

**Division 17: Wheatbelt Development Commission -**

*Question: Mr Omodei asked whether the Minister could provide details of the proposed next year's budget. Can he explain why the priority dividend is going up? Is it intended that the government increase the percentage of the priority dividend?*

*Answer:* The Priority Dividend for each agency was applied to the 'manageable component' of total operating expenses (this excluded Commonwealth funded payments, interest, depreciation, etc.) at a rate of 3.8% in 2001-02, and 5.2% in each of the following years.

*Question: Mr Omodei asked whether the Minister could provide details of a similar question he asked earlier. To carry this one step further, if you look at the budget, it goes to \$1.292 million, then in 2003-04 it goes to \$1,339,000 the \$1,365,000 and the priority assurance dividend goes from 77 to 94 to 93 and yet the budget is going up.*

*Answer:* The Priority and Assurance Dividend is only one of a number of factors which impact upon the net appropriation for purchase of outputs in the current budget. The following table lists all of the factors applied, showing the relationship between the 2000-01 forward estimates and those published in the current budget papers.

|  | <b>2001-02</b>  | <b>2002-03</b>  | <b>2003-04</b>  | <b>2004-05</b>  |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>(\$'000)</b> | <b>(\$'000)</b> | <b>(\$'000)</b> | <b>(\$'000)</b> |
| 2000-01 Forward Estimates  | <b>1237</b>     | <b>1256</b>     | <b>1282</b>     | <b>1282</b>     |
| Forward estimates Capital  | <b>45</b>       | <b>60</b>       | <b>48</b>       | <b>45</b>       |
| Priority & Assurance Dividends                                     | (77)            | (94)            | (93)            | (93)            |
| Travel, advertising, consultancy                                   | (11)            | (11)            | (11)            | (11)            |
| Parity and wages policy increase                                   | 9               | 23              | 36              | 52              |
| Accrual Appropriation  | 68              | 40              | 60              | 46              |
| Capital User Charge  | 23              | 18              | 17              | 18              |
| Wholesale Sales Tax removal  |                 |                 |                 | (2)             |
| Salary Increase  |                 |                 |                 | 13              |
| Cost Escalation  |                 |                 |                 | 15              |
| Output Appropriation & Capital Contribution<br>(Budget Statements) | <b>1294</b>     | <b>1292</b>     | <b>1339</b>     | <b>1365</b>     |

*Question: Mr Omodei asked the Minister to provide details of the capital user charge.*

*Answer:* "The primary aim of the capital user charge is to assist in determining the cost of outputs produced by agencies... There is a cost associated with holding an asset which contributes to the delivery of services... By including the cost of capital, the true cost of delivering services to the community can be established... a capital user charge is a levy by government on the net value of assets used by agencies in the delivery of services to the public... currently set at 8%." (*Accrual Appropriations and Capital User Charge – A User Manual* p18; Treasury Department, June 2001).

The Capital User Charge is levied on the net value of assets held by the agency, and not on the budget allocation. The budgeted capital user charge expense is calculated as 8% of the average net asset value for the budget year. This is fully funded by an increase in appropriation in the relevant year. The CUC is calculated and remitted to Treasury quarterly. A reconciliation is completed following the end of the financial year to ensure that the amount remitted is consistent with the amount appropriated.

For the Wheatbelt Development Commission, the following calculations apply.

|                           | <b>2001-02</b>  | <b>2002-03</b>  | <b>2003-04</b>  | <b>2004-05</b>  |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | <b>(\$'000)</b> | <b>(\$'000)</b> | <b>(\$'000)</b> | <b>(\$'000)</b> |
| Opening Total Assets      | 560             | 402             | 358             | 371             |
| Opening Total Liabilities | 221             | 174             | 145             | 153             |
| Opening Net Assets        | 339             | 228             | 213             | 218             |
| Closing Total Assets      | 402             | 358             | 371             | 396             |
| Closing Total Liabilities | 174             | 145             | 153             | 169             |
| Closing Net Assets        | 228             | 213             | 218             | 227             |
| Average Net Assets        | 283.5           | 220.5           | 215.5           | 222.5           |

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p782a-782a  
Mr Paul Omodei

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|                                     |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
| 8% of Average Net Assets            | 22.68     | 17.64     | 17.24     | 17.8      |
| <b>Capital User Charge (Budget)</b> | <b>23</b> | <b>18</b> | <b>17</b> | <b>18</b> |