tribunals

At present the ACT has seven tribunals (Administrative Appeals Tribunal, ACT Credit Tribunal, Discrimination Tribunal, Guardianship and Management of Property Tribunal, Mental Health Tribunal, Residential Tenancies Tribunal, Consumer and Trader Tribunal) and an Essential Services Consumer Council. With the exception of the Consumer and Trader Tribunal and the Essential Services Consumer Council, the tribunals operate in the jurisdiction of the magistrate's court.

Some progress has been made towards consolidating tribunals through the establishment of the Consumer and Trader Tribunal and Essential Services Consumer Council as single entities replacing a number of civil tribunals. The Government has committed to a further review of tribunals with a view to greater consolidation.

The concept of a single tribunal, with a number of divisions covering administrative decisions of Government, community services, consumer and trading and occupational regulation/supervision, has been raised before but not progressed. Both Victoria and NSW have undertaken significant consolidation, with feedback indicating the experience has been positive and delivered greater clarity for consumers.

There is potential to achieve efficiencies and savings through either a single tribunal or a more rationalised model than the present arrangements, and this should be examined in greater detail by the Department of Justice and Community Safety.

Recommendation 163: the Department of Justice and Community Safety undertake further work on consolidating tribunals, with a view to establishing a single tribunal or a significantly more streamlined model than exists at present.

7.8.7 SUMMARY OF SAVINGS AND STAFFING IMPACTS

Total recommended savings are outlined in the table below.

	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m	Total FTE Impacts
Director of Public Prosecutions	-0.500	-0.500	-0.500	-0.500	-5
Community Corrections	0.500	1.000	1.500	2.000	20
Human Rights Commission	0.400	0.400	0.400	0.400	2
Streamlining Regulation[8]	2.400	4.700	4.700	4.700	46.5
Reinvestment into Regulatory Reforms	-1.000	0	0	0	0
Total Justice and Community Safety	**1.800**	**5.600**	**6.100**	**6.600**	**63.5**
Procurement (Tender Box) Savings	0.187	0.381	0.391	0.401	-
Procurement (ERC) Savings	0.177	0.266	0.266	0.266	-
IT (Review and ERC) Savings	0.548	0.773	0.773	0.773	-
Transfer to Shared Services	0.132	0.320	0.325	0.329	3.11

[8] Savings to be achieved following transfer of resources from other agencies to JACS.

CHAPTER 7.9 ECONOMIC DEVELOPMENT

OVERVIEW

The Department of Economic Development was established in 2004 and is responsible for economic development strategies, business support and assistance, tourism policy and services, racing and gaming and sport and recreation. It also has portfolio responsibility for ACTTAB (Limited). The Department operates as a federation of agencies.

The Stadium's Authority manages the Canberra Stadium with own sourced revenue of $3.3 million[1]. The Gambling and Racing Commission receives a payment of around $3.7 million from Sport and Recreation for operations.

The Department's expenditure in 2005-06 is estimated to be $58.9 million with a staffing of 149 FTEs. The expenditure is split between Economic Development ($22.5 million; 52 FTEs), Small Business Commissioner ($0.4 million, 3 FTEs) Tourism ($20.4 million; 56 FTEs) and Sport and Recreation (15.6 million; 38 FTEs).

The focus of sport and recreation funding is broad, encompassing community sport, elite and professional sport and business sport (covering appearance payments for the Brumbies, Raiders and Kangaroos). Expenditure on elite athletes is significantly higher than the national average. Administration costs associated with sports grants are high, as are the cost associated with the separate administrative arrangements for Canberra Stadium and Manuka Oval.

In Chapter 4.2, the Review recommended that the Department of Economic Development be disbanded with responsibility for economic development being assumed by the Chief Minister's Department and sport and recreation and tourism activities being transferred to the Department of City and Territory. The Review also proposed that the Racing and Gaming Commission be relocated within the Treasury Portfolio.

[1] This, however, is mainly recovered from the elite teams (Brumbies and Raiders), which are provided subsidies from the Sport and Recreation budget in the Department.

KEY CONCLUSIONS AND RECOMMENDATIONS

- ACT Government expenditure on economic development is $542 per business in the ACT. This is 161 per cent higher than the national average of $336 per business[2].
- The Government's role in business assistance should be refocussed, with emphasis on leveraging off the Territory's competitive advantages and on establishing an environment that results in businesses seeing the ACT as a good place in which to operate in - rather than providing grants and subsidies.
- The Review proposes adoption of alternative business support arrangements, for example, through CANBAS. High government backend costs should be removed, and residual funds targeted to business services assistance.
- Expenditure on supporting and assisting business should be benchmarked to the national average expenditure per business.
- The Canberra Stadium and Manuka Oval are currently managed as separate bodies outside the Department. There is a disconnect between these facilities and other sporting facilities managed by the Department of Urban Services. The administration and management of all sporting facilities should be brought together within the Department of City and Territory.
- Expenditure on tourism per capita is 111 per cent above the average of all jurisdictions. The Australian Capital Tourism Corporation should be disbanded, and functions relocated within the Department of City and Territory. Expenditure on tourism should be targeted to benchmark levels, with reduced overheads and corporate structures. Clearer integrated links should be established with similar e Commonwealth and private sector programs.

Summary Machinery of Government (see Chapter 4.2)

- abolish the Department of Economic Development;
- Business ACT and Economic Development functions to the Chief Minister's Department;
- Sport and Recreation ACT to the Department of City and Territory (with amalgamation of Sports Facilities);
- Australian Capital Tourism Corporation be abolished, with functions transfer to the Department of City and Territory;
- Stadiums Authority be abolished and functions transferred to the Department of City and Territory, and amalgamated with Manuka and Phillip Ovals and other sportsgrounds;
- National Teams to transfer to the Chief Minister's Department (being economic development focused);
- Gambling and Racing Commission to transfer to the Treasury Portfolio, along with ACTTAB.

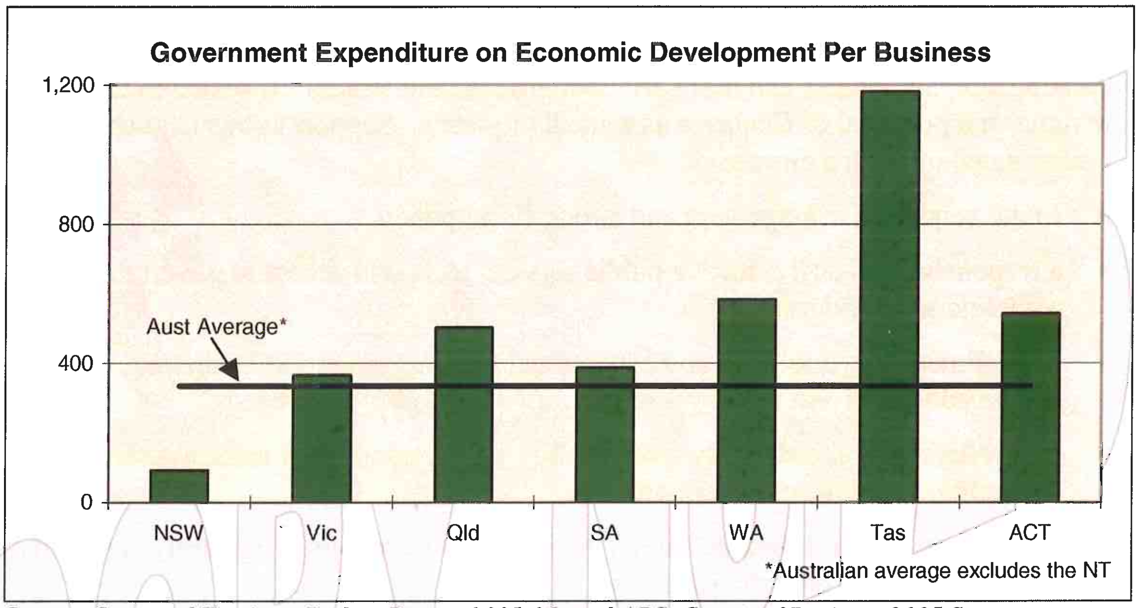
[2] The national average excludes the Northern Territory.

7.9.1 ECONOMIC DEVELOPMENT

The Government's Role in Business Support and Assistance

The ACT has an atypical economic base. The Commonwealth and ACT governments comprise the largest single employment component of the ACT economy. There is an absence of large industry groups, apart from the public sector. Manufacturing makes up only a very small proportion of the economy and there is a higher proportion of small and micro businesses compared to other jurisdictions.

The graph below shows state and territory government expenditure per business.



Source: State and Territory Budget Papers 2005-06; and ABS, Counts of Business 2005 Summary Tables 8161.055.001

In 2005-06, ACT Government expenditure on economic development was $542 per business, which is 161 per cent higher than the national average (excluding the NT) of $336 per business.

The Territory's small size and narrow sub-regional economic base limit, in many ways, the Government's capacity to influence and assist business activity and economic opportunities. Linked to this, the Commonwealth's large presence acts as an independent catalyst to influence growth and business decisions to relocate to Canberra, reflected in the presence of businesses relating to defence, consulting and advisory support.

The Government's role should be targeted to providing an environment that establishes the Territory as a good place for business. Canberra already has many advantages in attracting knowledge-based industries. It has a highly skilled workforce with the highest average levels of educational attainment in Australia[3]. Relatively stable industrial relations are also a feature, dominated by small businesses.

[3] Australian Bureau of Statistics Labour Force Survey Cat No 6291.0.55.001.

Canberra's educational and research institutions are among the best in the country. The quality of life in Canberra is high, with good health and community facilities. Life expectancy for Canberrans is the highest in the country, as is participation in sport and recreation activities.

The Review's approach is for the Government to leverage off these competitive advantages. Attraction policies should provide support to industry with priority given to enhancing and growing work-skills training to meet business and educational needs. Government emphasis should also be on providing the 'infrastructure' required to attract businesses. The Territory should also seek to attract skilled and business migration both from overseas and interstate, such as the Western Sydney initiative.

In creating an environment conducive to business, the Government should focus on creating simpler, clearer and more efficient government structures, scaled to the realities and potential of Canberra as a small city-state. Support to business should be underpinned through a climate of:

- sound economic management and strong fiscal policy;
- a responsive and cost effective public service, and open access to government contracts and services;
- commitment to work-skills and educational training to support business growth, and an education and training system responsive to business needs;
- cost reflective and efficiently priced utility services and other infrastructure, with streamlined land development processes;
- regulations that meet health, safety, environmental and other regulatory standards while minimising compliance costs;
- competitive tax regimes with low compliance costs; and
- stable industrial relations.

Within this framework and commensurate with its size and relative position within the ACT economy, the ACT Government's expenditure on economic development should be brought into line with national averages. Spending adjustments should be achieved through a package of measures including:

- reduced expenditure on discretionary (grants) assistance to business;
- increased expenditure on information and support services;
- rationalisation of marketing activities;
- efficiencies through the transfer of policy functions to the Chief Minister's Department; and
- withdrawal from Venture Capital arrangements in the longer term.

Reduced Expenditure on Discretionary (Grants) Assistance to Business

The Territory spends about $9 million on discretionary business support programs (including the Knowledge Fund, the Export Growth Program and the Accelerating Business Innovation Program), with little clarity around the net benefits for the ACT.

Limited evaluation or review of discretionary business assistance programs has been conducted. A review of the Knowledge Fund, conducted by Acumen Alliance in 2004, concluded that the funds provided to the majority of organisations made a significant difference to their survival. This suggests that the funding is being used to finance existing levels of activity, rather than growing business capability and potential. Many organisations had difficulty reporting the concrete outcomes from their projects.

The ACT provides export assistance and opportunities through a range of initiatives such as the Export Growth Program, which provides $1.1 million in grants to assist businesses offset export costs. Marketing programs also provide assistance, such as the Trade Mission Program and Export Channel Relationships, with contributions made to Washington and Shanghai Trade Promotion Offices.

Given the size of the ACT, there is little evidence of the leverage value of these programs. To a large extent, the programs duplicate those provided by the Commonwealth.

Increased Expenditure in Information and Support Services

Information and support services such as the Business Licence Information Service are important in supporting businesses, particularly small and micro businesses, which form the majority of businesses in the ACT. The Review proposes that these programs be strengthened as part of a more strategic business facilitation approach.

Mentoring and advisory services are also provided through private sector organisations such as the Canberra Business Advisory Service (CANBAS). Given the relatively high overhead costs of the Department of Economic Development (at some 16 per cent), the Review proposes that efficiencies be gained by providing information and support services through existing private sector organisations, such as CANBAS.

Rationalisation of Marketing Activities

The level of marketing activity being undertaken by Business ACT is high, at around 11 per cent of expenditure and 32 per cent of staff (19 FTEs). When this is combined with expenditure on marketing undertaken by Australian Capital Tourism, it totals $8.3 million or over 13 per cent of the Department's budget.

There are three types of marketing activities funded within Business ACT: marketing business, marketing Canberra and marketing the department itself. With such a broad focus, marketing activities become expensive. Programs that market business include a range of local, national and international marketing activities, a number of which duplicate Commonwealth initiatives.

Marketing Canberra activities overlap those conducted by Australian Capital Tourism. This role should be integrated with other tourism activities in the Department of City and Territory, and in conjunction with, for example, the National Capital Authority. This should also include event and sponsorship management, strategic communications, website and online marketing and newsletters.

The Skills and Business Migration program, recently relaunched, has been well received by business and links with the strategic direction through ensuring that there is an appropriately skilled workforce for businesses wishing to develop in the ACT. Its activities are linked to and leverage off, the more comprehensive programs operated by the Commonwealth. The Territory's investment in this activity should be retained.

Efficiency in the Policy Functions

The cost of the policy function within the economic development area of the Department is around $3.2 million, and involves 24 per cent of staff (15 FTE). It includes inter-governmental policy activities such as collaboration with the ANU, intra-governmental activities such as liaison with ACT Planning and Land Authority and support for key groups such as the Canberra Partnership Board. Much of this activity is process based, rather than strategic in nature.

A number of projects duplicate work being undertaken by other government agencies, for example ACT skills and future workforce planning, which is being undertaken in the CIT and in DET as part of vocational education and training. Work on demographics and population duplicates that currently undertaken by ACT Treasury.

Venture Capital Arrangements

The Territory has made sizeable investments in venture capital funds. Funding has been provided to three investment equity programs, the Canberra Business Development Fund, ANU Connect[4] and Epicorp ICT Incubator. Business ACT's role is now one of monitoring the outcomes of this investment.

The Canberra Business Development Fund, a $6 million venture capital fund incorporating ACT Government equity contributions matched with private funding sources and managed by Australian Capital Ventures Ltd (ACVL), has been operating since 1997. To date, the Government has provided $3 million, including a $1 million top up in 2004-05 from the Knowledge Fund. There is limited information on the effectiveness of the program.

[4] This fund has not commenced operations.

The Review proposes that, in the longer term, the Government should seek to divest its interest in the existing funds.

Recommendations 164, 165, 166 and 167:

- **Economic development be refocused on creating an environment conducive to business by creating simpler, clearer and more efficient government structures, scaled to the potential of Canberra as a small city-state;**
- **savings of $5.4 million in 2006-07 rising to $8.7 million by 2008-09 (net of shared services) from Business ACT be realised through benchmarking Government expenditure on economic development per business to the national average, with savings in:**
  - **discretionary business assistance programs, which will be discontinued;**
  - **rationalisation of marketing activities;**
  - **rationalisation of economic development policy associated with its transfer to the Chief Minister's Department;**
  - **reductions in corporate governance and support;**
- **$1 million of the savings be redirected to information and mentoring support for business; and**
- **the Government should seek to divest its interest in venture capital funds in the longer term.**

Small Business Commissioner

The Small Business Commissioner was established late in 2005 with estimated expenditure of $0.35 million. Its tasks relate to assisting small businesses in dispute resolution and resolving complaints. In many ways, its responsibilities mirror other existing complaints mechanisms such as the Administrative Appeals Tribunal.

The ACT and Regional Chamber of Commerce and Industry and the Business Council of the ACT are also available to provide advice to businesses and the Government in areas of legislation and regulations effecting business activity.

The size of the ACT and the number of complaints mechanisms already in place make the continuation of the role difficult to justify in terms of efficiency or function.

Recommendation 168: the Office of the Small Business Commissioner be abolished with savings of $0.35 million being realised.

7.9.2 SPORT, RECREATION, GAMING AND RACING

The focus of sport and recreation covers community sport, elite and professional sport and business sport[5].

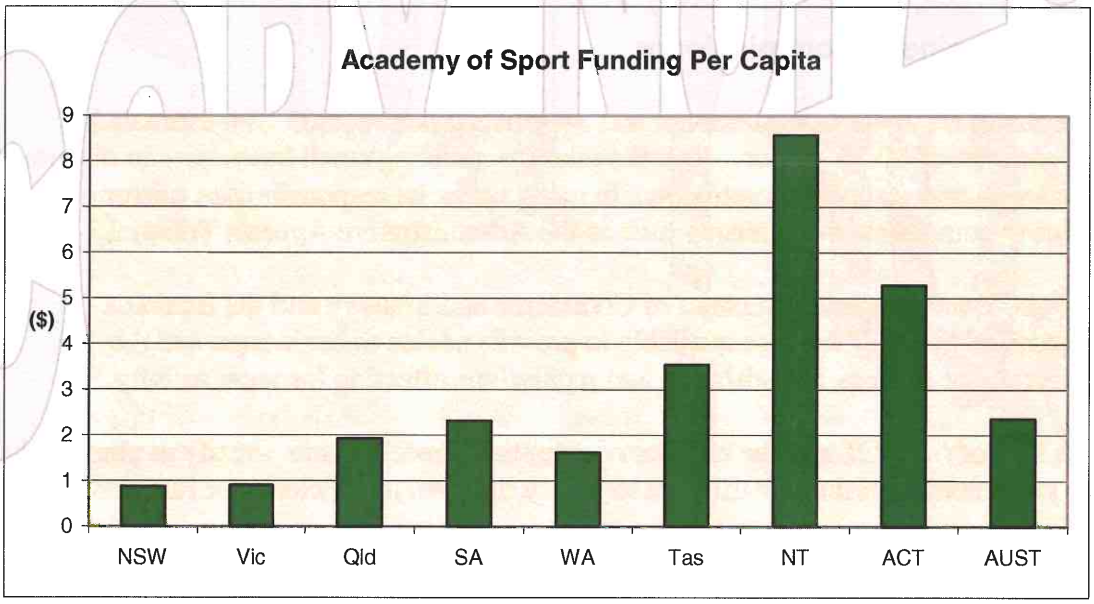
ACT expenditure on elite athletes is significantly higher than the national average. The management arrangements associated with Canberra Stadium and Manuka Oval carry structural inefficiencies. Corporate costs for Sport and Recreation ACT are high. The Review proposes that efficiencies be targeted against corporate and support costs, with emphasis on maximising resources to sport in the community.

Elite Athletes

Athlete scholarships and services are provided through the ACT Academy of Sport, and involve 250 athletes and 19 squad sports. The Academy was established in 1989 to provide ACT elite athletes with access to advanced coaching, sport science and medicine services, training, competition and athlete career opportunities.

In 2004, Academy of Sport funding per capita was $5.28 in the ACT. This was $2.93 or 225 per cent higher than the national average of $2.35. The highest Academy of Sport funding was in the Northern Territory at $8.57 per capita, with the lowest at $0.87 per capita in NSW.

The graph below shows jurisdiction's per capita funding for Academies of Sport.



Source: Sport and Recreation and ABS Demographic Statistics cat no. 3101.0

Whilst reducing per capita funding to national average levels is an option, the low level of annual expenditure ($1.7 million) would compromise program viability.

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[5] Business sport covers appearance payments for the Brumbies, Raiders and Kangaroos.

There are, however, a number of areas within the Academy's operations where high costs exist including program coordination and administration, and promotion and marketing. These comprise 32 per cent of expenditure, at around $0.46 million per annum. Efficiencies should be targeted in these support areas.

Recommendation 169: efficiencies be achieved in the ACT Academy of Sport program to realise $0.250 million in savings.

Management of Facilities

Expenditure on facilities includes performance fees and operating subsidies. The operations of the Canberra Stadium and Manuka Oval are dependent on government performance fees paid to the Brumbies, the Raiders and the Kangaroos.

The current ten-year agreement between the Government and Manuka Oval Management Committee limits the Territory's capacity to optimise the commercial potential of the asset. The agreement provides $0.45 million to the Management Committee as an annual operating subsidy. A contract is in place with the Australian Football League to play four games per season at the Manuka Oval. The Government can terminate the agreement at any time following six months notice.

Managing the Canberra Stadium separately from Manuka Oval does not take advantage of the potential for additional revenue through increased membership, corporate sales and catering commissions. The Canberra Stadium has moved from requiring government operating subsidies and this should be the long-term objective for Manuka Oval. Seeking an optimum commercial return for the Government is appropriate for both entities. While a Stadiums Authority was appropriate when it was created, there is no longer need for a separate authority structure.

Sport and Recreation has assumed responsibility for Phillip Oval, with an recurrent subsidy for ongoing maintenance and operating costs. Capital works of $1.7 million have been approved to upgrade the oval and facilities, of which approximately $25,000 has been expended to date. Advice to the Review is that the Department is reconsidering the future uses for the oval, and have put further expenditure on hold.

Given this uncertainty, no further expenditure should be incurred until the future use is resolved by the Government, including alternative development options for the site. In the interim, the site should be maintained at minimum standard and safety levels (given the fire damage to the grandstand). Responsibility for Phillip Oval should rest with the Department of City and Territory.

Recommendations 170, 171 and 172:

- **management of Phillip Oval be transferred to the Department of City and Territory, with minimal maintenance to ensure public safety;**
- **a business case be developed by the Department of City and Territory for the sale of Phillip Oval; and**
- **the Stadiums Authority be disbanded with the Canberra Stadium and Manuka Oval being integrated within the Department of City and Territory structures, delivering savings in management costs and reduced reliance on government subsidies.**

Professional Sporting Funding

Expenditure on elite and professional sporting activities constitutes around 45 per cent of Sport and Recreation ACT's expenditure. This compares with 34 per cent expended on community sporting activities.

Placing a ceiling on the proportion of sport and recreation funding allocated to 'for profit' sporting entities such as the Raiders should be considered. If this is not possible, any additional funding required should be offset from savings elsewhere within the portfolio while also retaining the proportion of funding allocated to community sporting programs.

Recommendation 173: current levels of funding allocated to business sporting entities be capped, and if this is not possible, in future any increase be funded by offsets from within the portfolio without reducing the amount spent on community sporting programs.

Sport and Recreation Administrative Costs

The ACT has the highest participation rate in physical activity in Australia[6]. Targeted programs and development grants constitute around 37 per cent of overall Sport and Recreation ACT expenditure and fund significant community sporting activities, clubs and facilities.

However, administration of the Sport and Recreation Development Grants is currently at 16 per cent of program expenditure, compared to best practice ranging from 3 per cent to 5 per cent. The proportion of staff devoted to Ministerial Servicing within Sport and Recreation is also high, at 18 per cent.

Recommendation 174: administrative support and corporate governance within Sport and Recreation ACT be rationalised with total savings of $0.840 million per annum.

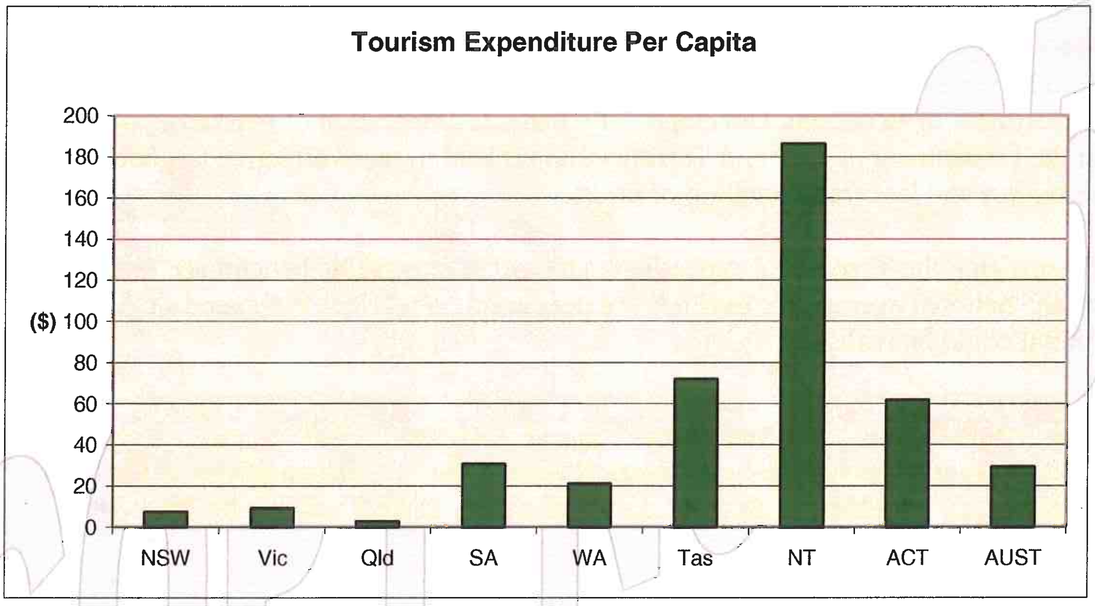
[6] ABS Participation in Sport and Physical Activity Cat No 4156.0

7.9.3 AUSTRALIAN CAPITAL TOURISM CORPORATION

The Corporation markets and develops the ACT locally, nationally and internationally. It functions in parallel with the National Capital Authority, which also coordinates marketing and events related to national institutions such as Parliament House, War Memorial, National Gallery and National Museum.

The benefits from tourism are acknowledged, with increases in overnight visitation for the twelve months ending September 2005, consistently high hotel occupancy rates at 70 per cent and record passenger numbers through Canberra airport[7]. It is also recognised that the tourism industry employs over 11,000 people.

The graph below details tourism expenditure per capita by jurisdiction.



Source: State and Territory Budget Papers and ABS Demographic Statistics Cat No. 3101.0

In 2004, government expenditure per capita for tourism in the ACT was $62. This was $33 or 111 per cent higher than the national average of $29 per capita. The highest government expenditure per capita was in the Northern Territory at $186 per capita, with the lowest at $3 per capita in Queensland.

[7] Australian Capital Tourism Corporation submission to the review.

The Commonwealth Grants Commission's assessments indicate that the ACT's per capita actual expenditure on Tourism is $25.40 above standardised expenditure[8].

The current structure of Australian Capital Tourism is complex, resource intensive and not appropriate for a small city-state. The Corporation duplicates the effort undertaken by the Commonwealth and mirrors practises undertaken by larger jurisdictions. The additional overheads in maintaining a corporation are evident in the costs of corporate services, which comprise over 16 per cent of tourism expenditure.

The Corporation's research program overlaps that undertaken by the Commonwealth and specific outputs are unclear. The Product and Industry Development program overlaps with the marketing and events programs and there is not a clear basis for continuing similar initiatives. These programs should be integrated and resources rationalised.

Marketing constitutes 29 per cent of the corporation's expenditure. When combined with Business ACT expenditure on marketing, it totals 13.3 per cent of the Department of Economic Development's budget. Integration of marketing programs in the Department of City and Territory should lead to more effective targeting of resources and less fragmentation of effort.

By bringing the Territory's expenditures to within reasonable benchmark levels, based on the national average for expenditure per capita on tourism, estimated savings of $8.9m could be realised.

Recommendation 175: Australian Capital Tourism be disbanded as a statutory authority, with its functions integrated within the new Department of City and Territory, with efficiencies of $6.3 million rising to $8.9 million by 2009-10 realised to budget.

[8] Commonwealth Grants Commission, *Relative Fiscal Capacities of the States 2006.*

7.9.4 SUMMARY OF SAVINGS AND STAFFING IMPACTS

Total proposed estimated total savings in 2006-07 from disbanding the Department of Economic Development, rationalising programs and incorporating tourism into a departmental structure are $13.65 million. Discounting savings extracted for corporate governance and support and procurement, the net savings are $11.7 million.

Table 7.9.2: Summary of Financial Impacts

Measure – Savings / (Costs)	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m
Business ACT				
Benchmark Government expenditure on economic development per business to national average with savings in: - business assistance; and - policy, marketing and intergovernmental commitments	5.429[9]	7.512	8.675[10]	5.840[11]
Reduce corporate governance and support[12]	0.590	0.605	0.620	0.635
Procurement savings	0.149	0.238	0.239	0.241
IT Savings	0.111	0.157	0.157	0.157
Cost of additional funding to private sector for mentoring and support to business	-1.000	-1.025	-1.051	-1.077
Small Business Commissioner				
Abolish Commissioner	0.355	0.359	0.364	0.369
Sport, Recreation, Gambling and Racing[13]				
Reduce corporate governance and support [4]	0.765	0.784	0.804	0.824
Stadiums Authority				
Abolish Statutory Authority [4]	0.229	0.235	0.241	0.247
Procurement Savings	0.027	0.041	0.041	0.041
Athlete Scholarships and Services				
Reduce administration and coordination of Academy of Sport	0.212	0.215	0.218	0.221
Gambling and Racing Commission				
IT Savings	0.030	0.042	0.042	0.042
Australian Capital Tourism Corporation[14]				
Benchmark Government expenditure on tourism per capita to national average with savings in research and marketing	6.341	8.415	8.637	8.859
Reduce corporate governance and support [4]	0.396	0.406	0.410	0.420
Procurement savings	0.176	0.339	0.346	0.353
Total savings from portfolio	**13.810**	**18.323**	**19.743**	**17.172**
Machinery of Government Savings	-1.980	-2.030	-2.075	-2.126
Procurement (ERC) Savings	-0.183	-0.274	-0.274	-0.274
Procurement (Tender Box) Savings	-0.169	-0.344	-0.352	-0.361
IT (Review and ERC) Savings	-0.141	-0.199	-0.199	-0.199
Net savings excluding savings in corporate governance and procurement	**11.337**	**15.476**	**16.843**	**14.212**[15]
Transfer of services to Shared Services Centre				
Gambling and Racing	0.016	0.040	0.040	0.041
Australian Capital Tourism Corporation	0.134	0.326	0.331	0.335

[9] This excludes 0.35m of the ACT Export Growth Program that has been committed for 2006-2007

[10] The Knowledge Fund was scheduled to increase to $3 million in 2008-09.

[11] The Knowledge Fund ceases after 2008-09.

[12] Machinery of Government savings

[13] Additional savings of $0.098m (Sports Grants program reduced administration) have also been deducted earlier in this report.

[14] Additional savings of $0.045m from the Tourism Grants Program have also been deducted earlier in this report.

[15] Totals may not add due to rounding.

Staffing Impacts

The staffing reduction from the proposed measures is 62.5 FTE staff, including 29 for business support and assistance[16], 6 for sport and recreation and 27.5 for tourism.

Table 7.9.3: Impact on Staffing

Measure	FTEs
Benchmark business support and assistance expenditure	22
Reduce Corporate Governance and support	4
Abolish Small Business Commissioner	3
Reduce sport and recreation administration and corporate governance and support	6
Benchmark tourism expenditure	25
Reduce tourism corporate governance and support	2.55

[16] This includes 3 FTE staff from the Office of the Small Business Commissioner

CHAPTER 7.10 PLANNING AND LAND DEVELOPMENT

OVERVIEW

Land planning and development have both direct and indirect effects on the ACT Budget. Those include:

- the direct budget costs of planning processes;
- revenue from land sales net of development costs; and
- indirectly, the budget costs (or revenue losses) that arise where planning and development outcomes affect population growth, the economy, living costs or other factors, with second round effects on the budget (for example, high land and housing costs can contribute to higher demand for housing assistance).

More importantly, however, land planning and development are community and economic services that have tended to be overshadowed by considerations of revenue.

The ACT has unusual land planning and development arrangements. Despite a very large supply of raw land, land prices and housing costs are high relative to most other Australian cities. At the same time, the Territory Budget has an unusually high reliance on land sales revenue.

As discussed in Chapter 2, land revenue will be an increasingly smaller component of the budget revenue base. In this context, the Territory will need to focus on providing land at a good price and speedily.

KEY CONCLUSIONS AND RECOMMENDATIONS

- The high cost of land is clearly a constraint on development and population growth. Also, the planning processes are overly burdensome, with significant economic and cost impacts resulting from planning considerations and timing delays in getting land to the market.
- Issues of environmental and heritage impacts should not be absolute in their own right, but rather be treated as one part of a broader sustainability assessment, which includes environmental, economic, financial and social impacts.
- The Government should assess, in conjunction with the six monthly budget reporting cycle, its strategic goals for the planning, release and development of land, balancing whole-of-government considerations including land use, budget revenue, economic development, infrastructure and social priorities. The Chief Minister's Department should formulate strategic land policies for Cabinet, taking account of advice from a land planning and development strategy consultative taskforce comprising the main public agencies involved in land issues.
- Land agency responsibilities, together with environmental and heritage functions, should be brought together in a single portfolio under one Minister. Agency functions should be streamlined and clarified to improve coordination and accountability. The Minister and Department of City and Territory should have exclusive responsibility for the management of Territory lands (including land release programs) and for city/territory infrastructure works programs. The ACT Planning and Land Authority (ACTPLA) should retain its statutory independent role but its functions should not extend beyond land use and transport planning, leasing and development application approval. The Land Development Agency (LDA) will maintain its existing statutory identity.
- Strategic planning should require all significant variations to the *Territory Plan* to be considered and approved by Cabinet prior to commencing the variation process, and prior to final tabling in the Legislative Assembly.
- Priority should be given to establishing a "land bank" which is ready for release or sale to the market. The new development head in Molonglo should be prepared for release as a priority.
- Savings from planning and land development activities are proposed through reducing planning resources by $3 million, and integrating ACTPLA's land management, infrastructure planning and capital works responsibilities into the Department of City and Territory ($0.5 million).
- Savings from land development activities are proposed through bringing land development costs ($68,000 per block) back to industry benchmark ($57,000 per block) ($4.8 million), tying advertising costs to 1.5 per cent of sales ($2 million), reducing staff and "staff-like" contractors to industry benchmark ($3 million), and transferring financial and human services responsibilities to the Shared Services Centre, consistent with other departments.

7.10.1 PLANNING AND LAND DEVELOPMENT ARRANGEMENTS

Planning and land development arrangements in the Territory are unique:

- Commonwealth and Territory planning regimes co-exist. The National Capital Authority exercises substantial controls over significant aspects of ACT development, and the ACT's *Territory Plan* cannot be inconsistent with the Commonwealth's *National Capital Plan*;
- Territory land is sold under a leasehold system, rather than the freehold systems applying in other jurisdictions;
- the ACT Government is the sole supplier of green-field land in the ACT;
- a statutory agency, the Land Development Agency (LDA), has an unusually dominant position in land development activities; and
- the statutory planning agency (ACTPLA) has a range of roles that usually do not reside in such agencies, including its own infrastructure development program and transport services.

Land planning and development have been subject to a number of reviews and inquiries over the years[1]. There have also been a number of structural arrangements put in place to improve the cost effectiveness of statutory land policy and land management/release arrangements[2]. The Review has not sought to review the ACT planning process or to undertake an evaluation of the performance of the LDA.

Rather, the Review has focussed on three main issues:

- the strategic goals of the land planning and development policies of the Territory, in particular the balance between land revenue goals and wider social and economic goals for delivering affordable land and housing;
- the structure of the agency arrangements for the various elements of the land planning and development process, in particular the clarity of the lines of accountability and their efficiency in reconciling competing interests; and
- the scope for changes to directly benefit the ACT budget position.

7.10.2 STRATEGIC GOALS

For the most part, the physical development of Canberra has been based on the pursuit of high standards across a range of social and environmental considerations.

The Government also has a policy of a greater involvement in land development and sale, to access additional profits from public sector land development. Land revenues

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[1] *Report into the Administration of ACT Leasehold*, November 1995 (Chair: P Stein), Publications and Public Communications, Canberra; and

A Study of Betterment and the Change of Use Charge in the ACT – its impact on investment and a consideration of options. Professor Des Nicholls, May 1999.

[2] Establishment of ACTPLA and LDA.

have been a significant revenue source for the Territory budget, at $170 million per annum.

Land and housing prices in Canberra have long been high compared with most other Australian cities. These high prices arise mainly from discretionary land use and development policies, not from the effects of scarcity of available land or unusually high prices for development services.

High land and housing prices potentially have social, demographic and economic costs. Particular concerns include housing access for lower income people and the lower than average population growth in Canberra over the past decade, especially in recent years, with much higher population growth occurring in adjacent NSW.

Higher prices can be secured in part through the exploitation of the monopoly power of the public land agencies. The LDA has above average land development costs and well above average profit margins. Land planning decisions also add appreciably to cost of land sold, infrastructure costs, and transport costs through geographic dispersion. This largely arises through large tracts of land being set aside from potential development due to environmental and other planning constraints.

Recommendation 176: the Land Development Agency be free to act within a commercial environment. Detailed financial arrangements and performance targets should be set through the *Statement of Intent*.

The Review proposes the retention of ACTPLA and LDA as separate entities. Currently, environmental, heritage and conservation (for example, trees) issues are incorporated in planning considerations through advisory and legislative functions outside ACTPLA. The Review proposes that ACTPLA should assume responsibility for planning policies relating to such issues. This would improve planning certainty and ensure closure on environmental and heritage conservation issues.

LDA should continue as a developer of land on commercial principles. Land release strategy and annual targets on land release are Ministerial responsibilities. Advice on these matters should be a departmental function located in the proposed Department of City and Territory Development. Likewise, the department should provide advice on transport strategy and public transport, and these functions should be transferred to the transport policy area within the Department. Management of leased and unleased land should also transfer to the Department.

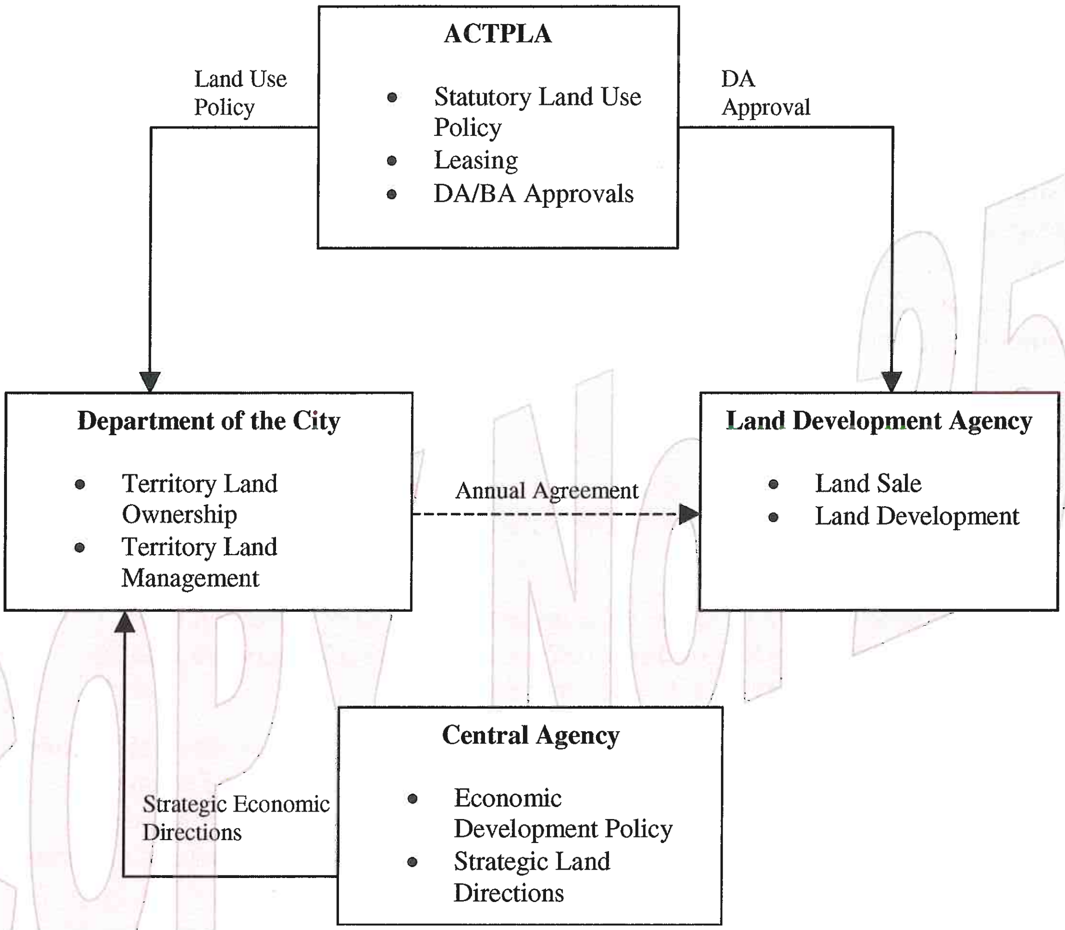
The above measures will allow ACTPLA to focus on its core function of planning and align departmental policy advice with Ministerial responsibilities.

The current financial management arrangements for the LDA should continue with joint ventures and borrowings to be agreed by Cabinet.

Planning and Land Responsibilities

There is a need for clear separation between statutory planning responsibilities, land ownership and management, and land development.

An outline of the Review's proposed arrangements is shown below.



ACTPLA should remain as statutory authority, to reflect the Government's commitment to an independent planning body. ACTPLA's primary roles should be its statutory responsibilities under the *Territory Plan,* leasing (including land uses), transport planning and development/building approvals against regulatory codes.

Consistent with the changes to the *Financial Management Act 1996*, funding to ACTPLA should be by direct appropriation. Appropriate financial and service performance targets should be set in the *Statement of Intent*.

Land "ownership" and day-to-day management responsibility for all unleased Territory land (urban and non urban) should be vested within the Department of City and Territory. Within the new department, all current land management bodies should be consolidated into a single land management structure.

The LDA should retain its capacity to operate commercially in the land development market. It should do this in a cost effective way geared to comparable cost structures and industry benchmarks. Construction activities, targeted outcomes, financial performance parameters and land revenue targets should be specified in the *Statement of Intent.*

Land releases to the LDA should be managed by the Department of City and Territory, under a formal performance agreement with the Agency.

Concept planning of areas should rest with the LDA, consistent with principles set by ACTPLA. Responsibility for approving concept plans remains with ACTPLA. Given that principally government processes are involved, concept planning should be developed cooperatively between the two organisations.

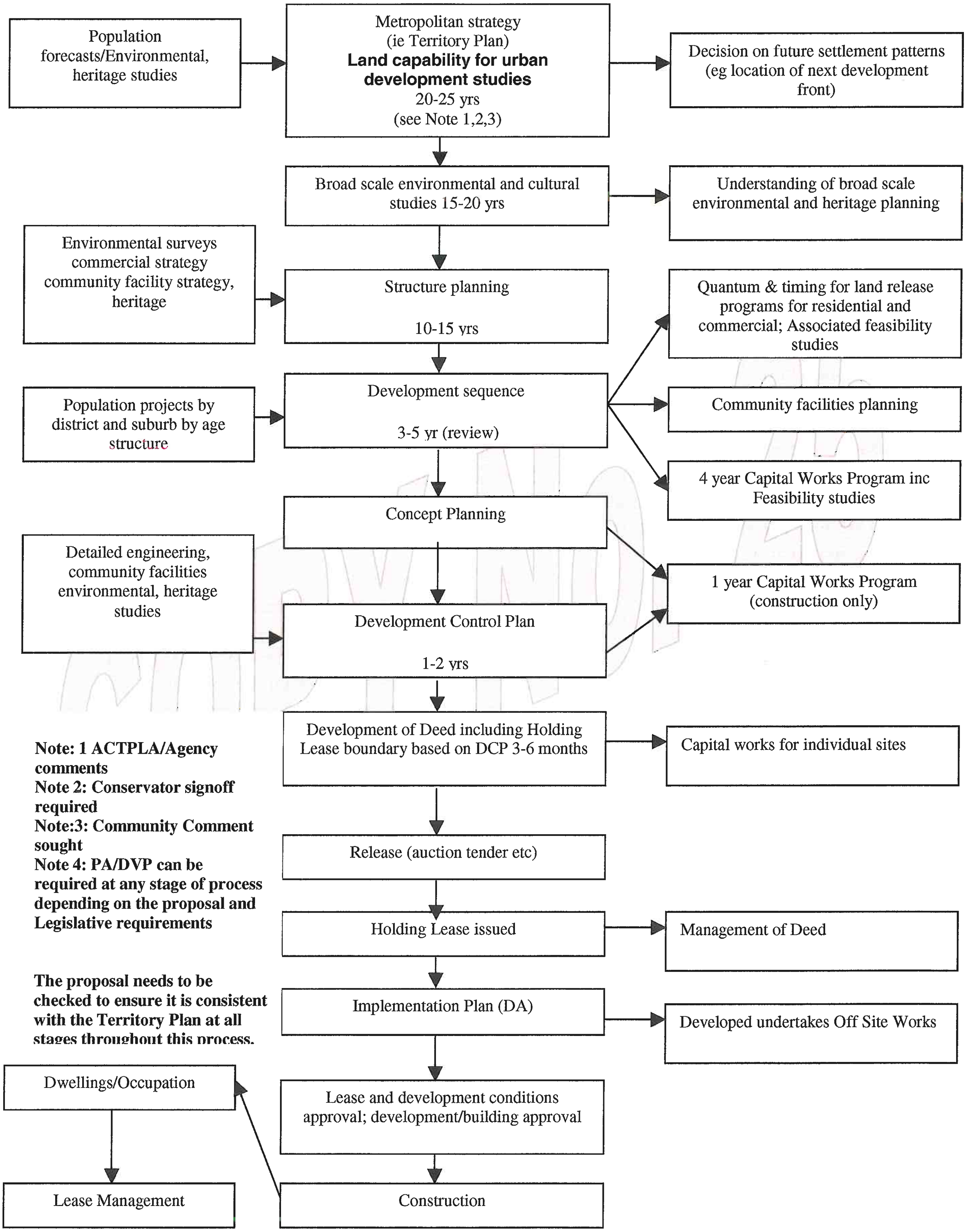
Strategic decision-making in respect of land and urban development should be the responsibility of the Chief Minister's Department (CMD), with strategic decisions for Cabinet being lead by this department. The *Urban Development Program* should be chaired and directed by CMD, with expertise from ACTPLA City and Territory and other key agencies.

Recommendations 177, 178 and 179:

- **ACTPLA be retained as a statutory authority, but its responsibilities restructured to focus on statutory planning, land use policy, leasing and development approvals;**
- **responsibilities for land ownership, management of unleased land, infrastructure works and land releases to LDA be integrated into the Department of City and Territory; and**
- **the Chief Minister be responsible for bringing to Cabinet strategic policy setting and decision-making on land releases, with the Chief Minister's Department drawing on central agency economic development advice, planning expertise from ACTPLA and land development/release expertise from the Department of City and Territory.**

7.10.3 PLANNING AND DEVELOPMENT

The sequence for planning and developing land in the Territory is shown in the Chart below. This shows the planning and development cycles from a raw "englobo" state through to urban completion. The typical cycle runs over (approximately) 25 years.



Note: 1 ACTPLA/Agency comments
Note 2: Conservator signoff required
Note:3: Community Comment sought
Note 4: PA/DVP can be required at any stage of process depending on the proposal and Legislative requirements

The proposal needs to be checked to ensure it is consistent with the Territory Plan at all stages throughout this process.

There are a number of major decision points across the planning horizon, with significant opportunities for land loss through the processes. In many instances, the economic impacts that arise from land decisions do not appear to be fully assessed, for example the "sprawling" effect of development and the uneconomic use of existing and additional major infrastructure.

Land resources are often seen and treated as a "free" good, with little economic assessment (environmental, social and financial) of the impacts of decisions taken. In the past, there has been limited consideration of these matters by Cabinet, and no real assessment of true economic costs and benefits of land proposals.

Current sustainability assessments are clearly weighted towards environmental and heritage assessments, with social and economic impacts a secondary degree. There is a void of any real financial assessment in relation to land resources, and little information or alternatives available for the Government to make informed decisions and choices. Continuing in this manner puts at risk the optimal use of the Territory's land resource base. Issues of environmental and heritage impacts should not be absolute in their own right, but rather be treated as one part of a broader sustainability assessment, and which equally include economic, financial and social impacts.

Since self-government, approximately 1,319ha of land has been set aside from development on environmental grounds, government commitments and other planning issues. A further 780ha is identified/confirmed/announced for future variations to the *Territory Plan*. Conservative value of this land, if it was available for development, is estimated at $2.2 billion.

A tension exists in relation to the multiple points where planning decisions can be 'reopened', with further restrictions and/or limitations placed on development (including additional land being set aside). Effective and orderly development should see these risks minimised over time, as planning progresses through the various phases. As a measure to assist greater certainty, decisions on land use limitations should be taken early in the macro planning phases, and finalised at the structural planning stage. Revisiting of issues through subsequent planning and development approval processes should be by exception only.

A key issue identified by the Review in this respect relates to tree conservation and protection, particularly in greenfields planning. The role of the Conservator is open on this and allows for decisions of tree preservation at much finer levels of the planning processes. Like other environmental and heritage matters, these decisions should be settled at the structural planning stage.

Recommendations 180 and 181:

- **key environmental, heritage and conservation issues be resolved at the Structure Planning level, with ACTPLA having the responsibility for final sign off; and**
- **tree protection legislation and policies be reviewed, to minimise impacts in greenfield development areas. Policies and practices should be brought into line with management arrangements for verge trees in existing urban areas.**

Planning System Reform Project

The Planning System Reform Project includes an overhaul and rewrite of the existing planning and land legislation. This presents an opportunity to address and streamline regulatory and operating practices that restrict speedy release of land to the market. Perhaps one of the most significant impediment to the timely release and development of land is the requirement for separate approvals associated with heritage and tree protection, currently covered by separate legislation.

In most local governments, heritage clearances are not separated from planning and development approvals. Integration of heritage planning and clearance within the Planning Authority will provide a broader perspective in planning considerations and reduce approval times.

On this basis, the Heritage Council, which currently has a statutory decision making role should be subsumed by that of the Planning Authority so that it becomes one part of the consideration process, albeit an important one when it arises. Practically, this could be implemented by the Planning and Land Council having its membership expanded to include a heritage expert. Alternatively, one of the Council's current positions could be changed to allow for this expertise within the present numbers[3].

A similar approach should be taken in relation to tree protection legislation. While ACTPLA and Environment ACT have devised a range of provisions that will enable more effective integration, these are less direct, complicated and rely on good faith between officers of the two organisations[4].

A draft *Planning and Development Bill* is likely to be released for public consultation in June 2006. The Review proposes that the Bill incorporate the heritage and tree protection aspects, in order to achieve a single development approval as it occurs in other jurisdictions.

Recommendations 182, 183 and 184:

- **the heritage function be transferred to ACT Planning and Land Authority, and the Heritage Council be subsumed into the Planning and Land Council;**
- **the *Planning System Reform Project* include streamlining regulatory regimes and direct and indirect management practices to improve the effectiveness of the planning framework, and to target getting land speedily to the market; and**
- **the *Planning and Development Bill* incorporate heritage and tree protection provisions into the planning approval processes.**

[3] This arrangement would address the current unsatisfactory situation where the Heritage Council can appeal against the ACT Planning Authority's decision.

[4] This includes, for example, the development of Codes that will sit inside the Territory Plan, new requirements for referral authorities to respond, once only referrals, and consequential changes to the tree and heritage legislation. All of this, however, remains tenuous and still does not remove the need in some instances for someone to obtain three separate approvals

Concept Planning

The concept planning stage in the planning framework appears to be the area where responsibilities overlap between ACTPLA and LDA. Examples were cited which clearly demonstrated significant additional costs being incurred ($1 million), and delays in moving to sale of up to 18 months. The market impact of these delays has not been assessed.

The Review proposes that concept planning be the responsibility of the LDA (developer), based on the principles prescribed by ACTPLA. Whilst concept plans are ultimately approved by ACTPLA, there is merit in these plans being prepared in cooperation and consultation between both organisations.

Recommendation 185: concept planning responsibilities be clarified, to remove overlaps, delays and costs. The LDA, as developer, should assume full responsibility for preparing concept plans, based on principles identified by ACTPLA. Approval of concept plans should remain the authority of ACTPLA.

Territory Plan Variations

Decisions to vary the *Territory Plan* ultimately rest with the Legislative Assembly.

Whilst variations are proposed and managed by ACTPLA, it is appropriate that Cabinet consider significant proposals for change to land use policies and land boundaries that may have wider policy impacts across the Public Sector. In addition, it is also proposed that ACTPLA consult with all relevant departments in the initial phases of preparing variation proposals.

The recent example of Draft Variation No 165 (Open Space Network Project) proposing to set aside large tracts of land, including around schools, from community, residential and commercial use highlights the risk from limiting redevelopment opportunities associated with school closures.

Advice to Cabinet on significant variations should include full triple bottom line assessment of each proposal.

Recommendation 186 and 187:

- **proposed variations to the *Territory Plan* be circulated to all departments for comment prior to being initiated by ACTPLA; and**
- **significant variations be considered and agreed by Cabinet in advance of drafts being initiated by ACTPLA, and subsequently approved prior to final tabling in the Legislative Assembly.**

Land Supply

The planning and land release/development arrangements are premised on having five years supply of land with the LDA, for sale or development in response to market demand.

Whilst much effort and commitment has been taken to achieve this goal, evidence to the Review indicates that delays still exist, and significant planning is still required for new estates and the new development in Molonglo. The timing of the release of Molonglo is dependent on *Territory Plan* variations and this could take up to two years to complete.

The new Molonglo development head will be, to some extent, a market competitor to Gungahlin and offer alternative locational choice to homebuyers. It will also act as a competitor against new estates across the border expected to come on line in this period.

A policy of having five years supply of land "release ready" should be targeted.

Recommendations 188 and 189:

- **priority be given by ACTPLA and LDA to establish a bank of "sale ready" residential, commercial and community land; and**
- **the new development head in Molonglo be finalised for release and development as a market alternative to Gungahlin, as well as a viable competitor against new estates due to come on line in adjoining NSW.**

Land Releases

Land development and release arrangements were established on the basis of releasing land through the following mechanisms:

- one-third by "englobo" land sales;
- one-third through joint venture arrangements with the private sector; and
- one-third being through full development by the LDA, for direct sale to the market.

In 2005-06, however, the LDA expects to primarily release land through joint venture and full development arrangements. Outright "englobo" sales of land are small.

The LDA is moving to a position more akin to a monopoly. Government policy is targeted at achieving greater shares from the development and sale of land. Private sector competition and diversity in the market place is limited compared to previous years, with their role more as a civil contractor to the LDA.

Whilst key drivers are revenue returns, market place monopolies often mask efficiency of operations. The Government should have the benefit of both revenue from sales and cost effective management of development.

The Review proposes that one-third of new land releases be through "englobo" sales to the private sector, to maintain reasonable price competitiveness in the market place, a stable construction industry and a wider choice for home-buyers.

Recommendation 190: one third of land releases by the LDA be through "englobo" land sale to private industry developers, with the balance of releases through joint venture or full development by the Agency.

7.10.4 ACT PLANNING AND LAND AUTHORITY

Introduction

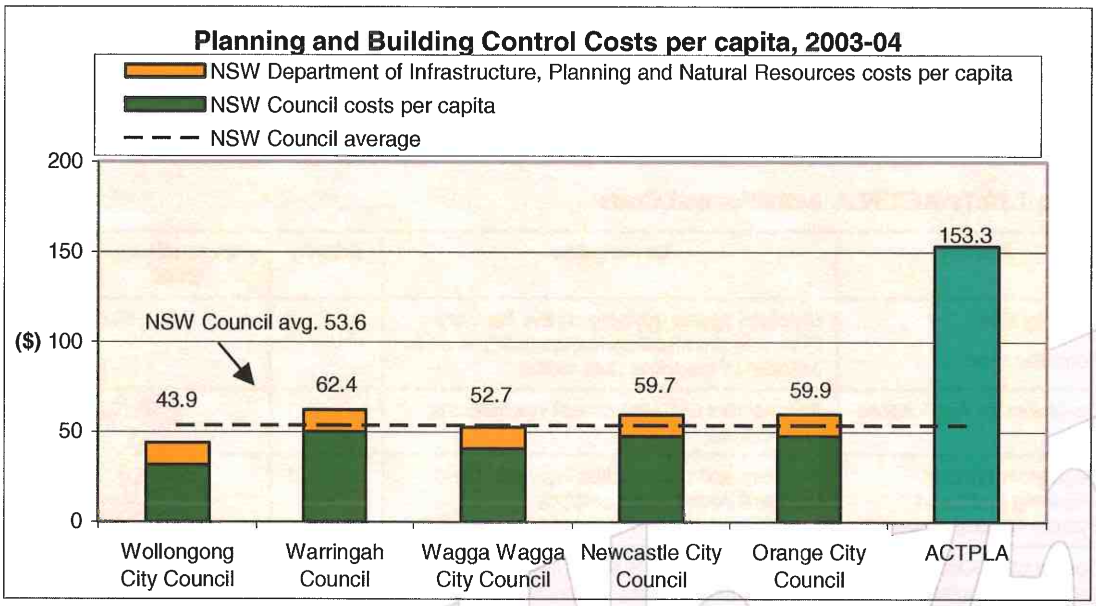
More than 300 staff are employed within ACTPLA, with their functions ranging from statutory planning, structural planning, development approvals, regulation of building and construction, managing the ACT cadastre and agency corporate support costs. Annual average recurrent expenditure in excess of $35 million is incurred. A summary of the Authority's activities is shown below.

Table 7.10.1: ACTPLA Activities and Costs

Activity	Description	Priority	Expenditure $'000	FTEs
Territory Plan Administration	Maintaining and advising on the Territory Plan, and the statutory implementation and associated guideline documents	1	819.0	7.4
Development Applications	Assessment of Development Applications and appeals	1	5,813	54.6
Regulatory Reform (Planning and Land System Reform Project)	Planning and construction legislation and technical codes and standards	1	1,093	7.7
Construction Occupations and Land Regulation	Regulation of ACT Building industry, architectural, building, electrical, plumbing and land surveyors	1	3,512	41.3
Infrastructure Planning	Engineering, design, and construction and management of infrastructure supporting land development	1	1,658	13.0
Structure Planning	Metropolitan structure planning and investigation, feasibility assessments and outline/concept planning in greenfields areas	1	1,857	9.8
Land Strategy and Assets	Urban Development program and land Supply Strategy, Land custodianship Register	1	1,647	10.3
Urban Design and Projects	Coordinate and deliver major strategic projects	2	2,115	17.0
Land Use and Transport	Coordinate and monitor implementation of *Canberra Spatial Plan* and *Sustainable Transport Plan*	2	950	10.7
Canberra Central Project	Revitalisation of City Centre	2	532	-
Spatial Plan	Implement *Canberra Spatial Plan*	1	1,716	10.8
Leasing	Granting leases and licences	1	3,595	21.3
ACT Land Information Centre	Maintenance of ACT cadastre	2	2,754	23.1
Planning and Land Council Secretariat and community services	Coordinate the Authority community engagement function	1	520	2.2
Customer Services Shopfronts	Information services to the public	1	3,485	38.7
Corporate Services	Corporate and overhead costs	1	5,603	43.3
Total			**37,669**	**311.2**

In addition, the Authority separately spends $3.4 million in consultancy and contract services to assist with statutory and other planning initiatives.

Whilst direct performance comparison with other jurisdictions is difficult due to the combined state/local planning functions within ACTPLA, it is possible to draw some indicative conclusions by combining NSW state planning functions and those operated within larger local government bodies in NSW. This is shown below.



Source: NSW 2005-06 Budget Paper, ACT 2005-06 Budget Paper, Department of Local Government: Comparative Information 2003/04 and ABS: Population by Age and Sex, Australian States and Territories cat no. 3201.0

In the broadest of terms, ACT planning resources appear high. A rationalisation of planning activities is proposed, as follows:

- all statutory planning responsibilities, leasing and development approvals should rest with ACTPLA;
- activities such as urban design, the Canberra Central Project and the Spatial Plan are initiative-specific. As initiatives wind-down, it would be appropriate for staffing resources to also reduce, with savings realised. A minimal resourcing level to cover government priority matters should be retained;
- efficiencies in planning resources be targeted towards comparative state-local government levels, with estimated savings of $3 million (30 FTEs);
- land custodianship should be with the new Department of City and Territory (land should not be "owned" or managed by the planning authority);
- responsibility for infrastructure planning, land release, and transport policy should transfer to the new Department of City and Territory, with efficiencies gained through integration of infrastructure responsibilities;
- ACTPLA's construction occupations licensing responsibilities should be amalgamated within the new central regulatory office within JACS;
- customer service shopfront staffing levels be rationalised, and corporate services and overheads be reduced in line with downsizing of the overall organisation.

Recommendations 191, 192, 193 and 194:

- **planning resources be scaled back to comparable levels in other jurisdictions, with efficiencies of $3 million;**
- **functional responsibilities for infrastructure planning, land strategy and release and transport policy transfer to the Department of City and Territory, with efficiencies of $0.5 million through integration of the infrastructure planning and land strategy and release functions within the new departmental structures**
- **regulatory functions for occupational standards be transferred into the new regulatory arrangements within JACS; and**
- **shopfront services be rationalised, and corporate services reduced commensurate with the downsizing of the Authority.**

7.10.5 LAND DEVELOPMENT AGENCY

In establishing the Land Development Agency (LDA), the Government sought firstly to optimise the Territory's return on its land assets and secondly to lift the standard of urban design and built form outcomes. Equally important objectives included the implementation of best practice principles of sustainable development, and a better balance between demand and land availability.

Land Development Costs

Average land development costs are estimated at $80,000 per block (including 10 per cent contingencies). A breakdown of the cost structures provided by the LDA is shown below.

Table 7.10.2 LDA Average Project Construction Costs

LDA INDICATIVE COSTS ELEMENTS	Per Block amount (inc GST)	
Project Initiation (use only if land is to be held for a long time prior to construction)		
1.1 Investigations		
1.2 Transfer Costs		
1.3 Land Values		
1.4 Site Preparation/Cleanup & Demolition	$100	
1.5 Decontamination		
Planning and Consultant	$800	2% of civil works
2.1 Urban Design (including Landscaping)		
2.2 Lease & Development Conditions (L&Ds)		
2.3 Concept Plan		
Other Consultants	$1200	3% of civil works
3.1 Environmental & Cultural Consultants (includes Tree Survey		
3.2 Architect		
3.3 Water Sensitive Urban Design		
3.4 Community Development Consultation		
3.5 Contract Management – Including ACT Procurement Solutions fess		
Engineering Consultants	$4,000	% of civil works
4.1 Design and Construct (including Landscaping and Traffic)		10% if 100 –200 blks
4.2 Engineering Survey		7% if 1000 blks
4.3 Geotechnical		
Project Management		
5.1 External		
Construction		
6.1 Infrastructure – External		
6.2 Construction		
6.2a Civil Works & WSUD (landscaping if combined contract)	$40,000	
6.2b Provisional Sums/Variations (10%) (Includes landscaping)	$5,325	10% of construction
6.3 Electricity – Includes street lighting	$3,000	
6.4 Landscaping		
Landscape/Streetscape finalisation (including driveways, verges, footpaths, trees, parks)	$5,000	
Remediation and rectification works after construction	$750	15% of Landscape
Enhanced landscaping including WSUD	$5,000	
Rear Lane Paving (if required)	$2,500	
Fees & Charges		
7.1 ACTPLA Fees – including DA fees	$50	
7.2 Leases		
7.3 Miscellaneous (Printing postage etc)		
7.4 Legals		
7.5 Training Levy	$80	0.2% of civil works
Valuations	$85	
Estate Maintenance		
Pre-Construction	$100	
9.1 Bushfire Prevention		
9.2 Weed Control		
Post-Construction	$1,300	Covers 2 years
9.3 Rubbish Removal		
9.4 Repairs/watering/slashing	$6,400	4% of gross sales
Marketing		
10.1 Advertising Consultant		
10.2 Advertising Direct Costs		
10.3 Display Village		
10.4 Miscellaneous (Signs, flags, & Landscaping etc)		
Selling Expenses	$3,200	2% of Gross sales
11.1 Sales Office		
11.2 Conveyancing		
11.3 Ballots		
11.3a Security		
11.3b Ballot Papers		
11.4 Sales Commission		
Contingency		
12.1 Construction	$ -	0% of construction
12.2 Consultants	$ -	0% of construction
12.3 Projects	$7,899	10% of all costs

Source: Information provided by LDA.

The Review was provided with an analysis of the Agency's development costs, undertaken by Hill PDA[5]. The report indicates that development costs are in the order of $68,000 per block (including contingencies). The comparable industry development costs are in the order of $45,000 per block, plus environmental allowances of $7,000 per block and $5,000 for higher levels of amenity, such as advanced landscaping. The report from Hill PDA also indicates that total development costs for Wells Station were $96,158 per block ($60.5 million for 629 blocks).

In establishing the LDA in 2002-03, Colliers Jardine and WP Brown (consulting engineers) were engaged to assess appropriate construction financial benchmarks for the Agency. Average development costs were estimated at $55,000 per block (in today's prices).

In summary, average cost of development is $11,000 per block higher than the industry benchmark, and the Wells Station development was $39,000 per block higher than the industry standard. These higher costs have to be met by the home buyers, with a direct impact on housing affordability. In addition, there is a flow on cost to Government due to the need to increase expenditure on affordable housing measures. The Review proposes that development costs be brought more into line with industry benchmarks.

The overall marketing budget for the LDA is in the order of 2 per cent to 3 per cent of gross sales. Comparable industry estimates are 1.5 per cent to 2 per cent[6] of sales (in a competitive market).

However, given its near monopoly status, the LDA's marketing and advertising costs should be at the lower level (1.5 per cent). Estimated savings of $2 million should be achieved.

Recommendations 195 and 196:

- **LDA development costs be brought into line with current industry benchmarks, with estimated savings of $4.8 million per annum.**
- **Land marketing and advertising costs be reduced to 1.5 per cent of gross sales, with savings of $2 million per annum.**

Staffing

The LDA currently employs about 50 staff, with 70 per cent of these at middle to senior management levels. In addition, about 15 contactors are also employed in "staff-like" positions, taking total resources to approximately 65 staff. Again, these are paid at the higher end of the salary scale.

[5] *LDA Benchmarking*, Hill PDA March 2006.

[6] ibid - Page 12.

In establishing the Agency, it was estimated that a staff of 30 would be required, including resources for direct sales. Industry staffing levels for an equivalent level of land development/sale activity would be no more than these numbers in aggregate (with additional specialist resources employed through consultancies).

The current structures appear to be relatively rigid and inflexible, with the majority of staff employed under the *Public Sector Management Act 1994*. Given the fluctuations in activity levels, structures should allow greater flexibility in matching work programming to market releases. Activity in 2005-06, in terms of sales revenue, is 6.5 per cent below that estimated at the time of the budget. Conversely, overall staffing resources have increased by approximately 25 per cent during the year.

Total staffing, including contractors undertaking "staff-like" positions, should be reduced to comparative industry levels over the next two years.

No financial or human services staff have been identified for transfer to the Shared Services Centre. The LDA should be integrated into these structural arrangements, as with all other areas across the Public Sector.

Recommendations 197:

- **LDA staffing levels be brought into line with current industry benchmarks, with estimated savings of $3 million; and**
- **LDA corporate support staff relating to financial and human resource areas be incorporated into the Shared Services Centre consistent with other ACT agencies.**

7.10.6 SUMMARY OF SAVINGS AND STAFFING IMPACTS

	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m	Total FTE Impacts
ACTPLA Staff Reductions	2.000	3.050	3.126	3.204	30
Construction Costs to industry benchmarks (LDA)	4.800	4.800	4.800	4.800	0
Advertising costs to industry benchmarks (LDA)	2.000	2.050	2.100	2.150	2
Staffing into line with industry benchmarks, including staff into Shared Service Centre (LDA)	1.500	3.080	3.150	3.230	30
SUB-TOTAL SAVINGS	**10.300**	**12.980**	**13.176**	**13.384**	**62**
Consolidation of functions within Department of City and Territory	0.480	0.492	0.504	0.517	4
Procurement (Tender Box) Savings - ACTPLA	0.059	0.121	0.124	0.127	-
Procurement (ERC) Savings - ACTPLA	0.049	0.074	0.074	0.074	-
IT (Review and ERC) Savings - ACTPLA	0.376	0.530	0.530	0.530	-
Transfer to Shared Services - ACTPLA	0.279	0.677	0.686	0.695	6.95
IT (Review and ERC) Savings - LDA	0.068	0.096	0.096	0.096	-
Transfer to Shared Services - LDA	TBC	TBC	TBC	TBC	TBC

CHAPTER 7.11 EMERGENCY SERVICES

OVERVIEW

- The Emergency Services Authority (ESA) was established on 1 July 2004 under the *Emergencies Act 2004*. Expenditure in 2005-06 is estimated at $67.5million. It operates the ACT Fire Brigade, ACT Ambulance Service, ACT Rural Fire Service and the State Emergency Service.
- The fire brigade and ambulance service functions comprise two thirds of the Authority's annual expenditure. A further 16 per cent of the total expenditure relates to the Emergency Management Group, which provides planning, logistics and communications support across the Authority. The Rural Fire Brigade and the State Emergency Service are predominantly staffed by volunteers.

KEY CONCLUSIONS AND RECOMMENDATIONS

- The Authority's budget has increased by approximately $21 million since 2002-03 (an increase of 46 per cent). Notwithstanding this, the Authority has had significant budget overruns since its inception. In 2004-05, its expenditure was $10.5 million in excess of the original budget. For 2005-06, it is forecast to be $7.5 million above budget.
- Persistent expenditure overruns suggest poor budget discipline and lack of financial control. The Review is proposing that the Authority be integrated within a departmental structure, with statutory powers of the service chiefs being retained.
- For both fire and ambulance services, the ACT is significantly advantaged due to its concentration of population, and lower risk compared to other States and Territories[1]. Yet, the ACT is spending significantly higher than the national average on the fire services.
- Expenditure on fire services in the ACT is 65 per cent above the national average. The ACT has low fire risk due to a lower level of industrial activity. Weight of response required is also relatively lower due to this, as well as because of lower urban density and fewer high-rise buildings. The lower risk is reflected in comparatively lower fire incidents. Response times remain amongst the fastest in Australia.
- There are currently nine existing fire stations. If reconfigured, it would be possible to maintain coverage with seven stations.
- The cost of Ambulance Services has increased by around 32 per cent over the past two years. There has been growth in the number of ambulance responses compared to the number of incidents, without significant improvement in response time. The classification/training of crew is one of the highest in Australia.
- There are significant periods of down time for ambulance crews during the night shift. Efficiencies should be possible through changed shift arrangements.

[1] See for example, Ambulance Demand and Funding Project, 2004.

7.11.1 STRUCTURE OF EMERGENCY SERVICES AUTHORITY

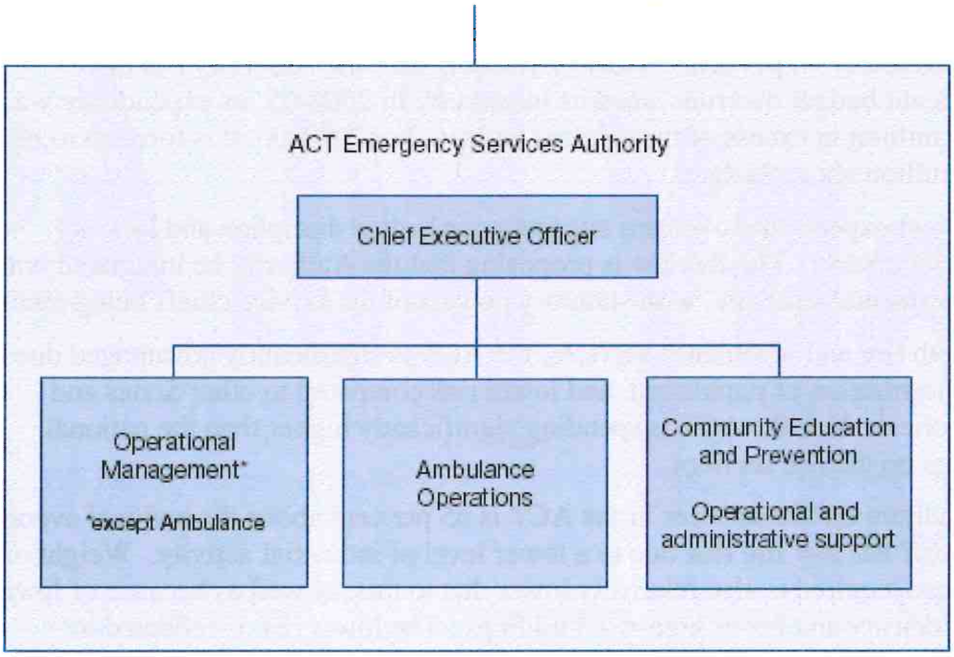
A key recommendation from the 2003 McLeod Report[2] was to create the Emergency Services Authority (ESA). The Authority was to ensure:

- an appropriate operational focus on delivering emergency management and response across the Territory, and that this operational focus was not diminished within the public service environment;
- a stronger more cohesive strategic and operational direction for fire, ambulance and emergency services;
- decision making authority resting more in the hands of those with the technical and specialist experience, skills and abilities to give it practical effect; and
- a unity of command across the emergency service providers.

The proposed structure in the McLeod recommendations is shown below:

Figure 6

Minister responsible for Emergency Services



Source: McLeod Report of the Inquiry in the Operational Response to the January 2003 Bushfires.

The legislation establishing the ESA expanded the above structure by providing for chief officers for each of the four services, urban fire, rural fire, SES and ambulance. Each reports directly to the Chief Executive Officer, as does the head of the Emergency Management Group. The Chief Executive Officer reports directly to the Minister for Emergency Services.

Since its establishment, the Authority has expanded significantly. The Authority's budget has increased by approximately $21 million per annum since 2002-03 (an increase of 46 per cent). Notwithstanding this, the Authority has had significant

[2] *McLeod Report of the Inquiry in the Operational Response to the January 2003 Bushfires.*

budget overruns since its inception. In 2004-05, its expenditure was $10.5 million in excess of its original budget. For 2005-06, it is forecast to be $7.5 million above budget.

Persistent expenditure overruns suggest poor budget discipline and a lack of financial control. In both years since its inception, it has over allocated its budget to component services. There appears to be a breakdown between operational planning and decisions, and consideration of the financial impacts arising from those decisions.

The Authority's capacity to manage change within agreed fiscal limits requires a joint operational and financial focus, and acceptance of accountabilities to manage within budget limits. The absence of such accountabilities brings into question the continuing independence of the Authority.

This lack of accountability is evident in other aspects of the management of the ESA particularly around significant projects being undertaken within the ESA. The communications project and the Headquarters project have not been well planned or managed. These projects are discussed in detail later in this Chapter.

The continual failure to meet expected standards of financial management is a key risk if left unchecked.

The *Emergencies Act 2004* provides for:

- statutory powers for Chief Officers of operational services to direct their staff to particular tasks, and deal with the public in discharging their duties;
- operational independence for Chief Officers; and
- statutory independence for the Commissioner and the Authority.

Statutory powers and operational independence are requisites of operational services to undertake their tasks on a day to day basis, and deal with emergencies. While the statutory independence is not to the extent of that conferred on the Auditor-General or the Ombudsman, it diminishes Ministerial and Cabinet control to achieve a balance between service level and financial management.

Under the Act, Ministerial control is limited to making a written direction which is to be tabled in the Assembly. The Administrative Arrangement Orders also establish the Commissioner as Chief Executive, and therefore subject to the provisions of the *Public Sector Management Act 1994*. The extent of Ministerial control in managing the financial affairs of the Authority is only confused rather than established.

The Review proposes that the part of the *Emergencies Act 2004* which establishes the Commissioner and the Authority be repealed with the intention of creating a departmental structure essential for good governance. Other jurisdictions operate emergency services through a mix of statutory and non-statutory arrangements and structures.

It is proposed that the roles and functions of the Authority and Commissioner be subsumed within the Department of Justice and Community Safety. Responsibility and accountabilities should rest with the Chief Executive and, in turn, be delegated to an appropriately qualified and skilled senior executive within the Department.

This approach maintains the McLeod Inquiry recommendation for the appointment of a chief executive officer with single responsibility for emergency services. It also meets the recommendation for a small policy formulation unit to be established within the department responsible for emergency management (currently missing from the arrangements).

The statutory powers and responsibilities contained in the *Emergencies Act 2004* in respect of the Chief Officers of each operational service should be retained, as they provide for appropriate operational focus for the services and a mechanism for co-ordinating the management of the various services during emergencies. The restructuring of the Authority should require Chief Officers to give equal weighting to operational and financial management responsibilities within their services, through the departmental executive structure.

Recommendations 198, 199 and 200:

- **the part of the *Emergencies Act 2004* which establishes the Commissioner and the Authority be amended in order that the Authority's functions and responsibilities integrated within the Department of Justice and Community Safety;**
- **the Commissioner be administratively responsible to the Chief Executive of the Department of Justice and Community Safety, while retaining independent operational responsibility for Emergency Services; and**
- **statutory powers of the Chief Officers of each operational emergency service be retained under the *Emergencies Act 2004*.**

7.11.2 ACT FIRE BRIGADE

Effectiveness

The ACT Fire Brigade's operational cost for 2005-06 is $43 million, including ESA overhead support. The total staff complement is 337, comprising 300 shift positions and 37 staff located at the ESA headquarters.

Fire brigade expenditure per 1,000 people in 2004-05 was $142,583 compared to the Australian average of $86,158. This is 65 per cent above the national average (the highest of all jurisdictions).

Whilst expenditure levels are high, there are low levels of accidental residential structure fires reported per 100,000 households.

The Fire Brigade responds to on average 26.25 incidents per day, equivalent to three incidents per station per day. Of these incidents, between 10 per cent and 15 per cent of responses are for actual fires, 11 per cent are non-fire rescue, approximately

50 per cent of responses relate to false alarms, with the balance being responses to hazardous conditions and storm events.

Table 7.11.1: Fire and Other Emergency Incidents

	2002-03	2003-04	2004-05	3 Year Daily Average
Fires				
Fires in Structure, involving a structure	280	245	279	0.73
Landscape fires, bush and grass	623	238	217	0.98
Other Fires	640	522	546	1.56
Sub-total	**1,543**	**1,005**	**1,042**	**3.28**
Other Emergencies and Incidents				
Non fire rescue calls includes road rescue	1,096	1,082	1,285	3.16
Hazardous Conditions	443	438	224	1.01
Calls to floods, storm and tempest and other natural disasters	699	974	698	2.17
Good Intent calls	690	537	436	1.52
Malicious false calls	242	174	145	0.51
System initiated false alarms	4,744	5,162	4,586	13.23
Other	316	113	1067	1.37
Sub-total	**8,230**	**8,480**	**8441**	**22.97**
Total	**9,773**	**9,485**	**9,483**	**26.25**

Source: Report on Government Services 2006

A generally accepted target response time for the 50th percentile is eight minutes, and ten minutes for the 90th percentile. The ACT's response time for the 50th percentile is one of the fastest in Australia, as is its response time for the 90th percentile.

Table 7.11.2: Response to Structured Fires in Urban areas

Item		2001-02	2002-03	2003-04	2004-05
No of Incidents			280	245	279
50 percentile	minutes	5.4	5.0	5.4	5.8
90 Percentile	minutes	9.8	9.0	8.8	10.7

Source: Report on Government Services 2006

The ACT has relatively lower risks, compared to other States and Territories, as evidenced by the lower incidence of fire. It does not have heavy industry and high-rise buildings on the scale of other jurisdictions, which require higher weight of response. Notwithstanding this, it spends significantly more than the national average on fire brigade services.

It is impossible to staff and provide resources for 100 per cent risk coverage. It is quite clear that the ACT Fire Brigade maintains and resources an immediate response capacity which provides significantly higher coverage than other jurisdictions. Given that the Territory's revenue effort is on par with the national average, the expenditure should be scaled back towards the average across other jurisdictions.

To bring fire services to the national average would reduce costs by about $14 million per year[3]. Even with such a reduction (to the national average), the Territory would still have a relatively higher coverage because of lower risk. However, bringing the costs down so significantly is likely to be difficult to achieve in the short to medium term. Well planned change and savings need to be achieved progressively over time.

The Review proposes a first tranche of savings of $2.5 million per annum. These should be targeted at reducing overhead costs, which are in the order of $8 million to $10 million (20 per cent to 25 per cent of fire brigade total costs). Further work should be undertaken to identify further efficiencies for the Brigade.

Recommendation 201: savings of $2.5 million per annum be achieved in urban fire services, targeted at reducing overhead costs.

Location of Fire Stations

The fire brigade currently operates from nine fire stations and runs two shifts per day, a ten-hour day shift and a fourteen-hour night shift. All fire stations maintain full shifts on a 24/7 basis.

Due to the expansion of the city, the location of some of the fire stations has become less than ideal. Preliminary work undertaken by the ESA during this Review indicates that satisfactory response times could be achieved with fewer, more appropriately located, stations. It is possible to reduce the number of stations to seven (from the current nine). The infrastructure costs of moving to a 7-station configuration are estimated at between $8 million and $10 million.

Work should be undertaken on developing options for Cabinet consideration to move to a 7-station configuration. This should address issues in relation to siting and planning as well as opportunities for reducing the number of frontline tanker crew shifts.

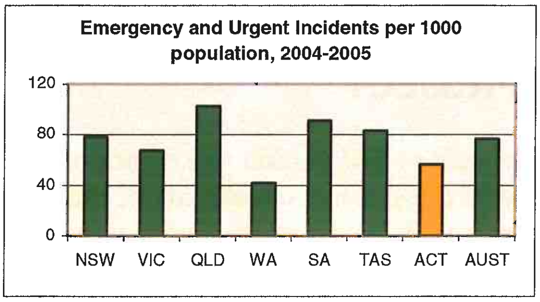
Recommendation 202: options be prepared for Cabinet's consideration to move to a 7-station configuration with opportunities for reducing the number of frontline tanker crew shifts.

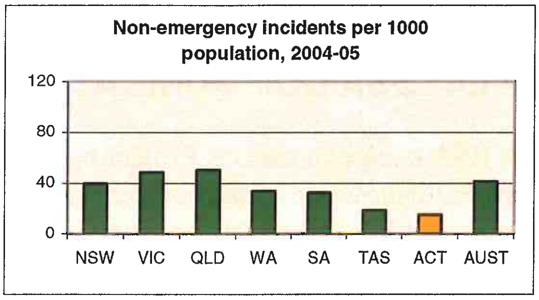
7.11.3 ACT AMBULANCE SERVICE

The ACT Ambulance Service has an expenditure budget for 2005-06 of $18 million, including ESA overhead support. There are seven stations located across the ACT, with total staff resources of 124 FTE.

[3] In making this estimate, allowance has been made for the higher superannuation costs and the separate Rural Fire Service in the ACT. Both these factors contribute approximately 15% of the excess cost.

The ACT has a lower level of incidents per 100,000 households than the national average. In 2004-05, the ACT had 40 per cent less incidents per 100,000 people than the national average.





Notwithstanding this low incident rate, expenditure per 1,000 people increased from $45,473 in 2003-04 to $59,811 in 2004-05, an increase of 31.5 per cent. Cost structures were slightly below national average levels of $63,063 per 1,000 people.

The ratio of responses to incidents has grown from 105.8 per cent to 117.8 per cent over four years. Response times are the fastest of all jurisdictions (responses represent the number of crews who attend an incident).

Table 7.11.3: Summary of Ambulance Services

Indicator	2001-02	2002-03	2003-04	2004-05
Number of ambulances responses	24,565	26,599	27,167	27,619
Number of incidents attended by ACTAS	23,226	24,690	24,937	23,440
Percentage of Responses to Incidents	105.77%	107.73%	108.94%	117.83%
No. of responses per '000 head of population	76.9	82.7	83.7	84.8
No. of incidents per '000 head of population	72.7	76.7	76.8	72.0
50 Percentile Minutes – Target 8.0	7.5	7.7	7.8	7.25
90 Percentile Minutes – Target 12.5	12.4	12.5	12.5	12.3

Source: JACS and ESA Annual Reports 2001-02 to 2004-05

The number of incidents equates to 4.5 incidents per ambulance per day, which averages at two to three incidents per shift. The ESA advised the Review that there are significant differences in incident numbers between day and night shifts. The Authority also indicated it should be possible to reduce shift numbers in the low activity shifts and still maintain appropriate levels of response.

Operating an advance single paramedic to calls followed by ambulance attendance is potentially leading to higher costs, the efficiency and effectiveness of this is questionable in a jurisdiction which has the fastest response times in Australia. ACT ambulance crews are the most qualified of all jurisdictions.

A change in the current response process to one that delivers ambulance response times closer to national average performance, a review of the shift requirements and options to reduce the rating of the ambulance crew should be undertaken with a view to achieving savings of $1 million.

Recommendation 203: savings of $1 million be achieved within the ACT Ambulance Service, through changes in shift arrangements, crew standards and current operating practices.

7.11.4 ESA COMMUNICATIONS PROJECT

The ESA Communications Project has a capital cost of $30 million and recurrent costs in the order of $5 million per annum. Given the size and complexity of the project, the Review sought to satisfy itself regarding risks of cost overruns, with assistance from an ICT consultant[4].

Due to limited time, a full-scale review of the project was not possible, and the analysis by the Consultant has been restricted to a review of background material provided by ESA, and advice from InTACT on the status of the project. The Consultant has raised a number of concerns which are discussed below.

Project Documentation

For such a project, it is reasonable to expect that there is a self-contained package of information that describes to a reasonable level of detail the project's goals and objectives, major components, overall timetable, high-level risk analysis, and budgets.

There exist high-level Cabinet Submissions, as well as specific low-level technical documents that address, in isolation, individual project building blocks. There apparently is no suitably comprehensive document that describes the integrated Communication Project and its components.

Scope of the Project

The consultant noted that no material was available that defines the scope of the ESA Communications Project (or projects). This is a symptom of the lack of documentation mentioned above.

The material provided by ESA highlights a need for annual recurrent funding of the Communications Project of $4.126 million – compared with existing annual base funding of $1.246 million (a shortfall of $2.88 million).

The ESA advised that the augmented communications capabilities allow data to be provided to mobile vehicles, where formerly only voice communications were possible. This places a demand on the ESA applications and information systems to have an availability and robustness that is appropriate to operational systems (as opposed to administrative systems).

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[4] Valuesourcing Pty Limited.

ESA considers that the use of office systems on a continuous basis to support operations also requires InTACT support arrangements that provide a higher level of response than that required for other departments[5]. Some of the increase in funding sought by ESA relates to the enhancement of the reliability of these applications. This, however, was neither foreshadowed nor costed into the original business cases and funding submissions.

Further, it would appear that ESA has redefined the scope of the Communications Project to include all of its ICT requirements. The additional funding relates to fixed and mobile phone charges and desktop charges, which apply to the entire organisation. The Consultant concluded that in this case there has been a blurring of the distinction between funding for a specific ESA project and overall funding of the Authority.

Robustness of Costs

While a detailed analysis of costs was not possible, there is evidence to suggest the costs are generous. As an example, the project manager is engaged as a contractor at an annual cost of $316,800. The consultant suggested that reduced monthly or annual fees in exchange for continuity of work could be sought, presuming the skills cannot be sourced from within Government. It is unlikely that this is the only example.

Review's Response

There is a clear requirement for improved emergency communications in the ACT. This is not disputed. The work of ESA to achieve this must continue.

The ESA, however, must prepare an ICT strategic plan which places the current project in the context of its overall IT needs. In relation to the Project, comprehensive documentation needs to be prepared.

These are not documents intended purely to inform expenditure decisions. These documents are essential for professional management by ESA of its ICT expenditure.

Given potential budgetary risks with the Project, the work should be undertaken as a priority in consultation with Treasury and InTACT.

Recommendation 204: ESA prepare an ICT strategic plan and comprehensive documentation for its integrated Communications Project, in consultation with Treasury and InTACT.

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[5] Covering Briefing Note entitled "Overview of ESA Information [Sic] and Communications [Sic] Systems" by ESA to J. Radik on 24 January 2006.

7.11.5 EMERGENCY SERVICES HEADQUARTERS

The Government agreed to the ESA entering into a lease for a new operational headquarters at the Canberra Airport. This lease is being negotiated through the Department of Urban Services.

The preferred option of the ESA was estimated to cost approximately $91 million over a 15-year period. The Review has been advised that these costs have subsequently increased by $11 million, and Treasury is proposing for the matter to be considered again by Cabinet.

The lease should not be finalised before further consideration by Cabinet. Advice to Cabinet should include a full cost/benefit analysis of the proposed lease, and comprehensive assessments of alternatives, including upgrading of existing premises at Curtin.

Recommendation 205: the lease for the ESA headquarters at the Canberra Airport be reconsidered by Cabinet, given the additional $11 million involved. Full financial analysis of the lease increase should be provided to Cabinet, along with identification and assessments of alternatives including upgrading the existing premises at Curtin.

7.11.6 PRESENTATION OF BUDGET INFORMATION

In recent years ESA has presented budget information between two outputs, namely:

- Prevention and preparedness; and
- Response and recovery.

Expenditures have traditionally been split 20 per cent to the first output and 80 per cent to the second output.

For greater accountability and transparency, it would be preferable for each operational service to be separately reported on, as follows:

- Fire Brigade Service;
- Ambulance Service;
- Rural Fire Service; and
- State Emergency Service.

Corporate and other support groups within ESA should allocate their expenses across each relevant operational service, on an agreed and well-understood methodology.

The benefits of these reporting structures would come through greater means for comparison with other jurisdictions. As well, improved disclosure on the impact of corporate and support areas on each service would be available.

Individually, each operational service would also gain a better understanding of the cost of their support services, and be better placed to more accurately specify their needs within available budgets.

Recommendation 206: the budgetary information for the Emergency Service Authority be realigned to better reflect activities against its service by service operational structures.

7.11.7 SUMMARY OF SAVINGS AND STAFFING IMPACTS

	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m	Total FTE Impacts
ACT Fire Brigade Overhead Reductions	1.500	2.500	2.563	2.627	0
ACT Ambulance Service	1.000	1.025	1.051	1.077	0
TOTAL SAVINGS	**2.500**	**3.525**	**3.614**	**3.704**	**0.0**
Machinery of Government Savings	0.743	1.486	1.523	1.561	11.68
Procurement (Tender Box) Savings	0.100	0.205	0.211	0.216	-
Procurement (ERC) Savings	0.171	0.257	0.257	0.257	-
IT (Review and ERC) Savings	0.254	0.359	0.359	0.359	-
Transfer to Shared Services	0.737	1.791	1.814	1.838	19.92

Part

8

ABORIGINAL AND TORRES STRAIT ISLANDER ISSUES

CHAPTER 8 ABORIGINAL AND TORRES STRAIT ISLANDERS

OVERVIEW

- In 2004, the Indigenous population in the ACT was approximately 4,200 accounting for 1.3 per cent of the Territory's total population.
- Funding for specific Aboriginal and Torres Strait Islander services totals approximately $8 million per annum. Five Aboriginal and Torres Strait Islander service providers receive the majority of this funding.

KEY CONCLUSIONS AND RECOMMENDATIONS

- The ACT has agreed to the *National Framework of Principles for Delivering Services to Indigenous Australians* reporting framework for monitoring and reporting against the *Overcoming Indigenous Disadvantage Indicators* as agreed by COAG and the Productivity Commission.
- Reviews or evaluations of Aboriginal and Torres Strait Islander services and programs are not embedded in departmental responsibilities and accountabilities.
- Each department should establish an Indigenous plan in respect of their services (mainstream and Indigenous specific), and put in place mechanisms to deliver outcomes against their plan, consistent with the national framework.

8.1 PROFILE OF THE INDIGENOUS POPULATION

The median age of the Indigenous population is lower than that for the ACT as a whole at 20.8 years and 34.1 years respectively.[1]

In 2004, Indigenous students in Year 3 were performing as well as non-Indigenous students with 95 per cent of Indigenous and non-Indigenous students achieving the reading benchmark and 96 per cent achieving the writing benchmark. Just under 92 per cent of Indigenous students achieved the numeracy benchmark compared with 95 per cent for all students.[2]

The Indigenous unemployment rate was 13 per cent in 2001, this was 8.1 percentage points higher than the overall ACT unemployment rate of 5 per cent. The labour force participation rate for Indigenous people was 67.8 per cent compared with 71.7 per cent for non-Indigenous persons.[3]

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[1] ABS - Australian Social Trends 2005 - Cat No 4102.0
[2] National Report on Schooling in Australia 2004
[3] ABS – Population Characteristics of Aboriginal and Torres Strait Islander Australians, Australian Capital Territory – Cat No 4713.8.55.001

The median income for Indigenous persons in the ACT was $405 per week in 2001. This was $142 per week lower than that for non-Indigenous persons.[4] In 2001, 25 per cent of Indigenous persons were in the lowest income quintile compared with 11 per cent for non-Indigenous persons.[5]

The average number of residents per household is higher in Indigenous households at 3.1 compared with 2.6 for non-Indigenous households in 2001.[6]

Indigenous young people were over represented in the ACT justice system in 2001-02, with Indigenous persons accounting for 45 per cent of persons on juvenile detention orders and 27 per cent of young people in Quamby Detention Centre. This picture is consistent across those justice areas that collect data on Indigenous status[7].

Indigenous children aged 0-17 years were over eight times more likely to be in out of home care in 2004-05 than non-Indigenous children with a rate of 32.0 per 1000 children compared with 3.8 for non-Indigenous children. Indigenous children accounted for 17 per cent of all children on care and protection orders in June 2005.[8]

In 2002, 18 per cent of the ACT Indigenous population rated their health as fair/poor and 37.5 per cent had a disability or long-term health condition.[9]

Across most indicators, Aboriginal and Torres Strait Islander people in the ACT compare relatively well against their community counterparts interstate, but not against non-Aboriginal and Torres Strait Islander populations.

8.2 FUNDING OF INDIGENOUS SERVICES

A summary of specific indigenous services funded by agency is summarised below. This funding is targeted and does not include mainstream services.

Table 8.2 – Indigenous Services Funding

Agency	$m
Department of Urban Services	0.06
Chief Minister's Department	0.27
ACT Health	2.21
Department of Justice and Community Safety	0.49
Department of Education and Training	1.39
Department of Disability, Housing and Community Services	3.13
Department of Economic Development	0.14
Canberra Institute of Technology	0.31
TOTAL	**8.00**

[4] ABS – Population Characteristics, Aboriginal and Torres Strait Islander Australians – Cat No 4713.0
[5] ABS – Population Characteristics of Aboriginal and Torres Strait Islander Australians, Australian Capital Territory – Cat No 4713.8.55.001
[6] ibid
[7] Profile of Young Offenders in the ACT 2001-2002 Chief Minister's Department
[8] Report on Government Services, 2006
[9] ABS – National Aboriginal and Torres Strait Islander Social Survey 2002 – Cat No 4174.0.55.001

8.3 PLANNING FRAMEWORK

Departments either have plans in place for Aboriginal and Torres Strait Islander people or are in the process of developing policies.

The relatively small size of the Aboriginal and Torres Strait Islander population in the ACT, and the compactness of the Territory itself, should allow for much better overall planning and provision of services. This planning framework should cover all services including health, education, housing, business, heritage, arts, employment, culture, education, sport and training matters.

Departments should develop Indigenous service plans based on the *National Framework of Principles for Delivering Services to Indigenous Australian.* The framework should monitor and report against the *Overcoming Indigenous Disadvantage Indicators*, as agreed by COAG and assessed by the Productivity Commission.

The plans should identify key headline indicators against relevant departments, and seek to address gaps in services between departments.

Appropriate accountabilities for statistical data, specific outcomes, evaluation mechanisms and reporting also should be incorporated into each department's plan.

Recommendation 207: Departments establish individual Indigenous service plans, consistent with the COAG *Overcoming Indigenous Disadvantage Indicators*, and the principles within the *National Framework of Principles for Delivering Services to Indigenous Australians.* Plans should include appropriate outcome performance targets and evaluation/reporting mechanisms.

Part

9

INFRASTRUCTURE AND CAPITAL WORKS

CHAPTER 9.1 INFRASTRUCTURE AND ASSET MANAGEMENT

OVERVIEW

The Territory's infrastructure is valued at $10.130 billion, comprising $6.026 billion of assets in the General Government Sector (GGS) and $4.105 billion in the Public Trading Enterprise (PTE) sector at the time of the 2005-06 Mid Year Review. The value of infrastructure (property, plant and equipment) increased by 23 per cent over the past five years.

This chapter primarily focuses on the infrastructure within the General Government Sector, and the management of that asset base.

KEY CONCLUSIONS AND RECOMMENDATIONS

- There is a lack of strategic infrastructure and asset planning across the public sector, at agency or Territory levels. The Government's *Asset Management Strategy* dates back to 1997. Other issues identified by the Review include:
  - maintenance expenditure on assets is inadequate compared to the size of the asset base and industry practices;
  - the quality of asset management plans across agencies varies, however, they are generally deficient, particularly in whole of life management, information on asset performance and utilisation, and low maintenance commitments; and
  - the capital works arrangements have deteriorated in terms of overall program performance to a level of unacceptable risk.
- The Review's strategies for infrastructure are targeted at:
  - developing an asset management strategy for the General Government Sector, with enhanced asset plans for departments and major asset categories;
  - establishing a medium term planning horizon for capital works (aimed to eliminate program slippage and underperformance at the Territory level); and
  - strengthening of the management and oversight of capital planning, a more rigorous approach to developing proposals for consideration by the Government, and enhanced monitoring and reporting of the programs performance.
- There is a need to strengthen infrastructure planning and performance, and this should be managed by a Chief Executive taskforce.
- The Review proposes a number of asset rationalisation initiatives, including Rhodium, Capital Linen Services, Kowen Forest and surplus properties.

9.1.1 ASSET MANAGEMENT IN THE TERRITORY

Asset Management Strategy

At self-government, the assets transferred to the Territory were relatively young with very little backlog in maintenance[1]. Since that time, a number of key service assets have deteriorated to a position where their ongoing functionality is dependent on major refurbishment and/or upgrades.

The whole-of-government Asset Management Strategy dates back to 1997. It is clear that the strategy needs to be updated or a new strategy developed.

Recommendation 208: a new whole-of-government Asset Management Strategy be developed by Treasury.

Condition Audits

The starting point for improving asset management is to maintain a continuing program of condition audits. From this, appropriate maintenance planning can be developed. Outlined below is the status of condition audits by the major asset holding agencies:

- Urban Services – the Territory's road, pavements around shopping centres and bridges infrastructure have condition data. Urban Services also has condition data on its building assets and has undertaken spot audits for its stormwater infrastructure;
- Housing - has recently completed a condition audit of approximately 73 per cent of its stock. The condition audit identified that 82 per cent of the stock was within standard and that a further 2 per cent to 5 per cent could be brought within standard with relatively low levels of expenditure;
- Education – latest round of condition audit data indicates that the average condition of schools is 2.3, which is less than the condition rating of 3 (normal) sought for schools; and
- Health – is yet to undertake a comprehensive condition audit.

Improved data information on asset condition is essential, particularly across the key infrastructure areas. This should be given priority by departments.

Recommendations 209 and 210:

- **condition audits be completed for all major asset holdings, and brought to Cabinet as part of departments' asset management plans; and**
- **information systems be reviewed and updated, based on latest condition audits.**

[1] Priorities Review Board Report – *Priorities for Improved Public Sector Management,* May 1990.

Asset Management Plans

A number of departments have developed specific asset management plans for major infrastructure holdings. These include, for example, roads, trees, public housing and arts facilities.

Given the significance of the asset bases, and the dependence of service delivery on their condition being maintained to reasonable standards, the financial framework in which they operate should provide certainty for regular maintenance expenditure across the medium term horizon.

There is evidence that, in a number of cases, departments have not operated within this management framework, with some applying maintenance funding as savings towards achieving 'bottom line' efficiencies. In some cases, this approach has been adopted in areas where the Government previously approved significant additional base funding for specific maintenance purposes.

The asset management plans (where they exist) may have been developed in the context of a dated strategy, and have not been subject to Cabinet's consideration and agreement.

The asset management framework should be reviewed and each agency's maintenance arrangements assessed for adequacy of financial capacity. Once assessed, funding should be quarantined from other budgetary pressures. This would ensure that capital planning and replacement policies are not put at risk by short-term budgetary expediencies.

Recommendations 211 and 212:

- **agencies be required to develop asset management plans in consultation with Treasury; and**
- **asset management plans be brought to Cabinet for its approval as part of the 2007-08 Budget process.**

Asset Maintenance

Maintenance of assets has not kept pace with the age of assets, resulting in deterioration in condition. If left unchecked, there will be significant balance sheet risks, and pressures placed for early intervention and investment in capital upgrading and replacement of major infrastructure.

Examination of information provided to the Review shows weaknesses and gaps in the level of understanding on asset condition and performance, for example:

- there is no current asset management plan for health infrastructure, and a full condition audit of assets, including at The Canberra Hospital, is still required;
- current condition audits of government schools are only partially completed, with some schools not assessed in the last five years; and

- limited, if any, information is provided on asset utilisation and performance against benchmarks.

Maintenance levels in the Territory have generally been low since self-government. For example, in 1997, a review by the Auditor-General[2] found that for several years inadequate maintenance funding had been available to cost effectively maximise the useful lives of ACT roads, and the backlog of maintenance had reached between $24 million and $36 million. The audit also found that the annual expenditure on pavement maintenance was around half the annual road pavement maintenance funding level recommended by an earlier review in 1992[3].

Road pavements in general have a useful life of 20-25 years[4]. This can be greatly increased, and significant costs avoided, by maintenance at critical points[5]. The maintenance program for roads, which covers less than 3 per cent of the roads per annum[6], appears to suggest that optimum maintenance is not being undertaken, with the effect of shifting costs to future generations.

The Review was advised by Urban Services of a shortfall in maintenance expenditure in the order of $25 million to $40 million for its assets alone[7]. Additional expenditure of this magnitude cannot be accommodated within the current budgetary position. It is therefore important that maintenance targets be set in the context of realistic asset management plans[8], with works prioritised within the funding levels. In the first instance, 'black spots' should be identified that require critical and urgent works.

Notwithstanding this, the Review has recognised the need for increased maintenance, and proposes a base increase in expenditure.

The additional funding proposed by the Review will only address in part the shortfall in maintenance expenditure. Consideration should be given in the future budgets, subject to financial capacity, to further increase maintenance funding.

Considerable backlog of maintenance has built up since the self government. Any unforeseen one-off revenue could be allocated to addressing the maintenance backlog.

In suggesting these measures, the Review proposes that maintenance funding should be quarantined from any saving measures and internal reprioritisation by departments.

[2] ACT Auditor-Generals Report No.2/1997: *Road and Streetlight Maintenance,* Page 4.

[3] *Road Maintenance Evaluation Study*, Report to the Minister for Urban Services; 1992.

[4] National Highway Construction Standards.

[5] See for example - *The Impact of Preventative Maintenance Programs on the Condition of Roadway Networks*, 2004 Annual Conference of the Transportation Association of Canada.

[6] 2005-06 Budget Paper No. 4, Page 233 - *Annual Percentage of Municipal Roads Resurfaced 2.9 per cent.*

[7] These include roads, stormwater infrastructure, bridges, and cycle paths.

[8] A roads asset management plan was considered by Cabinet in 2001, and significant additional annual maintenance funding agreed at that time. Since then, improved data information on asset condition reflects a greater maintenance commitment being required than previously projected. A full data collection will take a further five-years to complete.

Recommendations 213 and 214:

- **base asset maintenance funding for the Department of City and Territory[9] be increased by $5 million per annum from 2006-07; and**
- **the Department of City and Territory develop a program of critical and urgent asset maintenance as a matter of priority in order to access this funding.**

Recommendations 215 and 216:

- **maintenance funding be increased by a further $5 million per annum from 2007-08, and this additional funding be allocated to agencies following the development of asset management plans; and**
- **maintenance funding be quarantined from any saving measures and internal reprioritisation by departments.**

Improving Asset Management

Significant reforms and strong leadership are required to improve asset planning and management. This should be oversighted and driven by a Chief Executive taskforce, chaired by the Chief Executive of Treasury.

Recommendation 217: a Chief Executive taskforce, chaired by the Chief Executive of Treasury, be responsible for infrastructure planning and asset management.

9.1.2 RATIONALISATION OF ASSETS

The Review has assessed a number of proposals by departments in respect of infrastructure rationalisation. These assessments, and recommendations, are set out below.

Rhodium Asset Solutions Limited

Background

In 2003, the Government decided to wind up Totalcare Industries, and to retain the fleet business as a Territory Owned Corporation (TOC)[10]. Rhodium was subsequently established on 1 January 2005.

[9] The Review has separately proposed an increase of $3 million per annum for schools' maintenance (Chapter 7.4).
[10] Four other core business units of TotalCare (Sterilisation, Road Maintenance Services, Facilities Management and Linen Services) were reintegrated into the Department of Urban Services (DUS) and ACT Health.

It provides finance and asset leasing and management services to the ACT Government, other public sector entities and the private sector. As the ACT Government fleet management services contract alone does not provide sufficient turnover, the strategic direction that Rhodium has adopted for the future is to grow its private sector business.

It currently manages approximately 3,300 vehicles under lease, with 41 per cent of its revenues generated from its ACT Government fleet management business. Rhodium's non-ACT Government business includes the ActewAGL fleet (approximately 390 vehicles), with the balance (approximately 1,650 vehicles) related to private and other government clients.

In addition, it provides leasing services for plant and equipment; laptops and computer accessories; Information Technology networks, systems and equipment; light commercial vehicles; light, medium and heavy rigid vehicles; and medical mining and linen equipment[11].

Business Plan and Risks to the Territory

A Business Plan developed by Rhodium assumes revenue growth averaging 28 per cent per annum from 2005-06. On the other hand, Treasury expressed concerns to the Review regarding the risks of Rhodium operating in a well established, mature and competitive market.

The Review sought external advice[12] on the Territory's ownership interests in Rhodium, including:

- an assessment of the risks to the Government associated with Rhodium's current structure and size, its products, its current and likely future position in the marketplace, its balance sheet (and any significant off-balance sheet financial assets and liabilities) risks, its key business development strategies, its ability to compete effectively in the marketplace;
- an assessment of Rhodium's financial performance, both actual and projected, against industry benchmarks;
- whether the projected returns to the Government on its investment in Rhodium are appropriate; and
- analysis of the actual and estimated levels of borrowings or other financial liabilities undertaken by Rhodium in the context of:
  - the possible impact on the Financial Position of the Territory; and
  - the possible impact on the Territory's credit rating.

The Review also sought an analysis of options regarding Rhodium's future, including:

- part or full divestment;
- continuation of the current ownership and business model;

[11] Rhodium Asset Solutions, 2004-05 Annual Report, Page 13.
[12] PriceWaterhouseCoopers were engaged as consultants.

- continuation using a more restricted business model (e.g., limited client base or product lines); and/or
- joint venture.

The Consultants' analysis indicates that Rhodium is a sub optimal business suffering from small scale[13]. The strategy to expand into private markets with other lease products is, however, risky. There are well established competitors in the market with economies of scale. Market share could only be captured by undercutting prices, or increasing marketing. In either case, dividends would reduce.

The Consultants concluded that currently, business related to the government fleet is subsidising the private business. Unlike vehicles, a number of lease products do not have secondary markets and this carries further risk.

The most economic option for the Government is to sell the business. This could include the management of the government fleet at a market price, or the fleet management could be tendered separately. The Review proposes the former option with no guarantee of continuation of contract beyond a fixed period sufficient for the buyer to integrate the business into its existing operations.

The contract for the management of government fleet should be at market price. The Review has identified savings of $1.1 million per annum from achieving benchmark management fees[14].

An alternative is to dissociate from the private market business over a period of time (once the leases have expired), and return the fleet management within a department. Fleet management costs are likely to remain higher due to small scale.

Recommendations 218 and 219:

- **Rhodium Asset Solutions be sold as a going concern; and**
- **the offer of sale include the management of government fleet, at benchmark fee, and for a fixed period of time, after which the contract could be put to open market tender.**

Capital Linen Service

The Capital Linen Service (CLS) has operated under a number of structures over the past ten years, ranging from a provider within government, to a statutory authority, then part of a Territory Owned Corporation, and then returned to a business unit within DUS in May 2004.

CLS provides a diversity of linen supply and laundering services, across the healthcare, tourism and hospitality sectors, and supplies incontinence products for aged care and health services.

[13] The Consultants' report is included in the background papers to the Review Report.
[14] See Chapter 5 of this Report.

The Draft Report of the Independent Competition and Regulatory Commission into the Capital Linen Service, released in January 2006, came to a view that there is growing maturity in the linen services market in the ACT[15]. The nature of the players in the market also reflects the capacity for them to assume related businesses as a going concern and continue the level of service provision required to meet the needs of ACT clients. The Commission also found that CLS is at a competitive disadvantage due to its government ownership.

Based on the Commission's inquiry, the opportunity should be taken to protect the Territory from potential future losses, as well as further capital injections in order to upgrade equipment and facilities. CLS should be sold as a going concern. However, the sale should be subject to analysis to ensure that the Government, or departments such as ACT Health, are not financially disadvantaged through the sale.

Prior to the proposed sale of the Capital Linen Service, it is suggested that the linen services be tested by ACT Health to assess the likely competitive prices in the wider private sector environment.

Recommendations 220 and 221:

- **the Capital Linen Service be sold as a going concern; and**
- **the sale be subject to a market assessment by ACT Health to determine the likely market pricing for services following the sale of CLS.**

Forestry Plantation (Kowen Forests)

Prior to the 2003 bushfires, the Territory's softwood plantation estate was approximately 16,200 hectares of *Pinus Radiata* comprising around 1 per cent of the nation's softwood plantations.

The bushfires destroyed approximately 10,500 hectares of this plantation estate with Kowen Forest the only plantation forest not destroyed. Kowen Forest has a comparatively low growth rate and the prospect for productivity improvement is negligible.

Since the bushfires, ACT Forests has established approximately 1,100 hectares of softwood plantation with the majority planted in the Territory's water supply catchment[16]. It is now Government policy not to replant within the water supply catchment.

The major customer, Integrated Forest Products, is in the process of relocating a significant component of its processing capacity to Bombala to be closer to the NSW plantation resource. The company is currently finalising a development application for that purpose.

[15] ICRC Draft Report *Competition Inquiry into Capital Linen Service,* January 2006.
[16] The cost of the replanting program was met from the bushfire insurance proceeds.

Potential investors or purchasers of the Territory's plantation assets include Managed Investment Schemes. The schemes offered by Timbercorp and Wilmot Forest Management have expressed interest in the Territory, however, neither entity has offered a prospectus.

Kowen estate is identified for development under the *Spatial Plan*. The forest is currently used for recreational activities. The Review proposes that the standing timber be sold with access rights for recreation preserved. Responsibility for managing the estate including whole of silviculture programs should also be included in the sale.

Recommendation 222: the standing timber in Kowen Forest, including the management of the estate, be taken to the market for sale with access for recreation activities preserved.

Surplus Properties

The following surplus properties have been identified by DUS for sale. These can be readily taken to market without land use limitations or other restrictions that would inhibit sale (based on their current land use policies).

Table 9.1.1: Surplus Properties for Potential Sale

Description	Suburb	Section	Block	Land Use	Block m² (part)	Valuation
2006-07						
Deakin Preschool	Deakin	64	1	Community Facility	2,886	$600,000
Macgillivray St	Yarralumla	77	2	Community Facility	1,628	$250,000
O'Connell Centre	Griffith	78	Pt 42	Community Facility	18,500	$1,000,000
former Kippax Library	Holt	51	52	Commercial	1,127	$350,000
141 Canberra Ave Parks Depot	Fyshwick	6	26	Industrial	11,952	$2,400,000
Madigan St Depot	Hackett	12	13	Community Facility	2,395	$140,000
Lower Jindalee	Narrabundah	100	45	Residential	37,443	$3,500,000
Botany St Parks Depot	Phillip	53	3	Commercial	6,178	$1,250,000
Loftus St	Yarralumla	53	2	Community Facility	677	$140,000
Total						**$9,630,000**

A number of other properties were identified for sale, but disposal would not be expected before 2008-09.

Recommendation 223: properties identified as surplus to requirement by Property ACT be sold, with estimated returns from sale of $9.63 million.

Belconnen Busway

Development of the Belconnen busway carries high capital and recurrent costs. The proposal cannot be justified at this time, given the Territory's fiscal position and outlook. Further work on the busway should not proceed.

Recommendation 224: the proposal for the Belconnen busway not proceed, given its high capital and recurrent costs.

Dragway

The dragway project cannot be realistically accommodated within the $8 million originally agreed by the Government, with full completion likely to be double this amount. Only a sub-optimal facility would be possible within $8 million.

The risks of additional public funding being required are high, and the need appears low given the proximity to the national facility in Western Sydney.

The proposed location carries significant impact risks on the land use in the Majura Valley, and these are well beyond any benefits to be gained from supporting the facility.

The further work agreed by the Government is likely to show little additional benefit, and more likely to confirm the facility's non-viability. The Territory's financial position and outlook across the medium to longer term brings into question the support for such a facility at a time when higher priorities such as health and education clearly exist.

Recommendation 225: further assessments and developmental work on the dragway, as a public cost, not proceed.

Territory Plan Draft Variation 165 Open Space Network Project

Draft Variation No 165 to the *Territory Plan* "...proposes to amend the land use policies for a number of sites to Urban Open Space and Hills Ridges and Buffers areas and to apply an Area Specific Policy to protect valuable open spaces around ACT Government schools."

The Variation significantly restricts the Government's flexibility and potential future use of government school land. As well as effecting community land, it also proposes to remove a number of suburban 'infill' sites identified for residential and commercial purposes.

The Review proposes that DV 165 not proceed, and lapse from being tabled in the Legislative Assembly. Any further variation process should involve a full analysis of costs and benefits, and all information being available for Cabinet, including the impact of loss of development opportunities for each identified site, such as current education land identified for school closure. These sites are covered in the education package proposed by the Review, and also relate to the Higgins and Holt primary schools to be closed as part of the Ginninderra District P-10 School project.

Recommendation 226: within 3 years, a comprehensive review, by a taskforce chaired by the Chief Minister's Department, of urban open spaces and other public lands within the metropolitan precincts of Canberra (including lands subject to Draft Variation 165) be undertaken in order to develop options for better utilisation of lands for primarily social purposes, including affordable housing and aged accommodation.

Chapter 9.2 CAPITAL WORKS PROGRAM

OVERVIEW

The annual capital works program is agreed as part of the Budget process and funded through appropriations. The program includes construction projects, forward design works and feasibility studies[17].

The program typically has included capital upgrades and some maintenance works. From 2005-06 Budget, notional allocations for major agencies have been provided for this purpose, allowing Cabinet to focus on consideration of new works program.

The Capital Works Program has a history of slippage and underspends, despite several attempts over the past decade to improve its performance. There are a number of aspects and points on which the program appears to be failing. These include forward planning and project readiness at the time of funding commitment, evaluation, monitoring and acquittal. There appears to be established processes and discipline regarding changes to the program. Such changes do not appear to be substantial.

The Review is proposing upfront cross agency planning, and introduction of a four-year rolling program. Stronger emphasis on evaluation and improvement in advice to Cabinet along with stronger monitoring are also proposed.

KEY CONCLUSIONS AND RECOMMENDATIONS

- The value of new capital works commitments in the General Government Sector has increased significantly over the past decade, ranging from $66 million to more than $300 million in any one year. Cash expenditure has also increased, varying between $100 million to $247 million.
- There is increasing slippage in the capital program, with up to half the program in 2005-06 to be carried over to the following years. Slippages equate to about two years of new works.
- Stronger management of the program is required, to deliver the Government's objectives and capital infrastructure on time and within budget. In particular, a cross agency approach in forward planning, improved evaluation, stronger monitoring, and introduction of acquittal processes is proposed.
- Introduction of a four-year rolling program is proposed, with annual consideration by Cabinet as part of the Budget process. The final approval prior to construction is to be subject to projects and documentation being 'tender ready'.

[17] In principle, these should be undertaken by agencies as part of their service delivery planning. Funding from capital works is provided to encourage forward planning by agencies.

9.2.1 PERFORMANCE OF CAPITAL WORKS PROGRAM

The size of the annual program for new capital works has varied significantly over the past decade, from a low base of $66 million in 1998-99 to more than $300 million in 2004-05. Annual financing (cash allocation) shows a similar trend increasing from $100 million in 1998-99 to $247 million in 2004-05.

1997-98 has been the only financial year over the last decade when the capital works expenditure was close to budget target (1 per cent variation). Since then, considerable and increasing underspends in the annual capital works program have occurred. The following table provides a comparison of budget allocation (financing) and the actual expenditure.

Table 9.2.1: Capital Works Program Value and Cash Expenditure 1998-99 to 2005-06

Financial Year	Value of New Commitments $'m	Budgeted Expenditure* $'m	Actual Cash Expenditure $'m	Underspend $'m	Completion %
1998-99	66.5	100.5	64.1	36.4	63.8
1999-2000	87.8	112.9	76.0	36.8	67.4
2000-01	99.1	107.4	89.3	18.1	83.1
2001-02	214.3	165.5	111.0	54.5	67.0
2002-03	91.2	153.0	96.9	56.2	63.3
2003-04	104.7	169.9	108.8	61.1	64.0
2004-05	329.9	247.0	129.0	118.0	52.2
2005-06 Estimate	168.0	314.2	n.a	n.a	n.a

Source: ACT Treasury
* Cash expenditure includes expenditure on new works and works in progress flowing from the previous years.

As identified above, the achieved overall expenditure of the capital program has not exceeded two-thirds of the financing available since 2000-01, and is estimated to reduce to approximately 50 per cent in the current financial year.

9.2.2 FINANCING OF WORKS

The forward estimates include provisions of $80 million for new capital works, as follows:

Table 9.2.2: Capital Works provisions 2006-07 to 2009-10

Financing	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m
New works	44	49	49	49
Works-in-progress*	5	-	-	-
Upgrades#	31	31	31	31
Total provisions	**80**	**80**	**80**	**80**

Source: ACT Treasury
* Funding for works in progress from previous years is already incorporated in agencies budget cash-flows.
# Provision held in agency budgets.

In principle, financing of individual projects and the size of the overall annual program should be subject to business cases and the financial targets in the budget.

While it is not unreasonable to debt finance certain specific projects, governments have also moved to financing arrangements through Public Private Partnerships (PPPs). PPPs in general have high transaction costs, and critical mass in the order of $80 million to $100 million is necessary to generate transaction efficiencies.

Transaction efficiency, however, is not the only criterion. By their very nature PPPs involve the private sector investing its funds into an infrastructure asset that has traditionally been seen to be the domain of the public sector. The success of these partnerships depends on how well the private sector manages the risk transferred to it by the public sector and importantly, the success of the public sector in managing its obligations under the arrangement.

The Procurement Board Circular *Implementing Private Provision of Public Infrastructure Projects* in the ACT has incorporated the ACT Government's policy into a procurement guideline.

The ACT policy has been prepared by ACT Treasury and approved by the Government in 2002. Treasury currently administers the policy and to date the ACT has not considered a PPP approach to new projects.

Recommendations 227 and 228:

- **the use of PPP as a procurement option for government's capital works be considered for projects over $80 million in value; and**
- **the Department of Treasury be the central agency responsible for the development and implementation of PPP procurement policy and services.**

9.2.3 FRAMEWORK FOR CAPITAL WORKS

Since 1996, a number of attempts have been made to improve planning, assessment, delivery and monitoring of capital works. Their impact on the overall delivery of the program, however, has not been significant. In general, this is due to a lack of discipline in adhering to the overall framework/guidelines. For example, a number of projects endorsed for inclusion in the capital works program do not have a functional brief, despite this being a requirement of the documentation to be provided for consideration in the Budget process. This obviously increases the risk of delay and cost over-run.

Project delays in capital works are generally symptomatic of:

- insufficient planning, in particular, lack of consideration of key planning and environmental issues prior to the endorsement of the project;
- poorly defined scope of works or developed after the project approval, in the year of planned delivery of the project; and

- lack of prior consultation with key stakeholders, for example, National Capital Authority, managers of utilities' infrastructure, and the community.

There appears to be a number of points where the existing process of capital works budgeting and delivery is failing. Despite the long lead times required within capital works, particularly in view of planning and consultation complexities in the Territory, early planning is not apparent.

The tight timeframes and requirements of the Budget process do not allow a proper assessment of the proposals and an analysis of the options. The process involves a considerable amount of information being put together by agencies, and analysed by Treasury, in a very short time frame. As a consequence, it is difficult for agencies to ensure the relevance and accuracy of the information being provided, and provides little opportunity for Treasury to provide feedback, explore options and provide general assistance in developing business cases.

It is clear that the framework for capital works requires reconsideration and strengthening. An outline of a changed framework for capital projects is provided below.

Objectives of the Framework

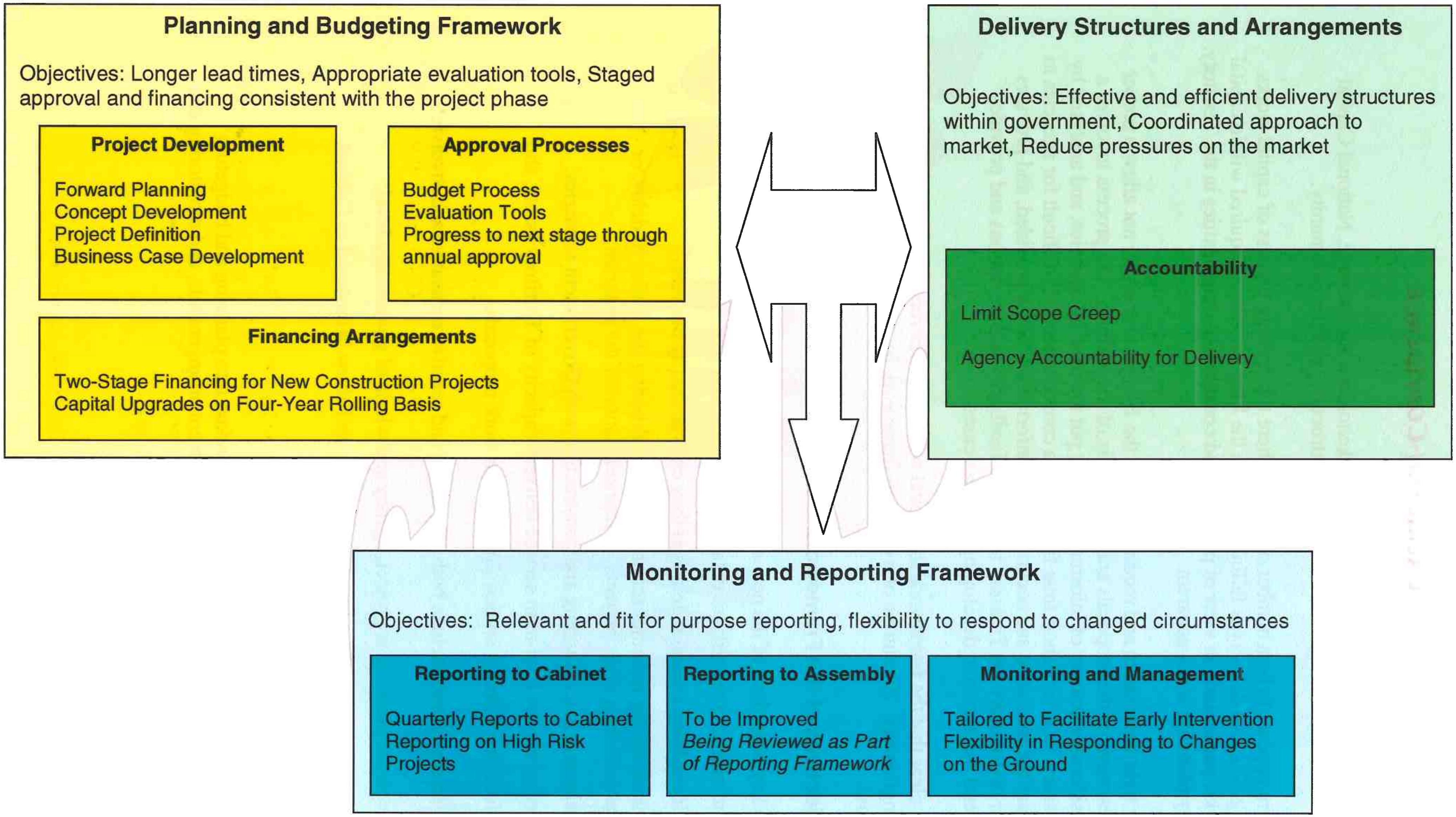
The key objectives of the new arrangements are:

- minimising the risks of delays in project delivery;
- identifying potential delays as they emerge during the year;
- undertaking remedial action in either addressing the causes of delay, or accelerating other projects, or reprioritisation of the program;
- aligning asset planning and construction with Government strategies;
- ensuring the long-term service delivery capacity of Territory assets; and
- focusing Cabinet on new construction work proposals.

The arrangements include both preventive and reactive measures, and involve:

- upfront planning at project, agency and whole of government level;
- mechanisms to detect project slippage, and allow Ministerial or Cabinet intervention; and
- a reprioritisation framework.

The framework for capital works can be broken into planning and budgeting framework, delivery and contract management arrangements, and monitoring and reporting framework.


Planning and Budgeting Framework
Objectives: Longer lead times, Appropriate evaluation tools, Staged approval and financing consistent with the project phase
Project Development
Forward Planning
Concept Development
Project Definition
Business Case Development
Approval Processes
Budget Process
Evaluation Tools
Progress to next stage through annual approval
Financing Arrangements
Two-Stage Financing for New Construction Projects
Capital Upgrades on Four-Year Rolling Basis
Delivery Structures and Arrangements
Objectives: Effective and efficient delivery structures within government, Coordinated approach to market, Reduce pressures on the market
Accountability
Limit Scope Creep
Agency Accountability for Delivery
Monitoring and Reporting Framework
Objectives: Relevant and fit for purpose reporting, flexibility to respond to changed circumstances
Reporting to Cabinet
Quarterly Reports to Cabinet
Reporting on High Risk Projects
Reporting to Assembly
To be Improved
Being Reviewed as Part of Reporting Framework
Monitoring and Management
Tailored to Facilitate Early Intervention
Flexibility in Responding to Changes on the Ground

Planning and Budgeting Framework

The current annual capital works program contains capital upgrades and projects for new or replacement assets.

Capital upgrades are defined as activities intended to extend the effective useful life of an asset, or improve the asset's service potential. Allocations to agencies are based on historical year-on-year expenditure levels, with pre-planning and approval steps in place to ensure no slippage in financing between years. Annual allocations for capital upgrades for each agency are linked to agencies' Asset Management Plans. These arrangements were introduced in 2005-06 and should continue.

With these arrangements in place, Cabinet can focus on the more significant projects relating to **new or replacement assets**.

Rolling Program

In order to strengthen forward planning, it is proposed that each department should prepare a four-year forward program. The program should be updated on a rolling basis, and considered by Cabinet as part of the annual Budget process. This program should be indicative in nature, and subject to specific government agreements.

At the beginning of a project cycle, Cabinet's approval and guidance should be sought for concept development.

Once the rolling program is established, it is envisaged that Budget Cabinet would primarily consider the program for the Budget year, i.e., construction ready projects as well as confirming projects proposed for the last forward year of planning.

This approach allows project advancements where some projects face unforeseen delays. The rolling program is to be managed within the envelope for capital expenditure.

Recommendation 229: Treasury lead the development of a rolling four-year capital works program for Cabinet consideration, taking account of the views of all other portfolios.

Concept Approval

The first approval stage (project development and justification) involves the development of the criteria for a full business case, which is to be prepared for any major capital investment proposal. This would include:

- conceptualisation and articulation of service delivery and policy direction;
- exploring alternative service delivery options;
- feasibility studies;
- financial and economic appraisal on a whole-of-life basis; and

- design work to final sketch plan stage.

Agencies will prepare Project Concept Briefs (PCBs) for concept development. The process is envisaged to be similar to the development of PCBs for IT projects.

It is recognised that development of projects may take a number of years and require funding well in advance of final authorisation and commitment of projects to construction. First stage funding for this will be targeted to:

- develop the best asset solution for service delivery requirements;
- provide a complete identification, assessment and allocation of all risks associated with the project, including economic, financial, and delivery risks;
- value management assessment against user requirements (to remove excess specifications and 'nice to have' extras); and
- develop the project to a stage where, following Government's approval, it can be programmed for construction immediately after the beginning of the financial year.

Construction Approval

The construction approval will involve final authorisation, and commitment to construction. This stage will require tender documentation to be fully ready. Cabinet will be asked to agree to costs, and be assured of a project's readiness to be committed to construction through the completion of design and full tender documentation.

An important aspect in this stage is physical management of risks in project delivery, which can lead to cost overruns and construction delays. Agencies will have primary responsibility to minimise and manage risks and be accountable for construction on time and within budget.

Recommendations 230, 231 and 232:

- **a two-stage approval process be adopted for new capital works, targeted to improving program delivery and project assessments including cost/benefit and risk assessments;**
- **stage two approval be subject to projects being fully prepared, with design and documentation at 'tender ready' stage; and**
- **capital upgrades be separated from new works and funded on a year-by-year, without carry-overs between years.**

Inter-Agency Planning

The lack of scoping, planning and consultation apparent within the existing capital works program has highlighted the need for greater emphasis on feasibility, forward design, and cost/benefit and risk analysis of projects. A cross agency Capital Planning and Development Group (CPDG) is proposed, tasked to review concept plans for capital works, make recommendations to Cabinet, the development of projects for stage two approval, and monitor program performance throughout the year.

The CPDG should be chaired by Treasury and bring together high level skills in relation to:

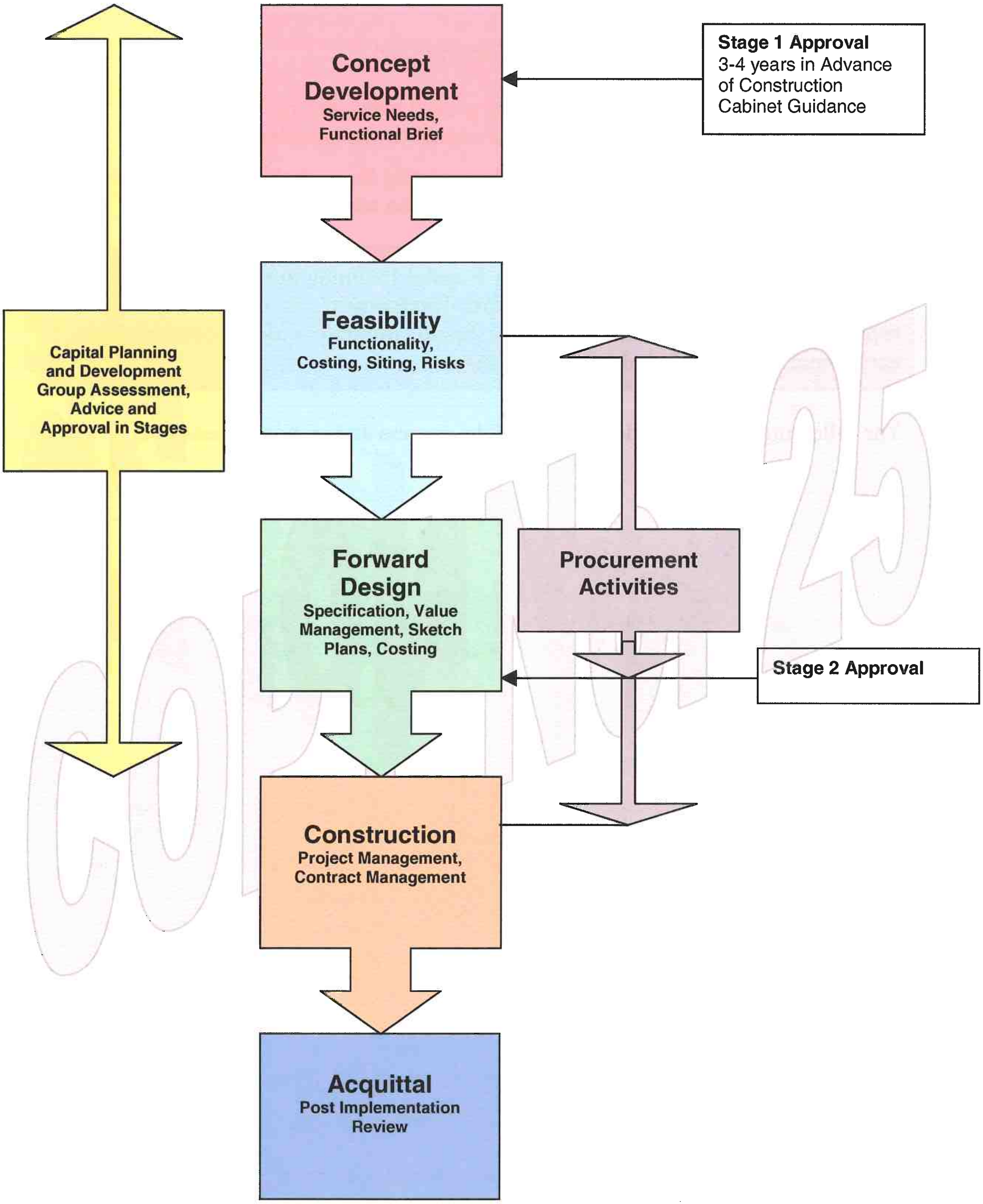
- Planning: ACT Planning and Land Authority; and
- Project development, procurement and project management: Procurement Solutions and representatives of major capital works agencies.

The CPDG's role would be advisory, and supporting the capital works programming and accountabilities. Its role should not be decision making.

Recommendation 233: an inter-agency Capital Planning and Development Group (CPDG) be established to facilitate development, monitoring and reporting of capital works. The CPDG should comprise senior executives from each department, and chaired by Treasury.

The following figure provides a layout of the process and proposed measures.

Layout of Measures – Project Cycle



Assessment Tools

A major deficiency in the current arrangements relates to the absence of cost-benefit analysis. Consideration of options and their relative costs and benefits need to be clearly highlighted for Cabinet to make informed decisions. Such decisions need to balance environmental, social and economic/financial objectives.

An evaluation framework that takes into account these aspects is being developed as part of implementing Triple Bottom Line/Sustainability budgeting. The framework is to include assessment tools such as Triple Bottom Line Cost/Benefit Analysis and *Ex Poste* Evaluation

Monitoring, Reporting and Evaluation

Treasury should continue its monitoring and reporting role, in association with, and support of, advice from CPDG. A quarterly progress report should be provided to Cabinet, based on an exceptions approach highlighting issues of significance. This should be structured as both a management and financial report, and include advice on possible early interventions.

A formal year-end review should be built into the process to re-evaluate projects against which no significant activity has been undertaken. Similarly, an end-of-year acquittal process should be formalised to ensure surplus funds, as agreed between Treasury and departments, are returned to Government.

Recommendation 234: monitoring, reporting and evaluation of the capital works program, and individual projects, be undertaken by Treasury, with assistance and advice from CPDG.

Guidance to Agencies

At this stage, guidance to agencies on various aspects of capital works such as project development, assessment, budgeting, procurement, monitoring and variations is spread across a variety of documents and memoranda issued over time. It is proposed that Treasury consolidate these documents into a single guidance paper and will make it available on the Treasury website.

Recommendation 235: Treasury consolidate all policy documentation, procurement, operational and budget memoranda into a single point of reference on the Treasury website.

Implementation of the Framework

The capital works program for 2006-07 is currently being developed with the Budget. Given this status of the budget process, any new arrangements should apply to the 2007-08 capital works program. Transitional arrangements for moving to the new arrangement could, however, commence before the start of 2007-08.

Part

10

COMMUNITY GRANTS AND SERVICE AGREEMENTS

CHAPTER 10 COMMUNITY GRANTS AND SERVICE AGREEMENTS

OVERVIEW

Most government departments administer community grants in various forms, and service agreements with the non-government sector. Expenditure across the government on community grants totals approximately $15.7 million per annum. Service agreements cost about $104 million per annum. These figures do not cover business grants, which are separately covered in Chapter 7.9.

Community grants are separately managed by the Chief Minister's Department ($6.9 million), the Department of Economic Development ($2.4 million for sport and recreation grants), Department of Disability Housing and Community Services ($2.3 million) and ACT Health ($2.2 million). The cost of administering these grants in 2004-05 was $1.7 million - between 3 per cent to 67 per cent of the grant funding.

Service agreements are primarily multi-year, managed by DHCS ($61.3 million) and Health ($42 million). Together these two departments accounted for around 99.5 per cent of all service agreements in 2004-05. The additional cost of managing service agreements is estimated at $2.8 million.

KEY CONCLUSIONS AND RECOMMENDATIONS

- There are multiple community grant arrangements within and across departments. There are opportunities for these to be streamlined, standardised and consolidated. Similarly, service agreement arrangements should be more strengthened and streamlined.
- A key differential between community grants and service agreements relates to their multi-year application and commitments by Government. Approximately half of current community grants should be more correctly classified as service agreements. All programs should be reviewed and classified accordingly.
- The Review is proposing that community grants programs be consolidated and streamlined through the establishment of two main grant programs called *Health and Community Services Grants* and *City and Territory Services Grants.* Arts grants funding should remain in CMD.
- Net savings of $2.6 million per annum are proposed from administration of grants and service agreements, through consolidated and better co-ordinated structures.
- The Review has proposed $0.1 million for the establishment and maintenance of an ACT Government grants portal and whole of government register of grants.

10.1 FUNDING FRAMEWORK FOR COMMUNITY GRANTS AND SERVICE AGREEMENTS

Many community grants are for a discrete purpose and period (i.e., time limited), while service agreements with the community sector are multi-year and targeted to specified outcomes. However, there is overlap and lack of clarity regarding the distinction between community grants and service agreements and the associated accountability requirements.

The Review found that about half of community grants could be considered more appropriately service agreements, due to their nature and timeframes. Departments should reassess individual programs and redefine community grants to service agreements where the arrangements commit the Territory to multi-year contracts.

Recommendation 236: community grants be reviewed and reclassified to service agreements where they relate to multi-year commitments.

10.2 ADMINISTRATION OF COMMUNITY GRANTS

Currently, each grant program is separately administered, and each has its own guidelines and acquittal procedures. This disparity in arrangements is compounded through having no central point of administration or mechanism to either monitor the awarding of grants or provide guidance to potential recipients on accessing grants from the Government.

Community grant allocations over the forward estimates range from $15.7 million in 2005-06 to $12.7 million in 2008-09. A summary of the programs is shown below.

Table 10.1: Summary of Community Grants Programs

Agency	2005-06 $'000	No of Grant Programs	Community Grant Recipients
CMD	6,853	8	Arts, Environment Community Inclusion Fund, Festival, Women, Seniors
DED	2,409	1	Sport and Recreation
DHCS	2,273	13	Multicultural, Canberra Community Grants, Carer Recognition
Health	2,210	2	Health promotion
ACTC	950	3	Tourism, Events, Science
DET	766	7	Parents Associations, Industry Training
DUS	250	1	Community Partnerships
ACTPLA	27	1	Community Councils
TOTAL	**15,738**	**36**	

Grant administration processes are not standardised across government agencies, although some informal liaison does occur between grant administrators.

The cost of administering grants varies from 3 per cent to 67 per cent per program, totalling approximately $1.7 million in 2004-05. Some grant programs have clear guiding principles and others do not. A public submission to the Review indicated that the *'current system is unsatisfactory to many Canberra community organisations and would appear to be inefficient and therefore expensive to administer'*.

Standardisation of grant administration should include the following key elements:

- a whole of government set of guidelines, application processes, grant agreements and accountability procedures;
- a register of recipients for monitoring the grant program and to avoid gaps or overlaps; and
- a website portal to facilitate community access to Government assistance.

Consolidation of Grant Programs

Grant administration should be streamlined through the establishment of two main grant administration units within the Department(s) of Health and Community Services, and the Department of City and Territory.

Two integrated grant programs are proposed, called *Health and Community Wellbeing Grants* for the Department(s) of Health and Community Services, and *City and Territory Services Grants* for the Department of City and Territory.

The *Health and Community Wellbeing Grants* should cover people with disabilities, carers, Indigenous people, women, seniors, health promotion (equivalent to current Health**pact** grants[1]) and addressing disadvantage (Community Inclusion Fund). Similarly the *City and Territory Services Grants* should cover sport and recreation, heritage and environment.

Integrating and consolidating grant programs into two key programs should provide efficiencies from improved administration, with estimated savings of $0.5 million in 2006-07, rising to $0.940 million per annum indexed annually. This equates to operating administration at 3 per cent of grants. Evaluation of programs should be undertaken as part of policy assessments.

Recommendations 237, 238, 239, 240 and 241:

- **two primary community grant programs be established, namely *Health and Community Wellbeing Grants* and *City and Territory Service Grants*;**
- **grant administration be streamlined within the Department(s) of Health and Community Services and the Department of City and Territory;**
- **community grants be reviewed with those grants relating to multi-year commitments to be reclassified as service agreements;**
- **a benchmark for administering community grants be established at 3 per cent of grant funding, providing estimated savings of $0.5 million in 2006-07 rising to $0.940 million per annum indexed annually; and**
- **funding of $0.1 million be allocated towards the establishment of an ACT GrantLink portal and whole of government register of grants within the Department of Community Services.**

[1] Note Health**pact** legislation would need to be amended.

Community Grants Forward Estimates

The forward estimates for community grants are as follows:

Table 10.2: Current and Proposed Forward Estimates for Grant Funding

	2006-07 $000	2007-08 $000	2008-09 $000	2009-10 $000
Current Forward Estimates for Grants	15,029	15,434	12,703	12,703

The forward estimates show a decrease of $2.7 million in aggregate grants programs in 2008-09 compared with the previous years. This reflects decisions in previous budgets to provide time limited funding for certain grants programs[2] (particularly the Community Inclusion Fund and Canberra Community Grants Program).

The Review proposes that no additional funding be provided after 2007-08 for these programs, and the forward estimates for total community grants estimates remain unchanged.

Recommendation 242: no additional funding be provided after 2007-08 for the Community Inclusion Fund and the Canberra Community Grants Program, consistent with the current forward estimates.

10.3 SERVICE AGREEMENTS

A summary of service agreements, by department, is as follows:

Table 10.3: Service Agreements

Agency	$'m	No of Providers	FTE Administration Staff
CMD	0.34	3	
Health	42.0	83	8.3
DHCS	61.3	125	22.3
JACS	0.2	2	0.1
Total	**103.8**	**213**	**30.7**

Note: the total number of providers exceeds the actual number of providers as a provider may have service agreements with more than one agency.

Of the service agreements put in place by departments:

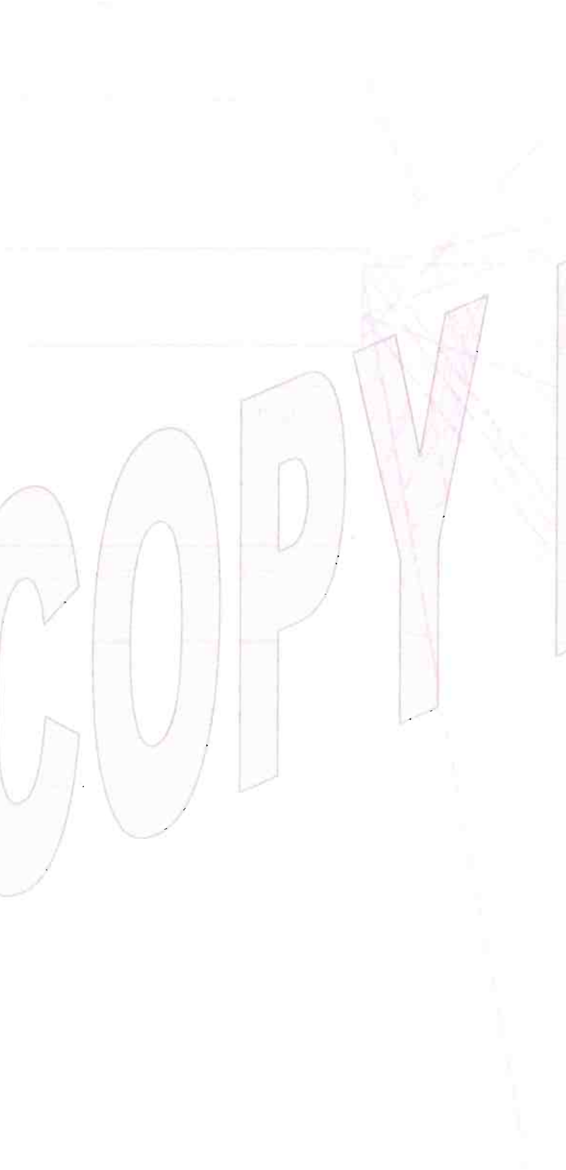
- 15 providers receive more than $2 million each, accounting for 42 per cent of total expenditure;
- 62 providers (or 30 per cent) receive less than $100,000;

[2] The approach was adopted to allow a review of the effectiveness of the programs and if appropriate adopt those programs under service agreement funding arrangements.

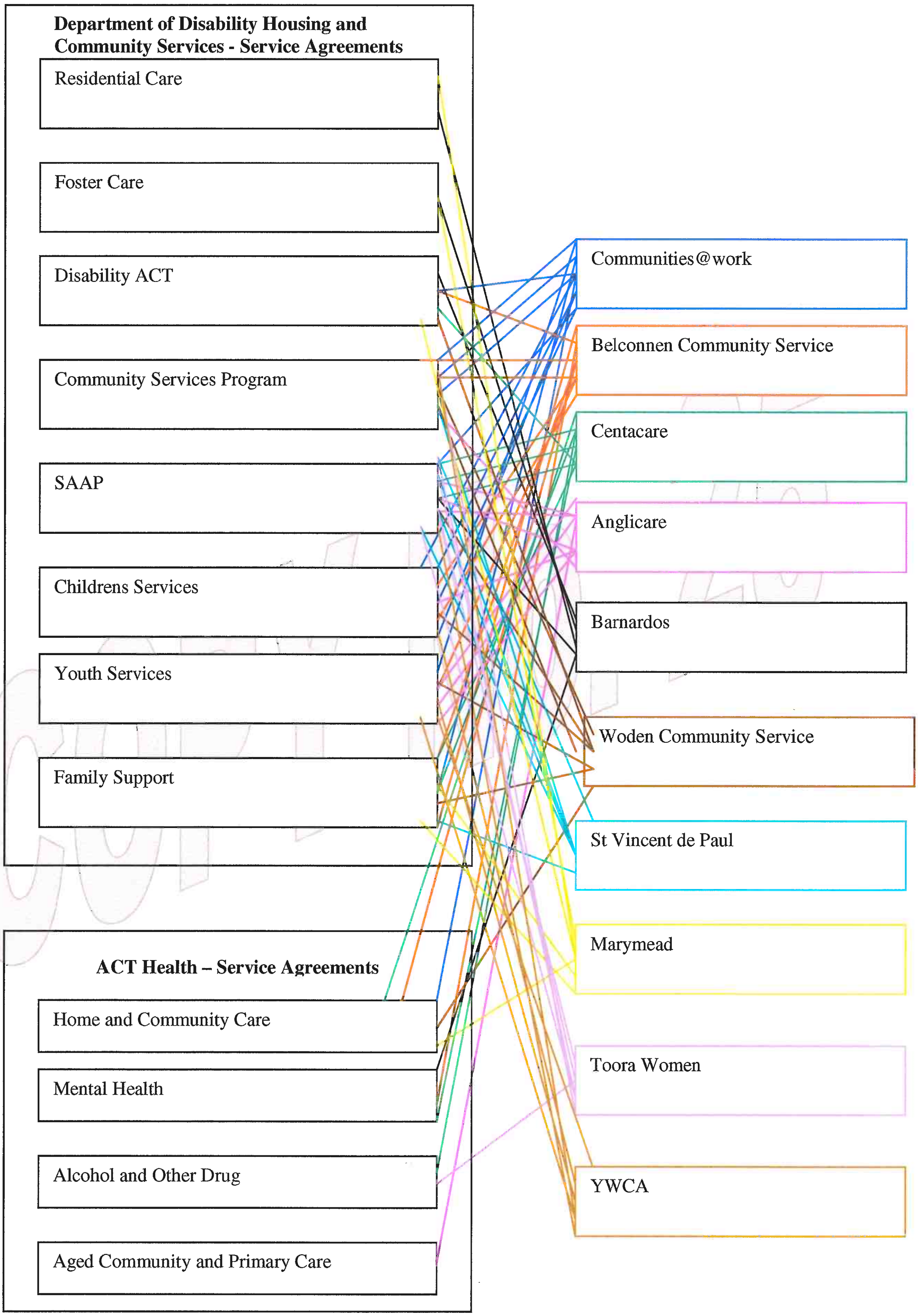
- almost 70 per cent, or 123 providers, have only one service agreement;
- 14 per cent, or 26 providers, have two service agreements; and
- two providers have 10 or more service agreements with one or more agencies.

A further complexity for service agreements relates to the multiplicity of points of contacts between government departments and providers. There are two providers that have 10 or more service agreements with one or more agencies.

The diagram below shows the contractual links, at program level, with the 10 community organisations that have the most service agreements.



Multiplicity of Services by Service Type



Whilst some of these are larger agencies, there are significant transaction costs for both the government and the community groups in maintaining multiple contracts with the one agency. Proactive management of these agreements is also difficult, given that they operate across different service delivery areas of government and/or departments.

The level of funding directed to administration functions within community organisations can vary from 10 per cent to 30 per cent of total funding. Some large organisations appear to contribute significantly to their national organisations through their administrative costs.

Service agreements should be managed more strategically through centralising this role within a designated unit in each department. For the Department of Community Services and the Department of City and Territory, further benefits should be achieved through service agreement management also being integrated with community grant administration units.

Further opportunities exist for consolidation and more streamlined management of community grants and service agreements between Department(s) of Health and Community Services. Should the two Departments remain separate, management structures (for example, a shared administration unit) should be put in place to manage community grants and service agreements across the two Departments.

It is estimated that a core cell of 12 FTEs within the centralised service agreement area would be sufficient to manage service agreements. This would result in savings of 19 FTEs, or $1.7 million per annum.

Effort should be made to simplify contractual arrangements with the community sector, through the development of appropriate contracts and performance measures. The Review proposes that $0.250 million of the savings in 2006-07 be directed to this purpose.

Recommendations 243, 244, 245 and 246:

- **service agreements/contracts be managed more strategically through centralising this role within a designated unit within each portfolio;**
- **irrespective of the departmental structures, management structures should be established to manage community grants and service agreements across the areas of responsibility of Health and Community Services;**
- **savings of $1.0 million in 2006-07, rising to $1.7 million per annum be made through rationalising service agreement administration within a centralised area of the Department of Community Services (and managing both service agreements and community grants); and**
- **$0.250 million be directed in 2006-07 towards establishing improved management and contractual arrangements with the community sector.**

10.4 ENSURING VALUE FOR MONEY FROM COMMUNITY SECTOR EXPENDITURE

Over the past decade, governments worldwide have been working with community organisations to deliver services, particularly those human services previously delivered wholly by Government. Most jurisdictions across Australia have outlined reforms over the last five years to strengthen the community sector and its working relationships with Government.

The *Report of Government Services 2006* and internal data indicate that the community sector can deliver community services, including support and accommodations services, more cost effectively than Government.

Whilst the Government will always need to retain some capacity, particularly as the provider of last resort, greater use of the community sector should be targeted.

With the majority of three-year service agreements up for renewal (or otherwise) in mid 2007, it is opportune to strategically reassess the nature of funding to the community sector and to ensure the Government is getting value for money through adequate quality and system controls.

In 2005, the Government established a Community Sector Taskforce to investigate issues relating to the ongoing viability of the community sector including industrial relations issues. The Taskforce Report *Towards a Sustainable Community Services Sector in the ACT* will be provided to the Minister for Industrial Relations in mid March 2006. The draft report makes recommendations focussed on funding (including progressing Strategy 3 of the Community Sector Funding Policy as a matter of urgency: that is the development of core pricing principles for different types of community sector services), pay parity, industrial relations advice, occupational health and safety, community sector workforce development and long service leave.

The Government's response to the Taskforce Report should encompass measures outlined in this chapter, and support to the community sector within the fiscal constraints faced by the Government over the forward estimates.

Recommendations 247, 248 and 249:

- **greater use of community service providers should be targeted as a measure to achieving improved cost effective services;**
- **use of community services should be achieved within department's existing funding envelopes, or through reprioritisation of those funds; and**
- **the Government's Response to Towards a Sustainable Community Services Sector in the ACT be based on achieving cost effective services within the financial constraints faced across the forward estimates.**

10.5 SUMMARY OF SAVINGS AND STAFFING IMPACTS

Savings Measure	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m	Total FTE impacts
Introduction of 3% Benchmark for Grant Administration	0.500	0.940	0.964	0.988	9
Grant Portal and Register	-0.100	-0.100	-0.100	-0.100	
Streamlined Service Agreement Management	1.000	1.743	1.786	1.831	19
Community Sector Interface Investment (Redirection of Funds)	-0.250	0	0	0	
TOTAL	**1.150**	**2.583**	**2.650**	**2.719**	**29**

Note: $0.1 million per annum of savings to be invested to Health and Community Services for grant portal and register.

Appendix 10.1

Value of Grants Reclassified as Service Agreements

Service Agreements	2006-07 $'000	2007-08 $'000	2008-09 $'000
CMD			
Occupational Health and Safety Liaison Officer	80	87	94
Arts multi-year	3,300	3,400	3,500
Total CMD	***3,380***	***3,487***	***3,594***
Canberra City and Territory			
Sport and Recreation multi-year	1,355	1,400	1,450
National Capital Education Tourism Project	254	254	254
Community Council Assistance	27	27	27
Aust. Science Festival	246	246	246
Total Canberra City and Territory	***1,882***	***1,927***	***1,9777***
Health and Community Services			
Out of Home Care Support Services	435	446	457
Youth InterACT	22	23	23
Schools as Communities	59	62	65
***Total* Health and Community Services**	***516***	***531***	***545***
DET			
ACT Council of Parents and Citizens Associations Grants	74	75	77
Association of Parents and Friends Grants for Non-Govt Schools	38	39	40
ACT Industry Training and Advisory Service	0	0	0
The Green Machine Science Education Centre	60	60	0
Community Languages Program ACT Ethnic Schools	39	0	0
Music Viva Program	0	0	0
Total DET	***211***	***174***	***177***
TOTAL	**5,989**	**6,119**	**6,293**

Part

11

REVENUE OPPORTUNITIES

CHAPTER 11 REVENUE OPPORTUNITIES

OVERVIEW

The Review's Term of Reference required it to make recommendations on specific options for increasing non-taxation revenues (part Term of Reference 5).

On 22 March 2006, the Chief Minister wrote to the Review Chair, expanding the Terms of the Reference and asking the Review to "investigate and report on options in relation to taxation revenue". This part accordingly covers both taxation and non-taxation revenues.

Forecast total revenue in 2005-06 has been revised upwards by $106.2 million since the 2005-06 Budget to a total of $2,822 million at the time of the mid-year review. This rise is mainly attributable to positive gains in superannuation investments, improved interest returns, and asset revaluations[1] offset by significant decreases in land revenues and grants from the Commonwealth.

Table 11.1: Components of General Government Revenue

	2005-06 Original Budget $'000	2005-06 Revised Budget $'000	2006-07 Revised Estimate $'000	2007-08 Revised Estimate $'000	2008-09 Revised Estimate $'000
REVENUE					
Taxes	728,989	711,309	737,607	792,389	844,640
Fees	128,543	138,730	134,098	137,382	140,917
Fines	23,138	22,508	23,695	24,227	24,772
User Charges - Non ACT Government	216,328	215,802	234,988	242,486	253,011
User Charges - ACT Government	10,812	12,768	13,544	13,692	13,984
Grants from the Commonwealth	1,148,171	1,139,396	1,183,407	1,237,571	1,289,003
Interest	69,020	74,849	57,057	50,065	51,687
Dividend Revenue	60,318	60,318	70,522	76,351	79,297
Other Revenue[2]	220,457	360,281	232,826	234,422	251,841
Government Land Development Sales	110,182	86,262	113,507	138,485	152,500
Resources Received Free of Charge	0	0	39	39	39
Total Revenue	**2,715,958**	**2,822,223**	**2,801,290**	**2,947,109**	**3,101,691**

Source: 2005-06 ACT Budget and Mid-Year Review

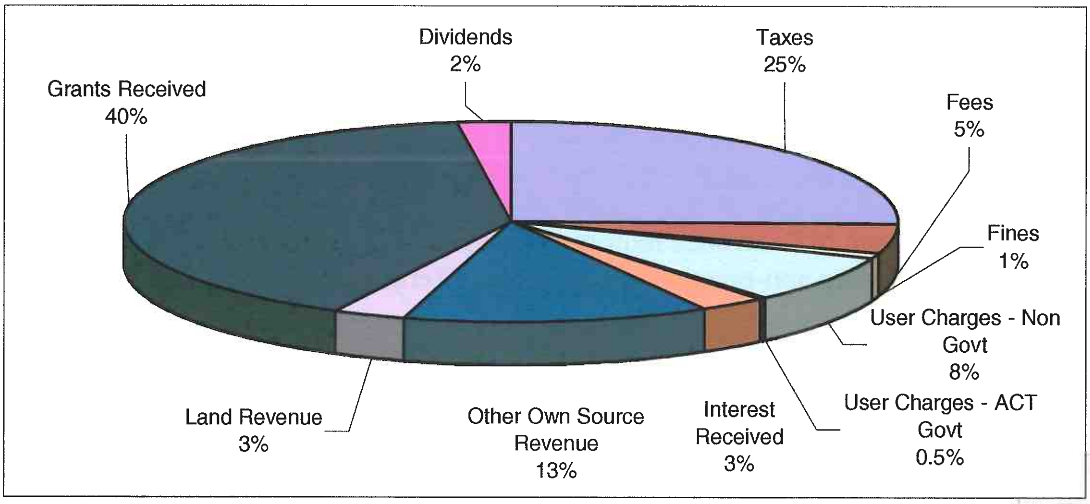
In the ACT approximately 31 per cent of total general government revenue is derived from taxes, fees and fines, with the remainder from grants, other own source revenue, land revenue, user charges, dividends and interest received.

The components of general government revenue are highlighted in the figure below.

[1] Recognition of the Convention Centre Asset by the Department of Economic Development.

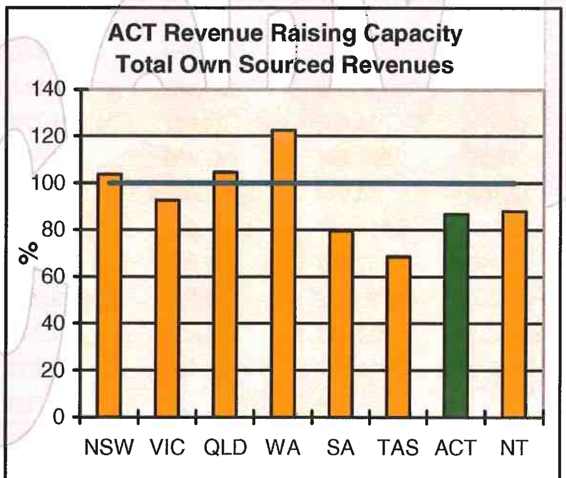
[2] Large variation on Other Revenue from 2005-06 Original Budget and 2005-06 Revised Budget mainly related to Revaluation of Convention Centre of $24 million and Gains on Superannuation Investments of $95 million.

Figure 11.1.1
2005-06 Mid Year Review - Components of General Government Revenue

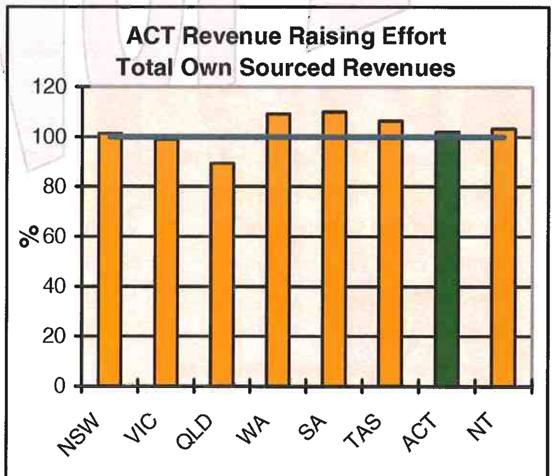


The ACT's revenue raising capacity[3] is relatively low, due to its inability to impose payroll tax on a major employer (Commonwealth) and the absence of any natural resource tax base. The Commonwealth Grants Commission's assessment provides compensation for this disability.

The ACT's revenue raising effort[4] is slightly above the Australian average (by around 2 per cent). The revenue rasing capacity and effort relative to other jurisdictions are highlighted in the charts below.



Source: Commonwealth Grants Commission 2006 Update



Source: Commonwealth Grants Commission 2006 Update

As discussed in Chapter 2, the ACT has a considerably higher level of expenditure effort, i.e., its expenditure is in excess of its assessed need.

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[3] **Revenue Raising Capacity Ratio** - A ratio which indicates the capacity of a State to raise revenue relative to the Australian average. It reflects the size of a State's revenue base per capita relative to the Australian average and is measured by dividing assessed revenue per capita by adjusted revenue per capita. A ratio below 1.000 indicated below average capacity to raise revenue.

[4] **Revenue Raising Effort Ratio** – The ratio of the State's actual revenue per capita to its assesd revenue per capita. A ratio greater than 1.0000 indicated that a State is making an effort to raise revenue above the Australian average. A ratio below 1.0000 indicates below average effort.

Due to the quantum of mismatch between the revenue and expenditure efforts, the Review has had to look at possible new sources of revenue, revenue alignment with other jurisdictions and/or increases to ensure recognition of the increasing growth in costs associated with service delivery and cost recovery.

Given the limited time, an assessment of all the fees and user charges has not been possible. The Review has focussed on significant items only. The Review has noted, however, that in large number of instances, determinations date back to 1990s.

There does not appear to be central policy and guidance on setting fees and charges. This work should be undertaken prior to the 2007-08 Budget.

11.1 TAXATION REVENUE

11.1.1 Municipal Services – General Rates

Policy decisions on municipal matters are made on the same basis as decisions on territorial matters, with no formal distinction being made between them. However, making the distinction has some policy value in considering revenue policy options. The Review has sought to assess the extent to which municipal revenues cover the cost of municipal services.

The annual financial statements for each agency record total revenue and expenses and do not distinguish between municipal and territorial activities. In the absence of separate audited financial statements, the most appropriate way of measuring the proportion of the ACT's finances devoted to municipal functions would be to extract information from returns submitted by the Territory to the Commonwealth Grants Commission (CGC)[5]. However, some agencies have traditionally provided a nil return, despite performing a number of municipal services, or reported lower expenditure[6]. In addition, in the 2005-06 Budget, there were significant changes in both revenue and expenditure relating to municipal services.

The approach adopted by the Review to develop a statement of revenues and expenses for municipal activities for 2005-06 is to:

- adjust the 2004-05 CGC return for significant omissions;
- update it for any decisions taken in the 2005-06 Budget in relation to revenue and expenditure; and
- draw on the information provided by agencies on their activities.

Local governments across Australia deliver a variety of services in addition to some common services. For this reason, it is difficult to establish a 'standard' set of

[5] The Commission excludes municipal functions in assessing Standardised Expenditures across the States and Territories.

[6] For example, the Department of Economic Development provided a nil return. The return from ACT Planning and Land Authority only identified $0.433 million in expenditure on municipal functions, although more than 80 per cent of its activities relate to municipal services. Treasury has reported the collection of General Rates to be municipal in nature, but no expenses have been apportioned to this activity.

functions. Determining the cost of municipal services in the Territory is somewhat further complicated as state and local government functions are highly integrated in some areas, for example, land and planning. The following statement, therefore, is likely to represent conservative estimates of expenditure.

The revenue items relating to municipal services on the other hand are more clearly defined.

The operating deficit in the statement summarised in the table following is indicative only.

Table 11.2: Revenue and Expenses – Municipal Services

	2005-06 $'000
REVENUE	
ACT Planning and Land Authority	
Land Rents	3,983
Development Application Fees	2,041
Certified Plans for Buildings	2,943
Plumbing and Drainage Fee	1,151
Other	980
Department of Urban Services	
Road Transport	32,425
Customer Services & Information	1,276
Waste and Recycling	2,564
Canberra Urban Parks and Places	1,900
ACT NoWaste	6,948
Other	2,479
Department of Treasury	
General Rates	133,000
Grants	57,000
Other Agencies	*911*
TOTAL	**249,601**
EXPENSES	
ACT Planning and Land Authority	
Development Applications	5,813
Infrastructure Planning	1,658
Structure Planning	1,857
Land Strategy and Assets	1,647
Urban Design and Projects	2,115
Spatial Plan Implementation	1,716
Leasing	3,595
ACT Land Information Centre	2,808
Customer Services Shopfronts	3,485
Other	1,076
Corporate Support	3,586
Department of Urban Services	
Customer Service and Information	30,918
Roads and Infrastructure	93,145
Waste	16,626
Canberra Urban Parks	51,846
Road Transport Regulation	4,429
Government Services	4,851
Other Agencies	*25,128*
TOTAL	**256,299**
DEFICIT	**-6,698**

Source: Agency data provided to the Review

Rating factors in the ACT have been relatively lower than in bordering NSW. The following table provides a comparison of the average rates in Queanbeyan with the average rates in the ACT[7]. It also indicates the rates in Queanbeyan if the ACT rating factor were applied in Queanbeyan, and conversely, the rates in ACT if the Queanbeyan rating factor were applied in the ACT.

Table 11.3: Comparison of rates – ACT and Queanbeyan

	Average Weekly Household Income ($) (2001 Census)	Average Unimproved Value ($)	General Rates ($)	
			Canberra	Queanbeyan
Canberra	1,151	198,835	1,032	1,361
Queanbeyan	961	126,000	769	945

Source: ACT Treasury – Revenue Office

The operating deficit established on a conservative basis, the relatively lower rating factor compare with neighbouring Queanbeyan, and the relatively higher financial capacity of the ACT residents provide a case for an increase in General Rates. The Review proposes a base increase of 6 per cent in 2006-07.

General Rates have been capped at CPI. The cost of services, however, increases at a higher rate due to real increase in wages. To maintain parity between revenues and expenses going forward, the Review proposes that annual increase in General Rates be based on the labour price index[8].

The following table provides forecast revenue based on a 6 per cent increase in 2006-07, and 3.8 per cent per annum increase across the forward years[9].

Table 11.4: Impact of Base Increase and Wage Growth Factor on General Rates

General Rates	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m
Current Forward Estimates	**151.6**	**157.6**	**163.8**	**169.7**
Increase Rates by 6% in 2006-07	8.7	8.9	9.1	9.7
Increase Growth to Wage Growth Rate	1.7	3.7	5.8	8.6
Revised Forward Estimates	**162.0**	**170.2**	**178.7**	**188.0**
Additional Revenue	**10.4**	**12.6**	**14.9**	**18.3**

Recommendations 250 and 251:

- **that base General Rates be increased by 6 per cent in 2006-07; and**
- **that from 2006-07, General Rates be indexed at the Labour Price Index.**

[7] General Rates notice in Queanbeyan includes water and sewerage payments. Those have been excluded for the purpose of comparability.

[8] ABS Catalogue No. 6345.0, Labour Price Index, Australia.

[9] A weighted average of rate of wage rises and CPI is used.

11.1.2 Fire Levy

Most jurisdictions in Australia impose a fire or emergency services levy. This may be either administered and/or collected at the state or local government level.

The levy generally funds the delivery of fire and/or emergency service functions to the community and may be used to fund urban fire brigades and rescue services, rural fire services, bushfire services, state emergency services, volunteer fire and/or emergency services.

Apart from the ACT and the Northern Territory, fire levies are the primary source of funding for the States for the provision fire services. Generally, NSW and Victoria raised their levies through insurance companies, whilst all other States raised their levies from property owners. The table below summarises the various arrangements by jurisdiction:

Table 11.5: Fire and Emergency Services Levies in Other Jurisdictions

Jurisdiction	Levy	Imposition	Est. Revenue 2005-06
NSW	Fire Brigades Levy Bush Fire Services Levy	Insurance Based	$343m $103m
Victoria	Fire Levy	12.5% State Government 12.5% Municipal Council (Rates) 75% Insurance Companies (Premiums)	$337.2m
Queensland	Fire Levy	Local Council (collection through Rates)	$232m
Western Australia	Emergency Services Levy	Property Based	$137.7m
South Australia	Emergency Services Levy	Property Based	$174.3m
Tasmania	Fire Service Levies	Fire Services contribution on property (collected by Councils) Motor Vehicle Fire Levy Fire Levy on prescribed cases of insurance	$41m

Source: Jurisdictional Emergency Services Websites and Budgets

In general, the levies recover approximately 75 per cent of the cost of fire brigade services. The cost of fire services in the ACT is considerably higher than the national average, and the Review has proposed a decrease in overhead costs[10]. A rate of around 60 per cent is therefore proposed. This would equate to around $20 million per annum[11].

The Review proposes that a levy be imposed on property owners rather than insurance companies (as not all properties are insured)[12]. For ease of administration, the levy would be included as part of the annual General Rates notices. The one-off cost of changes to system are minimal (estimated at $10,000) and would be absorbed by

[10] Chapter 7.11 provides a comparison of ACT costs with the national average.

[11] This estimate excludes the funding provided by the Commonwealth for Fire Brigade services.

[12] In addition, fire insurance levy on insurance companies is treated as State based tax by the Commonwealth Grants Commission, as part of its Insurance Taxation assessment. Such a levy will increase a State's assessed revenue raising capacity, and therefore impact adversely on its relativity. A levy on property through General Rates on the other hand is treated as a municipal based tax, and does not impact on a State's revenue raising capacity.

Treasury. It is proposed that the revenue be recovered equally from residential and commercial properties.

The ACT has approximately 126,000 residential leases. It is proposed that the levy for residential properties should be a flat annual charge. There are approximately 26,300 people receiving pensioner concessions. The following table indicates the levy per property depending upon whether pensioners are included or excluded.

Table 11.6: Options on Fire Levy per Residential Property

Fire Levy –Revenue $13.5m per annum	Levy per Property	Levy on Pensioners
Pensioner Exempted	$100	0
50% Levy for Pensioners	$88	$44
100% Levy for Pensioners	$79	$79

The Review proposes that concessions should apply to pensioners and disadvantaged households. This should be set at 50 per cent of the annual levy rate.

For commercial leases, in principle, the levy should be charged on the basis of risk, and the weight of response required in the case of a fire. Such an assessment has not been undertaken in the Territory. The Review proposes that the levy be based on the unimproved value of land, as a proxy.

The ACT has approximately 5,030 commercial properties. On this basis, it is estimated that an average rate of 0.46 per cent on the unimproved value of land would yield revenue in the order of $10 million per annum. As an example, for a large shopping centre, this would equate to around $160,000 per annum in levy.

Recommendations 252, 253, 254 and 255:

- **a Fire Levy be introduced against all rateable properties in the ACT;**
- **the charge be set at $88 per annum for residential properties, to generate $10 million per annum in revenue;**
- **pensioners and disadvantaged household be charged 50 per cent levy; and**
- **for commercial properties, the levy be based on the unimproved value of land, to generate $10 million per annum in revenue.**

11.1.3 Ambulance Levy

The Ambulance Service Levy is imposed under the *Emergency Management Act 1999* on health benefits organisations to offset the cost of providing ambulance services in the Territory[13]. The fee paid through the health funds is approximately $107 per family and $54 per individual. About 56 per cent of ACT residents are members of a health fund.

[13] The ACT collects levies from health funds for each insured family and individual resident in the ACT. Currently, this is consistent with NSW although NSW is reviewing its current regime.

The revenue in 2005-06 is estimated at $6.860 million per annum. The cost of ambulance services is around $11 million per annum.

Except for pensioners, all other residents are charged for ambulance transport. The ACT has the second lowest charge for ambulance transport of all jurisdictions, at an average of approximately $317 per trip for emergency transport, and $167 per trip for non-emergency transport. The average cost to ESA is, however, $671 per trip for emergency transport, and $479 per trip for non-emergency transport. The cost of collecting ambulance transport fees is considerably high at $0.3 million (4 FTEs) for revenue of $0.5 million[14].

The national average charge is approximately $770 for emergency and $278 for non-emergency trips[15]. It is proposed that the current levy (on the health funds) be retained, and the ambulance transport fees be increased to the national average.

It is proposed that the Ambulance levy on health fund be increased to a level that recovers the full cost of the ambulance service. In addition, it is recommended that the administrative process for collecting ambulance transport fees be improved with the aim of reducing collection costs.

Queensland collects an ambulance levy through its electricity accounts, amounting to $90.20 per residential electricity connection per year. It continues to charge ambulance fees for interstate residents, inter-hospital transfers and DVA cardholders.

It is proposed that a 50 per cent concession be provided to pensioners. The additional revenue is estimated at proximately $3.3 million.

The arrangements for interstate ambulance costs would need further investigation, and possible negotiation on a state-by-state basis with other jurisdictions.

Recommendations 256, 257 and 258:

- **the current Ambulance Levy on health funds be retained, with the levy set to a level that recovers the full cost of the ambulance service;**
- **the Ambulance Transport Fees be increased to align with national benchmarks; and**
- **the administrative processes for collecting ambulance transport fees be improved with the aim of reducing collection costs.**

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[14] This is due to invoices being raised for pensioners, which after an involved process, are cancelled. Simplification of this process is likely to have workflow impacts on Emergency Department staff in the hospital.

[15] *Ambulance Service of NSW Funding Model: A Comparison With Other National and International Ambulance Services*; IPART (NSW), 2005.

11.1.4 Stamp Duty – Home Buyer Concession

The cost of Home Buyer Concession Scheme (HBCS) is estimated at $11.5 million in revenue foregone. The concession is provided to first home buyers and re-entrants into the market who disposed of their home due to family breakdown or financial hardship reasons.

The eligibility is determined through the following criteria:

- income test: household income of $100,000 with allowances for children based on *Family Tax Benefit* criteria; and
- price test: full concession for properties purchased within the bottom quartile of all purchases, and partial concession (on a sliding scale) for properties between the 25th percentile and 65th percentile. The property value thresholds are updated every six months.

The eligibility criteria supports a group much wider than low income, first home buyers. It is proposed that the criteria be adjusted as follows:

- income test: household income of $80,000 (mean household income) with allowances for children based on *Family Tax Benefit* criteria; and
- price test: full concession for the bottom quintile (20 per cent), and partial concession up to the median price.

The proposed changes would reduce the revenue foregone by an estimated $4.5 million.

Recommendation 259: the eligibility criteria for the Home Buyer Concession Scheme be adjusted to:

- **maximum household income of $80,000 with the current allowances for children; and**
- **full concession for house prices in the bottom quintile, and partial concession up to the median price.**

11.2 FEES AND USER CHARGES

'User charges' are revenues directly related to the sale of goods or provision of services to other entities, which may include other ACT Government entities. User charges are generated by consumer demand, are market-related and have a commercial nature. They are non-regulatory in nature, in that they are not a policy instrument that Government uses to regulate an activity. Examples of user charges include parking fees, inpatient fees, sales, service receipts and cross border health receipts.

'Fees' (also known as regulatory fees) are usually associated with the granting of a permit or privilege, or with the regulation of an activity. Fees are a compulsory payment with an identifiable benefit attached. Fees are an instrument of public policy that Government uses to regulate certain activities. Examples of fees are motor vehicle registrations, drivers licences, water pollution licences, weapons licences, and public weighbridge fees. Regulatory Fees do not include audit fees, which are a user charge.

Revenues of a non-taxation nature that are directly controlled by the ACT Government, (namely fees, fines and user charges) equate to 14 per cent of the revenue base.

Table 11.7: General Government Fees, Fines and User Charges

	2005-06 Original Budget $'000	2005-06 Revised Budget $'000	2006-07 Revised Estimate $'000	2007-08 Revised Estimate $'000	2008-09 Revised Estimate $'000
Motor Vehicle Registration	61,977	63,977	65,517	67,104	68,732
Drivers Licences	6,260	6,560	6,717	6,877	7,041
Change of Use Charge	4,212	10,712	4,318	4,425	4,536
Casino Licence Fees	716	716	734	752	771
Fees for Regulatory Services	40,348	41,735	41,631	42,664	43,888
Water Abstraction Charge	15,030	15,030	15,181	15,560	15,949
Fees	**128,543**	**138,730**	**134,098**	**137,382**	**140,917**
Traffic Fines	13,769	13,069	14,058	14,356	14,661
Court Fines	250	250	250	250	250
Parking Fines	8,852	8,852	9,073	9,300	9,533
Other Fines	267	337	314	321	328
Fines	**23,138**	**22,508**	**23,695**	**24,227**	**24,772**
Parking Fees	14,980	14,480	15,019	15,375	15,732
Inpatient Fees	20,700	21,822	22,289	22,768	23,161
Cross Border Receipts	52,816	52,816	55,350	55,218	55,479
Sales (inc Service Receipts)	114,338	113,104	128,467	135,036	144,297
Miscellaneous	13,494	13,580	13,863	14,089	14,342
User Charges - Non ACT Government	**216,328**	**215,802**	**234,988**	**242,486**	**253,011**
User Charges - ACT Government	**10,812**	**12,768**	**13,544**	**13,692**	**13,984**
Total Fees, Fines and User Charges	**378,821**	**389,808**	**406,325**	**417,787**	**432,684**

Source: 2005-06 ACT Budget and Mid-Year Review

11.2.1 Current Policy and Practice

There are varying practices across Territory agencies for setting and reviewing fees and user charges. Some agencies review and update their fee determinations on an annual basis. Others have not reviewed their fees for some time, although the cost of service provision may have increased significantly.

As an example, the general principle adopted by ACTPLA is that fees and charges are set at full cost recovery. However, the Authority does not undertake any activity based costing to determine the costs of performing specific functions. It has not undertaken any benchmarking of comparable revenues with other jurisdictions.

Determinations for fees and charges are generally made under legislation. In a number of instances information on agency websites has not been updated, or vice versa, determinations have not been updated to reflect fee variations[16].

There is no central policy or guidance provided to agencies that outlines the principles to follow and the issues to consider in setting fees and charges.

Recommendations 260 and 261:

- **Treasury develop a policy and guidance for agencies on setting and reviewing fees and user charges; and**
- **all user charges be reviewed every three years to ensure comparability with other jurisdictions and like services.**

Given the limited time, the Review was not in a position to assess all fees and charges against agreed core principles. This work should be undertaken by agencies in conjunction with Treasury once a policy has been developed. The Review has instead focussed on some key areas.

11.2.2 Proposals for New Fees and Charges

False Alarm Fee

Over the last 3 years, 50 per cent of Fire Brigade responses have been for system initiated false alarms. The Brigade has no alternative but to respond to a fire alarm. Currently, an average of 13 system-initiated false alarms occur per day.

In other jurisdictions, charges are levied for multiple call outs to the same property, due to the same fault. It is proposed that similar policies be put in place in the Territory.

The charge should be based on subsequent callouts to a property, and continue to apply until the fault is rectified.

The charge should be set at a level to act as an incentive to property owners to undertake urgent remedial works. It should also recover administrative costs.

A fee of $200 for residential and community sites and $500 for commercial and industrial sites for the 3rd and each subsequent system initiated false alarm is proposed. Estimated revenues from the fees are $0.3 million per year. More importantly, benefits result from a reduction in service call outs.

Recommendation 262: a false alarm call out fee be introduced for 3rd and subsequent call outs to properties by the Fire Brigade due to the same system fault. The fee should be set at $200 for residential and community sites and $500 for commercial buildings.

[16] For example - CIT Fee determination has not been updated on the legislation website to correctly reflected updated fee schedules.

ACT WorkCover Fees and Charges

Proposal 1 – New Charges

Under the *Dangerous Substances Act 2004*, there are a number of activities undertaken by ACT WorkCover for parts of the ACT community where no fees currently are charged. Opportunities exist for introduction of a charging regime that would achieve full cost recovery in the areas of:

- registration and authorisation of explosive articles;
- registration of consumer firework permits; and
- response to requests for information on environmental or dangerous substances encumbrances in relation to development of land.

It is estimated that a full cost recovery fee regime in 2004-05 would have returned a further $0.180 million to the Territory, based on activity in that year. Estimated revenue from 2006-07 onwards is $0.117 million per annum indexed.

Recommendation 263: full cost recovery be implemented for ACT WorkCover's activities under the *Dangerous Substances Act 2004* relating to:

- **registration and authorisation of explosive articles;**
- **registration of consumer firework permits; and**
- **response to requests for information on environmental or dangerous substances encumbrances in relation to development of land.**

Proposal 2 – Investigation Cost Recovery

This proposal relates to the introduction of cost recovery for investigations undertaken by ACT WorkCover where successful prosecutions have resulted. Currently, successful prosecutions may result in the application of fines, which are on-passed to the Territory but not the recovery of costs involved in mounting the successful prosecution.

The costs of investigating incidents, which become the subject of prosecutions, create a significant financial impost and divert resources from other key activities normally undertaken by the organisation. This proposal seeks to introduce full cost recovery for these activities, payable upon successful prosecution, and at the courts discretion.

Given the nature of the issue, revenue targets are not available and will be based on the number, type and success of prosecutions undertaken.

Recommendation 264: necessary amendments to legislation be made to seek cost recovery for successful prosecutions following ACT WorkCover's investigations.

Water License Fee

The Government has set targets[17] to reduce per capita potable water use by 12 per cent by 2013 and by 25 per cent by 2023. A study commissioned by ACTEW Corporation concluded that, based on the demand response to previous water pricing reforms in the ACT, there is a role for pricing in achieving the targets[18].

The Study also concluded that the water tariff required to meet the 2013 target would have a top step price (including Water Abstraction Charge) of around $2.00/kL. The 2023 target would be achieved by a top step price of around $2.60/kL.

Any further increase in Water Abstraction Charge is likely to be subject to challenge on the basis of it being a tariff. It is possible to impose a Water License Fee on ACTEW as a demand management measure, to be on passed to consumers. A license fee of $15 million is proposed.

Further expert legal advice would be required to ensure the constitutionality of the fee.

Recommendation 265: Water License Fee of $15 million per annum be imposed on ACTEW to be on passed to consumers as a demand management measure.

Land Rent for Utility Infrastructure (Sewerage, Electricity and Gas)

Utility providers in the ACT currently receive benefits from the ACT Government free of charge. These benefits include:

- the provision of Territory land and land held under leasehold title by other parties, for the laying of cables and pipes; and
- the upkeep and maintenance of Territory land carried out by the ACT Government.

The Review is proposing to impose a charge that compensates the ACT Government for these benefits provided to utility providers. Other jurisdictions have successfully applied similar changes to utility providers to recover these costs.

The ACT currently has no power under existing legislation to implement this charge, therefore, a new Act or new provision with an existing Act would be required to implement the charge. The wording of such provision could be based in part upon the NSW provision and must keep in mind the following principles:

- in constructing the liability for the charge it will be imposed on utility distribution networks and must be referred to as a charge and not a tax; and

[17] *Think water, act water – a strategy for sustainable water resources management*; 2004.

[18] Pricing in response to ACT Government's per capita demand management targets; Barrett G; University of Canberra, 2005.

- the amount to be charged should be based on the benefit received by utility providers through their use of land and its subsequent maintenance by the Territory.

For ease of administration, it is proposed to levy the charge on a reasonable estimate of the length of piping or cabling in use, as this would make the charge proportionate to the benefits enjoyed by the companies.

It is important to note that an annual charge on electricity and gas distribution and sewerage utilities is a policy and not a legal consideration. This also applies to the telecommunications sector.

The table below provides an outline of the estimated revenue to be achieved through implementation of the regime for electricity, gas and sewerage, at a charge of $1,000 per kilometre for underground utility mains installations, and $1,000 per kilometre for overhead utility mains.

Table 11.8: Estimated Revenue Land Rent for Utility Infrastructure

	Charge (p/km)	Kilometre of Installations	Estimated Revenue $m	No. of Customers	Avg Cost to Customer pa.
Electricity (Overhead Mains)	$1,000	2,459	2.459	149,575	$16.45
Electricity (Underground Mains)	$1,000	2,217	2.217	149,575	$14.80
Gas (Gas Mains)	$1,000	3,841	3.841	107,470	$36.00
Sewerage (Sewerage Mains)	$1,000	2,948	2.948	130,355	$22.00
TOTAL	**N/A**	**N/A**	**11.465**	**N/A**	**$89.25**
Telecommunications[19]	$1,000	~ 4,000	~4.000	TBC	TBC

Recommendations 266, 267 and 268:

- **introduce a Land Rental charge for utility infrastructure against Sewerage, Gas, Electricity and Telecommunication utilities in the ACT;**
- **the charge be set at a rate of $1,000 per kilometre for aboveground and underground electricity, gas and installations, yielding approximately $11.5 million in revenue; and**
- **the charge be set at a rate of $1,000 per kilometre for telecommunication installations, yielding an estimated $4.0 million in revenue.**

[19] The rent from telecommunication companies is a broad estimate, as length (or area) occupied by telecommunication infrastructure was not available. Some further work will be required to develop a reasonable methodology to impose the charge.

11.2.3 Adjustments to Existing Fees and Charges

Canberra Institute of Technology Fees

Fees in CIT have remained unchanged since 1999. The Review has proposed an increase to be phased over a period of three years. This issue is further discussed in Chapter 7.4.

Parking Fees

The Government has a policy to reduce reliance on car and increase the use of alternative transport modes, such as, buses, bicycle and walking.

Parking fees in Canberra are quite low compared with other capital cities, and there is scope to increase these fees. It is proposed that parking fees be increased by 10 per cent.

Table 11.9: Impact of Increase in Parking Fees

Parking Fees	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m
Current Forward Estimates	**15.5**	**15.9**	**16.2**	**16.6**
Increase Fees by 10% in 2006-07	1.5	1.6	1.6	1.7

The above estimates are not adjusted for price elasticity. Available research indicates that car drivers are basically inelastic with respect to parking price in the short run. It can be expected that the long-run elasticity is substantially higher thereby making parking price increases a more useful tool for demand management in the longer term.

The proposed increase is consistent with Government's Sustainable Transport Plan which seeks to increase bus use in the long term.

Recommendation 269: Parking Fees be increased by 10 per cent in 2006-07.

Development Application Fees

Although there had been no significant amendments to Development Application (DA) fees in recent times, other than the application of CPI increases, in 2005-06 DA fees were increase by 8 per cent (in addition to CPI), to recognise the increased cost associated with administration. However, the fees associated with development applications are still considerably lower than NSW.

A comparison of the fees charges in select local councils in NSW is provided in the table below:

Table 11.10: Comparison of Development Application Fees

Development Value	ACT	Queanbeyan	Yass Valley	Gosford	Wollongong City	Sydney Harbour	Manly	North Sydney	Newcastle
$1,500	$78	$110	$110	$110	$110	$110	$110	$110	$110
$5,001	$85	$185	$185	$185	$185	$185	$185	$185	$185
$20,001	$113	$230	$230	$230	$230	$230	$230	$230	$230
$50,001	$169	$352	$352	$352	$352	$352	$352	$320	$320
$100,001	$271	$502	$534	$534	$534	$534	$534	$470	$470
$150,001	$349	$652	$716	$716	$716	$716	$716	$620	$620
$250,001	$494	$1,160	$1,160	$1,160	$1,160	$1,160	$1,160	$1,000	$1,000
$350,001	$644	$1,330	$1,394	$1,394	$1,394	$1,394	$1,394	$1,170	$1,170
$500,001	$898	$1,745	$1,745	$1,745	$1,745	$1,745	$1,745	$1,425	$1,425
$1,000,001	$1,526	$2,615	$2,615	$2,615	$2,615	$2,615	$2,615	$1,975	$1,975
$5,000,001	$4,526	$5,815	$8,375	$8,375	$8,375	$8,375	$8,375	$5,175	$5,175
$10,000,001	$8,583	$15,875	$15,875	$15,875	$15,875	$15,875	$15,875	$9,475	$9,475

As highlighted in the table above, the development application fees in the ACT are considerably lower than those in the adjoining local councils. There is an opportunity for ACTPLA to align its development application fee schedule to NSW, in particular the adjoining local councils.

ACTPLA provided the Review high-level estimates of the additional revenue if DA fees were adjusted to NSW parity.

Table 11.11: Estimates Development Application Fee Revenue (NSW Parity)

Year	Current Projection	Estimated total in line with parity to NSW	Difference
2005-06	1,600,000	2,800,000	1,200,000
2006-07	1,650,000	2,870,000	1,220,000
2007-08	1,700,000	2,940,000	1,240,000
2008-09	1,750,000	3,020,000	1,270,000

Recommendation 270: ACTPLA development application fees be adjusted to achieve parity with the adjoining local councils (namely Yass, which is consistent with other NSW jurisdictions).

Indexation of Fees and User Charges

Fees and charges have generally been indexed at CPI. The increase in cost of service provision, however, is mainly dependent on the increase in wages. The Review proposes that all fees and charges be indexed at a labour price index[20].

Recommendation 271: all fee and user charges be indexed annually at the Labour Price Index, rather than CPI.

[20] See ABS Catalogue No. 6345.0, Labour Price Index, Australia.

Application of this index to forward estimates for fees and charges, excluding those discussed above, provides additional revenue in the order of $1.8 million per annum.

11.3 OTHER REVENUE

Other revenue consists mainly of dividends received from public trading enterprises and revenues associated with joint ventures, investments and other contributions.

Largely, the revenue in these areas is out of the direct control of the Government and is dependent on market fluctuations and the estimated business returns of Government Business Enterprises. However, there may be some mechanisms available to increase dividends, through suggested expenditure reductions or revenue increases within these enterprises.

11.4 SUMMARY OF REVENUE MEASURES

	2006-07 $'m	2007-08 $'m	2008-09 $'m	2009-10 $'m
General Rates - 6% Increase	8.700	8.900	9.100	9.700
General Rates -Increase by WCI	1.700	3.700	5.800	8.600
Fire and Emergency Services Levy	20.000	20.740	21.507	22.303
Ambulance Levy on Health Funds	3.320	3.707	4.108	4.525
Increase Ambulance Transport Fee to National Average	0.650	0.650	0.650	0.650
Efficiencies in Ambulance Transport Collection Costs	0.100	0.102	0.105	0.108
Home Buyer Concession Eligibility	4.500	4.500	4.500	4.500
False Alarm Fee	0.300	0.300	0.300	0.300
WorkCover – Dangerous Substances Charging Regime	0.117	0.120	0.123	0.126
WorkCover – Cost Recovery for Successful Prosecutions[21]	0	0	0	0
Water License Fee	15.000	15.000	15.000	15.000
Land Rent for Utility Infrastructure (Electricity, Gas and Sewerage)	11.465	11.752	12.045	12.347
Land Rent for Utility Infrastructure (Telecommunications)[22]	4.000	4.100	4.203	4.308
Parking Fees	1.500	1.600	1.600	1.700
Indexation of Fees and Charges	1.800	1.900	1.900	2.000
Development Application Fees[23]	1.200	1.220	1.240	1.270
SUB-TOTAL REVENUE MEASURES	**74.352**	**78.291**	**82.181**	**87.437**
Other Revenue Increases	0	0	0	0
CIT Fees (see chapter 7.4.1)	0.300	0.600	1.000	1.000
Increased Interest Returns (see chapter 5)	4.700	4.500	4.400	4.400
TOTAL REVENUE MEASURES	**79.352**	**83.391**	**87.581**	**92.837**

[21] Given the nature of the issue, revenue targets are not available and would be based on the number, type and success of prosecutions undertaken by ACT WorkCover.

[22] Estimated revenue, confirmation of length of telecommunication installations still to be provided.

[23] High level estimates of increased revenue provided by ACTPLA 9 March 2006, based on achieving parity with NSW fees.

Appendix

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CHIEF MINISTER'S PRESS RELEASE