

Division 13: Finance, \$604 858 000 —

Mr S.J. Price, Chair.

Dr J. Krishnan, Parliamentary Secretary representing the Minister for Finance.

Ms J. Cant, Director General.

Ms N. Godecke, Deputy Director General, Major Projects.

Mr G. Gilbert, Deputy Director General, Service and Invest.

Mr S. Whitmarsh, Deputy Director General, Buildings and Contracts.

Ms K. Ingham, Deputy Director General, Advisory Services.

Mr C. McMahon, Commissioner of State Revenue.

Mr D. Geraghty, Chief Finance Officer, Service and Invest.

Ms H. Farrell, Chief Customer Officer, Customer Experience and Strategy.

[Witnesses introduced.]

The CHAIR: The estimates committees will be reported by Hansard and the daily proof will be available online as soon as possible within two business days. The chair will allow as many questions as possible. Questions and answers should be short and to the point. Consideration is restricted to items for which a vote of money is proposed in the consolidated account. Questions must relate to a page number, item or amount related to the current division, and members should preface their questions with those details. Some divisions are the responsibility of more than one minister. Ministers shall be examined only in relation to their portfolio responsibilities.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

Do we have any questions? Leader of the Opposition.

Mr R.S. LOVE: I refer to page 164 of the budget papers and the services and key efficiency indicators. Service area 1 is revenue assessment and collection, and grants and subsidies administration. I have tried to ask this question of the Treasurer and Premier and he directed me that the Department of Finance was the appropriate body to answer this question, just to be clear. The question relates to the collection of gambling taxation from Crown casino and the situation that developed in Victoria, where it was found that from 2012 until it was rectified in July 2021, Crown had underpaid the Victorian state Treasury \$61.5 million. Has the Department of Finance undertaken any review of the taxation receipts from Crown Perth; and, if so, what was the result?

Dr J. KRISHNAN: Thank you for the question, member. It is not the role of the Department of Finance to collect revenue from Crown casino. To give clarity on that issue, may I request the director general to elaborate further on that.

Ms J. Cant: I would ask the Commissioner of State Revenue to elaborate on our role in that. We are aware of the earlier questions.

Mr R.S. LOVE: Are you aware of the earlier questions?

Ms J. Cant: I will just ask the Commissioner of State Revenue to elaborate on our role around the casino tax.

Mr R.S. LOVE: Perhaps he can explain it to the Treasurer as well.

Mr C. McMahon: The collection of casino tax is not a function of RevenueWA; it is actually a function of the Department of Local Government, Sport and Cultural Industries. As I understand, it is the Gaming and Wagering Commission under that agency that is responsible for that function. RevenueWA is not involved in the collection or administration of casino tax in Western Australia.

Mr R.S. LOVE: There you go. Now we know. Perhaps I will have to ask the question of the third government agency! If nobody else has a question, I will ask another question. I turn to page 162 and the significant issues impacting the agency. Paragraph 2 states —

In 2022–23 the first Procurement Capability Development Strategy for Western Australia was launched, aimed at providing a consistent and transparent approach for improving procurement capability ...

I wonder whether the findings in the Auditor General's twenty-first report on the procurement strategies for the rapid antigen tests have helped to inform this strategy or whether the government has decided perhaps to revise the strategy following the release of that report.

[8.30 pm]

Dr J. KRISHNAN: There are two parts to the question. The first part is about whether the department is able to pick it up when it comes to procurement and the second part is about rapid antigen tests. Let me cover part two on RATs first. Western Australia had one of the strongest responses to the pandemic in the country and the government made the decision in an emergency situation in uncertain circumstances. We looked around the world at what was happening. In the eastern states, people queued in their cars for nine hours to get a PCR test done because they did not have access to rapid antigen tests. The PCRs were obviously more expensive than the RATs. We did not end up like the other states. Western Australia's economy was open. People had certainty. People were able to protect the vulnerable through the test being free and easily accessible, and they were able to mingle with family cautiously and confidently when they had those tests done. Western Australians did not end up spending hundreds of dollars purchasing RATs.

Let me share a personal experience. I was on the front line managing medical practices during the COVID-19 time. I received a call from a medical supplies person saying, "If you don't make a decision on ordering flu vaccines today, you will miss out." My anticipation was that there would be a huge demand for the flu vaccine and we did not want to run out of the vaccines. I ordered 10 000 of them at a cost of \$14 each. A \$140 000 payment was to be made within the next hour. I did not blink my eyes because saving lives and the availability of the flu vaccine was important to me. Eventually, the group ended up losing \$80 000 because not enough vaccines were taken by patients.

This is a decision about saving lives and keeping the economy open. It is a key reason for a positive budget, to be able to be in surplus, reduce debt, and invest in major infrastructure projects for the future of Western Australia. If the government were put in the same position again, with the same set of circumstances, I am sure that the same decisions about RATs would be made. I will get the director general to elaborate on procurement.

Ms J. Cant: Regarding the qualified audit opinion, as the parliamentary secretary has outlined, we were urgently required to buy a lot of RATs. Obviously, storing and managing medical equipment is not core business for the Department of Finance, so we engaged a third-party specialist around the logistics on that. The Office of the Auditor General identified a weakness in our controls over the inventory management of RATs, but did not identify any instances of misappropriation or material misstatement.

In answer to the member's question, to address the weaknesses identified by the OAG during the year-end audit, we have updated our financial management manual, which includes a procedure outlining how inventories should be managed if we are asked to do a similar thing in the future.

Mr R.S. LOVE: Has there been no revision of the department's procurement capability development strategy following the release of that report and the discussion around the escalation of expenditure? The Auditor General was straightforward in saying that it was beyond her experience of anywhere else to see that level of escalation. Does that not concern the department to the point that it will revise that strategy?

Dr J. KRISHNAN: I think I explained very clearly that if the government were put in the same position again, with exactly the same set of circumstances, I am sure the same decisions would be made. However, as the director general explained, the department has reviewed the policy based on the Auditor General's recommendations and there has been a revision and in the future the department will look at it differently. I will ask the director general to elaborate.

Ms J. Cant: Yes, that is specifically around the inventory, which is what the qualified audit opinion was.

Ms E.L. HAMILTON: I refer to page 162, paragraph 2. How does the capability development strategy support the delivery of our procurement frameworks, particularly the Aboriginal procurement policy and the gender equality and procurement pilot?

Dr J. KRISHNAN: I thank the member for the question. As the member will appreciate, procurement is more than just providing or acquiring goods and services. It is important for government and we can use it to leverage social outcomes and change from the suppliers we do business with. In June 2021, the Procurement Act 2020 and the Procurement Regulations commenced, bringing together all Western Australian public sector procurement under a single governance framework. The introduction of the social procurement framework was about highlighting the importance of procurement as a mechanism for improving Western Australia's social, economic and environmental outcomes.

In July last year, the McGowan government launched the gender equality and procurement pilot to signal to suppliers the importance government places on gender equality. The pilot is a partnership between the Department of Communities and the Department of Finance, with 19 government agencies currently signed on to include a gender

equality clause as part of the procurement process. Organisations are asked for evidence of the complaints with the federal Workplace Gender Equality Agency reporting. They are asked nine questions about measures they take to tackle gender inequality, such as paid parental leave, flexible work and audits of gender pay gaps. The purpose of this is to ensure that suppliers are actively thinking about their business practices with a gender lens. As at 11 April 2023, 75 contracts have been awarded under the pilot with a total value of \$106 million.

The other procurement policy the member asked about is the Aboriginal procurement policy. On 1 July 2021, the government extended the Aboriginal procurement policy for a further three years and included an increase in contract award targets to Aboriginal businesses to four per cent by 2023–24. On 17 September 2021, the policy was broadened to include Aboriginal employment and subcontracting opportunities. The policy amendments leveraged the broader supply chain to support Aboriginal economic outcomes, extending participation requirements to government suppliers. In essence, procurement policy is not just acquiring goods and services. We have the opportunity to leverage, and that is where the government has tried to influence gender equality and Aboriginal procurement policy so that we make things better and create a balance.

Mr R.S. LOVE: I return to page 162, the significant issues impacting the agency, paragraph 4, which reads —

The GovNext ICT program ... is coming to an end in ... 2024. The GovNext program will transition to a series of new, whole-of-government contracts. New ICT framework contracts that are fit-for-purpose ...

It goes on. How many ICT contracts will be required when the new arrangements are entered into? What is involved in the development of these contracts? What is their expected value?

[8.40 pm]

Dr J. KRISHNAN: There is significant flexibility in the transition period for GovNext services, which means agencies may continue to receive GovNext services beyond the April 2024 expiry deadline. For the specific number of contracts and the value offered, I request Kate Ingham to further expand.

Ms K. Ingham: The answer around the number of contracts and value is not known at this time. Now that we have these resources to unpack, the GovNext arrangement is to engage with all the procuring agencies to understand what their future needs are to start mapping when we are likely to go to procurement and what we are going to procure for. That will then inform the kinds of decisions we make about the number of contracts we might be awarding and what the potential scale of those will look like.

Mr R.S. LOVE: We are now in 2023. The existing programs will come to an end in less than a year. I take the parliamentary secretary's point that they may be extended, but will the program still be fit for purpose by the time the next stage has been developed?

Dr J. KRISHNAN: I am confident that it is going to be fit for purpose, but I request Kate Ingham to elaborate on that.

Ms K. Ingham: On the fit-for-purpose nature, we have a lot of flexibility in the current GovNext arrangement to extend well beyond that 2024 deadline, which the member acknowledged. The planning needs to be done in a way that means we understand what agencies need both individually and collectively, and then engage with the market. We do not want to rush that part. We want to do that really well to ensure that the new arrangements stack up and achieve value for money for the state. Due to the nature of the fact that we can extend the current arrangements that are expiring in the next 12 months, we can actually extend some of them for a considerable period to do this work well. The outcome at the end of that will be fit for purpose because this will not be a reactive response. It will be quite well planned and structured.

The CHAIR: Does the Leader of the Opposition have a further question or a new question?

Mr R.S. LOVE: It is a different question.

The CHAIR: It is a new question.

Mr R.S. LOVE: It is a new question, yes.

The CHAIR: A new question, member for Moore.

Mr R.S. LOVE: Is that allowed? I do not want to hog all the time. It is around the fifth paragraph on page 162, which talks about the infrastructure delivery unit that will continue to work collaboratively with Treasury and government agencies. Can the parliamentary secretary explain exactly what is the infrastructure delivery unit? Is it somehow related to what used to be called the major projects directorate, or is that something completely different? I am not sure about the jargon used here, parliamentary secretary.

Dr J. KRISHNAN: I request that the director general answer the question.

Ms J. Cant: Thank you for the question. The major projects unit does still exist. Ms Nicki Godecke is the deputy director general of major projects. The infrastructure delivery unit is a unit within major projects. The whole unit is focused on delivering projects over \$150 million throughout the state. The infrastructure delivery unit specifically looks at the asset investment program overall and works very closely with Treasury and through reporting to the major projects Expenditure Review Committee subcommittee to make sure what is coming to market is getting good outcomes. It is the talk of smoothing the pipeline and whether the business cases are stacking up for significant deliveries. I think it is the biggest asset investment program we have had for quite some time, if ever, at the moment. It is an independent review of projects across the infrastructure space.

Mr R.S. LOVE: I know that the member for Central Wheatbelt would like to ask something, but to clarify, was it just said that major projects sits within the Department of Jobs, Tourism, Science and Innovation or within Treasury? I must have missed it.

Ms J. Cant: Major projects is a division of Finance.

Mr R.S. LOVE: Thank you.

Ms M.J. DAVIES: Perhaps the parliamentary secretary could clarify this for me. The explanation that was just given around that particular directorate sounds very similar to what Infrastructure Western Australia does. Would I be right in assuming that every project that sits within that directorate, given that they are over \$150 million, would have gone to Infrastructure Western Australia?

Ms J. Cant: Infrastructure Western Australia is a longer term, more strategic, forward-looking organisation. We are delivering on the ground, today. Infrastructure Western Australia is in planning, but it has a role in checking business cases for the larger projects.

Ms M.J. DAVIES: Have all the projects that sit with the directorate now been through Infrastructure Western Australia?

Dr J. KRISHNAN: Ms Godecke.

Ms N. Godecke: The infrastructure delivery unit gives advice on business cases in relation to project time frames and the ability to deliver within what the business case says. There is not really a crossover with the Infrastructure WA review. There is a specific role for Infrastructure WA and what the Department of Finance does specifically with time frames and the way the schedule has been put together. The projects that currently sit within major projects vary as to whether they have gone through IWA, depending on when they started the process.

Ms M.J. DAVIES: Are there any projects within the directorate that have been to Infrastructure WA?

Ms N. Godecke: Yes.

Ms M.J. DAVIES: How many in the directorate?

Ms N. Godecke: I do not have a list of them, but I think there are four.

Ms M.J. DAVIES: I am happy to take it as supplementary information.

Dr J. KRISHNAN: We will take it as supplementary information to give the number of projects.

Ms M.J. DAVIES: How many projects sit within the directorate and how many of the total have been to Infrastructure WA?

The CHAIR: Parliamentary secretary, you need to be clear what you are going to provide.

Ms M.J. DAVIES: It is within that directorate that we were referring to.

Dr J. KRISHNAN: It is within the major projects directorate.

Ms M.J. DAVIES: Yes.

[*Supplementary Information No A3.*]

[8.50 pm]

Mr R.S. LOVE: I refer to other works in progress on page 167 of budget paper No 2, in particular, the fit-out for 1 Midland Square. The estimated total cost is just over \$14.5 million, with \$13.851 million budgeted for this year. That is for the fit-out of 1 Midland Square, which was the old Landgate building. Is that correct?

Dr J. KRISHNAN: Yes.

Mr R.S. LOVE: It is my understanding that under the sale, as described to us, the Georgiou Group was responsible for the fit-out of the building. Why is the state paying this amount of money?

Dr J. KRISHNAN: I thank the member for his question. The Landgate building is an ageing asset. The sale arrangement was an open market process under a market-led proposal—an opportunity statement. The process and assessment of financial outcomes was run by an independent committee and the outcome was subject to a regulatory

independent assessment. When considering a range of factors, including necessary upgrade costs, ongoing maintenance and the benefits of co-locating other state government agencies, the lease option presents a superior financial outcome for taxpayers. There is the additional benefit of bringing the Landgate building back to capacity, enhancing vibrancy and helping to activate the historic part of Midland. The decision was made based on an independent assessment and expert advice because we did not want to spend endless amounts of money rebuilding an ageing asset. We also took into consideration the maintenance costs. I will ask the director general to explain further the fit-out contribution we are making for this project to be completed.

Ms J. Cant: Georgiou, as the new owner of the building, is responsible for the base fit-out of the building. Georgiou is spending up to \$100 million on the Landgate building. The money in the budget is specifically around the fit-out for the government agencies that are going in there. It is standard practice when we move agencies into buildings that government agencies have particular requirements. That money will allow for those three agencies to have their requirements met on top of the base build that Georgiou will be doing.

Mr R.S. LOVE: So Georgiou builds some sort of shell and the department fills in the blanks. Is that how it works?

Dr J. KRISHNAN: It is not just an empty shell; agencies have specific requirements to make their environment work. It is normal practice with any agency occupying a leased premise to do a fit-out to suit their working requirements.

Mr R.S. LOVE: This money will be for all the government agencies accommodated. Will that be the end of that program?

Dr J. KRISHNAN: Yes. The various agencies that are going into the building have a specific requirement for their agency to function in a specific way. That fit-out is configured and spent by the agency. This is the total amount for all the agencies moving into Midland Square.

Mr R.S. LOVE: Which agencies are moving in and what is the approximate percentage of the floor space that each will be occupying?

Ms J. Cant: I will ask Henrietta to provide that detail.

Ms H. Farrell: The three agencies that are moving into the building at 1 Midland Square are the Department of Communities and the WA Child and Adolescent Health Service, alongside Landgate. Those agencies have a number of specialist requirements that the fit-out budget will cover. Some examples of those is the installation of lifts for the Child and Adolescent Health Service to create separate access for reception areas to triage children and adolescent patients to interview rooms; interview rooms with appropriate acoustics to service customers from Communities and the Child and Adolescent Health Service; and fireproof storage for Landgate historical records that must be protected under its legislation.

A certain portion of the building will remain unoccupied, which the owner, Georgiou, will be able to sublease to another tenant.

Mr R.S. LOVE: Will any of the money that is spent on the fit-out be recovered from Georgiou down the track—for instance, the lift would seem to be permanent? Is it intended that at some stage Georgiou will make a payment for some of these things?

Dr J. KRISHNAN: I will ask Ms Farrell to answer.

Ms H. Farrell: As part of the financial arrangement, Georgiou is responsible for the fit-out tenders and works closely with Finance to understand the needs of the agencies, the procurement options available and the responses and evaluation of those responses. The cost associated with that through the overall financial transaction will be recovered as the project progresses.

Mr R.S. LOVE: Directly underneath that line item that we just spoke about is “Lease Incentive Funded Office Fit-outs”. I know that most of the \$171 million will have been expended by the end of this financial year. Can the parliamentary secretary explain to me what that \$151 million funded in the last financial year?

Dr J. KRISHNAN: Lease incentives continue to be negotiated by the department for government office accommodation for the fit-out required for government tenants. The 2023–24 budget year and out years include a baseline estimate of \$5 million per annum. The expenses against these budgets vary, dependent on planned accommodation movements and negotiations with landlords. I will ask Henrietta to elaborate on that.

Ms H. Farrell: That lease incentive amount in the budget papers is the life of lease incentives to date. Some examples of the projects from the last financial year relate to fit-outs for the Department of Water and Environmental Regulation in Bunbury, another fit-out in Karratha for the Department of Communities, a fit-out for the office of the Director of Public Prosecutions in the city, the Department of Transport and the new Butler vehicle services centre, and another office for Communities in Joondalup.

Mr R.S. LOVE: I refer to the spending changes on page 162 of budget paper No 2, volume 1. I am looking at the amount of \$31.3 million for the Perth Children’s Hospital contractual entitlement resolution. Can the parliamentary secretary explain what that was about?

Dr J. KRISHNAN: I will ask the director general to take on that question.

[9.00 pm]

Ms J. Cant: Thanks for the question. That amount of money was part of the Perth Children’s Hospital litigation settlement that has been successfully negotiated. The settlement payment of \$38 million was made to John Holland in December 2022 as per the agreed terms of the settlement. That amount of \$31 million is part of that payment and the rest of the money came from within the Finance budget.

Mr R.S. LOVE: I probably need to sign a piece of paper or something to say that I am not supposed to be here. Is that needed?

The CHAIR: Yes.

Mr R.S. LOVE: We are supposed to swap at nine o’clock.

Ms M.J. DAVIES: We need to do a swap.

The CHAIR: It is fine. We still have quorum. You can still ask questions. Carry on.

Mr R.S. LOVE: Thank you. On that same page, page 162, under “Spending Changes” and “Ongoing Initiatives” is the line item “Revised Capital Works Turnover”. Can the parliamentary secretary elaborate? There is a figure of \$43 million this year, \$32 million next year, \$112 million the following year and \$282 million the year after that. What does that refer to?

Dr J. KRISHNAN: The forecasts are based on the complement of agency asset investment program projects that will be managed through the department, which has been revised as part of the 2023–24 budget process.

Mr R.S. LOVE: These projects were deferred as part of a smoothing process. Are they projects such as the Bindoon bypass and others or are these capital works on buildings and the like? What projects have been delayed?

Dr J. KRISHNAN: The specific question about Bindoon bypass is for the Minister for Transport, but there have been adjustments to capital works with agency asset investment program projects. I can get Shaun Whitmarsh to elaborate further.

Mr S. Whitmarsh: We deliver non-residential construction projects on behalf of other client agencies. There is a number of them. We can provide some examples if needed, but the line item “Revised Capital Works Turnover” basically shows the spending changes across the years. It is not necessarily as a result of deferrals. If the member looks at the figures, he will see they increase in the out years. That number reflects the numbers we forecast in the out years and it increases by some \$500 million if we add them all up across the out years.

Mr R.S. LOVE: I am sorry; I am struggling to understand what that means. Is this a cost escalation measure? Is the department expecting the project costs to blow out? Is that why it is running further out at the end of the forward estimates?

Dr J. KRISHNAN: Shaun Whitmarsh, please.

Mr S. Whitmarsh: It is not necessarily cost escalation. There are new projects announced in this year’s budget and they have been added into our capital works program and reflected in the out years for when we expect that expense to be spent.

Mr R.S. LOVE: Would it be possible for the parliamentary secretary to provide detail on those projects, including which projects and how much of each project is contained in that group?

Dr J. KRISHNAN: They are across the budget papers.

Mr R.S. LOVE: They are across the budget papers, but how would I be able to find which particular projects are revised?

The CHAIR: Parliamentary secretary, you have two responses available. You can ask that the member puts the question on notice and the department can agree to that process or you can agree to providing it as supplementary information. Putting it on notice is an option as well. One gives you a bit more time.

Dr J. KRISHNAN: Member, we deliver across various portfolios. Our role is to deliver the projects and the estimate is based on multiple agencies’ projects that we deliver; that is what the forward estimates are.

Mr R.S. LOVE: I am sorry; I did not quite get that last bit.

Dr J. KRISHNAN: I will get the director general to explain further.

Ms J. Cant: I will ask Mr Whitmarsh to clarify.

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 23 May 2023]

p67b-73a

Chair; Mr Shane Love; Dr Jags Krishnan; Ms Emily Hamilton; Ms Mia Davies

Mr S. Whitmarsh: What the parliamentary secretary was trying to explain is that the line items are also in the budget papers for each individual agency and its division. The member was just looking at the Department of Finance's capital works program and we spoke about government office accommodation. The same line items are reflected in each agency's budget papers as well. The member sees in our budget paper an aggregation of all those projects, and we have probably 200 projects at any one time. It is a lot of detail to go through and add up the numbers, but when we do that, we see that the line item, "Revised Capital Works Turnover", shows the changes and adjustments in the out years. Effectively, it is saying that at any one point in the budget, we have a certain number of projects that we know will be delivered and as we go forward in time, we have more and more projects added. That is why we see the figures in the out years increase. That is a pretty normal thing. In any of the budget papers from year to year, we expect the dollar value for our capital works program to increase in the out years.

Mr R.S. LOVE: I do not have any further questions at this point.

The appropriation was recommended.