

2.4 UPDATE OF BUDGET REFORMS

Health Care Services

Health costs in the Territory had been growing at an average rate of more than 10 per cent a year in the lead up to the 2006-07 Budget. The drivers of this cost were partly ageing (which will worsen rapidly in the second and third decades of this century) but more particularly the high costs associated with maintaining a skilled, professional workforce and new medical procedures and technologies (including the effect on acute hospital bed days).

Continuing this trend growth in health expenditure was not sustainable. If this trend continued, health expenditure would have represented more than 50 per cent of Budget expenditures by around 2020, from the current level of around 24 per cent of the Budget.

As part of the structural reform, the Government provided an expenditure envelope and a growth path for health services that is realistic, affordable and sustainable. Funding levels have been based upon an assessment of sub-sector projections of demand and health inflation (for example, 8 per cent for acute care and cancer services, 9 per cent for home and community care and 6 per cent for mental health services).

The expenditure envelope also incorporates efficiency targets that will bring the cost per separation to within 10 per cent of the benchmark over the next five years. The overall growth path (taking into account efficiencies) was an average of 6.2 per cent per annum.

ACT Health is on track to deliver its services within the expenditure envelope. Over the 2005-06 level (the base year), expenditure is forecast to be maintained at an average growth rate of 6.2 per cent to 2010-11. The 2007-08 Budget includes a range of new initiatives totalling \$66.8 million over four years, funded from within the envelope (details of these initiatives are provided in Chapter 4.1).

The Department is making progress with its planned efficiency improvements. It is expected that these will be reflected in the national comparisons as they become available later this year.

This has been achieved while a record number of acute services patient separations, at around 3.4 per cent higher than the original target, are forecast to be delivered in 2006-07.

Public Education System

The 2006-07 Budget introduced a package of reforms to renew and revitalise the government school and preschool system. This included the construction of a new \$23 million P-6 school for Harrison to open in 2008, and a \$45 million Preschool to Year10 school currently being constructed in West Belconnen, to open in 2009. The reform package was supported by a record investment in public education infrastructure.

In addition to the new schools mentioned above, the package included a commitment to build a new college in Gungahlin to open in 2010, and a new P-10 school at North Tuggeranong. The 2007-08 Budget provides funding for the construction of these projects.

The package also included funding of \$90 million over four years to refurbish schools across the Territory (in addition to the ongoing \$11.3 million per annum capital upgrades program), increased maintenance funding for schools of \$3 million per annum from 2008-09, and an investment of \$20 million over four years to improve information technology infrastructure in schools.

The schools upgrade program is well underway. More than 72 schools are currently undergoing over 223 separate upgrade projects such as upgrades to science and computer labs and kitchens, grounds improvements, improvements to student amenities and internal and external refurbishment.

Already, significant improvements can be seen at schools such as Chapman and Aranda Primary Schools, Stromlo, Calwell and Belconnen High Schools, as well as Cranleigh Special School and Telopea Park School. Every ACT public school over the next four years will benefit from some upgrading.

New schools and upgrades have an increasing focus on sustainability, with a component of the *School Infrastructure Renewal* funding devoted specifically to improving environmental efficiency, incorporating features such as solar passive design, water tanks and solar heating.

The renewal of public school IT infrastructure through the *Smart Schools, Smart Students* initiative has commenced. Over the coming months, all ACT public schools will be connected to significantly increased bandwidth.

Once the infrastructure is in place, the next phase will introduce projects such as video conferencing, podcasting, datacasting, and a parent portal for parents to access their child's work. An online library system, and a multimedia and innovation centre will be also provided.

Accommodation Rationalisation

At the beginning of 2006-07, the Government set a target to reduce the current average occupational density across the Public Service of 20.6m² per person. Through the non renewal of a number of leases, a target of 18.3m² per person was set in the short term, with further reductions to 15m² set as the longer term goal.

Throughout 2006-07, significant progress has been made towards achieving the short term target of 18.3m². It is expected that by the end of 2006-07 this target will have been achieved and some progress will have already been made towards the longer term target of 15m².

Shared Services Centre (SSC)

The Shared Services Centre became fully operational in February 2007. This initiative saw the consolidation the common corporate service functions of human resources, finance, procurement, information technology, records management and publishing services into one central area. In reducing administrative costs, improving corporate service delivery and enabling better purchasing, the Government will save around \$20 million in 2007-08.

Additionally, the establishment of the Shared Services Centre has enabled agencies to focus on core service delivery to the community rather than corporate processes.

The Government continues to work to further streamline the Public Service to ensure that internal processes are managed as efficiently as possible.

The establishment of the Centre has:

- led to improvements in internal practices and processes. Efficiencies in scale have resulted with common systems and transactional processes being streamlined. There is now greater consistency in the application of internal government policies and procedures;
- developed new approaches to doing business, including an ACT Government jobs website that consolidates vacancies across the Public Service into an easy to access portal;
- consolidated a pool of professional, skilled and experienced staff across the range of corporate services who are available to assist all agencies; and
- enabled greater staff specialisation, learning and training, improving retention and innovation. New opportunities have been provided for career advancement for staff that were previously unavailable in smaller units.

Cash Management Reforms

Revised cash management arrangements were introduced in 2006-07. A key aspect was the requirement for agency cash balances to be kept to minimum requirements, with cash identified as surplus to their needs to be returned back to Government on an annual basis.

As departments no longer hold surplus cash, departments will generally not have a need to invest surplus funds with the Territory Banking Account. A cash buffer has been established for each Department to address operational requirements and working capital needs.

A general cash distribution back to the budget was undertaken to reflect the requirement for agency appropriation on a 'just-in-time' basis, and minimise agency cash balances to allow for interest earnings to accrue at a Whole of Government level.

At the time of 2006-07 Budget it was estimated that \$36.3 million would be returned to the Territory Bank Account in early August 2006. Total distributions of \$36.6 million were received from agencies.

Rationalisation of Boards and Committees

Many Government entities have undertaken significant rationalisation of boards and committees, including the reduction of membership of some boards and committees, the cessation of some committees and a reduced level of participation in both external and internal committees. In other cases, the savings were absorbed within departmental and administrative expenditure savings.

All boards and committees associated with Administrative Arrangement Orders (eg. Tourism, ACTION and the Canberra Stadium) were abolished as of 1 July 2006.

Reducing Motor Vehicle Expenses

Significant progress has been made in reducing the Government's motor vehicle expenses. Since the 2006-07 Budget, the number of passenger motor vehicles in the Government fleet has reduced by 10 per cent and the proportion of four cylinder vehicles has increased substantially. The proportion of four cylinder vehicles will continue to increase as existing leases on six cylinder vehicles expire. Further reductions in fleet vehicle management fees are also expected as a result of the current Request for Proposal process for the provision of fleet management services to the Government.

Streamlined Grants Administration

The whole of government grants portal will commence from 1 July 2007. The portal will provide a single point for the community to access information on all Government grants programs, including application and approval processes.

Streamlined Community Sector Purchasing

A centralised service agreement unit has been established within the Department of Disability, Housing and Community Services to manage the \$79 million paid to non-government organisations to deliver services on behalf of Government. The Department is working with the Government Solicitor's Office to reduce the complexity and administrative burden of contracting with Government.

Streamlining Regulation and Administrative Structures

The Administrative Arrangement Order (AAO) restructures identified for commencement from 1 July 2006 have largely occurred, with the exception of the following:

- operationally, the Office of Regulatory Services (ORS) is functioning under a single structure, however, administratively, the full integration of the ORS has experienced some delays to date due to accommodation issues;
- the ACT Planning and Land Authority (ACTPLA) continues to manage the land rental function; and
- the infrastructure planning function remains with ACTPLA.

In addition, further AAO's and Ministerial changes were announced in April 2007. The announced changes include the following restructures:

- sustainability, climate change, water policy, catchment management and greenhouse policy have been brought together under one structure within the Department of Territory and Municipal Services;
- responsibility for the Land Development Agency has been transferred to the Chief Minister, in line with the existing land release function; and
- all areas of road and transport policy, strategy and service delivery were further integrated within the Department of Territory and Municipal Services.

Other minor Ministerial reporting changes were also announced, but these did not result in any structural changes across the sector.

Progress on 2006-07 Revenue Initiatives

A number of revenue measures were announced in the 2006-07 Budget. Progress on these measures is outlined below:

- The basis for the calculation of General Rates for 2006-07 was changed to the Wage Price Index (WPI) of 3.7 per cent plus a further 6 per cent increase.
- The Fire and Emergency Services levy was introduced from 1 July 2006 on all residential, rural and commercial properties to assist in the cost of providing fire and emergency services to the community.
- On 1 January 2007, the relevant amount used to calculate the Ambulance Service Levy was increased to \$1.72 per person per week and \$3.44 per family per week to more fully cover the costs of providing ambulance services.
- From 1 July 2006, the ACT Home Buyer Concession Scheme was targeted more towards home buyers purchasing entry level properties. The thresholds are revised every six months and will be updated further in this Budget.
- The Utility Land Use Permit, renamed the Utilities (Network Facilities) Tax, commenced on 1 January 2007 and is applied to owners of any network facility on land in the ACT.
- The False Alarm Fee, for every third and subsequent callout from the same system fault, was not implemented in 2006-07 but is planned for commencement in 2007-08.
- ACT Workcover Fees and Charges for activities related to the *Dangerous Goods Act 2004* (particularly for the costs of successful prosecutions) have not been implemented due to unresolved costing and legislation issues.
- Increased Water Fees, introduced on 1 July 2006, is incorporated within the Water Abstraction Charge which increased by 30 cents per kilolitre.
- The increase of various administrative fees and charges, indexed using WPI, is an on-going implementation process across various agencies that collect fees.

