STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS

2012–13 BUDGET ESTIMATES HEARINGS

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
MONDAY, 25 JUNE 2012

DEPARTMENT OF REGIONAL DEVELOPMENT AND LANDS

Members

Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich

Hearing commenced at 2.23 pm.

Hon WENDY DUNCAN,
Parliamentary Secretary to the Minister for Regional Development, examined:

Ms AILA DANN,
Principal Policy Adviser, Office of Minister Grylls, sworn and examined:

Mr PAUL ROSAIR,
Director General, sworn and examined:

Mr ALEXANDER KERR,
Manager, Financial Services, sworn and examined:

Mr COLIN SLATTERY,
Director, Regional Investment, sworn and examined:

Mr DECLAN MORGAN,
Director, State Land Services, sworn and examined:

Mr ALAN ABRAHAM,
Manager, Budget Services, sworn and examined:

Mr ANDREW MANN,
Manager, Infrastructure, sworn and examined:

Mr BRETT SABIEN,
Manager, Regional Investment Services, sworn and examined:

The CHAIR: On behalf of the Standing Committee on Estimates and Financial Operations, welcome to the hearing this afternoon. Before we begin I ask public servants to take an oath or the affirmation.

[Witnesses took the oath or the affirmation.]

The CHAIR: You will have signed a document entitled “Information for Witnesses”. Have you read and understood this document?

The Witnesses: Yes.

The CHAIR: This hearing is being held in public, although there is discretion available to the committee to hear evidence in private either on its own motion or at the request of a witness. If for some reason you wish to make a confidential statement during this afternoon’s hearing, can you please indicate that you want the evidence to be taken in closed session before answering the question? Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget pages on behalf of the people of Western Australia, and we appreciate your assistance this afternoon.

The proceedings are being recorded by Hansard and a transcript of your evidence will be provided to you. It will greatly assist Hansard, members, if when referring to the budget statement volumes or consolidated account estimates, you please give the page number, the item, program, amount and so on in preface to your question. If supplementary information is to be provided, I ask your cooperation in ensuring that it is delivered to the committee clerk within 10 working days of receipt of the questions. Should you be unable to meet this deadline, please advise the committee clerk immediately. The committee reminds agency representatives to respond to questions in a succinct manner and to limit the extent of personal observations.

Hon KEN TRAVERS: When you appeared before an estimates committee back in March 2009 you indicated that a baseline study across government was being carried out to allow you to establish previous regional expenditure in regional Western Australia. Then when you appeared on 9 August 2010 you again advised us that it was about to start. Can you tell us if it has started; has it been concluded and can we have a copy of it please?

Hon WENDY DUNCAN: Thank you; I might pass this to the director general to advise progress.

Mr Rosair: Yes, you are right, that issue has been raised on a number of occasions. We have endeavoured to capture information from relevant government agencies on their expenditure in regional WA prior to the royalties for regions program to establish that baseline. It is proving far more difficult than we thought, largely because a lot of state agencies have not budgeted or expended in accordance with regional localities around the state. I understand the capital works budget has been primarily finished on the capital works side. We are having difficulties with the recurrent budget. I would like to get back to you with some further details but we do not have a baseline that we can operate with. We were hoping to get a 10-year baseline for the expenditure in regional WA so we could then monitor the expenditure for royalties for regions over this period to see and monitor the expenditure that is above and beyond that baseline. It has proved far more difficult than we envisaged. Even working with Treasury we found difficulty getting those figures together because, as I said, government agencies, generally, have not budgeted down to regional levels.

Hon KEN TRAVERS: With all due respect, we knew that when you started this process. That was an issue that was raised when you came before us.

Mr Rosair: As I say, we endeavoured to try to drill down and get that information out of each of the agencies. I have a director of regional policy who is endeavouring to do that as we speak. Still, it has been a difficult thing to deliver on.

Hon KEN TRAVERS: What test do you use to determine whether expenditure is not over and above existing expenditure?

Mr Rosair: I will ask my director of regional investment shortly to elaborate. With every proposal that comes forward we endeavour to ensure the principles of royalties for regions are met. That includes a test on whether there is an existing budgeted item in the forward estimates and whether there is any sign of a cost-shifting element. Some of those cases are quite easy. If you like, in the health department if 20 nurses have been in Derby for the past 20 years and there is funding for the next 20 years and all of a sudden we get a request for five nurses and they are going to fund only 15 in the out years, that is very clear cost shifting.

[2.30 pm]

Hon KEN TRAVERS: What about if there is a budget allocation for a justice centre in a town? It is taken out of the budget and then it is put back in the budget as a royalties for regions. Would you pick that up?

Mr Rosair: I do not recall that particular circumstance, but that would be a consideration of applying the assessment against our royalties for regions principles. But if it is not generally in the out years of the budget, it is generally not considered funded.

Hon KEN TRAVERS: But what about if it is taken out? You only have to go through these budget papers now and it is pretty clear that no agency is now funding anything in regional Western Australia; they are making royalties for regions fund it. I mean, you just go through the budget now in the out years and if it is outside the metro area, it is listed as a royalties for regions process, and surely that is not what the intent of royalties for regions was all about.

Mr Rosair: It is definitely not the intent; the intent was above and beyond. And I also am not in a position to debate or question your assertion that no agencies are actually funding projects in regional WA. In fact, I am sure they are, but I do not have their budget papers before me. I might ask the director of our regional investment to maybe elaborate on your earlier question, which was how we do assessment against cost shifting. I think it is important to separate terms here: core business and cost shifting. What we do in royalties for regions arguably falls into core business of some agency or another. What we are about is not cost shifting existing programs and putting things above and beyond. People sometimes get mixed up between the two. Royalties for regions does fund core business, but it is only when it is above and beyond existing funded programs to try and avoid cost shifting. I will ask the director of regional investment, Colin Slattery, if I may, to elaborate.

Mr Slattery: Thank you very much. Yes, certainly, when we take on these programs, we do this basically on a business case approach, as we have for all royalties for regions projects. So we do look at business cases for new projects coming in, and we analyse those with our colleagues from Treasury, as well as the agency, and also looking to our colleagues in regional development commissions to see what had been planned in the past. It is, as I say, done on that actual business case, so we do look through that, do the measures to work out whether funding had been budgeted before, whether it should be a program that is core business of an agency that they have got funding for, and it is a case-by-case analysis, which then goes through the approval process, up to cabinet, for approval.

Hon KEN TRAVERS: So, in terms of the capital works 10-year baseline, have you got that there yet?

Mr Rosair: I would have to take that on notice about how far developed that assessment has been with our staff within the regional policy division, but my understanding is that the capital baseline has been far easier, given this notion of regional projects, rather than the recurrent baseline.

Hon KEN TRAVERS: But has it been completed or not?

Mr Rosair: I am not in a position to say if it has been completed yet. I know it has been worked on within the division.

Hon KEN TRAVERS: Both times you have come before this committee it has been raised. I would have thought you might have done some preparation to be ready for that question. I did not think it was going to be that out of the blue. What I am interested in is: why would it be taking so long? You are saying you cannot do the recurrent, but why is the capital taking so long?

The CHAIR: Just before you answer, Mr Rosair, did you want to put that question —

Hon KEN TRAVERS: When I have finished my line of questioning, what I have not got I might take on notice, but I do not accept that some of the answers cannot be given today. I find that extraordinary if it is that they cannot be given today.

Mr Rosair: I can only reiterate that in our initial assessments and gathering the information that we got from Treasury and each of the agencies, we had some lack of clarity and detail around the information provided and it was not in a position to make it public until we had rectified the detail, or the lack of detail, in those figures.

Hon KEN TRAVERS: That is fine, but why has it taken you, since it was first raised, three years, and since the last hearing where you said you were working on it, two years, and it is still not completed?

Mr Rosair: Because of the intricate difficulties of making sure that the information that we provide is accurate, and we are not confident that the information we are getting from the relevant agencies and Treasury to enable us to establish that baseline is in a state that we can provide. It is as simple as that.

Hon KEN TRAVERS: So what have you been doing to get better information?

Mr Rosair: My understanding with my director, he has been working very close with Treasury and the relevant agencies to try and distil the information, which is probably not at the granular level we need to provide the sort of baseline we want. It is probably at a macro level. The Department of Environment and Conservation may well be talking about their infrastructure, and national parks infrastructure program, at a very macro level across not only metropolitan Perth, but also across regional WA. We need to distil that down into a granular level that we can actually provide that baseline. As I have said previously, it may well be that the information is not available at the end of the day to do that retrospectively. It may only be in the future budgets that we can do it.

Hon KEN TRAVERS: Have you been doing it since 2008?

Mr Rosair: I know that my staff have been working through this as a project on and off over—I do not know if it is 2008, but certainly in the middle of 2009.

Hon KEN TRAVERS: At the end of 2009.

Mr Rosair: Yes. And that has been a project that has been run out of their agencies, but I think we may even get to the stage that we cannot provide a baseline, but it will depend on what level of granular detail we can break down those agencies' financials. I know that, having spoken to Tim Marney from Treasury, he is very keen about agencies budgeting at regional level and appropriating at regional level. I think he is very keen, and I am very keen, that all agencies in the future do that. That is a decision for government and Treasury.

Hon KEN TRAVERS: All right. If we can have it taken —

Mr Rosair: We can give you an update, sure.

Hon PHILIP GARDINER: Can I ask a question: is it possible that the capacity limitation is actually in Treasury to get this information? Is that what I understand?

Mr Rosair: I think it is possible that the budgeting arrangements in the past 10 years have not been granular enough to be able to isolate actual expenditure into regional areas around the state sufficiently enough for us to develop a very clear, detailed and accurate baseline for us to compare our expenditure against. I probably overstated the situation—and Wendy was there at the time—and I probably gave the impression that agencies have budgeted down to that level. Coming from the Department of Water and Water and Rivers Commission, previously in my regional operations division, I was able to provide that information and I made that assumption.

Hon PHILIP GARDINER: From the 2009–10 financial year, I would have presumed that Treasury would have been aware of the desire to try and regionalise what the other agencies were doing.

Mr Rosair: Yes, and I have had conversations with the Under Treasurer about the ability and preference for agencies to budget and account for and acquit for on regional boundary lines. I do not believe Treasury has—I could be corrected—initiated such a budgeting acquittal program to account for regional boundary lines, which makes it quite difficult. As I mentioned earlier, the capital works fund, however, is generally clear, as mentioned. When you see a particular capital works item or a hospital in regional WA, it is easy to prise apart, but if you are funding recurrent expenditure in agencies like the Department of Environment and Conservation, who budget on a program level, like parks and visitor services, it is very difficult to know the breakdown across the state.

Hon PHILIP GARDINER: So it is possible that the lack of capacity lies within Treasury or is within the lack of clear direction given to agencies to draw out the information that you are seeking.

[2.40 pm]

Mr Rosair: In an ideal world, I would like to believe that, as we do in our royalties for regions. You can quite easily see in our progress report all of the budget allocation on regional boundary lines, and all the expenditure and all the acquittals—our progress report clearly enunciates that. It is our preference that if all agencies across the state were to do a similar thing, then we would be easily able to baseline. The more I look into it, the more that has not been done in the past and the more difficult it is to be able to measure against that. Obviously our preference as an agency is to try to monitor expenditure above and beyond existing expenditure. That is our preference. I have had conversations with the Under Treasurer, who is quite supportive of the fact that agencies budget along regional boundary lines. However, to date I do not believe that that has been done.

Hon PHILIP GARDINER: I guess the only question I have is if the Under Treasurer is keen to do it, I am just a bit unclear as to why it is not happening.

Mr Rosair: When we did the regional development commissions review, he came and spoke to Wendy about that review, and we talked about the regional development commissions and their ability to develop regional investment blueprints across the state, and that topic came up, and he reiterated again—that was some 18 months ago, from memory—the desire to make that happen. But I have not seen anything in these budget papers suggesting that.

[*Supplementary Information No A1.*]

The CHAIR: Can you just clarify the information that you are seeking?

Hon KEN TRAVERS: What I would like is the most recent copy of the 10-year baseline figures for the capital works expenditure, and the information that Mr Rosair said he would provide us with regarding the recurrent expenditure.

Mr Rosair: Just on that, I will go back and have a look at the information that we have got detailed to date. But if it is not of a detail that we can be guaranteed about, I am probably not in a position to provide it until we have that level of accuracy necessary to be able to provide information that we think is accurately representing the expenditure of other government agencies across the state. That is the difficulty we have. I can probably provide you certain information from the Department of Environment and Conservation about visitor and parks expenditure, but it may not be at a regional level, and that is the difficulty we are having. But I will endeavour to provide —

Hon KEN TRAVERS: Do not keep confusing the two. I am asking you to separate the two—the recurrent and the capital. I think you have indicated that the capital is a lot easier to do, and I would have thought it would not be that hard and after three years you would be able to give us a very clear breakdown of the capital expenditure and where it has occurred over the last 10 years and the amount it has been spent on.

Mr Rosair: Yes. I have just been advised also that another difficulty that I did not recall was that some of the regional boundaries too were difficult, where the health department's regional boundary is not quite the same as others. But we will endeavour to provide as much salient information as we can to the committee, particularly on the capital works programs that we have to date, and maybe define the issues more clearly on why we have had difficulty in the breakdown on the recurrent expenditure.

Hon KEN TRAVERS: I want to be very clear that I am asking for, with respect to your capital works, your most recent version of your 10-year baseline study. If you want to ask for it to be kept confidential because you are not sure about the validity of it, that is something you are entitled to do. But I want a copy of the most recent version that the department has created of their 10-year baseline study; and then, with respect to the recurrent, you can provide us with a summary of the issues, and I would also like the timelines as to when you expect the capital works to be completed and the recurrent to be completed.

Mr Rosair: That is if we can even complete the recurrent, given the difficulties we have had to date and the nature of agencies' budgeting, which we thought at the time would have been at a regional level. When we made that commitment—I was there with Wendy when we made that commitment—we thought that agencies did do this granular breakdown at a regional level. We subsequently found that they have not done that. Whether or not we can even provide a baseline for recurrent, we will have some commentary about that.

Hon KEN TRAVERS: Could you give us an explanation of what is happening with the Ord–East Kimberley expenditure?

Hon WENDY DUNCAN: The Ord–East Kimberley project is one that has been transformational up at the top end. Of course you are well aware that we took advantage of some federal funding that was available as well. One of the issues with delivering that project of course is that you have to fit with the seasons. The wet season is a period of time where construction cannot be carried out. The other really key point about the Ord–East Kimberley project is that it has a very strong focus on Indigenous involvement and Indigenous advancement, and so the project actually has been, I guess, advanced to match the ability to fulfil those criteria as well. The project is continuing really well and is due for completion in the last quarter of 2013. There are approximately 120 people on the construction site and that will peak at around 250 this year. As you know, the project has been undertaken in conjunction with the Miriuwung–Gajerrong people, who have been very actively involved in the project. We have achieved Indigenous employment there at an average of 25 per cent. It involves a strategic alliance with MG Corporation. There have been joint ventures between contractors and Aboriginal businesses. There have been contractual targets for Indigenous employment, which have been achieved. As the implementation of the package has been carried out, there has been an estimated $70 million spent through regional businesses. So the project is very exciting and is proceeding along the lines that it was envisaged. It is a bit behind schedule, but that, as I said, is because we are matching it to the challenges of the seasons and also endeavouring to maximise the Indigenous involvement.

Hon LIZ BEHJAT: Are there not also some roadblock problems with duplications in the approvals process between state and commonwealth on that project?

Hon WENDY DUNCAN: That is actually correct, thank you, Hon Liz Behjat. Another matter that did cause some slowdown in the project was the approvals process. The Australian government EPBC approval was achieved in September 2011. So there have actually been three management plans required for approval. Having to wait for the Australian government to sign off actually did cause some delay in the project. So, yes, thank you for that. Mr Rosair.

Mr Rosair: Continuing on from the reason that the expenditure is now $311 million was scheduling and mobilising the contractors. That is now done over four years. One of the benefits of that is still a continuous engagement of the Aboriginal workforce, and even though it is extended into the third year, it will allow us to build further capacity in that workforce. As mentioned earlier by Hon Liz Behjat, the environmental approvals that the EPBC has put in place have quite a rigorous amount of repetition, as you mentioned. I think we have had to do two Gouldian finch plans and two quoll plans, which are basically being assessed by the EPA here as well, so that is a double-up of the assessment, and not only the plans, but also the environmental conditions that have been put on the project are quite significant both from the groundwater monitoring requirements and the salinity monitoring requirements downstream of the Ord outlets. There have also been some very onerous water quality requirements on flow-off into the Ord and down into the Knox Plain. So all of that has meant additional offset costs. We are also responsible, I think, for funding a national swordfish research federally of around $1 million, which we did not plan to make. So there are a number of different costs associated with that.

[2.50 pm]

Also, because of the expansion likely to Knox Plain in the Northern Territory, the costs of the channel has being upgraded, such that it will cater for those future expansions, so a bit more engineering costs went with that. On balance, we think we are getting a very good outcome on this matter. There is the summary level of the costs breakdown of the additional $90 million from the $220 million that was originally portrayed, but we are happy to provide a detailed supplementary response on that breakdown, if the committee would like.

Hon KEN TRAVERS: Have you got it there? Can you table it now?

Mr Rosair: I do not think I have it here.

Hon WENDY DUNCAN: Some of the key outcomes, if you are interested, Madam Chair —

Hon KEN TRAVERS: What I am really asking for is the funding stream, and when you are paying money and who you are paying it to.

Hon WENDY DUNCAN: You did not ask that.

Hon KEN TRAVERS: I asked for an update on the funding of it, so that is what I am trying to understand.

Mr Rosair: As to the funding, we do have a —

Hon KEN TRAVERS: Because it appears in the budget with lots of different figures in different places, and I cannot understand how much you are spending on it and when you are spending it.

Mr Rosair: I have the budget breakdown—the actual expenditure. The actual expenditure in 2008-09 was $1.084 million, which is not in the budget papers.

Hon KEN TRAVERS: Where is that?

Mr Rosair: It is not in the budget papers; it is 2008-09.

Hon KEN TRAVERS: How much was that?

Mr Rosair: It was $1.084 million. In 2009-10 it was $16.43 million; in 2010-11 it was $51.072 million; in 2011-12, the estimated actual is $70.8 million. So then the cash flow for the Ord is then in the budget papers under chapter 7, page 234. Have you got chapter 7, page 234?

Hon KEN TRAVERS: I have it open here, and that shows $142 million, and then a further $7.8 million for operating, and then $91 million for your phase 2.

Mr Rosair: Yes.

Hon KEN TRAVERS: So where does your $212 million come from?

Mr Rosair: The $212 million?

Hon KEN TRAVERS: Was it $202 million?

Mr Rosair: It was $220 million. The $220 million was the original budgeted costs associated with the Ord back when the Ord was established in 2008-09—or 2009-2010, from memory. That forecast in expenditure of $220 million was cash flow from that budget. What I gave you then was the expenditure to date, and then the forecast for the remainder of the expenditure is now $320 million, which is in the budget.

Hon KEN TRAVERS: So where is the $320 million shown in the budget?

Mr Rosair: Under royalties for regions, chapter 7.

Hon PHILIP GARDINER: Page 234, Ken.

Mr Rosair: Sorry, no; you are right. I was looking at the total Kimberley revitalisation program.

Hon PHILIP GARDINER: Yes, that is right.

Mr Rosair: Sorry, that was the Kimberley revitalisation; I have mistaken that. The cash flow for the $311 million, do we have that? I might hand you to the regional investment—I was reading the Kimberley revitalisation; my apologies.

Hon KEN TRAVERS: Yes, that is why I am trying to work it all out.

Hon WENDY DUNCAN: We will just go across to Colin Slattery.

Mr Slattery: So there are three elements in the budget: there is the original $210 million, because $10 million was for the Aboriginal development program.

Hon KEN TRAVERS: Sorry, I could not hear that.

Mr Slattery: Of the original $220 million that Mr Rosair talked about, $210 million was for the actual construction.

Hon KEN TRAVERS: Yes.

Mr Slattery: I can give you the castings, if you like for that, which was $1.084 million in 2008-09; $15.051 million in 2009-2010; $51.072 million in 2010-11; $70.82 million 2011-12; $71.973 million in 2012-13; in 2013–14 it was zero; in 2014–15, zero; and 2015–16, zero. That was the original $210 million. Then there is the Aboriginal development program, which is the $10 million. That started off in 2009-10 as $1.383; then $0.824 in 2010-11; in 2011-12 it was $4 million; then 2012–13 it is $3.793 million; and then no further funding in that particular line. Then we move into the Ord–east Kimberley expansion project phase 2 capital expenditure. In 2012-13 we are looking at $39.096; in 2013-14, $51.904 million; 2014–15 is zero, and 2015–16 is zero. That totals $91 million. So the three expenditure lines are $210 million original capital, $10 million for the Aboriginal development plan, and $91 million as the expansion phase 2.

Hon LJILJANNA RAVLICH: Can I just ask whether you would be so good as to provide us with a copy of that document so that the rest of the members can have an understanding of what we are going through and what is being discussed here? Is it possible to get a copy of this document?

Hon WENDY DUNCAN: We can provide a copy of that breakdown that Mr Slattery has just given to you; the whole document contains confidential information.

Hon LJILJANNA RAVLICH: No, just that.

Hon WENDY DUNCAN: The breakdown that Mr Slattery has just given to you, we can provide that, yes.

Hon LJILJANNA RAVLICH: Can we get that photocopied now so that the members here can have access to it so we can understand it?

The CHAIR: Just that page.

Hon WENDY DUNCAN: There is more than that information on that page, so I will just have to check with Mr Rosair whether that is a problem.

Mr Rosair: I do not see any problem with that.

Hon WENDY DUNCAN: We will endeavour to do our best there, hopefully now, and if not —

Mr Rosair: I think some of the line items on the page are still probably subject to cabinet confidentiality.

The CHAIR: If you could let us know, and we could have it now, that is good; otherwise we will take it on notice. We will just check on the document first.

Mr Rosair: It is on page 234 of chapter 7.

Hon KEN TRAVERS: No, no, I am looking at page 234, and what that shows is $142.8 million, but that does not include the $15 million and the $1 million —

Mr Rosair: No, from the previous years.

Hon KEN TRAVERS: From the two previous years, so there is another $16 million that needs to be added on to that. But other than that, the money you talk about as the employment program, I think, I assume is the operating expenditure —

Mr Rosair: Yes.

Hon KEN TRAVERS: — of 7.8 million—yes? Then phase 2, is $91 million.

Mr Rosair: Yes.

Hon KEN TRAVERS: That adds up to $257 million, and what I cannot understand is where you then get this $311 million total expenditure from.

Hon WENDY DUNCAN: Mr Slattery probably did not hear that question, so can you put it again to him, please?

Hon KEN TRAVERS: Going to page 234, you have $132 million for the asset investment program, and on top of that what you have just outlined is that there is another $16 million-odd to be added to that from the previous year?

Mr Rosair: No, you are not adding in the $51.1 million from 2010-11 in your figures, I do not think—are you?

Hon WENDY DUNCAN: Can I just ask —

Mr Rosair: The $142 at the end is 2011-12 and 2012-13.

Hon KEN TRAVERS: So that does not include the $51 million?

Mr Rosair: It does not include the $51 million.

The CHAIR: Just before we continue, I think Hansard might have trouble following when there is more than one person; they are very good, but probably not quite that good—they cannot work miracles! If we could just try to make sure there is only one person speaking, that would be great.

Hon LIZ BEHJAT: Hon Ken Travers, I think when he talked about the $320 million, he then corrected himself by saying that he was then talking about the entire Kimberley revitalisation subtotal, which is the $320 million. I think that was what —

Mr Rosair: Yes, I think we clarified that earlier, but I think more recently we have just clarified the missing $51.1 million as being 2010-11 expenditure.

Hon KEN TRAVERS: So that five-year total does not include the actual 2010-11 actuals?

Mr Rosair: No.

Hon KEN TRAVERS: Right.

So in the Department of State Development, under “Major Spending Changes”, that lists —

Hon WENDY DUNCAN: Can you give us a page number, please, Hon Ken Travers?

Hon KEN TRAVERS: It is page 115 of the budget papers, under Department of State Development, “Major Spending Changes? It has “Royalties for Regions – Ord East-Kimberley Expansion Project – Reassessment of Timing and Costs Associated with Transfer of Assets”, and it has, in 2011-12, negative $71 million; in 2012-13, negative $30 million—I am just rounding these off—and then in 2013-14, $156.5 million.

[3.00 pm]

Hon WENDY DUNCAN: Can you please say which volume you are looking at?

Hon KEN TRAVERS: I am looking at volume 1.

Hon LIZ BEHJAT: You are looking at state development though, are you not?

Hon KEN TRAVERS: Yes, but it is listed as royalties for regions and I am trying to —

Hon WENDY DUNCAN: We just need to find which volume it is.

Hon KEN TRAVERS: Volume 1, page 111.

The CHAIR: Just give us a minute while people get to that page.

Hon KEN TRAVERS: Volume 1, page —

Mr Rosair: We cannot seem to find it.

Hon WENDY DUNCAN: Budget paper No 2, volume 1?

Hon KEN TRAVERS: No.

Hon WENDY DUNCAN: What we have got here is talking about salaries and allowances. Have you found it, Sandy?

Mr Kerr: Is it under "Asset Investment Program"?

Hon KEN TRAVERS: I have got budget paper 2, volume 1, state development.

Mr Rosair: What is the figures in there?

The CHAIR: I think maybe the electronic numbers are different from the hard copy.

Hon WENDY DUNCAN: Must be.

Hon KEN TRAVERS: Under "Major Spending Changes".

Hon WENDY DUNCAN: Here we go.

Hon KEN TRAVERS: Sorry, I have got it electronically and it says page 114 at the top of the page. See at the bottom there it has got "Ord–East Kimberley Expansion Project"?

Mr Rosair: I am just talking to my finance officer. State development is the project managers of the Ord financially. They are actually the financial administrators, so we have a memorandum of understanding with state development. We then pay LandCorp who then pay Leighton as the contractors. I can only imagine that that is associated with the Treasury drawdown money. I might ask my chief financial officer to elaborate.

Mr Kerr: It is probably best explained if you want to see the breakdown of what goes through the Department of State Development, the "Asset Investment Program" table, which is three pages later on than where you are at the moment. That highlights the $301 million allocated to the capital component of the Ord.

Hon KEN TRAVERS: Yes.

Mr Kerr: In terms of the "Major Spending Changes" line item, that would be how they have reforecast how the expenditure is going to occur through their books.

Hon KEN TRAVERS: Surely that then will come out of your expenditure. Are you pre-funding it to the department or?

Mr Kerr: No. Yes, it should align, yes, with our expenditure.

Hon KEN TRAVERS: You accept my confusion that it does not?

Mr Rosair: It is an unusual program, the Ord. It is one of the few programs where a state agency subcontracts to LandCorp and then on to Leighton. Most of the agencies we have are direct MOU directly and they spend it themselves. I do not know about the cashflowing or their financial management internally and how they manage that drawdown of funding. We would have to get more information on how they are treating that in their budgeting papers.

Mr Kerr: There is a timing difference between when the funds are disbursed from DSD to predominantly LandCorp and RDL when the money leaves government. Hence the reason why the chapter 7 table captures when the money has left government and been fully spent to the program.

Hon KEN TRAVERS: Sorry, which one is that?

Mr Kerr: The chapter 7 one will reflect when contractors are paid, if you like. The DSD table will reflect when those funds are disbursed to LandCorp and RDL, so there can be a time difference.

Hon KEN TRAVERS: Who is doing the payment?

Mr Kerr: The payments to the contractors are occurring at LandCorp and RDL.

Hon KEN TRAVERS: Looking at this, those agencies are not—this is what I cannot fathom. In fact, your referral to me to the "Works in Progress" has made it even more confusing because they are saying under that they expect to spend $113 million in capital works this year, yet with their major policy changes it looks like they have re-cashflowed it to spend it next year where it is in the listing under major policy changes.

Mr Abraham: I think in fairness it is important to explain how the flow of funds works here. When the explanatory goes out of the royalties for regions fund to DSD for the budget, it is considered expense by DSD by the royalties for regions RDL budget. It then goes into DSD, into their account. In their budget they will show the transitional arrangement that is happening in terms of who is paid and how the contract is done. You will always get this discrepancy where from RDL's perspective and more importantly from the royalties for regions fund, you will find that the amount has gone out and considered expensed. The issue then becomes for DSD and the timing, as Sandy was saying, of when they spend the money and how it is disbursed and the contractors and what parties they are dealing with. When it goes out of our books into their books, you will find that their budget lags behind in terms of the expenditure program.

Hon KEN TRAVERS: So you are pre-funding the agency by a financial year at least.

Mr Abraham: That is right; according to the cash flows that are approved by the government and the expenditure review committee.

Hon KEN TRAVERS: Why do you need as an agency to pre-fund it? Why would you not get the agency to draw it down as they need to expend it?

Mr Rosair: That is a good point. In this case though it has been pre-drawdown before they spend it. In most of the financial assistance agreements and MOUs we like to draw down in accordance with expenditure. In the case of the Ord, it was pre-funded the year before and that drawdown was not placed on the milestone by the look of it. I think that is essentially what you are saying.

Hon WENDY DUNCAN: You may well have to ask the Department of State Development about their budget and how they manage it.

Hon KEN TRAVERS: I will do that, but I am trying to work out how you are managing your payments to them in the first instance.

Mr Kerr: I want to clarify —

Hon KEN TRAVERS: And what reconciliation you have as an agency to make sure it is being spent, which is the other part of it.

Mr Kerr: In 2011–12, we are saying that DSD, if I can use that acronym, Department of State Development will disburse $48.9 million in 2011–12 but $74 million in chapter 7 will be spent. So, there will be that catch-up on getting ahead of cash and clearing that balance for that very reason—that we do want to align where possible when this expenditure is occurring. Then similar in 2012–

13 there is only about $7 million or $8 million difference in terms of what will be disbursed by DSD and what will be spent in 2012–13. That is effectively $8 million higher if you add those three figures up in the chapter 7 figures. I am saying wherever possible we are endeavouring to align the expenditure with when the funding drawdowns are available. But inevitably delays in getting invoices from contractors or delays in getting the works done, there will inevitably be these timing differences that occur and cash gets held over.

Hon KEN TRAVERS: When does it get expensed to the budget—when it leaves your funds or when it leaves the Department of State Development's funds?

Mr Kerr: In this instance when it leaves LandCorp's and RDL's.

Mr Rosair: I think there are two —

Hon KEN TRAVERS: If you were to transfer money over at the end of a financial year, that would reduce the amount of money in the regional development fund, but then sit as an un-expensed asset at the end of that financial year in the agency's fund and then be expensed in the following year.

Mr Rosair: Essentially, there are a couple of elements here. You talk about the RDL fund; there is another layer here. There is the special purpose R for R account. It is not RDL's account. RDL is separate from the royalties for regions fund, which is separate again from state development.

Hon KEN TRAVERS: Which ones are you talking about now?

Mr Rosair: I am saying there are three funds that we are talking about. You talked about RDL. When money is taken out of the R for R fund and put into a government agency or externally, it is essentially drawdown from the R for R special purpose fund, it is drawn out. While it remains in government as far as Treasury and expenditure is concerned, it is not drawdown.

[3.10 pm]

Hon KEN TRAVERS: It is not expensed in the budget.

Mr Rosair: No. But if it goes into a third party—Leightons, Horizon Power—then that is expended as far as government goes. There are three layers.

Hon KEN TRAVERS: At the end of the 2010–11 financial year, how close were you to your cap on the billion dollars?

Mr Rosair: Sorry, the 2010–11?

Hon KEN TRAVERS: Sorry, the 2011–12.

Mr Rosair: The 2011–12, how far we will be, I might get Alan —

Hon KEN TRAVERS: How close were you in 2011–12 to your cap?

Mr Rosair: Alan Abraham might be best placed to answer this.

Mr Abraham: In 2010–11, we were well under the cap and indications are in 2011–12 and it —

Hon KEN TRAVERS: No, there —

Mr Abraham: There is still clarity that we will still be under the cap.

Hon KEN TRAVERS: By how much?

Mr Abraham: Pretty much close to the same figure as we were in 2010–11, which was about $670 million.

Hon KEN TRAVERS: Right, and how much will you have pre-funded to other agencies in advance of their expenditure of it?

Mr Abraham: In terms of expenditure to agencies, we work on their projected cash flows. We are saying, as we said in the budget, that we are spending $1.2 billion in the current financial year. Where that actually ends up is a guess at this stage, so we would not want to pin ourselves to that.

But currently in the budget figures we have $1.2 billion. We do not pre-fund agencies to the extent we have given this emphasis of the Ord and this is a unique case in state development. We work on pretty much cash flows and we try to adjust those cash flows at the midyear review and at the budget time. If you go back to the midyear review prior to this budget, we said we would spend about $1.5 billion; at the budget time, we reduced that to $1.2 billion. We do not actually try and pre-fund too much because we know how we can handle it, but you try and get agencies to commit their expenditures. In this case, we are seeing $1.2 billion at this stage.

Hon KEN TRAVERS: Yes, because if you have pre-funded it, every agency is going to say, “Thank you very much, that’ll make our balance sheet look good.”

Mr Abraham: Can I just say we do not disburse right at the beginning of the year; we disburse as we go in the year on a quarterly basis. We review their expenditure for three quarters and we then make a decision in the final quarter, which we are in now, as to whether we will actually give them all that money or not.

The CHAIR: Mr Rosair just wanted to add something.

Mr Rosair: I think it is important—a couple of things—we definitely do not pre-fund unnecessarily; we rely on the agencies to come up with their cash flows, because once the amounts have been drawn down from the fund, they no longer incur interest to the fund. So, it is important for royalties for regions to maintain the dollars as long as possible to maintain that interest-bearing capacity within the royalties for regions fund. When they go to an agency, that is lost. I think it is also important to say that there is an expenditure versus budget. I have a graph which says in the early days the royalties for regions budget was $334 million and the expenditure was $197 million. Then it was $644 million and $257 million. Then $897 million was the budget for 2010–11 and we expended $524 million. This year it is $1.493 billion and we are hoping to spend $1.2 billion. So by that graph, it means that we are actually now becoming far better in expenditure versus budget and we have cashflowed in the out years based on the performance of agencies to deliver what they said they are going to deliver on. I think in the past it has been in the order of 72 per cent. People in Treasury have the same issue. They suggest they are going to spend 100 per cent and their track record has been about a 72 per cent delivery, so in the out years we have cashflowed against their actual expenditure and we think we are now getting very close to having actual expenditure versus their budget. As I say, this year, $1.483 billion and the current estimate was $1.2 billion at this point in time.

Hon KEN TRAVERS: That still finally does not explain for me the figure of $156 million for the 2013–14 financial year in the section under “Major Spending Changes” for state development for the Ord–East Kimberley project.

Mr Rosair: I do not know if we are in a position to answer that today.

Hon KEN TRAVERS: Can I ask that it be taken on notice that we get a reconciliation of when money has actually been spent? I ask you to do it rather than state development because I assume you get some sort of reconciliation from them. When you have actually funded them and when the expenditure has occurred, and if you can give us an explanation of that $156 million. I am also interested if you could provide us with basically a breakdown of, within this chapter 7, all of the programs listed in there whether or not the money that is listed there will actually be spent in the year in which it is listed or whether it is spent in a subsequent year, so whether it is drawn down in the same year in which it is actually expended. Because you would be reconciling it, so I would have thought you would be able to tell us that.

Hon WENDY DUNCAN: You probably need to wait until the audited figures are in. In September, is it, that those figures will be available?

Hon KEN TRAVERS: If you are paying it before the end of this financial year, which is at the end of this week, I would have thought if you are going to pay it across, you would know whether it has been expended or not because you will have —

Mr Rosair: It has been drawn down.

Hon KEN TRAVERS: Drawn down, whether you would want to see that the —

Mr Rosair: We do quarterly reporting in royalties for regions. At the end of the financial year, the agencies have three months to report against their drawdown expenditure and acquittals, and also then they are audited from that period.

Hon KEN TRAVERS: So up until this quarter, you should be able to tell us whether or not the money was expended this year, if it has been drawn down this year, and for this last quarter you should be able to certainly tell us whether or not the agency is telling you that they intend to spend the money —

Mr Rosair: If they already told us they are intending to spend it, the question is once the end of the year happens, then we find out —

Hon KEN TRAVERS: Whether they did.

Mr Rosair: We know what they have drawn down, we found out how much they have expended and how much they have acquitted, and that those figures have been audited. I might ask Colin for the timing of that information. What will be available at the end of the year—that will be the drawdowns?

Mr Slattery: What we have got published in the budget there is the estimated actual, which is what Hon Ken Travers was referring to. Approximately two months after the end of the financial year agencies are due to report back to us with audited numbers, so saying what they actually spent and that is where we actually produce our progress report for royalties for regions, which publishes all that information towards the end of the year. So, what is in the published budget there is the best estimate of agencies and what they are actually going to spend, and we are cashflowing accordingly to that. I might ask Mr Abraham if there is anything he can add to that.

Mr Abraham: All I think I need to say here is that, perhaps, I think we are limited by government in what information we can give you based on the actuals to the end of the year because the government makes the announcement in the end-of-year financial projections. So, for this number, we would have to seek approval from government to release that information because the end-of-year actuals get produced by government. Sometimes it is a little bit before the mid-term review, and I think we should take that. You said we could but —

Mr Rosair: I think we are also intending this year maybe to produce a progress report around about September, which is on the royalties for regions expenditure and drawdowns, whether they will be audited figures or not will be another matter.

[*Supplementary Information No A2.*]

Mr Slattery: If I can just correct you, we are planning for October.

Hon WENDY DUNCAN: Can Hon Ken Travers be specific about what programs he wants the report related to?

Hon KEN TRAVERS: I am looking for a reconciliation between chapter 7 and the line items in individual agencies' budgets, effectively. That is what I am looking for because we have just talked—I do not want to go through any others here today—about the Ord–East Kimberley expansion and I think it is clear that what appears in chapter 7 does not reconcile automatically with what is appearing in the Department of State Development budget. So, what I would like is a reconciliation between those two. I would have thought as an agency, you would be able to do that to tell us, "Yes, what's appearing in the Department of State Development's budget reconciles with what's in chapter 7", or, "No, there's a variation for this reason".

Hon WENDY DUNCAN: Mr Abraham would probably like to make one more comment there.

Mr Abraham: We do the reconciliation and all government agencies provide, through the Treasury information management system, all their expenditure following from the royalties for regions program. Unfortunately, to do a reconciliation—they do provide that through quarterly reporting to us; however, for anyone to actually go and find out from each appropriate agency is very difficult, other than State Development, because they are listed there, because of the capital nature of that stuff.

[3.20 pm]

The issue for agencies is that most of the RFR money that is given to them goes into their standard chartered accounts as part of their overall budget in terms of delivery. Actually finding out and reconciling it to an agency is very difficult. We do it through our quarterly reporting. We look at the reports that they provide on the money we give them and we use that information in the progress report so there is a reconciliation between what we have disbursed to an agency and what they have spent.

Hon KEN TRAVERS: It might have been confusing. I guess there are two issues: at the very end of the financial year where you do your reconciliation but also reconciling what is in the budget, if that makes sense, so the estimated actuals appear in the budget. It is also looking at the reconciliation of what the estimates were within the budget because the two do not necessarily seem to directly link as to what you are expecting to be drawn down and what is shown in the budget papers, not necessarily even waiting until you get to the conclusion of the end of year financial reporting.

Mr Abraham: That is true. Our reconciliation is done and it is pretty much shown in the agency's financial statements in terms of what they are holding at cash in bank and what they have spent. That reconciliation is done by RDOs. It is audited. I would say it would be very difficult to tie that information at a budget paper level where we could see that. Most of their expenditure on RFR is geared through their normal operations. The only place where they have cash at hand in their budget papers will be in the restrictive cash in their balance sheet, which shows you the money that they have. That gives you an indication that an agency has not spent all its money allocated to them.

Hon KEN TRAVERS: Is royalties for regions listed as restrictive cash if they are holding it?

Mr Abraham: They are supposed to. That is my understanding. They are supposed to hold all that as restrictive cash.

Mr Kerr: I know we probably touched on a poor example but the Ord–East Kimberley is the only program I am aware of in RFR where it goes to a primary or a lead agency and then other government agencies as well. That is why it is causing the mismatch. In terms of the programs that come through RDL, I do a reconciliation with our Treasury analyst who looks after the RFR program and we square away the figures to make sure that what I am reporting does tie up to that.

Hon KEN TRAVERS: So that agencies are only getting the money if that is the year in which they intend to spend it.

Mr Kerr: It is just that anomaly of where it goes to DSD and then further gets disbursed to other government agencies. You have that secondary expense limit issue, if you like. When it is one to one, the expense limit for that agency is one to one with chapter 7.

Hon KEN TRAVERS: Maybe you can just give us the reconciliation for the Ord and all the various figures that are floating around there.

Hon PHILIP GARDINER: In relation to what you just said, it is more the treatment that I want to get to. It can go to different agencies. I refer to the treatment of unspent funds in a local government fund where that money is unspent. That has the same treatment, does it not? Does that not go into a special purpose account as well or is it an account where the unspent money, because it is unspent, is treated differently in the budget context for the state than where it is spent? It goes to offset borrowings, does it not?

Hon WENDY DUNCAN: Are you talking about the country local government fund?

Hon PHILIP GARDINER: Yes.

Hon WENDY DUNCAN: The country local government fund has been designed to meet the infrastructure backlog in local governments. One of the issues that we have come across with funding local governments is that many of them did not have the capital works plan and the strategic planning in place to be able to expend that funding in a timely manner as it came through, so the local governments are actually still reporting on the previous year's expenditure but the funding has been rolled forward to wait until they have done their expenditure and their acquittals so they are able to receive next year's allocation. As we are moving forward, it is the same as we have seen with the graph that Mr Rosair was talking about with the allocation of funding and the actual expenditure. As royalties for regions becomes more mature and also as the recipients of the funding become more ready to receive the funding, having done their planning and so on, the amount of funding will match the allocation. In relation to your particular question about the country local government fund, Mr Rosair might add more.

Mr Rosair: I think you are right. We have now better cash flow in the out years but the question you are asking is where that money is quarantined and how is it handled, given that country local governments are not state government agencies. I will ask my chief financial officer to address that question.

Mr Kerr: I will probably have to pass the governance issues to Mr Slattery but, effectively, in terms of chapter 7, the expense limit for how local governments spend their money is not reflected. It is only capturing at the point when state government expenditures level. That is handled through the RFR report that we do, the progress report. We capture those parties outside of government and the expenditure across that. There is stringent governance around acquitting RFR funding, and Mr Slattery will touch on that. Often we may put prescriptions on how local governments are to hold funds if it is of a significant amount. Recently with the SuperTowns funds that we have given out to the local shires, we asked them to hold that money in a Treasury Corp bank account so we can have some sort of control or monitoring over those funds and when they are required. I will pass to Mr Slattery.

Mr Slattery: Back to answering your question, the funds are held within the royalties for regions fund. If we do not disburse them to a country local government, we retain the funds and it sits inside our special purpose account. In some cases it has been carried forward into the future years so the budget reflects an amount of money that was also carried over. It is important to look back at this during the parliamentary debate when the bill was being debated; Hon Ken Travers, you were there. It is very clear that public funds should only be expended when there is a decent plan in place. It is really good to reflect that there are now 110 forward capital works plans by 110 local governments. That has merged down to 109 with Greenough and Geraldton merging. We have good plans in place. The department enters into a financial assistance agreement with each of those local governments. That determines what the money is to be spent on, how it will be spent and when it will be disbursed. We provide the funding once they have signed up those agreements and then they are required to acquit those funds. Nearly all of the 2008–09 projects have been fully acquitted and we are just down to the last few bits and pieces to tidy up the 2008–09 funds. We have lots of financial assistance agreements in place for individual local governments and for regional groupings. It has quite good governance around it. The expenditure that Hon Wendy Duncan talked about has been a little difficult for many local governments because it has taken time to get contractors in place and then to develop their plans but it is progressing quite well.

Hon PHILIP GARDINER: That is helpful. The other part, which Mr Kerr mentioned, is about the SuperTowns. When that money is unspent and it is material, like it probably is with the SuperTowns, those funds are held in a special purpose account with Treasury, not an account with local government. Am I correct on that?

Mr Kerr: No. It is their account but we prescribe it to be in Treasury Corp. We would be signatories to it and likewise, the local government would be signatories to it as well. "Special purpose account" is often a state term; Treasury does not own that account. Treasury Corp is sort of a banking institution.

Hon PHILIP GARDINER: It is the banker for the local governments in those situations. Those funds then would not be used to offset the borrowings in an aggregate basis of the state.

Mr Kerr: That is correct.

Hon WENDY DUNCAN: A lot of these issues related to the country local government fund were the reason why the minister asked the chairman of the trust, Mr Andrew Murray, to conduct a review of the country local government fund. I do not know whether members of your committee have seen that review but it was comprehensive and very helpful to government and the Department of Regional Development and Lands about where we should go in the future with the country local government fund, how to build capacity with local governments, how to allocate funding to ensure that those who have the capacity to spend have less constraints on them, whereas those who perhaps need more assistance go through a more rigorous process. It might be worthwhile if Paul gives you a bit more information on that.

[3.30 pm]

Mr Rosair: Certainly, that was the case. Originally, the country local government fund was one of the early programs of the royalties for regions program, and it was there to address a backlog that was identified by WALGA's sustainability strategy, which suggested that there was a fairly significant infrastructure backlog across Western Australia. We went into that on the proviso or understanding that local governments did have strategic plans and forward capital works plans in place. After the first 12 months of running the program and, again, feedback from Hon Ken Travers in Parliament suggesting that this allocation of money should be far more strategic, there was a temporary hold on the program —

Hon KEN TRAVERS: I did not realise I was so powerful!

Mr Rosair: — whilst we waited for local governments to get their forward capital works plans and strategic plans in place. That has now matured somewhat and, as Colin mentioned, the program and the expenditure are being aligned to those forward capital works plans. With the review the trust did, I think we are now going a step ahead of that. The review is still subject to a government response, but the review from the trust has said, "Let's have a look at a far more strategic way of allocating the local government fund." Basically, it is going to be allocated more and more to those local governments that have prospectivity of growth and also capability, capacity and governance. So, there will be, over time, more opportunity for those larger local governments and regional local governments to access that funding.

Just like the SuperTowns program, the entire country local government program will fall underneath the state planning strategy and Western Australian Planning Commission. The beauty of the local government fund and the SuperTowns is that they are going to fall under the Western Australian Planning Commission's strategic plan. With the SuperTowns, there is an $80 million investment to SuperTowns, but the greatest leverage that will happen with both the country local government fund and the SuperTowns program is to get the Western Australian Planning Commission to adopt those growth plans for regional WA, and that will mean that those major infrastructure agencies, such as the Water Corporation, Western Power, Horizon Power and others, will align their regional delivery accordingly. That is when we are going to get the big-ticket allocation of money. With the country local government fund, there is a proposal that that will be overseen by the Western Australian Planning Commission, the Department of Planning and the Department of Local Government and the Regional Development Council to get that alignment so that the investment in any country local government through that fund will be aligned through those three layers. At the same time, Jennifer Mathews, the DG of the Department of Local Government, is rolling out regional local government strategic plans. So for the first time ever that I have been in government, the Western Australian Planning Commission's strategic plan, the regional investment blueprints through the Regional Development Council and the commissions, and the country local governments through their strategic plans are going to be completely aligned, and the investment from the country local government fund and the SuperTowns will be through that alignment. The first time when Water Corporation, Western Power and Horizon Power put forward their infrastructure capital works plans, they will be questioned as to how they are going to complement that regional investment.

Hon LJILJANNA RAVLICH: Just on this fund, you would be aware, director general, that in November 2010 the Auditor General actually brought down some findings in relation to the country local government fund, and at that time he found that only 10 of the 110 local governments had provided final acquittal reports for their 2008–09 funding—that was as at September 2010—and $86 million of the $97.5 million allocated was still to be acquitted at that time. I think I have just heard that, in fact, the 2008–09 funding has just recently been acquitted. Am I correct?

Mr Rosair: With the exception of, I think, three local governments; we still have not received final accounts from them.

Hon LJILJANNA RAVLICH: So you still have three local governments that have not acquitted 2008–09 funding. I think you mentioned one of them being Geraldton–Greenough.

Hon WENDY DUNCAN: No. Geraldton–Greenough was mentioned in that amalgamation is taking place and therefore reducing the number of local governments from 110 to 109. But there are now just three local governments that have yet to complete their 2008–09 acquittals.

Hon LJILJANNA RAVLICH: And who are they?

Hon WENDY DUNCAN: That is the Shires of Ngaanyatjarraku, Laverton and Esperance. Each of those shires are in communication with the department about their projects. Laverton had a proposal for an Indigenous hostel on the outskirts of the town and there have subsequently been discovered some land issues that they were having difficulty resolving. The local governments that are left have quite acceptable or understandable—exceptional, as the director general is suggesting—reasons as to why they have not been able to acquit.

Hon LJILJANNA RAVLICH: That was 2008–09. That is a long time ago, because we are in 2012–13 actually. What I really want to find out is: given that we have still got three outstanding from the 2008–09 financial year, could you advise the committee how many acquittals are still outstanding for 2009–10; in fact, could you just list the names of them, not necessarily the excuse?

Hon WENDY DUNCAN: You understand that the country local government fund was set up. It is not 2009-10, because 2009–10 was the year that they each got $35 000 for planning, so that basically gave local governments the opportunity to do the planning that was needed and to, I guess, catch up and get used to the idea that at last they were going to get some much-needed funding from government for their infrastructure. The other part of the agreement under the country local government fund is that they do not get their subsequent years' funds until they have acquitted the previous year's.

Hon LJILJANNA RAVLICH: I am just asking for the outstanding acquittals for the financial year 2009–10 and which local government authorities they are.

Hon WENDY DUNCAN: Fine; okay. That information is available and I will ask the director general —

Hon LIZ BEHJAT: Did you not say that in 2009-10 all they got was the $35 000 for the planning?

Mr Rosair: Yes. There are still 40 shires to acquit the 2009–10 funds.

Hon LJILJANNA RAVLICH: Can you read them out, please?

Mr Rosair: No; I do not have that list of shires here, unfortunately.

Hon LJILJANNA RAVLICH: We will take it on notice. I think it is a pretty significant issue.

[*Supplementary Information No A3.*]

Hon LJILJANNA RAVLICH: So there are 40 that have not acquitted —

Mr Rosair: That was the $35 000 planning money.

Hon LJILJANNA RAVLICH: Yes; okay. But still there is a requirement for a final acquittal report, because that was a key weakness identified by the Auditor General. What I am asking for, and you have just mentioned that there are 45 of them that have not acquitted for 2009-10 —

Hon WENDY DUNCAN: Forty.

Hon LJILJANNA RAVLICH: Sorry; 40.

Hon KEN TRAVERS: When you say they have not acquitted it, have you received the plans from them, though?

Mr Rosair: Acquittal means that they have actually done the receipts and checking and acquittal.

Hon KEN TRAVERS: That is what I mean.

Mr Rosair: How many plans have we got?

Hon KEN TRAVERS: There is one thing about doing the financial acquittal, but have you actually received the plans from those 40 councils?

Hon WENDY DUNCAN: While our officers are looking for those figures, as we mentioned earlier, this is why we undertook the review of the country local government fund. It was in response to the report of the Auditor General and in response to, as was mentioned here before, matters raised by this committee. We have been working very closely with local governments, as has WALGA, which has given us a great deal of assistance in working with local governments that are having difficulty undertaking the formal processes required under the country local government fund.

[3.40 pm]

Mr Rosair: When we did some initial feedback on the guidelines that were reviewed after the 2008–09 and 2009–10, one piece of feedback we got was that the ability for local governments to draw down, scope projects, develop projects, undertake projects, acquit the money and then disburse the money in 12 months was too short. Part of the guidelines is that in, I think, 2010–11, local governments were extended and given two years. We gave them two years to completely conduct the project, draw down the project and expend and acquit it before they got the following year. Local governments who were provided funds in 2010–11, before they can access their 2012–13 funds, would have had to have done that. I can give you some figures on 2010–11. For 2010–11, $61 million was allocated to individual local governments, of which $51 million was disbursed to 94 local governments. For 2011–12, $54 million was allocated; of this, 54 local governments have signed financial assistance agreements and $26 million has been disbursed. Currently only three local governments have acquitted 2010–11 funds, and they have —

Hon LJILJANNA RAVLICH: So 106 local governments have not acquitted?

Mr Rosair: In 2010–11 funds, yes, and they have two years to do that.

Hon KEN TRAVERS: That means they cannot get 2012–13.

Mr Rosair: No, they cannot, but only those three are eligible for the 2012–13 funds at the moment.

Hon WENDY DUNCAN: But they are still within their agreement.

Mr Rosair: They can access the 2012–13 funds as long as they acquit, and we are hoping they will acquit within the next few months, so they have the whole of 2012–13 to access their money. The City of Busselton and the Shires of Jerramungup and Narrogin are the three local governments who have acquitted their 2010–11 funds.

Hon KEN TRAVERS: Will they get all the funds if no-one else acquits?

Mr Rosair: It is an interesting point you make, Hon Ken Travers. The thing is that we are definitely, in the review, as I mentioned earlier, as part of assessing local governments on their capability, capacity and governance and their prospectivity, taking into account some of the performance that these local governments have delivered as a demonstration of their capability and capacity, with the intent that those ones who have prospects for growth and who have capability and have demonstrated it through the fund may be able to access a far bigger portion of the fund if those recommendations are adopted by government.

Hon WENDY DUNCAN: I think we need to add, though, that it is not only an issue of capacity and capability; there is also an issue of access. In this time of a really tight labour market and big projects in the Pilbara and other places, some local governments have had difficulty sourcing the contractors, resources, materials and skilled staff they require to actually implement their projects. Even when they are doing the business planning and the advanced detailed planning for their projects, they have been constrained by a lack of available appropriate resources.

Hon LJILJANNA RAVLICH: Parliamentary secretary, can I just say to you that the Auditor General said that what should be done is that the department should conduct risk-based reviews to ensure that local governments are meeting the country local government funding requirements. Could you advise the committee whether the agency has, in fact done that, and —

Hon WENDY DUNCAN: When we asked each of the local governments to prepare a capital works plan in the 2009–10 period, we also asked them to undertake a risk analysis because we believed it was very important for them to actually take time to look at the risks of committing to projects and perhaps not getting funding from other sources —

Hon LJILJANNA RAVLICH: But the Auditor General recommended that the agency undertake the risk analysis, not local governments undertaking risk analyses for themselves, by themselves, on themselves.

Hon WENDY DUNCAN: I am addressing this part of the question just to say that risk analysis is something that was in the forefront of our minds. We were asking local governments to undertake that. You may recall there were some instances in 2008–09 where local governments assumed they were going to get funding in 2009–10 and then, with the GFC, they did not, and some of them had actually committed to expenditure when they did not have a financial assistance agreement. So, given those sorts of things, we actually asked them to undertake a risk analysis on that front. I will now ask the director general to —

Hon LJILJANNA RAVLICH: Yes, I am asking you whether the department undertook, as per the Auditor General's recommendation, the conducting of risk-based reviews to ensure local governments were meeting the country local government funding requirements.

Mr Rosair: I just want to be clear about that review, because this program has been subject to three parliamentary inquiries, three Auditor General's reviews and a number of other independent audits. What was the date of that review?

Hon LJILJANNA RAVLICH: This was the second public sector performance report 2010.

Mr Rosair: Okay. I also think, in reflecting on the Auditor General, he went on in that review to add that the department had undertaken the majority of those recommendations and had already put those recommendations and resolved those recommendations, so the one you are talking about specifically was really caught up in the forward capital works plans and working with the Department of Local Government to develop strategic plans. We also funded local government to ensure that they built the capacity of local governments to ensure that their risks were mitigated. Having said all that, I think we have put a number of different measures in place, but I will ask my director of regional investment to add whether, specifically, we undertook individual risk analyses. I know the review that has been done recently by the trust does suggest a very similar exercise on all those 110 local governments as part of assessing their capacity, capability and governance.

Mr Slattery: Just to add to that, with this whole program we have an internal audit team ourselves, so we actually have a risk audit program in place. The country local government fund, as highlighted by the Auditor General, had noted that the department had made progress in a whole range of areas. One of those was to run an audit program, so we are following up with a continual audit program. It is a spot audit program on country local governments about acquittal and adherence to the process, as we do for every other agency or group that gets funding out of royalties for regions. We have undertaken a range of audits and we will be continuing to do so as per the recommendations of the Auditor General.

Hon LJILJANNA RAVLICH: Can you please provide to the committee a schedule of all the audits you have undertaken for the 2009–10, 2010–11 and 2011–12 financial years, and also the outcomes of those audits?

[*Supplementary Information No A4.*]

Mr Rosair: I would like to add that, as part of the local government fund, what I believe has occurred in rolling out the royalties for regions local government fund, as a result of our scrutiny of local governments and their ability to acquit, extend and account for their funding, is that the program has actually built additional capacity for governance and capability in local governments. What we found out when the Auditor General did one of his audits was that the country local governments, some of whom had applied the local government accounting manual as a guide for expending our funds, did not know how to interpret that manual, use that manual and apply that manual; and some of them did not even know it existed. We have now added additional scrutiny and capability, and with funding through the Department of Local Government with Jennifer Matthews, they have added to that by building additional capacity within local governments as a result. So this program has actually built additional capacity in local government by the sheer nature of our auditing and monitoring programs as a result of what we have put on those local governments.

[3.50 pm]

Hon WENDY DUNCAN: I think too, Chair, the fact that the review by Andrew Murray and the trust was undertaken at the request of the minister is actually part of your risk analysis and risk mitigation. The review has looked at the program—where it is working; where it is not working; where the risks are. That is actually our risk analysis.

Hon LJILJANNA RAVLICH: I do not think the Auditor General will see it as such. Certainly I would not accept it as being so, but anyway.

The CHAIR: I am mindful that we are due to go through to 5.00 so I am just wondering if people would like a five-minute break.

Hon KEN TRAVERS: Can I just ask one last question?

The CHAIR: One last question, then we will take a break for five minutes.

Hon KEN TRAVERS: One of the issues—you talked about it earlier—was the backlog in infrastructure for local governments. It was estimated at the time of the commencement of royalties for regions at being $1.5 billion. Can you tell us what it is currently?

Mr Rosair: I do not have the figures with me, but the review undertaken by the trust actually delved into that in some detail and did an assessment based on the forward capital works plans against the original sustainability strategy of WALGA. Largely when WALGA identified this original $1.5 billion backlog or whatever it was, it was not based on a lot of subjective material; it was based on more objective material that was conducted by WALGA. I think, again, one of the benefits of doing the country local government fund and one of the benefits of asking the local governments to provide their forward capital works plans has identified the true backlog. I think that information has been recorded in the trust's review, so I do not know whether Colin has that information available.

Hon WENDY DUNCAN: My reading of the review was that, in fact, that backlog was considerably underestimated. As the director general has indicated, the forward capital works plans of local governments have given a truer picture. The information gathered in the SSS report was not rigorously obtained. It did give an indication of backlog, but was a considerable underestimation.

Hon KEN TRAVERS: Is it going up or going down is what I am trying to work out?

Mr Rosair: I think the backlog is still very significant. It was very much underestimated by the WALGA review. I think what the trust identified in going through the forward capital works plans was the true nature of the backlog of regional WA.

Hon KEN TRAVERS: How are we bringing that down, though?

Hon WENDY DUNCAN: I think the backlog is going down. You need only drive through regional Western Australia and you can see the revitalisation of regional towns. Probably a classic example is the little town of Norseman where the country local government fund in that area was used to refurbish the kitchens and ablutions of the sporting club, the swimming pool and the town hall and to refurbish the footpaths and replace the verandas on the main street and fix the drainage. There has been some talk about new Taj Mahals or white elephants, but these sorts of things were not that. They have greatly improved the amenity of the town. They have extended the life of the assets of that town and I think they are a classic example of country local government fund money well spent. Another example is Cue, where they actually redid the footpaths in the main street and put the power underground. I remember hearing a comment from someone there that that was a pretty extravagant thing to do, but we need to remember that Cue is on the main highway heading north to Newman and every time we have to lift a line to put high wired loads through it costs $7 000 or $8 000.

Hon KEN TRAVERS: You will not get any argument about underground power on Great Northern Highway from me.

Hon WENDY DUNCAN: Yes. It beautified the town and it had great flow-on economic benefit. There are plenty of examples throughout regional Western Australia. The other really good example in the north of the state is where local governments are constructing employee housing and even housing for other government agencies. It gives them the opportunity to meet a need in their community.

Hon KEN TRAVERS: I am not arguing that it is not doing good things. One of the problems of doing good thing is that often local governments have to come up with matching funding. It is whether they are getting the things that also need to be done. I understand they cannot use it on roads. I would have thought one of the big areas where local government have a massive backlog is for roads. If you spend it all on doing those projects you have talked about and local governments are spending their own source revenue on those projects, are they then unable to meet the basic maintenance on their road programs? That is what I am trying to get to. Is the backlog going up or is it bringing it down?

Hon WENDY DUNCAN: There are a couple aspects to your question; one is that the requirement for local governments to provide matching funds is not stringent.

Hon KEN TRAVERS: I did not say matching. It was matching of some form. They have to put some contribution into it, even if it is only officer time.

Hon WENDY DUNCAN: I will defer to my officers on that in a minute. Let me just talk about roads. In fact, we had this discussion just last week when we had the federal shadow parliamentary secretary for roads and infrastructure here in Western Australia commenting on how the roads to recovery program has been a fantastic program but actually not being increased—it is a federal program—in the way that it is needed. One of the issues that we need to think about is that royalties for regions is a program that talks about making our regional towns and communities places where people want to live, work and invest. The really important thing, and the area of greatest neglect in regional Western Australia, was on community amenity, public infrastructure and on health and education and wellbeing. Roads are important but roads are not what keep people in regional communities. In fact, roads are what people drive on to leave regional communities.

Hon LJILJANNA RAVLICH: Yes, but they also get there.

Hon KEN TRAVERS: Also keep them alive.

Hon WENDY DUNCAN: Roads are the responsibility of the federal government and the Department of Transport. The other thing is roads are incredibly expensive. If you were going to spend royalties for regions funding on roads there would be little left for other really important issues that make the difference in our regional towns and cities.

Hon KEN TRAVERS: Parliamentary secretary, that is fine, but at the end of the day local government expenditure in regional Western Australia is significantly often on roads. I am trying to work out whether, as an organisation, you are monitoring whether the funding through the country local government is actually reducing the backlog, maintaining it or increasing it. That is what I am asking and I am not getting an answer to that so, I am suspecting you are not doing it. You cannot give us empirical evidence whether it is going up or down or staying the same.

Mr Rosair: I think if you base it on the original estimate of $1.5 billion, it is probably more because we think that figure was wrong and did not really demonstrate the true backlog. After having the capital works plans put in place, we are in a far better place to look at the backlog when those capital works plans came into place. I suggest that we are dropping the backlog because a lot of those projects on their forward capital works plan are now being funded through royalties for regions.

Hon KEN TRAVERS: Is there forward capital works plan tied to a complete asset management plan, including their roads for the whole organisation?

Mr Rosair: As far as we are concerned that is where the Department of Local Government is tying it in with their asset management plans and their strategic plans as part of a requirement to put them in place for the commencement of 2013–14. They are all required to do those asset management plans as part of the Department of Local Government strategic plans. It is coming together. I suggest the backlog is being met because we have invested some $200 million or $300 million of country local government money directly to local governments and that is coming off a forward capital works program. I can be assured that $200 million to $300 million is directly addressing the backlog and, consequently, reducing it. There is an element of maintenance budget, which is another story. We continue to refine the program. Initially, money was not allowed to be spent on land purchased for a development for local government. But as long as now local governments do not keep that land and land bank it and use it for an actual development or an infrastructure, they can actually use country local government funds on the purchase of land now under the new guidelines. So we do not know whether roads are in or out.

[4.00 pm]

Hon PHILIP GARDINER: Roads are in.

Hon WENDY DUNCAN: Roads are in, and in fact the Shire of Meekatharra is suspending its entire country local government fund on the road to Carnarvon. So it is part of the local decision-making local priorities. The Shire of Meekatharra has decided to expend their entire country local government fund on roads.

Hon KEN TRAVERS: And that will not have an impact on their local government grants?

Hon WENDY DUNCAN: It may well do.

Mr Rosair: And that is probably why some of them do not allocate the funds to their roads maintenance.

Hon LJILJANNA RAVLICH: Madam Chair, just to finish off my line of questioning —

The CHAIR: Hang on a second. Also, the people over on this side have indicated they have questions, so —

Hon LJILJANNA RAVLICH: Just on this. It will only take a minute.

Hon LIZ BEHJAT: I thought we were having a break.

Hon LJILJANNA RAVLICH: I really just need a breakdown of the allocations.

The CHAIR: Hon Ljiljanna Ravlich, this is going to be on notice, I believe.

Hon LJILJANNA RAVLICH: Yes. On notice, in relation to each local government area, if we could have a breakdown of the allocation of funding, and for what project it was allocated, for the following financial years: 2009–10 and 2010–11.

Hon WENDY DUNCAN: That information is available through the progress reports that have been delivered each year by the Department of Regional Development and Lands. It has got the country local government fund projects in them, and the expenditure.

Hon LJILJANNA RAVLICH: The actual project? I want a breakdown of what was purchased with money, itemised.

Mr Rosair: Essentially, the progress report has identified each of the projects and what expenditure it is.

Hon WENDY DUNCAN: I do not know whether it goes down to the last steel star picket or that sort of thing.

Hon LJILJANNA RAVLICH: That is why I want.

Mr Rosair: At a project level—here you go; look—someone has handed me this. In the back of here, maybe during the break you can scrutinise that, and if there is additional information, we can possibly provide it.

Hon LJILJANNA RAVLICH: Thank you.

The CHAIR: That is an excellent cue. Let us take a break until 4.10 pm, and then we will recommence, just to give people a chance to grab a cup of tea and stretch their legs.

Proceedings suspended from 4.02 to 4.10 pm

The CHAIR: We might recommence. I am going to ask Hon Robin Chapple if he has questions.. He has been waiting very patiently.

Hon LIZ BEHJAT: Committee members take precedence was my understanding

The CHAIR: You have had a couple of questions, member. You can have one now if you want.

Hon LIZ BEHJAT: I have not asked one question.

The CHAIR: Not one? I am sorry; I thought you had. I apologise.

Hon LIZ BEHJAT: I am happy for Hon Robin Chapple, but —

Hon ROBIN CHAPPLE: No, I will defer to Hon Liz Behjat.

The CHAIR: You certainly will!

Hon LIZ BEHJAT: Parliamentary secretary, I want to go to page 209, "Details of Controlled Grants and Subsidies", in budget paper No 2. Also, I will be referring on page 207, under "Financial Statements", to the income statement. What I am seeing under "Details of Controlled Grants and Subsidies" under the Country Age Pension Fuel Card is —

Hon ROBIN CHAPPLE: You stole my question.

Hon LIZ BEHJAT: I stole your question. Well, there you go—save you the breath.

Hon KEN TRAVERS: Do I get the next question if I can answer your question?

Hon LIZ BEHJAT: What I am seeing there is that after 2011–12 we have got the $13.024 million, and then in the out years from 2012–13 to 2015–16 that is cutting out. But what I see then under the income statement on page 207 is the transfer of the Country Age Pension Fuel Card to the Department of Transport, $26 million. Can you just clarify for me: is that a cessation of the project under royalties for regions and Transport is taking it on, because my understanding is that that is a very successful program —

Hon WENDY DUNCAN: Yes,

Hon LIZ BEHJAT: — and I would hope to see that it is going to continue.

Hon WENDY DUNCAN: It certainly is going to continue. In fact, the Country Age Pension Fuel Card has been probably one of the most successful parts of the royalties for regions program. It provides $500 originally for aged pensioners in the country to either purchase fuel or taxi fares, and it is a recognition of the fact that they do not get subsidised public transport like their city counterparts. Subsequently, the Country Age Pension Fuel Card was expanded out to carers and people with disabilities and widows, and there were also some extra postcodes brought into it to take into account lack of public transport. In fact, it was just a few weeks ago that the 45 000th card was issued to a pensioner in Geraldton. As at the week ending Friday, 13 April 2012, there were 45 181 fuel cards in circulation, with nearly $18 million expended on fuel, and $1.2 million on taxi services.

Hon KEN TRAVERS: Was that figure of $18 million year to date or for the whole year?

Hon LIZ BEHJAT: It was to 13 April, was it not?

Hon KEN TRAVERS: So as at 13 April, for the year?

Hon WENDY DUNCAN: Yes. But you are correct. The program is actually so successful that in fact it is going into the main government operations of the Department of Transport, and the funding will actually be managed by the Department of Transport, but it still is royalties for regions funding.

Mr Rosair: Yes, but rather than the department running it, which ran the financial side previously—it is a bit like DSD and a couple of other agencies—we now believe that Transport can run it directly.

Hon LIZ BEHJAT: And more efficiently, probably.

Mr Rosair: No, never more efficiently than us!

Hon LIZ BEHJAT: I do not mean that! Sorry! I just mean you will not have a duplication of things.

Mr Rosair: We will monitor them with a memorandum of understanding, and they will still have to report against the program and acquit against the program, but it will probably reduce one layer of overhead.

Hon LIZ BEHJAT: So will we see an increase in those moneys that are allocated in the out years—or I guess we will need to ask Transport that.

Mr Rosair: I think the figures for the out years are at page 232, chapter 7, and the Country Age Pension Fuel Card is pretty well the same.

Hon LIZ BEHJAT: So $122.9 million over the total five years?

Mr Rosair: I will pass that to my CFO, because it actually drops in 2014–15 by $1.3 million, and there might be an explanation for that.

Mr Kerr: Yes. On face value, it looks like it is going down, but in effect what has happened is that we have now had a GST ruling in our favour where we are able to claim the GST credits on the program, and that has reduced the cost of the program itself but not the ability to access $500 for each cardholder.

Hon WENDY DUNCAN: The other ruling in our favour, which we are very pleased about, is that we have had the federal minister for social security give it a permanent exemption. In the beginning, we got sort of a temporary exemption for the $500 to not be counted as income for pensioners and therefore affect the amount of pension they could receive. As that arrangement was coming to an end, we sought an assurance from the minister, Jenny Macklin, the federal Minister for Families, and she has now advised that there is a permanent exemption from the social security income test for the scheme. So that is really good news for the Country Age Pension Fuel Card holders.

Hon LIZ BEHJAT: That is good. At page 201 of budget paper No 2, under major spending changes, there is a reduction in grants for community resource centres. We have seen a reduction of about $6.2 million from 2012 and across the out years. I do not have a lot of knowledge about the community resource centres except for the fact that when I travel into the country, I quite often use the CRCs as a point of contact for a number of things. Will the reduction in moneys to CRCs affect the services that are currently provided by CRCs, or have they become something else?

Hon WENDY DUNCAN: No. It is not anticipated to affect them. What has happened is that the community resource centres have been provided with considerable additional capacity through the funding that has been provided over the period of the previous budgets, not only in infrastructure and videoconferencing and computer equipment and so on but also in the capacity of the people who are working there. The community resource centres now, with those additional resources and capacity, are actually using them to generate income, so they are delivering services such as Medibank, social security and driver's licence tests, and those sorts of things. The other aspect is that they are also undertaking traineeships or providing training. So the community resource centres are now in a position to actually earn income, and that should mean that they are able to continue to provide the services. The other thing is that there has been an assessment, and there are various levels of community resource centres. So those that are capable of being sustainable and generating their own income will be expected and encouraged to do so. The smaller ones that are still in need of some assistance and support will be given that. I might pass over to the director general; he could have some more detail for you.

[4.20 pm]

Mr Rosair: Thank you very much. Look, I think, also, it is prudent to point out that the community resource centres are far more than the original telecentre concept. We see them as part of regional development, we see the huge capacity out there in regional WA with 110 or so centres, and all the volunteers and paid staff that go with them. We see them as part of the whole of local government reform agenda, if you like, in the way that that is being funded by the regional development commissions. Very recently, the five CRCs involved with the SuperTowns were very involved in the development of their growth plans for each of those SuperTowns. We also see them, if you like, with that local decision-making concept of royalties for regions, as being the real local people who can give feedback on whether those decisions are in accordance with local priorities. We see a huge future for CRCs.

We did a survey recently on CRCs, in February 2012, that showed that approximately 49 000 customers used the network in February, which is an average of 517 customers per centre. So 25 per cent of all customers were seniors, with the wheatbelt, goldfields, Esperance, midwest and south west being the most popular. Eighteen per cent of customers are businesses; Indigenous customers dominate in the Kimberley and Pilbara; 29 per cent of the wheatbelt population accessed the CRCs in February 2012; 21 per cent in the Gascoyne accessed the CRCs; and 11 per cent in the great southern. We are seeing them becoming more relevant. I was only just down in Katanning the other day addressing an Indigenous forum down there, and there is an opportunity to partner with the south west Nyoongahs as part of our land settlement program, and as such they are very keen to access the CRCs to utilise them for storytelling and Indigenous messages through those centres. We see them as a fantastic conduit to the community, right down at the grassroots level. We are very proud of what has happened, and the minister is very proud of what has happened over the last four years.

Hon LIZ BEHJAT: That is great. Thank you.

The CHAIR: Hon Philip Gardiner, did you have a question?

Hon PHILIP GARDINER: No.

Hon LIZ BEHJAT: I asked your question.

Hon ROBIN CHAPPLE: I want to go back and touch on that one, if I may. Budget paper No 2, page 209, Country Age Pension Fuel Card. The first part of the question is going to be on notice, if I may: in terms of the Country Age Pensioner Fuel Card, could you provide some information as to whether remote Indigenous communities are accessing that in any way, shape or form; and, if so, how does that figure as a percentage against the whole community?

Hon WENDY DUNCAN: Which communities did the member have in mind?

Hon ROBIN CHAPPLE: All the remote Indigenous communities. I can start naming them all; there are hundreds.

Hon WENDY DUNCAN: There, yes, several hundred of them.

Hon ROBIN CHAPPLE: That is exactly right. I have been on to a number of communities recently; they still do not even know that that process exists. I really am trying to find out if it is being accessed, and by which communities and how. That would almost extend to Wiluna as well, which is most probably not what would be classified as an Indigenous community, but certainly I recently addressed some people there who were not aware that they had that access.

Hon WENDY DUNCAN: I will just pass it to the director general for his comment.

Mr Rosair: Thank you very much. That has certainly been a challenge. Every time I go to the Kimberley and the Pilbara at any forum I am at I continually remind people about access to that; even in Katanning the other day with the Aboriginal group down there, there were a few people who were not aware of it. The awareness is endeavouring to be built. We continue to face those challenges in remote communities. We use the regional development commissions to do that, but I think we can continue to improve access to those remote areas, and we are very keen to seek further ideas of how to do it. But I might, if we may, ask Brett Sabien, who is behind me, who is responsible for administering that the scheme on behalf of the department, to suggest how each remote community and other communities have been made aware of it.

Hon ROBIN CHAPPLE: Most probably I do not necessarily need that; what I would like to do is just get the data, if that is possible.

Mr Rosair: He may have that.

Hon ROBIN CHAPPLE: Okay. He will need to come forward.

The CHAIR: Mr Sabien, if could you come to the mic, that would be great; thanks.

Mr Sabien: I do not have the specific data you are referring to, but we can endeavour to, through the Department of Transport, try to extract figures for as many of the communities you are referring to as possible. But to answer your question about the marketing of the campaign, we have undertaken a dedicated campaign with a number of the development commissions, particularly in the north because our data shows us that that is where the program does not have the capacity to get into those communities as easily. So, dedicated promotional material was developed for commissions to take into those remote communities, and we can provide a copy of the small A4 poster that was developed for that purpose. So, we are recognising that it is a particularly difficult problem, and we are working with the development commissions and with other government agencies that work with Aboriginal people across the state to try to get the program more widely understood.

Mr Rosair: Look, adding to that, one of the difficulties we had early on in the development of the fuel card was some of the difficulties with accessing personal information from Centrelink so that we would know who those potential recipients are and having their personal addresses so that we could contact them directly. I do not know whether we have overcome that and whether we are in a position to maybe go back and revisit whether or not we could be more proactive and try to get the addresses out; often those remote communities do not even have a postal service, which is another problem. But it is something we are well aware of and we will turn our minds to.

Hon ROBIN CHAPPLE: Thank you.

[*Supplementary Information No A5.*]

Hon KEN TRAVERS: Are you able to give us, by region, how many people actually got the fuel card and the estimated number of people who would be eligible for that fuel card for each region?

Mr Sabien: Yes, we are able to provide that information. I do not have it with me, but we certainly could.

Hon KEN TRAVERS: It is partly what you are after.

Hon ROBIN CHAPPLE: Thank you, Hon Ken Travers.

[*Supplementary Information No A6.*]

Hon ROBIN CHAPPLE: Just quickly on that same line item—it might have been answered before and I might have missed it—we noticed that the budget for 2011-12 was $26 million, and the actual expenditure was $13 million. Could I have an explanation of why it did not achieve its estimated expenditure?

Hon WENDY DUNCAN: I will defer to the director general.

Mr Rosair: I think I am under the understanding we transferred it to Transport halfway through the year, and that is why it is reflected by that. I will get that confirmed.

The CHAIR: Is that correct?

Mr Kerr: Yes.

Hon ROBIN CHAPPLE: I now wish to turn to budget paper No 3, page 192, "Western Australian Land Authority (LandCorp): Browse LNG Precinct Native Title Agreements", investments and decisions. I note you were looking at $4.4 million in 2012-13, $4.5 million in 2013-14, and $0.6 million in 2013-14. Could you explain how this is going to be run out, given the fact that there is no final investment decision on this project until 2013 by the proponents?

Hon WENDY DUNCAN: I am not sure that LandCorp was part of the brief for today; it is the Department of Regional Development and Lands.

Hon ROBIN CHAPPLE: But it is the Minister for Regional Development; Lands.

Hon WENDY DUNCAN: So we do not have the specialist officers here from LandCorp. But we may —

Hon ROBIN CHAPPLE: I have been told by the Chair that it is off.

The CHAIR: Further question?

[4.30 pm]

Hon ROBIN CHAPPLE: I do not know if this one applies then, because it is royalties for regions. Carnarvon's waterfront development is under the same heading.

Hon WENDY DUNCAN: Yes, unfortunately, that is also LandCorp.

Hon ROBIN CHAPPLE: But it is royalties for regions.

Hon WENDY DUNCAN: Madam Chair, perhaps if the member asks his question, we will endeavour to give him an update.

Hon ROBIN CHAPPLE: My understanding is that the $1 million previously allocated to the Carnarvon waterfront development has been reallocated to other projects under consideration from the Gascoyne area. Speaking to the shire president and also to the yacht club, they are really confused as to why there has been a relocation.

Hon WENDY DUNCAN: I will ask Mr Andrew Mann to respond to that question.

Mr Mann: The $1 million originally was allocated in the budget to LandCorp to work with the local yacht club to work on a plan. That has not come to fruition. LandCorp has removed itself from that. The $1 million is part of the $150 million Gascoyne revitalisation plan, which has a governance arrangement through it where projects have to go through to a steering committee to a DG's reference group and then state cabinet for approval based on a business case that gets put together. The yacht club has been working with the Gascoyne Development Commission to build up that business case. It does not appear in the budget anymore because the money is not allocated to LandCorp; it is back into the Gascoyne revitalisation plan.

Hon ROBIN CHAPPLE: It comes under royalties for regions now.

Mr Mann: Yes.

Hon ROBIN CHAPPLE: They have gone through the whole process of doing the planning, it now has the plan, it moved to the next stage, and it expended significant money on the understanding it would get that $1 million. Are we now saying that $1 million is now a negotiable issue or is it going to be granted?

Mr Mann: It would still be subject to going to the steering committee for endorsement. Basically, the steering committee is the Gascoyne Development Commission board plus an RDL representative. If they endorse it, it will go to the DG's reference group and it will then be given to our minister to take to cabinet. All the projects are subject to cabinet approval. The $1 million even when it was allocated to LandCorp was still only a notional allocation that would still have to go through that process to cabinet for approval.

Hon ROBIN CHAPPLE: Thank you. That clarifies that. We go back to budget paper No 2, Regional Development and Lands, page 209, and look at north west planning strategy. We had a budgeted line item there of $9.46 million and we expended $1.36 million. Was there a particular reason? I see there is nothing in the forward years. Could you explain what happened there?

Hon WENDY DUNCAN: Under the north west planning strategy $40 million has been allocated to the northern towns development fund over four years to fund the development of local plans driven by local communities to develop priorities to support infrastructure and investment growth in the regions. The funds will have a particular focus on the release of land for residential development and provision of appropriate housing as well as the release of land for industrial, commercial and tourism purposes. I might just see whether the officers have more to add on to that. I will go to the director general.

Mr Rosair: Yes, I think the northern towns development fund was to pre-empt, if you like, a lot of our development in the Pilbara and the Kimberley and the Gascoyne in particular to try to build planning capacity both within the Department of Planning and the local government and was originally a $40 million pre-election commitment by the Liberal–National government. That has now been factored into our out years. I will have to ask my finance manager and director of regional investment, but I think some of the money may have been already allocated through to some of those programs such as the Pilbara Cities program and the Department of Planning from that $40 million. I will pass on to my CFO.

Mr Kerr: Just to clarify, it is not $1.36 million.

Hon ROBIN CHAPPLE: No; you are right.

Mr Kerr: That is a joint planning strategy between RDL and Department of Planning. It goes out for a range of planning initiatives in that area. That line item reflects the element that comes to RDL to be expensed.

Hon ROBIN CHAPPLE: On that very same issue, when we come to the Pilbara Cities community projects, I note that in 2014–15 it jumps up to $56 million. What are you anticipating there?

Mr Rosair: Look, as far as the Pilbara Cities allocation of funds in the out years, it would be cashflowed against a number of projects on the services. One of them would be the Nickol Bay hospital.

Hon ROBIN CHAPPLE: The Karratha one? I want to come to that in a moment.

Mr Rosair: The Karratha–Nickol Bay Hospital. It will be a range of subprojects within there and cash flows. I do not know if we have the particular level of projects here.

Hon WENDY DUNCAN: We do have a list of them.

Mr Rosair: They are probably also in the progress report—I am getting pages all over the place here. Essentially, they would be cashflowed out in the out years to the Gumala Aboriginal Corporation and a number of other—town aquatic centre redevelopment. There is also an aquatic centre in Port Hedland under development at the moment. There is some money set aside for land development and community facilities. There is the —

Hon ROBIN CHAPPLE: These seem to be in different bits and pieces. Could we put those together?

Mr Rosair: Definitely we will be in a position to give you a complete outline of the currently allocated money and what it has been allocated to. Within that program there is some unallocated money, again like the Gascoyne revitalisation plan, there is a steering committee and arrangements considering a number of projects. We can even state some of those projects that are under consideration. It was mentioned earlier that I chair a director general's reference group to make sure we line up priorities in education, health, transport, training and a number of other areas to vet those for fatal flaws. We do not want to build a small childcare facility or a primary school if there are no teachers, for instance, provided by the Department of Education. We can give you an overview plan of the expenditure in this line item to date and we can say what is potentially being considered for the future to come out of it and also the cash flow for those projects that have been approved and are expected to be expended in those out years.

[*Supplementary Information No. A7*]

Hon ROBIN CHAPPLE: As a follow-up to that, I want to talk about the Karratha health campus. I am referring to page 227 of budget paper No 3—regional investment of $60 million across the forward estimates to develop the new Karratha health campus at a total cost of $207 million. Could you identify to the committee—you might want to do this on notice—how much of that is being expended on lifting the level of the area of the Karratha health campus above the flood height levels associated with the area? Currently it is below tidal surge and cyclonic surge areas and it will need to be raised some six to 10 metres above the surrounding area. Why has an upgrade of the existing hospital, which would cost significantly less, not been carried out?

Hon WENDY DUNCAN: There is a business case put of $207.2 million to put the new Karratha health campus on that alternative site. The reason for doing that is that the current campus really was not in its current location able to be expanded to provide the state-of-the-art health service that Karratha, the projected city that it will be, requires, and putting the health campus within the city centre is a major opportunity to provide a one-stop shop for health care, bringing together all the public health services, so not just what you find in a hospital but also the other ancillary services and also potential partnerships with private and non-government and other sorts of service agency providers. There is strong recognition of, I guess, the need to construct the campus, taking into account flood levels in the event of a flood surge. I think the construction takes into account the eventuality in a one in 100 year event. I will just see whether any of the other officers have more to add on that.

[4.40 pm]

Mr Rosair: Yes, it is a challenge, as we both know for the residents of Karratha, I think. The challenge of the whole development of the town centre—the Mulataga area, the Baynton West and beyond—is finding available land that meets the local government policy guidelines for levels in accordance with potential flood and storm surges. All of our buildings go through the proper WAPC planning and the local government. We have been sort of given the indication that that site is available for building, but it may well require some additional earthworks and the like to meet the policy of the local council and also the WAPC. So, we will not be able to build there unless it meets those obligations. We will be working through that.

The other point to make is that the health campus is part of a whole vibrant redevelopment of the Karratha town centre. It is a major opportunity to support the growth of Karratha while providing increased activity in the centre there. We have got the Finbar development, the nine-storey tower there. We have got a lot of upgrades to Sharpe Avenue; it is going to be a business commercial area. We think—I cannot remember but it is in the order of several hundred—health workers being part of that vibrant city centre is another reason to relocate it.

Hon ROBIN CHAPPLE: If I could go back to the original question, could you provide some costing of what the site preparation works will be for that facility?

Mr Rosair: If the project is sufficiently developed enough to have that detail, we can provide that information, but I do not know whether or not it is at the stage of costing that component. I am not quite sure, so we will have to take that on notice.

[*Supplementary Information No A8.*]

Hon PHILIP GARDINER: We referred earlier to the backlog—which I think came out of the asset management plans of the local government and so on—regarding the local governments. Do you have the aggregate numbers of what that backlog was? How much of that has been recovered as far as the investment since the royalties for regions money has become available? Then looking forward, what the kind of depreciation is on an aggregate basis within those local government communities, so that we get an assessment of what the forward estimates need to be to actually get ahead of recovering the backlog and getting on top of the depreciation of the assets so we are making new investments.

Hon WENDY DUNCAN: As we mentioned earlier, the $1.75 billion backlog that was identified —

Hon PHILIP GARDINER: That $1.75 billion is the first number.

Hon WENDY DUNCAN: Well, that was identified in the SSS report put together by WALGA. Andrew Murray in his country local government fund review really had a look at that figure and how it was arrived at by WALGA and came to the opinion that, in fact, it was not a watertight number and that there is probably more work that needs to be done on identifying the backlog of infrastructure that local governments have on their books and need to, I guess, bring up to scratch. That is one of the reasons why we asked all of our local governments to produce their forward capital works plans, and that has been dovetailing in with the work of the Department of Local Government with their asset management plans. In fact, one of the recommendations of the review of Andrew Murray was that work be done using that information that local governments now are compiling to define exactly what that backlog is. I suppose until we can actually have that figure, we cannot really then put against it what we have done to achieve it and, I guess, calculate the depreciation. We can certainly outline the amount of money that has been transferred to local governments under the country local government fund, and we do certainly have the figures of how much has been expended and what it has been expended on. But there is still work to be done to actually identify what the full quantum of the backlog is. I am not sure if other officers have a comment—director general?

Mr Rosair: Yes, exactly right; there is an opportunity to go and verify those forward capital works plans to identify what are those backlogs. I do not know how far they go into roads and other things, but definitely the information that we have provided with the forward capital works plan could be analysed further and, as mentioned, is a recommendation of the trust in your review to undertake that work. If that is adopted by government, that work will be undertaken.

Hon PHILIP GARDINER: I was of the understanding that the information was there almost together to calculate that from the forward capital works and the asset management plans, but it is not?

Hon WENDY DUNCAN: The forward capital works plans, I am not sure whether they cover roads as well.

Hon PHILIP GARDINER: I would like to have it excluding roads, that is for sure.

Hon WENDY DUNCAN: Yes, okay, so those —

Hon KEN TRAVERS: That is one of their biggest backlog areas, though.

Hon PHILIP GARDINER: The reason I want to exclude roads in a way is because that should be done in theory by another agency. I know it is not, but I would like to have it excluding roads—what the backlog is.

Hon WENDY DUNCAN: I will pass to the director general to respond.

Mr Rosair: There is one element of the backlog which has been identified in the forward capital works plans—that is, community infrastructure and other facilities around the town. It could be anything like waste water treatment plants, waste re-use plants and the like. That is why the Department of Local Government is asking each of the country local governments—in fact, each local government—to develop a strategic plan which will bring forward their asset management plans. I think that is the forum to capture everything. With the country local government fund, that will also inform the rollout of the review of the country local government fund. I think the time frame for the asset management plans and the strategic plans that the Department of Local Government have placed on local governments is 1 July 2013–14 where they will have all those plans together in one spot. We do have, if you like, potentially a subset of that asset management backlog, and the trust has asked in that recommendation for the department to do more work on that. That is why it is a little complicated; we would have to probably go and work with the Department of Local Government and there was not sufficient time nor resourcing to give a detailed assessment of that backlog based solely on those forward capital works plans in time for the completion of the review. But the review did identify that on the surface it would believe the backlog is far in excess of the $1.75 billion identified by WALGA.

Hon PHILIP GARDINER: Thank you. You mentioned community infrastructure. That is a little bit more removed from social infrastructure, which is the soft assets and what the state of the communities are as far as that is concerned. It is a question I have raised with a number of the other agencies to do with actually investing in the social infrastructure through the local government area. One thing that worries me about Andrew Murray's synopsis of it is that, I think, it possibly escapes him that the smaller the entity, the better chance we have if we have the right plan and a community-developed plan of improving our social infrastructure. So the question really is: are you close to trying to identify what the social infrastructure deficiency is? That is a much harder thing to do, so you can start generating what we need to do. I know that the parliamentary secretary and I have had a brief discussion about this, but it is something which has been on my mind for some time.

[4.50 pm]

Hon WENDY DUNCAN: It is certainly something that I raised with Andrew Murray when he was doing his review. There is an acknowledgement that the community and the social infrastructure that exists in regional Western Australia almost needs to be considered separately from the existence of various local governments. The question of whether the local government is big or small is in many ways irrelevant to the fact that there is community infrastructure out there that needs to be maintained and developed and repaired. There is certainly that acknowledgement. I do not know whether the director general might have more to add.

Mr Rosair: I think a critical issue facing regional WA is social capital and human capital. I think the trust has recognised that, if you read their themes for investment for the royalties for regions program of recent times. A number of initiatives are underway to address that. A leadership capacity building program has been considered for how we can build that human capacity in regional WA. We are working with WACOSS very closely now, with Irina Cattalini, on how we can involve that sector in our SuperTowns program. She has been working with my director of SuperTowns, Lynette O'Reilly, to develop a supplementary program to address the social needs of some of those communities. That is a fascinating and fantastic initiative by this government to roll out the SuperTowns. There are some challenges, particularly areas like Katanning where you have a vibrant community of a number of different nationalities and the social infrastructure and capability needs to work in tandem. You and I have had a number of conversations. The royalties for regions program initially was very much about infrastructure and then about services. Now it is looking more at about what makes a real community. It is about events, heritage, culture, social capital and human capacity. That is where the program is tending to start heading towards. Our SuperTowns has to acknowledge that. If we are going to become a town that is viable, all these issues need to be addressed.

Hon KEN TRAVERS: I just wanted to go again to budget paper 3. I think it is also in budget paper 2. It makes mention of the regional development fund. Will the regional development fund be a fund in accordance with section 5(1) of the Royalties for Regions Act?

Hon WENDY DUNCAN: I will have to find section 5(1).

Hon KEN TRAVERS: It is the section that states that the fund is to consist of the following subsidiary accounts and then lists them in (a), (b), (c) and (d), (d) being any other account determined by the Treasurer, on the recommendation of the minister, to be a subsidiary account.

Hon WENDY DUNCAN: It certainly is the intention that that fund will come under section 5(1) of the Royalties for Regions Act. Paragraph (d) does identify any other fund. It will be governed by that act and expended accordingly.

Hon KEN TRAVERS: Will the funds in that need to be under the cap of $1 billion?

Mr Rosair: Yes.

Hon KEN TRAVERS: That is interesting because that is not what the Under Treasurer told us.

Mr Rosair: Are you talking about the regional development fund or the future fund?

Hon KEN TRAVERS: I am asking about the regional development fund, the $1.32 billion mentioned in note (a) on page 236, which states —

> … Regional Development Fund within the Royalties for Regions Fund. Contributions to the Regional Development Fund will amount to $38.2 million … $50.5 million … $302.9 million … and $640.4 million.

Mr Rosair: That will all be managed within the cap. That is the intention. That is not associated with not being managed under the cap but I will defer to my royalties for regions budget manager, Mr Abraham, to confirm that.

Mr Abraham: That is quite true. That will be managed within the cap.

Hon KEN TRAVERS: Have you got projections over the forward estimates of how much money you expect to have sitting in the fund at the end of each financial year, including that $1 billion all up over the four years?

Hon WENDY DUNCAN: Yes, we do have projections as to how those funds will be managed. There will be the amount of royalties coming into the fund, the amount of expenditure going out and then under that will be the amount of funding that is going into the regional development fund. That funding is not going to accumulate in the long term. That is there ready to be cashflowed for major projects like the PortLink project or the Bunbury to Albany gas pipeline or the marine complex in Port Hedland. The intention is that those funds will be available when the project is ready so that the cash flow can be more realistic through the budget.

Hon KEN TRAVERS: It is not actually expensed in the budget at the moment, is it?

Hon WENDY DUNCAN: No, it is not. The thing about expensing it in the budget when you do not have the cash flow properly determined is that it sits against debt. There is not a lot of point doing that when you are not yet sure when the funding will be required.

Hon KEN TRAVERS: It means that the budget papers do not give an accurate reflection of what the state debt will be if you are intending to spend that money.

Hon WENDY DUNCAN: That will be at the time that it is intended to be expended. I will pass to the director general. He has a nice little graph that he will talk to.

Mr Rosair: I think that might answer Hon Ken Travers' query on this one. It is forecast on the royalties coming in until 2014, the forecast of expenditure and also the forecast of the regional development fund expenditure. That will possibly answer your question.

Hon KEN TRAVERS: If it shows what is coming in, what is getting expended and what you expect to see at the end of each year and the balance of the fund.

Mr Rosair: It shows that. The only thing about what is in the fund will have to be another calculation because you will have to work out what is in the fund now and differentiate between the royalties allocation and the expenditure.

Hon KEN TRAVERS: If you are happy to table that.

Mr Rosair: We are happy to table that. Under that scenario, we could possibly predict what is left in the fund as a result of that expenditure. That is not on there.

Hon KEN TRAVERS: If you can table that, but also if you can give us, based on the budget estimates at 30 June 2012, how much will be left in the fund and how much you expect to go in for each of the four years of the budget, how much to be expended and how much to be sitting in the fund at the end of each financial year.

Mr Rosair: I will just check with my finance manager.

Mr Abraham: As I said before, we anticipate that the cap will not be breached throughout the forward estimates. We have taken certain financial measures to make sure that happens. I guess the estimates that we have on hand as we go through the forward estimates, we probably see, and I think I mentioned it, about $600 million to 700 million sitting in this account at any one time, particularly at 30 June of each year going forward.

Hon KEN TRAVERS: Looking at the final year where you have, in theory, $640 million going into a fund that will already have over $400 million in it, if it has not been expensed at that point, I assume for you to have done those calculations, you must have some idea of what you expect to be expensed.

Mr Abraham: Yes, we do have some idea what might come out of there and how we will manage that cap.

Hon KEN TRAVERS: Why is that figure then not used for the purposes of expensing in the budget? The problem of not expensing it in the budget is when you look at the debt figure in 2015–16, it gives the indication that debt is coming down. If this money is expended, debt will be going up.

Hon WENDY DUNCAN: It depends on when the projects are commenced and when the money is allocated. It is not allocated yet.

Hon KEN TRAVERS: Parliamentary secretary, if you were listening, the departmental officer just told me that for the purposes of their planning to ensure that they remain under the cap, they do have a notional fixed date for expensing that money because if they did not, they could not give us a guarantee that it will remain under the cap.

Mr Abraham: Maybe I gave the wrong impression. We do have measures in place to ensure that the cap is not breached.

[5.00 pm]

Hon KEN TRAVERS: So what are these measures then?

Mr Abraham: I am not sure whether I am at liberty to give those measures out now because —

Hon KEN TRAVERS: This is the estimates committee!

Mr Abraham: I will take advice from my director general.

Mr Rosair: Thanks very much! There are two things. The forecast expenditure on those other programs are such that a lot of those projects have not been detailed, such as the Bunbury to Albany gas pipeline and also the PortLink project and also the ACMC in the north. You are right; we do not have a detailed expenditure profile on those. They are notional expenditure profiles at the moment. So, basically, those forecasts will ensure that the cap is never breached under the expenditure profile that we have in place, which are the measures of this allocation and expenditure profile. We have cashflowed those programs notionally on the basis that those projects have a lead-up time of a couple of years, like the PortLink and the ACMC and the Bunbury to Albany pipeline, such that we can remain under the cap over the next three or four years. Those are the measures we put in place. It is a cash flowing exercise to ensure that.

Hon KEN TRAVERS: So you do have a notional expenditure of money out of that fund.

Mr Rosair: Very broadly as per that expenditure profile that I have given you in the papers.

Hon KEN TRAVERS: If we could get a copy of what those notional expenditure amounts are.

Mr Rosair: Basically, it is in accordance with this cashflowing at the moment. So it is very notional at this point in the forward estimates.

Hon KEN TRAVERS: I assume that you have got a notional expenditure on each of those items that goes to make up this figure.

Mr Rosair: No; we do not have it down to the individual projects yet, because they have not been costed and they have not been identified and they have not been prioritised. All we have identified is a number of projects like PortLink, the possible Bunbury to Albany pipeline, the ACMC and a couple of other major projects that are in feasibility stages, including, for example, the Karratha–Wickham road and also the Wiluna–Meekatharra highway. There are a few others that are kicking around at the moment, so the expenditure program is such —

Hon KEN TRAVERS: Is that not part of the PortLink?

Mr Rosair: It is an extension of the PortLink, yes. There are a number of elements to the PortLink.

Hon KEN TRAVERS: If that is not the major element of the PortLink, what is?

Mr Rosair: The lay-down of Palmerston, the potential diversion around Kalgoorlie, the rail line and a few other things like that. There are a number of elements to PortLink.

The CHAIR: Just before we continue, this document of the chart that you have kindly tabled, is that a public document?

Mr Rosair: It has been used in presentations.

The CHAIR: So you are happy for that to be a public document.

Mr Rosair: Yes.

The CHAIR: I need to give the supplementary information that you have been asking for a number. Perhaps I will give it a number and then you can clarify exactly what it is you are wanting.

[*Supplementary Information No A9.*]

Hon KEN TRAVERS: I want, basically, over the forward estimates, starting from the end of this financial year, a reconciliation of basically how much is expected to go into royalties for regions and how much is expected to be expended each year in royalties for regions and what the balance will be at the end of each financial year. Included in that, I want to get the notional expenditure of the regional development fund within that process as well. If there is anywhere in the department a notional expenditure allocated to specific projects, I would like to know what that notional expenditure is.

The CHAIR: This obviously will be in the transcript that you will receive, if you are trying to keep notes to keep up with that.

Hon KEN TRAVERS: The other one I was interested in is: can you confirm that any of the money that is listed in your regional residential college upgrades on page 235 of budget paper No 3—$21.8 million and $10 million—is being spent to upgrade the City Beach college?

Hon WENDY DUNCAN: No, not at this point in time. So far the funding has been expended on the Esperance Residential College—13 point something million dollars—and the Merredin

Residential College. I think more recently there has been some talk about work being done in Geraldton. Is that true? City Beach is a residential college that has been presented as a possibility for funding for students wanting to attend specialist courses or students with special needs in Perth. It is something that is still in negotiation. There has not really been any commitment to that at this stage that I am aware of. The focus of the program is to upgrade residential colleges in regional areas, because we want to make sure that regional high schools remain strong and that that is where children from the regions go as a first preference, because then the regional schools will be able to provide the standard of education that will mean —

Hon KEN TRAVERS: I am not disagreeing with you, parliamentary secretary. My question is: in that $21.8 million or $10 million that is allocated in the budget—I assume there was a proposition put to you by the education department of how they intended to expend that money—does that include any money for the City Beach hostel?

Hon WENDY DUNCAN: I will hand over to Mr Sabien, who may be able to answer in more detail.

Mr Sabien: The Department of Education has contributed a lot of information about where they wish to undertake developments in this program, and those proposals have included the City Beach proposal, though that has not been considered by the department and there have been no funds expended on that project at all.

Hon KEN TRAVERS: I accept that there have been no funds expended, but in determining this budget allocation, how did you then determine that you needed $21.8 million and $10 million over the 2012–13 and 2013–14 financial years?

Mr Sabien: Based on notional project proposals that have been put forward by the Department of Education without any substantial planning in behind that; in other words, a business case.

Hon KEN TRAVERS: Did that notional proposal include City Beach high school?

Mr Sabien: One of those did.

Hon KEN TRAVERS: So, this budget allocation is for works at City Beach high school, then.

Hon WENDY DUNCAN: The thing is that each of these proposals must go through the business planning process and through the minister and through cabinet. Until that process has taken place, there is no commitment as to where —

Hon KEN TRAVERS: This is the budget, parliamentary secretary. I am assuming that the budget is based on some basis that that filtering process would have occurred by now as to whether or not this money should or should not be expended on the City Beach high school. If this budget is based on having money spent on the City Beach high school, that would be a pretty good guide to the education department that the cabinet, which signed off on this budget, is saying that is okay to use the money on that, which I find extraordinary. That is not to say that you may not want to fix up the City Beach high school, but not with royalties for regions money. I agree with you; it should be used on those regional hostels to sustain the courses out in regional Western Australia.

Mr Rosair: I will hand over to Mr Sabien again shortly, but there are often proposals for funding from relevant agencies of what they believe fit the criteria of the royalties for regions program that come in and maybe in some notional allocations initially. Whether or not they get funded is a decision as part of doing a full-scale business analysis and assessment against the principles of the Royalties for Regions Act, which is about building local capacity, retaining local capacity and a number of economic drivers. So, we apply those rules. That is not to say that funding cannot be physically applied in metropolitan Perth. In fact, we fund Ngala to provide services out to regional WA, and it would not be the first time that we fund metropolitan activities that actually provide a benefit to regional WA.

[5.10 pm]

Hon KEN TRAVERS: But is the service actually delivered in regional WA or is the service delivered here?

Mr Rosair: No, the Ngala service is delivered through our Westlink services over our CRCs, which I mentioned earlier, to provide those services to regional WA. But on this particular one, I think we just have to narrow it down to the question: was the City Beach proposition in the country regional residential colleges upgrade part of assessing our funding allocations in a notional sense in the out years? In fact, I am probably asking a harder question than you asked!

Mr Sabien: It was part of the range of proposals that were put together by the Department of Education to substantiate where they want their money to be spent.

Hon KEN TRAVERS: My view of that is that this budget is predicated on money expected to be spent on City Beach. Do we know how much was notionally allocated to City Beach?

Mr Sabien: The business case has not been assessed at this stage.

Hon KEN TRAVERS: But in terms of that $31.8 million, how much of that was allocated to City Beach?

Hon WENDY DUNCAN: No, there are residential colleges throughout Western Australia that need attention, so there is no difficulty in allocating funds, knowing that it will be spent on residential colleges through the out years, but we cannot pre-empt cabinet’s decision as to what —

Hon KEN TRAVERS: Cabinet’s made the decision. They have made this decision based on this money going —

Hon WENDY DUNCAN: Cabinet’s made the decision on the whole amount, the program, but the individual allocations were based on individual business cases, which cabinet also decides on; that is the thing about royalties for regions. Cabinet ticks off on it every inch of the way.

Hon KEN TRAVERS: If that is the case, then what I am interested in is: how many of the items in chapter 7 are for actual projects, and how many are for notional projects, of which there is still to be a determination of cabinet that those projects will proceed?

Hon WENDY DUNCAN: Most of these projects in the budget, once the business case is determined, will then go through cabinet for final sign-off.

Hon KEN TRAVERS: I understand that, whereas for every other section of the budget, the allocation is normally signed off by cabinet at the time of the budget process, so what you are telling me is that royalties for regions is treated differently and that there are only notion allocations. What I am asking is: can you tell us—you probably cannot do it today—for each of the items listed in chapter 7, how many of them are based on notional allocations and how many are based on projects that have had formal cabinet approval for that project?

Hon WENDY DUNCAN: This process is, I guess, in response to the scrutiny that has been on royalties for regions and the fact that we have been determined to have a rigorous process of governance surrounding royalties for regions so that every project that receives royalties for regions funding, once the business case is determined and signed off on, goes through to cabinet for final determination.

Mr Rosair: There are a number of different line items here, like the clear allocation to the Ord on a reasonable cash flow. Some are in program levels, like the residential colleges, that the detailed allocation down to a project level is yet to be made and each of those programs still has some level of consideration of what is going to be funded or not, and they are broad notional allocations. Having said that, the suggestion that you do not believe there is a rigorous assessment and accountability around this program, I must defend. Whilst this program is now in its fourth year, it has been subject to the scrutiny of this Parliament and subject to independent reviews. The Auditor General just about lives in our office and on that basis we are subjected to so much scrutiny. There have been some federal programs, like the insulation batts scheme and Building the Education Revolution that have suffered from inadequate governance and accountability, and we take some pride in the department administering this program that has held together in those four years, subject to that scrutiny.

Hon KEN TRAVERS: I still would like to have, as supplementary information, those items in chapter 7 where there is a formal allocation of money given and signed off by cabinet, and those where it is a notional allocation.

[*Supplementary Information No A10.*]

The CHAIR: I am mindful that we are running over time; we started a bit late, but that was partly our issue. Hon Ljiljanna Ravlich can have one question and Hon Robin Chapple can have one question, and anyone else who wants one question, and then we will knock off.

Hon LJILJANNA RAVLICH: I had two, so I will have to ask the most important one. It is in relation to the efficiency dividend—nearly $4 million over the forward estimates to be saved through harvesting savings from programs et cetera. I wonder if you could provide for the committee the efficiency dividend savings, line by line, for the following financial years: 2009–10, 2010–11 and 2011–12.

Hon WENDY DUNCAN: That is probably not one I will be able to answer, so I will pass directly to our —

Hon LJILJANNA RAVLICH: No, just take it on notice.

Hon WENDY DUNCAN: On notice? Okay.

Mr Kerr: Just to clarify, we were not subject to the efficiency dividend because we came in as a department after that was determined.

Hon LJILJANNA RAVLICH: So this is your second year with an efficiency dividend?

Mr Kerr: This is our first efficiency dividend as a department; the other efficiency dividend was on the Department of Planning and we were not party to how that efficiency dividend was applied.

Hon LJILJANNA RAVLICH: All right, let me ask you this: do you know where you will harvest these savings from?

Mr Rosair: We have an efficiency dividend in the next year; I think it is $700 000. The department’s corporate executive is identifying opportunities and areas where efficiencies can be made. We are yet to define those, but they will not impact on the front-line services of our department.

Hon LJILJANNA RAVLICH: Not a problem. If you could provide the committee with a detailed analysis of where you will find the savings —

Mr Rosair: We have not completed that detailed analysis.

Hon LJILJANNA RAVLICH: Then I reserve the right to come back within three or four months and ask you once again.

Hon ROBIN CHAPPLE: I am not quite sure where this comes up, so I will go to page 209 of budget paper No 2 and the Gascoyne flood mitigation issue. I am assuming that is to do with the flood levees. Given the fact that the flood levees are estimated to be between $60 million and $70 million, and currently there is an allocation of some $20 million there and nothing, as far as I can see, in the forward estimates, and given that the state government has handballed it all back to royalties for regions, how are we going to fix that? If we do not fix it, we are going to lose hundreds of millions of dollars’ worth of crop and investment in the area.

Hon WENDY DUNCAN: Thank you. There has been a great deal of work and negotiation to ensure that flood mitigation in the Carnarvon region takes place in a timely manner. My director general has the detail here for you.

Mr Rosair: There are two areas of funding for royalties for regions for the flood levees in Carnarvon. The one you identified was the $20 million line item, under our regional water and NRM Gascoyne flood mitigation. There is also, within the Gascoyne development plan, a separate allocation of some $25 million set aside for those works. As you would know, it is a very complex project and it has been looked at for a number of years, about the best locality of levees in the town, whether you divert the channel out of the town or whether you put the levees in various places. There are four major levees that are identified to complete the works for the Gascoyne flood protection, I think Lawson Street —

Hon ROBIN CHAPPLE: When will they be concluded?

Mr Rosair: I am saying they are still defining those particular levee locations. We have a working group comprising the Department of Water, Main Roads, Department of Agriculture and Food and us, in tandem with the local government to work out and finalise those levee locations and designs with all those players. We have allocated $45 million for a financial assistance agreement with the town of Carnarvon, and that money has been set aside in Treasury Corp until an agreement between the town, the Department of Water, the Department of Agriculture and Food and Main Roads has been struck.

[5.20 pm]

We are also awaiting consideration by the federal RDA on commonwealth allocations. How much of the levee system is built will be dependent on whether those federal funds come in. There is still a level of confidence that if the state and federal money come to fruition we can build the entire levee system that has been identified. If, however, the federal funding does not come through, we believe there is still a level of protection that can be built for $45 million. But the complete level of protection will still have a few weaknesses in the levee system. We are awaiting the outcome of the federal government's announcement before we embark on any contractual arrangements with Main Roads, the council and others involved.

Hon ROBIN CHAPPLE: When are we looking at getting the answer from the feds?

Mr Rosair: The provisional timing I think was 18 July. More recently I have been advised that the announcement of that fund might be a little earlier.

Hon ROBIN CHAPPLE: If that money is forthcoming, when will the commencement of work start and will that be enough money to finish the job?

Mr Rosair: My understanding is that the intention is to commence some of the works this year before the November–December traditional rainfall events. I think the intention is to do some smaller levees closer to town and maybe commence on the Lawson Street levee. It is the intention to get that going. I think it is a two to three-year program. But if I may I might ask Andrew Mann, my officer who is administering this project, to give some detail beyond that.

Mr Mann: Main Roads WA is currently in negotiations with the preferred partner. There is a movement to get to a stage based on when the funding is announced to move forward to doing construction this year. As the director general said, there is existing commonwealth money and money that the shire has to do a small, six-mile levee, which is a $1.7 million job, which will definitely get done this year and, subject to funding, Lawson Street as a second option this year.

Mr Rosair: Further to that I think there is a range of estimates and costs associated with this project. There is some built-in contingency and also some early detailed design that Main Roads has entered into. There is some flexibility in that design at the moment. It could be suggested that that design could be reduced somewhat. I have been told that you can drive two fully laden semitrailers on top of the levee that has been designed to date, so there is some capability of reducing that design and achieving the same outcome. We believe there is a very strong chance that if the federal money came through, plus the $45 million, plus the existing $1.7 million or whatever it is from the commonwealth and the shire, the full levee design can be completed. I do not know the time frame. Do you have a time frame; is it a two or three year program?

Mr Mann: It is a three-year program.

Hon ROBIN CHAPPLE: Thank you.

Hon KEN TRAVERS: Across the bottom of the “Royalties Vs Expenditure and Regional Development Fund” graph, you have “Budget”, “MYR”, “Estimated Actual”, “MYR Estimate” for the 2012–13 financial year. Is that what in the 2011–12 midyear review you were estimating the 2012–13 year would be? I am just trying to understand it.

Mr Rosair: Can we defer that question to Mr Slattery or Mr Abraham?

Hon KEN TRAVERS: Maybe I can talk to people afterwards and they can explain it to me.

Can we have a copy of the business cases that were approved during the 2011–12 financial year?

Mr Rosair: I think we have to take that on notice because I do not know whether those business cases went up with the cabinet submissions and would be subject to cabinet-in-confidence.

[*Supplementary Information No A11.*]

The CHAIR: We will stop. As I said, if you have further questions, submit them. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which includes the questions that have been taken on notice. If members have any unasked questions, I ask you to submit these to the committee clerk via email at the close of the hearing. Responses to these questions are requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible, including specific reasons why the due date cannot be met. Finally, on behalf of the committee, thank you very much for your attendance this afternoon. We will close the hearing. Thank you.

Hearing concluded at 5.24 pm