

40TH PARLIAMENT



Report 76

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2018-19 Budget Cycle – Part 1: Estimates hearings and related matters

Presented by
Hon Alanna Clohesy (Chair)
September 2018

Standing Committee on Estimates and Financial Operations

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Government response

This report is subject to Standing Order 191(1):

Where a report recommends action by, or seeks a response from, the Government, the responsible Minister or Leader of the House shall provide its response to the Council within not more than 2 months or at the earliest opportunity after that time if the Council is adjourned or in recess.

The two-month period commences on the date of tabling.

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EXECUTIVE SUMMARY

- 1 The Legislative Council Standing Committee on Estimates and Financial Operations (Committee) is required to 'consider and report on ... the estimates of expenditure laid before the Council each year ... [and] any matter relating to the financial administration of the State'.¹ This report concludes the Committee's consideration of the 2018-19 estimates of expenditure (estimates). The Committee intends this report to be the first part of a broader examination of the 2018-19 Budget cycle.
- 2 The Committee held hearings with 17 agencies and asked questions of a further 47 agencies (either as questions prior to hearings or as additional questions). The Committee considers that the process provided an appropriate level of scrutiny of the 2018-19 Budget Estimates.
- 3 The report reflects on a number of matters that arose during the course of the Committee's consideration, including instances when a Minister decided not to provide information to the Committee, the presentation of the budget papers and responses to observations made in Report 73: *2017-18 Budget Cycle – Part 1: Estimates hearings and related matters*.

Findings and recommendations

Findings and recommendations are grouped as they appear in the text at the page number indicated:

FINDING 1

Page 5

The Committee's consideration of the 2018-19 Budget Estimates was not adversely affected by Ministers' decisions not to provide certain information.

FINDING 2

Page 8

The Committee finds that a variety of techniques have been applied in assessing value for money for various capital projects across agencies. The Committee is interested in pursuing further consideration of the relevance and applicability of these techniques.

RECOMMENDATION 1

Page 12

The Treasurer direct the Department of Treasury work with agencies to minimise the proportion of 'Other' categories in their agency financial statements.

RECOMMENDATION 2

Page 13

The Treasurer direct the Department of Treasury to encourage all agencies to provide project-level data in the asset investment program tables. If there is a concern about the number of projects, the asset investment program should, at a minimum, identify the larger projects.

¹ Terms of reference 3.3(a)(i)-(ii).

RECOMMENDATION 3

Page 16

The Treasurer amend the Royalties for Regions table in Budget Paper No. 3 to show the responsible agency and the source of sub-funding for each project.

RECOMMENDATION 4

Page 17

The Minister for Transport show service summary data on an adjusted and unadjusted basis in the agency statements of the Commissioner of Main Roads.

1 Introduction

- 1.1 This report concludes the Standing Committee on Estimates and Financial Operations' (Committee) consideration of the 'estimates of expenditure' (estimates) laid before the Legislative Council on 10 May 2018. The estimates represent the Government's request for funds from the Consolidated Account² for the 2018-19 financial year. They comprise the Appropriation Bills (Appropriation (Recurrent 2018-19) Bill 2018 and Appropriation (Capital 2018-19) Bill 2018) and supporting documentation (the Budget Papers).
- 1.2 In the past, the Committee separately reported on hearings it held on the budget estimates and agency annual reports. In the 2017-18 Budget Estimates, the Committee adopted the practice of linking these two separate processes into a broader examination of the budget cycle. The cycle refers to the life of a budget from its creation to evaluation, typically sixteen months. The Committee is examining the 2018-19 Budget cycle, of which this is the first part. The cycle will conclude with the Committee's consideration of the 2018-19 Annual Reports, due out in September 2019.
- 1.3 As part of its consideration of the Estimates, the Committee met with 17 agencies and their responsible Minister and Ministers representing in the Legislative Council.³ A list of agencies that appeared for a hearing and the topics raised at hearings are set out at Appendix 1. The Committee considers that the process provided an appropriate level of scrutiny of Government activity.
- 1.4 The process had a strong level of participation from Members of the Legislative Council (Members) with:
- 26 agencies nominated by Members to appear for hearings
 - 11 Members submitting questions prior to hearings (including three Committee Members)
 - 34 Members attending a hearing (either as a Committee Member, a witness or a participating Member under Standing Order 164)
 - Nine Members submitting additional questions after the hearing (including three Committee Members)
 - Five Members providing feedback on the hearings process, through the Members' survey.
- 1.5 The Committee wishes to thank all Ministers, public servants and Members for their assistance during this process.

Scrutinising the estimates of expenditure

- 1.6 The Committee is required to 'consider and report ... the estimates of expenditure laid before the Council each year ... [and] any matter relating to the financial administration of

² The Consolidated Account is the central Account for funding the operations of Government.

³ The Committee held hearings between Tuesday 19 June 2018 and Friday 22 June 2018. The hearings were public, recorded by Hansard and broadcast over the internet. Transcripts from the hearings are available on the Committee's website at <http://www.parliament.wa.gov.au/est>.

the State'.⁴ One of the ways that the Committee undertakes this function is to hold hearings with agencies on the Budget⁵ and the annual reports.⁶

- 1.7 The *Constitution Act 1889* requires government revenue⁷ to be credited to the Consolidated Account and expenditure from the Consolidated Account to be approved by the Parliament.⁸ Parliamentary approval to spend from the Consolidated Account is made through the appropriation bills or has been previously authorised under other statutes.
- 1.8 Every year, the Government presents to Parliament two appropriation bills,⁹ which authorise the Government to 'appropriate' money from the Consolidated Account to fund expenditure for the relevant financial year. If the appropriation bills are not passed, the funds required for the operations of the Government and its agencies cannot be provided.¹⁰
- 1.9 The Government introduced the Appropriation (Recurrent 2018-19) Bill and the Appropriation (Capital 2018-19) Bill into the Legislative Assembly on 10 May 2018. The bills sought approval from the Parliament to appropriate \$21.9 billion from the Consolidated Account in 2018-19, spread across 128 items of expenditure. Both bills passed through the Parliament without amendment and were Assented to on 24 August 2018.

2 The 2018-19 Budget Estimates hearings

- 2.1 This section of the report covers the procedure for the hearings.

Summary of the procedure for hearings

- 2.2 The process and key dates for the hearings were set out in a Procedure Policy that was distributed to Members on 20 April 2018. This year, the Procedure Policy was redrafted to group together material for Members and material for Ministers and witnesses. The key points are summarised below.

Agency selection

- 2.3 Members could nominate agencies to appear for hearings. Members nominated 26 agencies, of which the Committee selected 17 agencies.¹¹ The timetable was finalised and distributed to Members on 23 May 2018.

⁴ Terms of reference 3.3(a)(i)-(ii).

⁵ The Budget is typically released in early May of each year. The Committee's Budget Estimates hearings are typically held the following month.

⁶ A Minister is to cause a copy of an agency's annual report to be laid before each House of Parliament within 90 days of that agency's financial year concluding. (*Financial Management Act 2006* s 64)

⁷ The major sources of revenue for the Government include taxes, imposts, fines, rates, duties, royalties and Commonwealth Government grants. (*Constitution Act 1889* s 64 and *Financial Management Act 2006* s 8)

⁸ The Treasurer and the Governor, on the recommendation of the Treasurer, are authorised to 'make payments in respect of extraordinary or unforeseen matters' that were not factored into the Appropriation Acts. The Parliament approves this spending in future appropriation bills. (*Financial Management Act 2006* s 27)

⁹ These bills are typically labelled Appropriation (Recurrent <financial year>) Bill and Appropriation (Capital <financial year>) Bill.

¹⁰ The Treasurer has a limited ability to access the Consolidated Account at the start of the relevant financial year before the passing of the appropriations bills. (*Financial Management Act 2006* s 24)

¹¹ The following agencies were nominated, but not invited to appear, for a hearing: Department of Finance; Department of Fire and Emergency Services; Department of Planning, Lands and Heritage; Department of Water and Environmental Regulation; Office of the Director of Public Prosecutions; Synergy; Water Corporation; Western Power; and the Waste Authority.

Questions prior to hearings

- 2.4 Members could submit a reasonable number of questions to any agency. Eleven Members and the Committee submitted 282 questions to 63 agencies. Responses were available on the Committee website from 13 June 2018.

Questions during the hearing

- 2.5 The Committee held 18 separate hearings, across 17 agencies, totalling 26.5 hours. The hearings were well attended by Members, with the number of participating Members ranging from three (Department of Biodiversity, Conservation and Attractions) to nine (Department of Transport).
- 2.6 Consistent with the practice adopted in the 2017-18 Budget Estimates hearings, Members who attended a hearing were allocated an uninterrupted time to ask questions. Committee Members were usually given a few extra minutes, as were party spokespeople (where this was known). The time allocated depended on the number of Members attending and the time allocated to that hearing. In the event of extra time being available, Members were allocated further time to ask additional questions.
- 2.7 The Chair was responsible for the conduct of hearings and provided guidance on procedural matters as required. No questions were ruled out of order.
- 2.8 Ministers took 109 questions on notice. Responses to those questions were available on the Committee website from 25 July 2018.

Questions asked after the hearing

- 2.9 Members could submit additional questions to any agency. Nine Members and the Committee submitted 162 questions across 19 agencies. Responses to those questions were available from the Committee website from 25 July 2018.

Changes to Committee procedures

- 2.10 The procedures for these hearings are unchanged from those that applied in the 2017-18 Budget Estimates.

Members' feedback on the hearings process

- 2.11 The Committee invited all Members to provide feedback on aspects of the hearing process. The Committee received five responses from Members.

3 Provision of information to the Committee

- 3.1 During an inquiry, a parliamentary committee may find that a Minister will not provide requested information. This may be because the information is Cabinet-in-Confidence, Commercial-in-Confidence or covered by legal professional privilege (among other reasons). A Committee can determine whether to disclose those instances and whether to use the powers at its disposal to compel the production of that information.
- 3.2 Since 2016, the Committee has adopted a practice of disclosing instances when a Minister has not provided information in its reports on the Budget estimates and annual reports.¹²

¹² The Committee adopted this practice after it conducted a significant inquiry into the provision of information to Parliament. (See Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 62, *Provision of information to the Parliament*, 19 May 2016.)

Table 1 below lists those instances when a Minister decided not to provide requested information during this inquiry.¹³

Table 1. *Instances of non-provision of information*

Minister	Agency	Issue	Basis for non-provision
Premier	Department of the Premier and Cabinet	Targets for the Voluntary Targeted Separation Scheme ^{14,15}	Cabinet-in-Confidence
Premier	Department of Jobs, Tourism, Science and Innovation	Cost benefit evaluation for direct flights ¹⁶	Commercial-in-Confidence
Minister for Child Protection; Prevention of Family and Domestic Violence	Department of Communities	Minister briefing on the West Pilbara Plan ¹⁷	Too resource intensive to provide material
Minister for Regional Development; Agriculture and Food	Department of Primary Industries and Regional Development	Targets for the Voluntary Targeted Separation Scheme ¹⁸	Cabinet-in-Confidence
Minister for Regional Development; Agriculture and Food	Department of Primary Industries and Regional Development	Business case for AgLime routes ¹⁹	Cabinet-in-Confidence
Minister for Regional Development; Agriculture and Food	Department of Primary Industries and Regional Development	Business case for remote swimming pools ²⁰	Cabinet-in-Confidence

¹³ The table focuses on instances where a Minister decided not to provide information in response to a question prior to hearing, question on notice or additional question. It does not include non-provision during the hearings because Members have an opportunity to pursue the matter directly with the Minister at the time.

¹⁴ Answer to question prior to hearing no. 1c) asked by Hon Colin de Grussa MLC and answered by the Premier for the Department of the Premier and Cabinet, 5 June 2018, p 3.

¹⁵ Answer to question on notice C3 asked by the Hon Jacqui Boydell and answered by the Premier for the Department of the Premier and Cabinet, 20 July 2018, p 41.

¹⁶ Answer to question prior to hearing no. 2a)-b) asked by Hon Robin Chapple MLC and answered by the Premier for the Department of Jobs, Tourism, Science and Innovation, 5 June 2018, p 4.

¹⁷ Answer to question prior to hearing no. 1g)iii)B) asked by Hon Nick Goiran MLC and answered by the Minister for Child Protection; Prevention of Family and Domestic Violence for the Department of Communities, 5 June 2018, p 4.

¹⁸ Answer to question prior to hearing no. 17 asked by Hon Colin de Grussa MLC and answered by the Minister for Regional Development; Agriculture and Food for the Department of Primary Industries and Regional Development, 6 June 2018, p 2.

¹⁹ Answer to question prior to hearing no. 1a) asked by Hon Martin Aldridge MLC and answered by the Minister for Regional Development; Agriculture and Food for the Department of Primary Industries and Regional Development, 7 June 2018, p 1.

²⁰ Answer to question prior to hearing no. 2f) asked by Hon Martin Aldridge MLC and answered by the Minister for Regional Development; Agriculture and Food for the Department of Primary Industries and Regional Development, 7 June 2018, p 2.

Minister	Agency	Issue	Basis for non-provision
Minister for Police	Western Australia Police Force	Target for the Voluntary Targeted Separation Scheme ²¹	Cabinet-in-Confidence
Treasurer	Department of Treasury	Options to reduce debt ²²	Commercial-in-Confidence Cabinet-in-Confidence

- 3.3 Unlike other jurisdictions, Western Australia has a legislated provision for instances of Ministerial non-disclosure of information. Section 82 of the *Financial Management Act 2006* provides that where a Minister decides it is 'reasonable and appropriate' not to provide 'certain information' to the Parliament, the Minister is required to notify each House of Parliament and the Auditor General of this decision.²³
- 3.4 As a courtesy, the Committee writes to Ministers (where relevant) to remind them of their obligations under the *Financial Management Act 2006*. Members may follow up with Ministers individual instances of non-disclosure.

FINDING 1

The Committee's consideration of the 2018-19 Budget Estimates was not adversely affected by Ministers' decisions not to provide certain information.

4 Consideration of related matters

- 4.1 In these estimates, the Committee examined a number of matters of interest:
- cost benefit analysis for capital projects
 - implications from the Commonwealth Government 2018-19 Budget
 - the use of credit card surcharges by agencies
 - the use of 'Other' categories in agency financial statements
 - listing projects in the Asset Investment Program.
- 4.2 The first two matters were chosen because they impact on the appropriation bills. The third matter arose out of correspondence with the Joint Standing Committee on Delegated Legislation. Matters four and five relate to the presentation of the budget papers, which the Committee focussed on in the 2017-18 Budget Estimates report. The reasons for asking questions on these matters is explored in the background section of each topic.
- 4.3 In addition, the Committee has provided information on how to read and interpret the data contained in the spending changes table in the agency statements in the budget papers (see paragraphs 4.37 to 4.43).

²¹ Answer to question prior to hearing 3c)-d) asked by Hon Martin Aldridge MLC and answered by the Minister for Police for the Western Australia Police Force, 13 June 2018, p 7.

²² Answer to additional question no 2d)i) asked by Hon Tjorn Sibma MLC and answered by the Treasurer for the Department of Treasury, 16 July 2018, p 5.

²³ There is a complementary obligation on the Auditor General to form an opinion on 'whether a decision by a Minister not to provide information to Parliament concerning any conduct or operation of an agency is reasonable and appropriate' and report that opinion to both House of Parliament. (*Auditor General Act 2006* s 24).

Cost benefit analysis for capital projects

Background

- 4.4 The Committee considers it is imperative that an analysis of capital projects be undertaken in order to assess value for money and benefits to the State. The Committee examined cost benefit analysis for capital projects because the Government will spend \$6.2 billion in 2018-19 on capital projects and a further \$15.3 billion over 2019-20 to 2021-22 and it is one of the techniques identified in the Strategic Asset Management Framework (SAMF).^{24,25}
- 4.5 Within the public sector, the Government has tasked the Department of Treasury with delivering 'value for money outcomes in service delivery and infrastructure provision'.²⁶ To this end, the Department of Treasury has issued guidelines governing asset management in agencies—the SAMF. All State Government agencies (including Government Trading Enterprises) are required to apply the SAMF policies and standards.²⁷
- 4.6 The main purpose of the SAMF is to:
- provide a sound basis for decisions, which will ultimately be made by Cabinet, on the investment in, and the management and disposal of, significant government assets.²⁸
- 4.7 The SAMF requires agencies to conduct a comparative analysis of projects from four perspectives:
- the social impact; effect on an agency's performance and financial position; and
 - the economic costs and benefits to the community.²⁹
- 4.8 Economic costs and benefits to the community may be analysed in numerous ways, including by cost benefit analysis. The SAMF only details cost benefit analysis and, therefore, it is reasonable to expect agencies to use this particular technique.³⁰ The SAMF defines cost benefit analysis as:
- A technique for the evaluation of options where costs and benefits (both direct and indirect) are considered. Most costs and benefits are valued, but when this is not possible, they are at least listed.³¹
- 4.9 Benefit and costs may be broadly defined, and vary from portfolio to portfolio. For example, a travel project may attempt to capture the financial benefits of lower travel times, while a project that may require environmental clearing may measure the financial cost of a loss of biodiversity.

²⁴ Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 3 – Economic and Fiscal Outlook*, report prepared by the Department of Treasury, 10 May 2018, p 244.

²⁵ Agencies display a mix of individual projects or general programs in the asset investment table in their agency statements.

²⁶ Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 10 May 2018, p 134.

²⁷ Department of Treasury, *Strategic Asset Management Framework – Overview*, undated, p 3.

²⁸ *ibid.*, p 1.

²⁹ Department of Treasury, *Strategic Asset Management Framework – Options Analysis Model*, undated, p 7.

³⁰ *ibid.*, p 19.

³¹ *ibid.*, p 24.

- 4.10 The benefit of this type of analysis is that it produces a single ratio, which provides for consistent comparability. A project with a ratio greater than one means that benefits exceed costs, while a project with a ratio less than one means that costs exceed benefits.³²

Committee examination

- 4.11 The Committee sought an assurance that capital projects were sufficiently analysed. To this end, the Committee identified the top ten agencies with the largest spend on capital projects between 2017-18 and 2021-22³³ and asked them the following question:

For each project identified in your asset investment program, was it subject to cost benefit analysis and, if so, what was its ratio?

Committee comment

- 4.12 The Committee notes that all agencies undertook investment analysis of their capital projects, but not specifically cost benefit analysis. For example, the Department of Communities (Housing portfolio) advised:

Although not every project has been subject to a full economic/financial cost benefit analysis, submissions for each project include formal consideration of optimisation of existing assets, cost and demand requirements and alignment of the expenditure with government priorities and expected benefits.³⁴

Similarly, Western Power advised:

Cost benefit analysis is not used as a specific tool in Western Power's analysis of capital, but the investment governance processes utilised by Western Power are designed to maximise the project benefit at the lowest cost.³⁵

- 4.13 Those agencies that provided cost benefit ratios exempted certain classes of projects from that analysis. For example, the Commissioner of Main Roads advised:

A BCR [Benefit Cost Ratio] is not required when the project is related to road safety programs, maintenance programs or minor works programs.³⁶

The Public Transport Authority advised:

The Public Transport Authority does not conduct a Benefit-Cost Ratio (BCR) measure for asset replacement (e.g. gradually replacing the bus fleet), nor does it undertake BCR assessments for minor projects.³⁷

³² A. Sen, 'The Discipline of Cost-Benefit Analysis', *Journal of Legal Studies*, 2000, vol. 29, June, p 931-52.

³³ Commissioner of Main Roads; Department of Communities; Department of Education; Department of Finance; Public Transport Authority of Western Australia; WA Health; Water Corporation; Western Australian Land Authority; Western Australian Planning Commission and Western Power.

³⁴ Answer to question prior to hearing no. 1 asked by the Committee and answered by the Minister for Housing for the Department of Communities, 6 June 2018, p 1.

³⁵ Answer to question prior to hearing no. 1 asked by the Committee and answered by the Treasurer for Western Power, 5 June 2018, p 1.

³⁶ Answer to question prior to hearing no. 1 asked by the Committee and answered by the Minister for Transport for the Commissioner of Main Roads, 7 June 2018, p 1.

³⁷ Answer to question prior to hearing no. 1 asked by the Committee and answered by the Minister for Transport for the Public Transport Authority, 8 June 2018, p 1.

- 4.14 The Department of Education indicated that it does not undertake cost benefit analysis *per se* and that its approach for determining which capital projects are prioritised is mainly based on demographic need or the quality of existing assets.³⁸
- 4.15 The Committee's question was limited to a particular technique—cost benefit analysis. Of the ten agencies asked, the Commissioner of Main Roads and the Public Transport Authority of Western Australia were the most consistent in their application of this technique. The Department of Finance provided cost benefit analysis for certain projects. Other agencies advised that they did not use this technique, but undertook different analyses for projects within their portfolio responsibility.

FINDING 2

The Committee finds that a variety of techniques have been applied in assessing value for money for various capital projects across agencies. The Committee is interested in pursuing further consideration of the relevance and applicability of these techniques.

Implications from the Commonwealth Government 2018-19 Budget

Committee examination

- 4.16 In order to discern what impact the Commonwealth Government 2018-19 Budget had on departments, the Committee asked each Department the following question:
- What are some of the implications for your agency from the Commonwealth Budget released on 8 May 2018?
- 4.17 The State 2018-19 Budget incorporates all Government decisions and other relevant information as at 9 April 2018. Any changes that occurred after that date will be incorporated into the 2018-19 Government Mid-year Financial Projections Statement, which is due for release by December 2018. Consequently, any impacts from the Commonwealth Government 2018-19 Budget, which was released on 8 May 2018, will be not included in the State 2018-19 Budget unless it had been provided to the Government prior to 9 April 2018.

Committee comment

- 4.18 The structure of the question produced variations in responses, which did not allow for consistent analysis. In addition, it was too early to quantify the financial implications of the Commonwealth Government 2018-19 Budget on agencies³⁹ or on the whole-of-government accounts. The Department of Treasury advised:

However, the 2018-19 Commonwealth Budget obviously has implications for the State's finances.

Where comparisons are possible, Commonwealth grants to Western Australia are estimated to have increased by a net \$756 million over five years from 2017-18 to 2021-22 compared to assumptions in the 2018-19 State Budget.

³⁸ Answer to additional question no. 1 asked by the Committee and answered by the Minister for Education for the Department of Education, 20 July 2018, p 1.

³⁹ These following Departments indicated that the budget is likely to have no direct impact on them—the Department of Fire and Emergency Services; Department of Jobs, Tourism, Science and Innovation; Department of Local Government, Sports and Cultural Industries; Department of the Registrar, Western Australian Industrial Relations Commission; Department of Transport; Department of Treasury; Department of Water and Environment Regulation; Office of the Auditor General; Office of the Director of Public Prosecutions; Public Sector Commission; Western Australian Electoral Commission.

Some of this increase in Commonwealth grants will involve associated additional expenditure by the State Government and the net impact on the State's finances has not been quantified to date. The increase in Commonwealth grants noted above also does not include any GST impacts from changes to Western Australia's share of tied Commonwealth grants, as this is currently uncertain. Once fully assessed and finalised, impacts from the Commonwealth's Budget will be reflected in the State Government's 2018-19 Mid-year Review.⁴⁰

4.19 The Department of the Premier and Cabinet noted:

The State Government successfully secured a \$3.2 billion funding commitment for WA infrastructure in the 2018-19 Commonwealth Budget, including contributions to METRONET and important road, hospital and water infrastructure. Of this funding, \$1.2 billion is currently reflected in the State Budget over the forward estimates. The Department will work with relevant agencies to ensure the timely delivery of these important projects and continue to cooperate with the Commonwealth on funding for long-term infrastructure, including identifying new opportunities for funding and collaboration.⁴¹

4.20 The additional funding for infrastructure was noted in responses from the Department of Finance; the Department of Planning, Lands and Heritage; the Department of Primary Industries and Regional Development; and WA Health.

4.21 A number of agencies also noted that the Commonwealth budget did not include a revised National Partnership Agreement on Remote Housing, which expired on 30 June 2018.

Credit card surcharges

Background

4.22 The Joint Standing Committee on Delegated Legislation advised the Committee that there may be issues arising from agency practices regarding the application of credit or debit card surcharges. The Reserve Bank of Australia (RBA) applies a standard that allows individualised surcharges depending on the type of the card. The standard also sets out the maximum rate to be applied in the event that the merchant charges a single 'blended' rate for cards in general, rather than a rate for each card.

Committee examination

4.23 The Committee asked 11 agencies the following questions:

- (a) Do you allow a person to pay for goods and services with credit or debit cards
- (b) If so, when a person pays a fee or fine by credit card or debit card:
 - (i) What surcharge do you apply to process that card payment
 - (ii) Do you impose the same surcharge irrespective of which type card is used
 - (iii) Is that surcharge authorised by a legislative Instrument, for example, by regulations?

⁴⁰ Answer to question prior to hearing no 2 asked by the Committee and answered by the Treasurer for the Department of Treasury, 5 June 2018, p 2.

⁴¹ Answer to question prior to hearing no 1 asked by the Committee and answered by the Premier for the Department of the Premier and Cabinet, 5 June 2018, p 1.

- (iv) What steps have you taken to ensure compliance with Reserve Bank of Australia Standard No. 3 2016 titled 'Scheme rules relating to Merchant Pricing for credit, debit and prepaid card transactions'
- (v) As per the Standard, is your surcharge no greater than the average cost of acceptance of the lowest cost system, not an average of all costs systems?

Committee comment

- 4.24 Respondents have uniformly indicated that they allow payments from credit and debit cards, but do not apply a surcharge to those transactions.⁴²

The use of 'Other' categories in agency financial statements

Background

- 4.25 Agency financial statements include an 'Other' category to capture all financial data that is not separately identified. Examples of these categories in the agency financial statements include:

- other expenses
- other revenue
- current assets – other
- non-current assets – other
- current liabilities – other
- non-current liabilities – other
- other receipts
- other payments.

- 4.26 The Committee notes that bundling financial data into an 'Other' category may mask important trends in an agency's finances.⁴³ This issue is highlighted in the following exchange:

Hon DIANE EVERS: My first question: I note on the income statement on page 538 that "Other expenses" now includes borrowing expenses, which were shown separately in the 2017-18 budget last year. Given borrowing expenses make up roughly 80 per cent of other income as per the 2017-18 budget, what is the justification for removing that line item and including it in other income?

Hon STEPHEN DAWSON: Madam Chair, if I can ask Mr Kirk to provide a response to that, please.

Mr KIRK: I can answer that. You are quite right; in previous years it was shown as a separate line item. The document is prepared by Treasury and follows a Treasury protocol. I spoke to them at the time and I am advised that most agencies do not have borrowings. There are very few agencies that have borrowings, so their system rolls it up to a subtotal. Then the borrowings are broken out again, but for

⁴² The Western Australia Police Force advised that 'Australia Post is contracted to provide this function. The surcharge, around \$0.00555 per dollar, is not passed on to the public'. (Answer to additional question no 3 asked by the Committee and answered by the Minister for Police for the Western Australia Police Force, 20 July 2018, p 1.)

⁴³ Agency annual reports sometimes provide a breakdown of what comprises an 'Other' category in the 'Notes to the Financial Statements'.

some reason it was not done this year. But you are quite right, and I have actually got the figure for interest. I think it is just short of \$100 million.⁴⁴

Committee examination

- 4.27 The Committee examined the financial statements of the 17 agencies brought in for a hearing to see how much financial data was classified as 'Other'. The Committee identified 54 instances where the average proportion of 'Other' to the total for that aggregate was greater than 10%.⁴⁵ Of those 54 instances, the Committee found that:
- The Department of Jobs, Tourism, Science and Innovation had nine instances where the average proportion of 'Other' to the total was greater than 10%, while the Mental Health Commission did not have any instances.
 - 'Current liabilities – other' and 'other revenue' were the two most frequently used categories of 'Other', with ten instances each. 'Other payments' and 'other receipts' had eight instances each.
- 4.28 The Committee then focussed its attention on 'Other' categories contained in the statement of financial position.⁴⁶ Within those categories, there was a significant range in the average proportion of 'Other', with the Parliamentary Services Department having an average of 11% of its current liabilities in 'Other', while the Commissioner of Main Roads had an average of 87% of its current liabilities in 'Other'.
- 4.29 For selected instances, the Committee asked agencies the following question:
- I refer to page <x> of Budget Paper No. 2, statement of financial position, and ask what comprises <aggregate>?⁴⁷

Committee comment

- 4.30 It is difficult from the responses provided to determine whether any component of 'Other' should be separately identified in the statement of financial position, as the responses did not tend to include dollar values to those components. The agencies that provided dollar values in their responses are discussed below:
- The Department of Biodiversity, Conservation and Attractions had an average proportion of 'current liabilities – other' of approximately 33%. The Department identified five components,⁴⁸ none of which appear to warrant being separately identified.
 - The Department of Training and Workforce Development had an average proportion of 'current liabilities – other' of approximately 70%. The Department identified eight components,⁴⁹ of which income received in advance of International Students Fees may

⁴⁴ Hon Diane Evers MLC; Hon Stephen Dawson, Minister representing the Minister for Transport; Mr Kevin Kirk, Executive Director, Finance and Contracts, Public Transport Authority of Western Australia, *Transcript of evidence (Public Transport Authority of Western Australia)*, 19 June 2018, p 1.

⁴⁵ To calculate the percentage, the Committee divided the 'Other' category by the total for that category for each year in the table. The Committee then averaged the resulting percentages.

⁴⁶ These are current assets – other, non-current assets – other, current liabilities – other and non-current liabilities – other.

⁴⁷ The Committee also asked the Department of Mines, Industry Regulation and Safety about 'regulatory fees and fines – other'.

⁴⁸ The Department identified income received in advance (\$7.1 million), other non-financial liabilities (\$13.7 million), workers' compensation and payroll tax on-costs (\$0.1 million), accruals salaries and wages (\$1.4 million) and other accruals (\$2.0 million) for the 2017-18 estimated actual (of \$24.3 million).

⁴⁹ The Department identified the following components of current liabilities – other: Income received in advance for International Student Fees (\$16.7 million), accrued expenses relating to VET [Vocational Education and Training] Fee Help – Income Contingent Loans (\$4.5 million), accrued expenses relating to capital works projects (\$1.6

warrant being separately identified. This component comprises more than half of the 'Other' category and is larger than the other separately identified categories in the agency's disclosures on current liabilities.

- The Commissioner of Main Roads had an average proportion of 'current liabilities – other' of approximately 87%. The Commissioner identified six components, of which major construction/contract accruals may warrant being separately identified. This component comprises approximately 83% of that category.
- The Public Transport Authority of Western Australian had an average proportion of 'current liabilities – other' of approximately 61%. The Authority identified six components, of which borrowing from the Western Australian Treasury Corporation may warrant being separately identified. This component comprises approximately 80% of that category. The Committee notes that the Authority had separated out interest related to borrowings in the income statement in previous budgets.

4.31 The Committee understands that the Department of Treasury prescribes the format of agency statements:

Hon DIANE EVERS: Is it possible that it should maybe not be called "Other" and that we should note what that is in the financial statements, just to make it more clear?

Hon STEPHEN DAWSON: I will just make a comment before I hand over to Mr Carren. This has been mentioned previously in some other estimates. The way the budget papers are set out is obviously done in conjunction with the Auditor General, so there is a kind of process that needs to be gone through in relation to what goes where. I might ask Mr Carren to elaborate further.

Mr CARREN: I think the minister answered the question pretty well; I will just elaborate a bit further. The format that is prescribed within the statements is consistent and in line with the accounting standards, and Treasury prescribes the format. I think the member is right. It would be good to have that greater level of detail. Certainly, when it comes to the annual report, if you want to refer to the annual report, there are quite a lot of notes around what makes up those amounts; it goes into great detail. That is probably a good place to look.⁵⁰

See also paragraph 4.26.

4.32 The Committee recognises that 'Other' categories have a role in the financial statements. However, the Committee considers that it is important to ensure that those 'Other' categories are used appropriately and do not contain financial data within them that should be separately identified in the financial statements.

RECOMMENDATION 1

The Treasurer direct the Department of Treasury to work with agencies to minimise the proportion of 'Other' categories in their agency financial statements.

million), ICT contracts and services payable (\$1.2 million), grant income received in advance (\$0.7 million), VET in schools (\$0.8 million) and other accrued expenses payable (\$4.1 million).

⁵⁰ Hon Diane Evers MLC; Hon Stephen Dawson MLC, Minister Representing the Minister for Housing; Mr Liam Carren, Chief Finance Officer, Department of Communities, *Transcript of evidence (Department of Communities – Housing Authority)*, 19 October 2017, p 11.

Disclosing capital projects in the asset investment program

Background

- 4.33 Some agencies show a mix of individual projects and general programs in their asset investment program table in the agency statements. For example:
- The Western Australian Planning Commission presents capital spending on acquisition of land and regional land acquisitions, with yearly programs within those categories. The Western Australian Planning Commission separately identifies the METRONET Yanchep Rail Extension project.⁵¹
 - The Water Corporation presents capital spending under broad categories (such as irrigation and drainage or wastewater program), with further sub-categories (such as network capacity, treatment capacity or supply renewals). The Water Corporation also separately identifies specific projects, such as Margaret River Waste Treatment Plant Upgrade or the Ellenbrook Barrambie Way Pressure Main.⁵²

Committee comment

- 4.34 The Committee considers that it would improve the transparency of the budget papers if individual projects are listed in the asset investment program, rather than general programs. This would facilitate Parliamentary scrutiny on an agency's specific plans for capital spending.
- 4.35 Western Power advised they do not list individual projects in their asset investment program because:
- funding categories are aligned with Treasury as the number of individual projects are far too numerous to list... [and] not all of our AIP [Asset Investment Program] breaks down into individual projects as a lot of the work is part of an ongoing, multi-year volumetric program of works.⁵³
- 4.36 The Committee is not persuaded by the argument that individual projects are 'too numerous to list', and notes that the Department of Education is able to list 145 projects or programs in their asset investment program, listing programs estimated to cost \$25,000 (furniture and fitting program) up to \$286.7 million (small asset capital purchases).⁵⁴

RECOMMENDATION 2

The Treasurer direct the Department of Treasury to encourage all agencies to provide project-level data in the asset investment program tables. If there is a concern about the number of projects, the asset investment program should, at a minimum, identify the larger projects.

Explaining the spending changes table in the agency statements

- 4.37 Members routinely ask questions that relate to the information contained in spending changes tables in agency statements in the budget papers. The Committee considers that there may be some merit in explaining how the table works.

⁵¹ Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 10 May 2018, p 616.

⁵² *ibid.*, p 660.

⁵³ Answer to question prior to hearing no. 1 asked by the Committee and answered by the Minister for Energy for Western Power, 5 June 2018, p 1.

⁵⁴ Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 10 May 2018, p 300-03.

- 4.38 A spending changes table uses three main types of notation:
- a *dollar figure with no brackets* means spending has increased in that year since the last budget
 - a *dash* means no change in spending has occurred in that year since the last budget
 - a *dollar figure with brackets* means spending has decreased in that year since the last budget.
- 4.39 The spending changes table shows:
- Key changes to spending on services that have occurred since the previous Budget was presented to Parliament. A description of the spending may be found in Budget Paper No. 3 or the Government Mid-year Financial Projects Statement.
 - A mix of new spending and existing spending. However, it can be difficult to determine whether a change is new or relates to existing spending. The Treasurer indicated that he will consider separately identifying those changes in the 2019-20 Budget Papers.⁵⁵
- 4.40 The table does not show:
- changes to capital spending. These changes are shown in Budget Paper No. 3 or the Government Mid-year Financial Projections Statement
 - the revenue impact of spending
 - changes to the funding source. For example, the table would not show if spending was funded from the Consolidated Account in one budget and from Royalties for Regions in another budget.
- 4.41 The table cannot necessarily be used to determine whether the yearly spend on a program or project is increasing or decreasing in each year. If the program is new, it is readily apparent whether spending in one year is more or less than the previous year. If it is existing spending, the reader also needs total spending estimates (which are not included).
- 4.42 Financial data in the spending changes table may be added together across the years to determine the overall change in spending, relative to the previous Budget estimates.
- 4.43 A worked-up example, using the Department of Treasury, is provided at Appendix 2.

5 Matters arising from Report 73 of the Committee

- 5.1 In its *2017-18 Budget Cycle – Part 1: Estimates hearings and related matters* report (Report 73), the Committee made a number of observations about the presentation of the 2017-18 Budget Papers. Report 73 was released too late to be able to be implemented in time for the 2018-19 Budget.
- 5.2 The Committee wrote to relevant Ministers, either directly or as part of additional questions, to seek their feedback on those observations.
- 5.3 In general, Ministers accepted many of the actions implicit in the observations made by the Committee in Report 73. For example:
- The Premier agreed to the Department of the Premier and Cabinet separately reporting services to Executive Government and services to Parliamentary Support.⁵⁶

⁵⁵ Hon B Wyatt MLA, Treasurer, Department of the Premier and Cabinet, Letter, 11 July 2018, Attachment 1, p 1.

⁵⁶ Hon M McGowan MLA, Premier, Letter, 10 September 2018, p 1.

- The Treasurer agreed to include a table of Consolidated Account finances (including forecasts) in the 2019-20 Budget Papers and use paragraph numbers, rather than bullet points, in the Significant Issues Affecting the Agency section of the agency statements in the 2019-20 Budget Papers.⁵⁷
- The Minister for Transport agreed to the Public Transport Authority developing an appropriate indicator on the return on construction expenditure.⁵⁸

5.4 The Committee has further developed two concepts raised in related matters in Report 73. These are discussed in paragraphs 5.5 to 5.15.

Separately identify projects funded by Royalties for Regions in agency statements

5.5 The Committee observed that Members often seek information on which Royalties for Regions projects were funded by the various Royalties for Regions sub-Funds⁵⁹ shown in the agency financial statements.⁶⁰ The Committee suggested that this could be addressed by including a table showing the projects funded from each source of Royalties for Regions funding.⁶¹

5.6 The Treasurer advised:

The Royalties for Regions (RfR) program is fully disclosed in Chapter 7 of Budget Paper No. 3 (Investing in Regional Western Australia). Any new projects and material changes to an existing project are reflected in the spending changes table in agency Budget statements. As the Government has sought to better integrate the RfR program into the overall Budget process, rather than have it run as a separate or 'shadow' process, the Government is not inclined to separately identify RfR funding projects or programs in agency Budget statements. The existing disclosure in Chapter 7 of Budget Paper No. 3 is considered sufficient.⁶²

5.7 The Committee considers that the existing disclosures in Chapter 7 in Budget Paper No. 3 of Royalties for Regions projects cannot be used to address the Members' concerns noted above because it:

- does not identify which agencies are responsible for the projects
- does not identify projects by funding source. The Committee notes that the equivalent chapter in the 2016-17 Budget Papers usefully listed each project under each sub-Fund⁶³
- shows spending (recurrent and capital) by project, while the agency financial statements shows funding by source.

⁵⁷ Hon B Wyatt MLA, Treasurer, Letter, 11 July 2018, Attachment 1, p 1.

⁵⁸ Hon R Saffioti, Minister for Transport, Public Transport Authority, Letter, 4 September 2018, p 2.

⁵⁹ The three Royalties for Regions Funds are the Country Local Government Fund, the Regional Community Services Fund and the Regional Infrastructure and Headworks Fund. In addition, funding in agency statements comes from 'Administered item', 'Regional and State-wide initiatives' and the 'Regional Reform Fund'.

⁶⁰ Similar questions were asked again during the Department of Education hearing and the Public Transport Authority of Western Australia hearing.

⁶¹ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 73, *2017-18 Budget Cycle – Part 1: Estimates hearings and related matters*, May 2018, p 9.

⁶² Hon Ben Wyatt MLA, Treasurer, Letter, 11 July 2018, Attachment, p 2.

⁶³ Government of Western Australia, 2016-17 Budget Papers, *Budget Paper No. 3 – Economic and Fiscal Outlook*, report prepared by the Department of Treasury, 12 May 2016, p 195-201.

- 5.8 The Committee considers that Members' needs could be met and transparency improved if the table in Chapter 7 contained information on the source of Fund and the responsible agency. The table could be amended as follows:

Table 2. *Proposed Royalties for Regions expenditure table*

Agency		2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
			\$	\$	\$	\$	\$
Country Local Government Fund							
Project A	Agency X						
Project B	Agency X						
Regional Community Services Fund							
Project C	Agency W						
Project D	Agency Z						
Regional Infrastructure and Headworks Fund							
Project E	Agency Z						
Project F	Agency Y						

RECOMMENDATION 3

The Treasurer amend the Royalties for Regions table in Budget Paper No. 3 to show the responsible agency and the source of sub-funding for each project.

Commissioner of Main Roads showing spending on services on an unadjusted basis

- 5.9 The Committee observed that the Commissioner of Main Roads' practice of showing spending on an adjusted basis⁶⁴ was 'arguably unnecessary' and made the data not comparable with other agencies.⁶⁵

- 5.10 The Minister advised that:

Main Roads is of the view that providing all capital works within the Main Roads Service Summary, and the inclusion of a table detailing these income items (mostly non-cash accounting transactions) that are not included, provides a more detailed view of which services are being addressed and therefore significantly greater reporting transparency.⁶⁶

- 5.11 The Minister provided the following example of where presenting spending on an unadjusted basis would reduce the level of detail provided in the Budget papers:

⁶⁴ Adjusted spending 'excludes non-cash adjustments and local government network adjustments, and includes road works capitalised to infrastructure'. (Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 10 May 2018, p 508.

⁶⁵ Western Australia, Legislative Council, Standing Committee on Estimates and Financial Operations, Report 73, *2017-18 Budget Cycle – Part 1: Estimates hearings and related matters*, May 2018, p 10.

⁶⁶ Hon Rita Saffioti MLA, Minister for Transport, Letter, 11 July 2018, p 2.

In the 2018-2019 [sic] Budget, the Adjusted Cost of Services for Road Safety is recorded as \$212 million. If the capital infrastructure component was removed, that service would be recorded as \$48 million and would not reflect the total level of effort being put into the 'Road Safety' service.⁶⁷

- 5.12 The Committee considers it important to know the quantum spent on service delivery at an individual service delivery level. Without the Minister's example, the Committee would not be aware that \$48 million is expected to be spent delivering the road safety service in 2018-19.
- 5.13 The practice of presenting service summary data on an adjusted total cost of services basis detracts rather than enhances transparency on the grounds that:
- It provides a distorted view of effort. For example, on an adjusted basis 'spending' will increase by \$456.5 million between 2016-17 and 2018-19, when actual recurrent spending will decrease by \$50.2 million over that period. Similarly, on an adjusted basis 'spending' will decrease by \$1.0 billion between 2018-19 and 2021-22, when actual recurrent spending will only decrease by \$54.3 million over that period. These distortions are almost entirely underpinned by changes in road infrastructure capital works.
 - No other agency reports service-level information on an adjusted basis, reducing the comparability of the data.
 - There is a risk that readers may add adjusted spending to spending on the asset investment program to show 'total spending'.
- 5.14 Therefore, the Committee considers it important for Main Roads to present a table of spending on services on an unadjusted basis because it enhances transparency and comparability across agencies.
- 5.15 If Main Roads is concerned that presenting spending on an unadjusted basis does not reflect the total level of effort, Main Roads could:
- Re-label the service summary (adjusted total cost of services) table to 'total effort of spending'. This would make it quite clear that it is conceptually different from the standard service summary table.
 - Group capital spending in the asset investment program table into the six service categories. This would enable the reader to see the level of effort on individual services from particular capital projects.

RECOMMENDATION 4

The Minister for Transport show service summary data on an adjusted and unadjusted basis in the agency statements of the Commissioner of Main Roads.

⁶⁷ Hon Rita Saffioti MLA, Minister for Transport, Letter, 11 July 2018, p 2.

6 Conclusion

- 6.1 The Government sought Parliamentary approval to appropriate \$21.9 billion from the Consolidated Account to fund government operations in 2018-19. The Committee considers that its examination of these estimates, by way of questions asked and analysis undertaken, will assist the Legislative Council in its scrutiny function.



Hon Alanna Clohesy MLC

Chair

APPENDIX 1

SUMMARY OF AGENCY HEARINGS

19 June 2018: Department of Transport

- Key effectiveness indicators—percentage of containerised freight transported by rail in relation to the total metropolitan container movements
- Spending changes—CAT bus services escalation
- Key efficiency indicators—average cost per vehicle inspection by the vehicle examinations centre
- Cost recovery
- Controlled grants and subsidies—on-demand transport reform—regional reform
- Firearm licence fees
- Key efficiency indicator—cost of regulation per taxi plate administered
- Controlled grants and subsidies—multi-purpose taxi—vehicle modification grants
- Spending on supplies and services
- Spending on the strategic transport policy and integrated planning service
- Administering the taxi plate buyback scheme—IT system

19 June 2018: Public Transport Authority of Western Australia (PTA)

- 'Other' expenses includes borrowing expenses (in previous budgets these were separately identified)
- Policy to determine whether PTA receives a capital appropriation or is required to borrow
- Factors included in the cost benefit analysis undertaken by the PTA
- Multi-story carpark at Mandurah train station
- Cashflows from financing activities – other payments
- Reduction in the operating subsidy relative to the 2017-18 Budget estimates
- Whether the operating subsidy includes the anticipated completion of a number of stage 1 METRONET projects
- Projects on page 533 of Budget Paper No. 2 comprise the stage 1 METRONET projects that have been funded
- 'Value capture' for funding METRONET
- Upgrading train stations to accommodate six car trainsets
- Removing train stations due to lack of patronage
- Multi-story carpark at Midland
- Composition of 'other revenue'
- Increase in Royalties for Regions Fund: Regional Community Service Fund in 2021-22
- Increases in the value of restricted cash (current assets)

- Other cash flows from the state government
- Local content rules for the railcar program
- Tender for the railcar program
- Anticipated patronage for the Thornlie Cockburn link and the Yanchep rail extension
- Cost benefit ratios for the Thornlie Cockburn link and the Yanchep rail extension (positive and unaffected by the funding source)
- Yanchep rail extension—the Alkimos, Eglinton and Yanchep stations will be built concurrently
- Railcar procurement—cost implications from local content rules
- Matagarup footbridge
- Perth parking levy/provision of CAT buses in the CBD
- Spending changes table—Optus Stadium – Special Event services (the Government’s half of football and cricket events)
- Ride sharing access to Optus Stadium
- Other payments from the operating activities

19 June 2018: Commissioner of Main Roads

- Acting positions of the senior Executive of Main Roads
- Parameters used for benefit cost ratios
- Release of datasets to the public
- ‘Other’ revenue
- Controlled grants and subsidies – road assets transferred
- Funding agreements with the Western Australian Local Government Association
- Mitchell Freeway – Cedric Street to Vincent Street widening project – sourcing of funding, scope of benefit cost analysis
- Mitchell Freeway – Hodges to Hepburn/Reid to Erindale
- Cost of traffic congestion
- Alleviating congestion on the Mitchell Freeway
- Submissions to Infrastructure Australia for a future five freeway projects
- Kwinana Freeway between Russell Road and Roe Highway widening—update, expected completion timeframe
- Widening projects southbound on Kwinana Freeway around Russell Road and Roe Highway completed
- Reduction in traffic congestion
- Aboriginal employment at Main Roads
- Black spot locations
- Motor vehicle fatality rates per capita and the Road Trauma Trust Account spending
- Funds granted to local government from the road funding agreement
- Changes to maintenance plans over the estimates period

- Road Trauma Trust Account speed monitoring project
- Arrangements for the Road Trauma Trust Account
- Regional roads
- Matagarup footbridge (changes to tendered amounts, tendering process)

19 June 2018: Western Australia Police Force

- A new road safety strategy for Western Australia beyond 2020 as the current, 'Towards Zero' strategy ends (and a 28 per cent reduction in the number of people killed and seriously injured is noted)
- The need for a more proactive response, not reactive to country run-off road crashes
- Noting over a number of years, an 800 per cent increase in the Indian Ocean Road traffic volume with 28 serious crashes over a five-year period
- The use of wide centre-line treatments on Indian Ocean Drive with metre audible or tactile separation between the lines down the centre
- Exploring the motivation for developing an Aboriginal employment policy, in particular the cadet police program
- The statistical success of Aboriginal police auxiliary officers
- Aboriginal employment in the Kalgoorlie region
- Doubling of the 'Policing at Major Events' item from \$881 000 in 2017-18 to \$1.776 million in 2018-19
- \$26.9 million to replace the existing Kawasaki BK 117 helicopter after 30 years of service, partially (38 per cent) funded from the Road Trauma Trust Account
- How the Road Safety Council did not support the proposal for the expenditure of Road Trauma Trust Account funds in relation to the replacement helicopter
- The new approved commercial carrier policy for the transport of firearms within the State
- The speed camera replacement program
- The regional workers incentive allowance payments derived from the royalties for regions funding stream
- The oversubscription of the number of police officers interested in voluntary severance (only 150 sworn officers will be offered)
- 24/7 police stations and whether there is a more effective model for the utilisation of limited police resources
- Cessation of funding for the 'Countering Violent Extremism—Living Safe Together' program
- \$7 million brought forward to 2018-19 from 2021-22 to upgrade radio core and telecommunications intercept systems; and implement stronger cybersecurity measures
- Increasing Government Regional Officers' Housing rents
- A police compensation scheme (workers' compensation arrangements and a redress scheme underway)
- The absence of an allocation for stab-proof ballistic vests, body armour and body-worn video. Working with nine vendors able to supply vests for evaluation

- The operational canine squad in regional Western Australia with 48 to 50 dogs currently capable
- The 'Regional and Remote Policing Services' item in the Kalgoorlie region and crime rates
- Funding for the Wheatbelt safety review given that the crash rate there is almost double the rate for regional Western Australia (about 110 serious crashes per 100 000 persons)
- Enforcement of traffic laws priorities where 17 per cent of the agency's total effort is focused on traffic enforcement
- Noting 80 per cent of property offenders with a significant history of drug use especially methamphetamine
- Activities of the methamphetamine enforcement task force and Meth Border Force. Impacts include seizures approaching 1.4 tonnes
- Senior Executive Service Reductions
- The justice pipeline model's Working Group

19 June 2018: Department of Treasury

- Rationale of holding appropriations until a business case is provided
- Decline in appropriation funding for the PTA, Water Corporation and Royalties for Regions (relative to the previous estimates)
- Decline in Loan Acts – Repayment of Borrowings for 2020-21 (relative to the previous estimates)
- Increase in Loan Acts – Repayment of Borrowings for 2017-18 (relative to the previous estimates)
- Decline in Commonwealth grants in 2020-21 (relative to the previous estimates)
- Total public sector net debt (2016-17 result; policy approach to reducing net debt)
- Sale of Landgate
- Contribution of METRONET to net debt levels
- Red-tape reduction (Update on process; consultation with public; targets for reduction)
- Gambling tax revenue—point of consumption tax changes
- Social and affordable housing and jobs package private sector involvement
- Cost reduction factor in population growth or expansion of core service
- Government equity contribution for LandCorp
- Payments to and from the Water Corporation
- Voluntary Targeted Separation Scheme targets and departmental contributions to that target
- Operating subsidies impact of METRONET
- Representative household model
- Standardised governance model for government trading enterprises
- Receipts paid to the Consolidated Account
- National Redress Scheme

20 June 2018: Parliamentary Services Department

- The 'Government Office Accommodation Reform Program' at 11 Harvest Terrace showing a decrease in each of the outlying years for accommodation
- Using the \$1 million capital appropriation in each of the outlying years for maintenance of failing air conditioning and roof leakages
- The \$350-370 annual cost of the parliamentary survey
- Security services or safety services to the building included in the 'Provision of Information and Services' item
- The impact of a significant increase in the number of students and general public entering the Parliament on security services
- Instances around the misuse of security passes. Occasionally passes have been removed
- Security mitigations include introducing chicanes on either side of the square quadrangle and bollards (pop-up ramps) to stop vehicles from being able to come through
- The onerous nature of the Australia–New Zealand Counter-Terrorism Committee guidelines regarding people gathering en-masse. The cost to mitigate that risk is about \$400 000 to modify the front and move visitor parking down on the southern driveway past the old tennis courts
- Allocation of \$250 000 of the \$1 million capital budget to IT services
- Decrease in the variable cost for maintaining Parliament's grounds from 29 per cent in 2016-17 to 17 per cent for 2017-18
- How asking for additional funding (Parliament is \$13 million underfunded in the next 10 years) as part of the streamlined budget process (something given to agencies that do not ask for additional funding) meant the loss of \$161 000
- Calculating variable costs
- The under-cost recovery nature of the security hiring services fee for Members hosting after hours functions
- The costly, heritage-listed building status of Parliament when contemplating upgrades, for example, to the city-facing eastern façade
- The century old parliamentary refreshment rooms that receive nothing from the public purse. Food and beverage is cost plus 10 per cent on average

20 June 2018: Department of Biodiversity, Conservation and Attractions

- Discrepancies in spending amounts for the Preston River to Ocean Regional Park and the Leschenault Regional Park explained as recurrent and capital expenditures
- Community input into the planning for the extension into Wellington National Park near Collie
- The absence of an order of priority in the 'Significant Issues Impacting the Agency'
- \$900 000 over three years for the competitive, Community Rivercare Program
- \$8 million on various (non-means tested) concessions to entry fees, subsidised for those on some sort of Commonwealth or State support program
- The 'Senior Executive Service Reduction'
- Management of invasive pests, weeds and diseases. Particularly arum lily, blackberry, blue lupins and narrow leaf cotton bush distributions on the Department's-managed lands

- The \$20 million, five-year Aboriginal ranger program
- Community consultation for the planning and reservation of the new Fitzroy River National Park
- The Swan-Canning River park protection strategy

20 June 2018: Department of Justice

- Borrowing by the Department
- Declining Adult Corrective Services spending and increasing adult prisoner population
- Voluntary Targeted Separation Scheme
- Definition of serious assault/key effectiveness indicators
- Adult corrective services—key efficiency indicator on cost per day
- Juvenile detention—key efficiency indicator on cost per day

20 June 2018: Department of Communities (Disability Services)

- The National Disability Insurance Service (NDIS) and disability services in the regions rolled out from July 2018 to the inner Wheatbelt area (Moora, York, Narrogin and Northam) with Northam expanded. From October 2018, the Goldfields, Bunbury and the upper south west area. From July 2019, Albany and Gascoyne areas
- The National Disability Services industry plan anticipating the need for up to 9 000 new workers in Western Australia to respond to the increase in demand as a result of the NDIS rollout
- The effect of the voluntary targeted separation scheme in the disability services space
- \$20.3 million for sector transition but \$1.3 billion of avoided expense in joining the NDIS
- Funding to implement the national disability strategy within Western Australia
- The status of autism spectrum disorder within the NDIS given its more sophisticated diagnosis
- People over 65 currently supported by the state disability system will continue to access disability-related supports and be provided with supports by the National Disability Insurance Agency
- \$4.5 million for the operation of the disability justice service
- \$4.3 million over two years for existing Quadriplegic Centre clients in transition to community housing and to prevent further admissions to the Centre prior to its closure

20 June 2018: Department of Communities (Child Protection)

- \$24 million for the regional reform fund and its continuation into the forward estimates
- Creating a regional director with locality managers across the Kimberley providing specialist advice at the most senior level to child protection officers for addressing contributing factors to child neglect, family and domestic violence
- The needs of Aboriginal children in the Chief Executive Officer's care
- \$20 million package for in-home intervention with Aboriginal families in the metropolitan area by Aboriginal-controlled organisations
- Intervening in a smarter way with those families moving between different types of crises and therefore accessing different types of agencies but absent an oversight of those families

- Two residential 'Breathing Space' projects for the Peel and south metropolitan regions funded in the domestic violence space
- The 'respectful relationships' education program for young men in schools for respectful ways to address women
- A policy consortium to consider a 10-year plan to reduce and prevent domestic violence
- The West Pilbara plan
- The transition of youth justice from Corrective Services to the Department of Communities
- Target 120
- The funding of specific programs for parenting advice and early intervention support
- Working with children checks
- The Regional Reform Fund
- The 24 full time equivalent metropolitan central intake system for responding to public queries. Implementing a tool providing a standardised approach to conducting assessments
- The National Partnership Agreement on Pay Equity

21 June 2018: Department of Education

- Spending changes—"Growth Funding - Revisions to Student Enrolment and Cost Growth Forecasts"—location of growth
- Asset investment program (changes since the previous budget)
- Public private partnerships (disclosures in budget for specific projects; future plans; accounting treatment)
- Total appropriations to deliver services (revised down compared to previous budget)
- Voluntary Targeted Separation Scheme (target; positions)
- Aggressive students (policies; definition)
- Independent evaluation of student centre funding model
- Supporting teachers
- Behaviour and mental welfare of students
- Rationale for determining whether borrowings or capital appropriations are used
- Net savings
- Landsdale Farm School
- Capital projects funded from the royalties for regions administered item
- Projects funded from the regional reform fund
- Disclosing accommodation spending in the income statement/statement of cashflows

21 June 2018: Department of Training and Workforce Development

- Skill shortages
- Statistics on retention rates for courses
- Key effectiveness indicator—extent to which career and workforce development advice provided to clients results in employment or training outcomes
- Projections and models for funding apprenticeship training (comparison to Treasury estimates)

- Changes in infrastructure management for TAFE colleges spending over the forward estimates
- Key efficiency indicators—average cost of administration training infrastructure per TAFE college
- Lack of available teachers for Science, Technology, Engineering and Mathematics

21 June 2018: Department of the Premier and Cabinet (DPC)

- The Browse LNG trust account and the expected payout of the Browse LNG regional benefits package but hampered by a Federal Court decision, or in relation to the establishment of the governance arrangements
- Payments made to the Office of the Government Chief Information Officer, transferred to DPC from 1 July
- Noting the slowly decreasing property, plant and equipment with a shift to leasing equipment, not purchasing
- Administration of executive government services and separately identifying services provided by DPC to the Parliament as distinct from services provided by the agency to government and executive government
- Members' email accounts and whether they are appropriately serviced and managed
- Survey of Members of Parliament's satisfaction with DPC-delivered services for their electoral offices
- Meaning of the Leader of the 'Second Opposition offices' and DPC's determining 'the Second Opposition'
- Particulars of \$15.3 million over four years to establish Infrastructure WA as an independent advisory body providing expert advice to government on infrastructure needs and priorities
- Consultation with Infrastructure Australia, the Infrastructure Association of Queensland, Infrastructure Victoria and Infrastructure New South Wales to establish Infrastructure WA
- The absence of data sharing legislation in Western Australia
- The Northern Australia Strategic Partnership and success in securing Northern Australia Infrastructure Facility funding (akin to a low-interest loan fund for private sector proponents) for the Onslow marine support base
- DPC's role in the administration of the executive government and the need for timely quarterly travel reports and six-monthly consultants' reports
- \$818 000 refit of two offices in Dumas House for the Premier and Attorney General
- The decision to acquire fleet aircraft and end the 'extremely' expensive lease arrangement (\$3.4 million per annum), which is disadvantageous to the State
- Misconduct claims made against a Minister or their staff since 11 March 2017
- The 'City Deal for Perth' Commonwealth funding for METRONET and leveraging that funding to undertake broader things around the economy
- DPC staff redundancies and the target for completion of the Voluntary Targeted Separation Scheme

21 June 2018: Department of Mines, Industry Regulation and Safety

- The impact of a significant cut in last year's budget and a decrease in the cost of services on the 'Industry Advice and Regulation' key efficiency indicator
- The \$263 million in 2016-17 up to \$347 million in 2021-22 increase in 'restricted cash' in current assets. This is mainly due to the allocation of funds via a Treasurer's advance to the mine safety and petroleum and geothermal energy safety special-purpose accounts
- Construction contractor insolvencies
- Department of the Premier and Cabinet's digital service delivery strategy purporting to deliver better regulatory outcomes at lower cost
- The magnetite, finance assistance program
- Payments made to the Commonwealth for its share of petroleum royalties authorised by the *Petroleum (Submerged Lands) Act 1982*
- The need for a validation bill in light of the High Court decision in *Forrest & Forrest Pty Ltd v Wilson* [2017] HCA 30, which cast doubt on the validity of certain Western Australian mining leases
- Protecting subcontractors. How this extends to those engaged directly or indirectly with the resources sector during just the construction stage, not the operational stage
- The Exploration Incentive Scheme and how mining tenement rentals will 'leap' from \$2.8 million in 2016-17 to \$15.9 million in 2019-20
- The mining rehabilitation fund with a cash balance at the end of the March quarter of \$121 million, including interest of \$4.6 million
- Home indemnity insurance and absence of a new private insurer to take over the State's underwriting responsibilities after 31 October 2018

21 June 2018: Department of Primary Industries and Regional Development

- Regional Reform Fund projects
- Spending changes—Digital Farms (overview; spending profile)
- Regional Technical and Technological Development service staffing profile
- Soil acidity and soil salinity funding
- Biosecurity groups
- Transfer of the Minninup Pool tourist caravan park to the Department of Primary Industries and Regional Development
- Animal welfare inspectors
- Compensation for transitioning away from live export of livestock
- Shark hazard mitigation initiatives links to key performance indicators
- Key effectiveness indicator on soil acidity

22 June 2018: WA Health

- Non-current liabilities borrowings declining over time
- Programs covered by the \$67.8 million to non-hospital services
- Hospital patients readmissions

- Medical cannabis
- Spending on protection for frontline security staff
- Mental Health Observation Unit
- Spending changes—'Hospital services – Revised activity and cost settings'
- Integration of Aboriginal Health services into the WA Health system's base budget settings

22 June 2018: Mental Health Commission

- The south west Alcohol and Other Drug Residential Rehabilitation and Treatment Service
- The absence of recurrent spending beyond \$400 000 in this budget for the Methamphetamine Action Plan: 'Preventing and Reducing Methamphetamine-Related Harm'
- The Methamphetamine Action Plan and \$9.3 million in service delivery from 2018-19 to 2021-22 for the establishment of 33 additional alcohol and other drugs low medical withdrawal and residential rehabilitation beds in the south west
- Rollout of a number of step-up, step-down facilities appearing as grants to other agencies, in particular, to the Department of Communities for housing
- Evaluation of the suicide prevention strategy
- Maintaining the Mental Health Commission as a standalone commission, not to amalgamate it with the Department of Health
- Divesting (not closing) Graylands and replacing it with contemporary community-based alternative services
- The purchase, through health service providers, of specific consultant psychiatrists for specific purposes
- The future of a proposed 'recovery college' for supporting individual recovery through an education platform
- \$100 000 in 2016-17 to ConnectGroups for the 'Dream it Forward' project supporting Aboriginal communities to develop and implement culturally appropriate initiatives
- The Children and Young People Responsive Suicide Support program providing post-trauma support
- The 'assertive patient flow' (a system management function under the responsibility of the Department of Health) function of mental health patients in emergency departments
- \$12 million to the WA Country Health Service for inpatient services in the southwest and \$14.1 million for non-admitted services, of which around \$2.6 million is for child and adolescent mental health services
- Mental health services inside WA's correctional facilities
- The lack of therapeutic forensic beds. How the business case for the Graylands divestment addresses the existing non-forensic services on the site

APPENDIX 2

EXPLAINING THE SPENDING CHANGES TABLE

Analysing the Department of Treasury spending changes table

2.1 The Department of Treasury's spending changes table from the 2018-19 Budget is below.

Table 3. *Department of Treasury spending changes table*⁶⁸

	2017-18 Estimated Actual \$'000	2018-19 Budget Estimate \$'000	2019-20 Forward Estimate \$'000	2020-21 Forward Estimate \$'000	2021-22 Forward Estimate \$'000
Election commitments					
Public sector reform	-	1,590	1,604	1,335	1,346
Senior Executive Service Reduction	(500)	(1,000)	(1,000)	(1,000)	(1,000)
Other					
Government Office Accommodation Reform Program	(305)	(822)	(831)	(840)	(849)
New Public Sector Wages Policy	(181)	(453)	(728)	(1,009)	-
State Fleet Policy and Procurement Initiatives	(31)	(44)	(44)	(47)	(53)
Voluntary Targeted Separation Scheme ^(a)	449	(890)	(898)	(905)	(917)

^(a) Cost and savings estimates of the Voluntary Targeted Separation Scheme as at 9 April 2018 Budget cut-off date. The costs and savings of the Scheme will be further updated in the 2017-18 Annual Report on State Finances and the 2018-19 Mid-year Review.

2.2 For example, from the table above, the reader will be able to discern that:

- In relation to the election commitment on public sector reform, the Department of Treasury will spend \$5.9 million⁶⁹ more over four years,⁷⁰ relative to the 2017-18 Budget.

⁶⁸ Government of Western Australia, 2018-19 Budget Papers, *Budget Paper No. 2 – Budget Statements*, report prepared by the Department of Treasury, 10 May 2018, p 132.

⁶⁹ The \$5.9 million is calculated by adding together each year's spending change – the \$1,590,000 in 2018-19, \$1,640,000 in 2019-20, \$1,335,000 in 2020-21 and \$1,346,000 in 2021-22.

⁷⁰ The table shows the four-year impact of the commitment, given that no spending is anticipated in 2017-18 as denoted by the dash.

- In relation to the election commitment on Senior Executive Service reduction, the Department of Treasury will spend \$4.5 million⁷¹ less over five years,⁷² relative to the 2017-18 Budget.

2.3 The reader will not be able to determine from the table whether the public sector reform commitment is new or not. The following bullet points outline how the public sector reform election commitment spending change may be interpreted.

- If the commitment is new, it will not commence until 2018-19. The Department will spend more in 2019-20 over 2018-19, spend less in 2020-21 over 2019-20, and spend slightly more in 2021-22 over 2020-21
- If the commitment is existing, then additional spending will not occur until 2018-19. There is insufficient information to determine whether the Department of Treasury will be spending more or less in any year without obtaining total spending amounts.

⁷¹ The \$4.5 million is calculated by adding together each year's spending change – the \$500,000 in 2017-18, \$1,000,000 in 2018-19, \$1,000,000 in 2019-20, \$1,000,000 in 2020-21 and \$1,000,000 in 2021-22. The brackets around each amount mean spending is lower relative to the 2017-18 Budget.

⁷² Given that there is financial data in each of the five years of the table, this election commitment has a five-year impact.

Standing Committee on Estimates and Financial Operations

Date first appointed:

30 June 2005

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

'3. Estimates and Financial Operations Committee

3.1 *An Estimates and Financial Operations Committee* is established.

3.2 The Committee consists of 5 Members, 3 of whom shall be non-Government Members.

3.3 The functions of the Committee are to –

(a) consider and report on -

(i) the estimates of expenditure laid before the Council each year;

(ii) any matter relating to the financial administration of the State; and

(iii) any Bill or other matter relating to the foregoing functions referred by the Council;

and

(b) consult regularly with the Auditor General.'



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