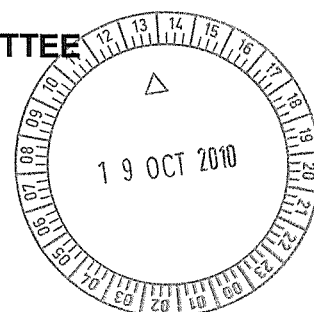


ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

QUESTIONS ON NOTICE

Friday, 10 September 2010



Hon Giz Watson MLC asked:

Question No. 1: I refer to page 788 and note that the overall funding allocated for land management in the 2010-11 Budget has been sharply reduced. Can you please:

- a) detail which programs will be discontinued in connection with this reduction in expenditure?*

Note: the following answers are based on information provided by the Department of Agriculture and Food (DAFWA).

Answer: The majority of the reduction in funding can be attributed to the cessation of Commonwealth funding under the National Action Plan for Salinity and Water Quality (\$12m) and the extension of the Natural Heritage Trust (\$1.4m), and the cessation of State administration of the Commonwealth's Caring for our Country program (\$24.1m).

- b) detail which programs apart from those listed in answer to (1)(a) will receive funding cuts?*

Answer: The Natural Resource Science and the Delivery of Regional Services programs have received funding reductions.

- c) regarding each program referred to in the answer to (1)(b), detail the amount of the cut?*

Answer: The Natural Resource Science program is reduced by \$800,000 and the Delivery of Regional Services program is reduced by \$1.2 million.

- d) explain the rationale for these cuts?*

Answer: Commonwealth funding reductions are outside the DAFWA's jurisdiction.

Program reductions came about via realignment of the DAFWA's priorities. All projects were assessed with each ranked against criteria, including:

- extent to which projects align with the DAFWA's strategic direction as an economic development agency;
- extent to which projects align with government policy, or legislative and statutory requirements;
- extent to which projects are a priority of industry or other stakeholders;
- projects' contribution to the State's economy;

- projects' contribution to industry profitability;
- projects' contribution to desired social and environmental outcomes;
- ratio of benefits compared to costs of conducting a project;
- profitability of a successful outcome from a project;
- not completing a project constitutes significant risks;
- projects address elements of the supply chain beyond farm gate;
- extent to which projects address clear market failure and the private sector lacks the capacity to conduct the project;
- exiting a project would be highly complex; and
- level of industry investment and capacity to pay.

Question No. 2: Page 122 – Please explain the increase in the budget for the item Western Australian Treasury Corporation Act 1986 – Interest from \$28,700 to \$224,600.

Answer: The Consolidated Account commenced a borrowing program in late 2008-09 to support the Government's Asset Investment Program.

Consolidated Account borrowings at 30 June 2011 are anticipated to be \$5.6 billion. At the time of finalising the 2010-11 Budget estimates, the Western Australian Treasury Corporation forecast that interest payments would be \$224.6 million for the year ending 30 June 2011.

This compares with the interest cost estimate of \$28.7 million on \$3.6 billion in borrowings for the year ending 30 June 2010, estimated at the time of the 2009-10 Budget. At that time, it was anticipated that borrowings for the year would be drawn in the June quarter, thus attracting lower interest costs.

Between the two rounds of estimates, interest rates have also risen by 1.5 percentage points.

Question No. 3: Page 123 – footnotes (f), (i) and (j) refer to "global funding", please explain the source and nature of these funds?

Answer: "Global funding" refers to centrally provisioned support for the spending identified in the footnotes. In each case, release of funding is dependent on Government approval of business cases to be submitted by various agencies. When a business case is approved, the appropriation is drawn and transferred to the line agency and is funded from the Consolidated Account (as are all other appropriations).

Question No. 4: Page 125, last dot point – mutualisation of superannuation funds abandoned

a) Please outline the timeline for the public sector superannuation reform?

Answer: In a media release dated 15 April 2010, the then Treasurer Hon. Troy Buswell MLA announced that Choice of Superannuation Fund reforms were anticipated to be available to State public servants within 12 to 18 months following passage of the required legislative amendments.

Drafting of the amendments is being finalised and an indicative planning date of the first half of 2012 is anticipated for implementation of Choice and all the associated reforms.

- b) How will the discrepancies between the high salaries of the executive officers of GESB (and other funds) and other public sector employees be addressed?*

Answer: The Treasurer has referred this matter to the Public Sector Commissioner for action.

- c) Have drafting instructions for amendments to the State Superannuation Act 2000 been given?*

Answer: Yes. Drafting of amendments is well advanced.

- d) When is it expected that these amendments will be introduced into Parliament?*

Answer: Timing of the introduction of an amendment bill will depend on Cabinet approval of the draft legislation.

- e) Will you provide the Whithear review into public sector superannuation?*

Answer: The Whithear report was the result of a review commissioned by the then Treasurer and is subject to Cabinet confidentiality. It is not a Department of Treasury and Finance (DTF) report. Release of the report is a matter for the Government.

Question No. 5: Page 126, second dot point – public private partnerships

- a) What criteria are considered in the determination of the suitability of a project for Public Private Partnership?*

Answer: Key criteria considered are the potential for the PPP delivery method to achieve value for money and to preserve the public interest.

Value for money in PPP procurement can be driven by many factors including:

- the size and scale of a project;
- the potential for risk transfer;
- whole of life costing;
- the potential to innovate;
- the potential for commercial opportunities;
- existence of a competitive market for the provision of the required infrastructure and/or services; and
- the existence of measurable service outputs.

- b) Are there different criteria for partnerships for infrastructure delivery and partnerships for the management and operation of facilities?*

Answer: No. However, the criteria are considered with respect to the specific objectives of each project.

- c) *Are other objectives considered in Public Private Partnerships apart from value for money?*

Answer: Yes. For example PPPs may also seek to improve the quality of infrastructure and service delivery.

- d) *If yes to 4(c), what priority is given to these other objectives?*

Answer: The relative importance of procurement objectives varies depending on individual project objectives.

- e) *Is an assessment required to adhere to the National Public Private Partnerships Policy and Guidelines as agreed to by COAG on 28 November 2008?*

Answer: No. The Government may depart from the guidelines as reasonably required.

- f) *If no to 5(e), how does the assessment differ?*

Answer: Assessment may differ depending on the particulars of each project and circumstances specific to Western Australia.

Question No. 6: Page 126 – 4th dot point - development of a new economic forecasting model

- a) *What consultants are involved in the project?*

Answer: To date there have been no consultants involved in the development of the model. The model is being developed by in-house modelling experts. As the development of the model nears completion the model may be peer-reviewed by academics.

- b) *What is the total cost of the development of the new model?*

Answer: A level 7 staff member with expertise in economics and modelling has been assigned to develop the model over a period of 18 months. Some support has been provided by other staff but this has not been significant. A peer review of the model by academics may be undertaken as the development of the model nears completion. The cost of the academic peer review is not expected to exceed \$20,000.

- c) *As other Australian States and territories have a similar need for accurate forecasts, please identify any links to other state and territories, and internationally, during the development process?*

Answer: Consultation with economists at the Queensland Treasury and Victorian Treasury has occurred on an informal basis. Department of Treasury and Finance modelling experts will be meeting with Victorian Treasury counterparts in early October to discuss the new model in greater detail. Department of Treasury and Finance modelling experts are also attending the Interjurisdictional Forecasting Workshop to be held at the New South Wales Treasury on 7-8 October 2010 to disseminate and obtain feedback about forecast accuracy and issues relating to the new model.

Shared Services

Question No. 7 Page 128, third dot point – A further twenty agencies are in line to be rolled in.

- a) How many complaints have been received about any service delivery issues with shared services in the past financial year?*

Answer: Sixty one complaints were received in 2009-10. This is out of a total of 38,847 queries received by DTF Shared Services during this period. The majority of these matters relate to queries such as access to the system, forgotten passwords and payment status, not complaints.

- b) How does this compare with complaints in the year before?*

Answer: The current system of recording actual complaints commenced at the end of April 2009 so a comparative figure cannot be provided for 2008-09.

- c) Does Shared Services have any impact on injury management practices of government agencies that use its services?*

Answer: DTF Shared Services does have a small Occupational Safety and Health and Workers Compensation team that support a best practice approach in line with the Workers Compensation Code of Practice for Injury Management. The aim is to reduce lost time and related costs to agencies. Services include early intervention via communication with employee, line manager and medical practitioner to develop Return to Work programs. In addition, there is regular liaison with Risk Cover and client agencies aimed to contain the cost of claims. Since December 2009, twenty three agencies have utilised these services.

A number of large agencies that have specific requirements in these areas (e.g. Fire and Emergency Services) have been exempted from these arrangements.

- d) How does the Department evaluate its service provision?*

Answer: A number of strategies are used to evaluate its services to client agencies:

Whole of Government (WoG) Balance Scorecard

The WoG Balanced Scorecard was developed to provide a strategic “health check” on the performance of the three Western Australian Government shared services centres (i.e. Health Corporate Network, Education and Training Shared Services Centre and DTF Shared Services).

The report is provided quarterly to the Shared Services Governance Council and the Client Management Council.

Key Performance Indicator's (KPI's) by Business Service Area

KPIs by business area are also used to evaluate performance against targets. There is an extensive range of operational level KPIs. The reports are provided to client agencies on a quarterly basis.

Continuous Improvement and Benchmarking

DTF Shared Services is a member of the Australian Shared Services Benchmarking Association and Shared Services Roundtable.

Regular benchmarking of key activities is undertaken to provide comparison against other leading companies for the purpose of improving performance.

e) Are employees involved in the evaluation?

Answer: DTF Shared Services has a number of forums for client evaluation at varying levels.

- A customer survey is undertaken annually to gain feedback, implement relevant suggestions and identify areas for improvement. The survey is reviewed to ensure client feedback is relevant and information gained from the survey is targeted specifically.
- The Shared Services Governance Council provides strategic direction and monitors the performance of the shared services reform across Government. It is chaired by the Under Treasurer and made up of a number of senior Director Generals of agencies which have rolled in and which are due to roll in.

The Client Management Council also acts as a governance board, overseeing the activities of the Shared Service Centre. These include:

- business planning;
- representing the interests of client agencies;
- risk management;
- resolving customer service issues; and
- fostering a supportive corporate culture.

There are also the Heads of Corporate Services Forums for pre and post go live agencies.

- The pre go live Forum's purpose is to provide high-level solutions to business and operational issues throughout the implementation phase.
- The post go live Forum's purpose is to discuss service delivery issues and provide networking opportunities for client agencies.

Building Management and Works

Question No. 8: Page 129, last dot point Procurement for Eastern Goldfields Prison Redevelopment

- a) Can you provide an update on the tender process for this project?*
- b) Does or will the tender mandate a public private partnership for the project?*

Answer:

- a) It is currently anticipated that the procurement process for the Eastern Goldfields Regional Prison redevelopment will commence with advertising for expressions of interest in the first quarter of 2011.
- b) The design, construction and maintenance of the prison will be delivered under a public private partnership.

Question No 9: Page 130, value for money – what criteria guide the value for money assessment?

Answer: State Supply Commission policy provides a basis for the assessment of whether “value for money” is achieved.

In part, the policy states:

Achieving best value for money at the individual purchase level requires that, in its assessments, a public authority considers cost and non-cost factors, where relevant, and makes a value judgement about the best outcome. The value for money test may vary in complexity depending on the nature of the purchase, ranging from a simple price assessment for low value highly commoditised goods or services, through to a detailed assessment and comparison of cost and non-cost factors.

The DTF uses value for money assessments to measure the effectiveness of its service delivery for common use contract arrangements, agency contracts for goods and services, the planning and delivery of new buildings, building maintenance and Government office accommodation. Stakeholder surveys targeting the key users of the service are used as the key effectiveness measure.

In the case of new building delivery, value for money is a value judgement that takes into account the total project cost, timeliness and the quality of the end products.

Question No. 10: Page 131, percentage of reports released as per agreed timeframe, footnote 1 explains the difference between budget and estimated actual for 2009-2010.

- a) How confident is the Department that the agreed timeframe will be met completely in 2010-2011?*

Answer: As noted in footnote 1 to the table, below-target outcomes have been associated with monthly reports, which are not subject to statutory deadlines. All statutory reporting deadlines (for annual and quarterly reports under the *Government Financial Responsibility Act 2000*) have been met since accelerated reporting requirements were introduced in 2006.

Following the Government's decision to cease production of monthly reports from the end of the 2009-10 reporting cycle (as noted in the May 2010 *Monthly Report of General Government Finances* released on 23 July 2010), it is anticipated that 100% of reports will be released within agreed (statutory) timeframes during 2010-11.

- b) Considering the significant gap between estimates and actuals in the past two years, how realistic is the budget estimate of 100%?*

Answer: See above.