

## EXPLANATORY MEMORANDUM

### **APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 3) 2004**

#### PURPOSE OF BILL

The purpose of this Bill is to appropriate from the Consolidated Fund recurrent expenditure excesses approved during the 2003/04 financial year for expenditure in 2003/04.

Schedule 1 of the Bill identifies expenditure excesses approved for each item in 2003/04. The total recurrent excess and the amount sought in this Appropriation Bill is \$146,527,783.50

This Bill is largely a machinery Bill and reflects recurrent expenditure excesses for new items created during 2003/04 and expenditure overruns as a result of policy decisions or unavoidable cost increases against existing items during the course of 2003/04. The overruns were first charged to the Treasurer's Advance Account in accordance with section 8 of the *Financial Administration and Audit Act 1985*, and section 5 of the *Treasurer's Advance Authorisation Act 2003*.

To clear the Treasurer's Advance Account for the expenditure overruns, it is necessary to seek appropriation for these amounts. Accordingly, this Bill is the means by which Parliamentary approval to the use of the Treasurer's Advance Account and appropriation from the Consolidated Fund is achieved.

Attached are further details of the recurrent expenditure excesses as identified in Schedule 1 of the Bill.

**APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 3)  
2004**

**DETAILS OF RECURRENT EXPENDITURE EXCESSES AND NEW ITEMS  
FOR THE 2003/04 FINANCIAL YEAR**

	Expenditure Excess \$
<i>LEGISLATIVE COUNCIL</i> .....	395,000.00
<p>Supplementary funding was approved for an additional six research officers and committee staff for the Legislative Council (\$430,000). This additional expenditure is partially offset by savings in depreciation expense for the agency (\$35,000).</p>	
<i>PARLIAMENTARY COMMISSIONER FOR ADMINISTRATIVE INVESTIGATIONS</i> .....	40,000.00

The additional funds were requested to enable the Parliamentary Commissioner for Administrative Investigations to meet a revised capital user charge (CUC) expense. The unanticipated increase in budgeted expenditure was related to an increase in the net asset position resulting from collocation with the Office of Public Sector Standards Commissioner and the Office of the Information Commissioner.

**OFFICE OF THE PUBLIC SECTOR STANDARDS  
COMMISSIONER.....** 258,000.00

These overruns in appropriation requirements were attributable to:

- a voluntary severance package (\$107,000);
- unanticipated costs associated with the review of compliance with Public Sector Standards by the Department of Health Royal Street Divisions (\$62,000);
- additional costs associated with the administration and promotion of the *Public Interest Disclosure Act 2003* (\$60,000); and
- revised accrual estimates for depreciation (\$7,000) and employee entitlements (\$26,000), which were partially offset by savings in relation to Recruitment Advertising and Management Systems (\$4,000).

**TREASURY AND FINANCE.....** 203,000.00

Additional expenditure was incurred for:

- an unbudgeted advertising campaign relating to the second stage of the Business Tax Review (\$90,000). Substantial changes to State taxes required a focused campaign to inform and educate the public on the wide-ranging nature of the reform package; and
- production (\$25,000) and placement (\$125,000) of advertisements highlighting the main points of the 2004/05 State Budget.

These expenditures were partially offset by a reduction in employee expenses (\$22,000) and savings in relation to the Recruitment Advertising and Management System (\$15,000).

**TREASURY AND FINANCE - ELECTRICITY CORPORATION** ..... 6,271,888.42

Pensioner and senior concession payments in the form of Community Service Obligations (CSO) to Western Power Corporation exceeded budget estimates by \$4,224,888.42.

A further \$2,047,000 of unbudgeted expense relates to the provision of a CSO to Western Power to offset a reduction in revenue resulting from the transfer of regional State Government instrumentalities to the lower L2 electricity tariff.

**TREASURY AND FINANCE - WATER CORPORATION OF WESTERN AUSTRALIA** ..... 1,318,000.00

An additional \$1,318,000 was required to meet an increase in the Water Corporation's Community Service Obligation payments for rural irrigation and in-fill sewerage schemes. This additional expenditure will be partially offset by lower country water, drainage and sewerage and pensioner concession requirements.

**TREASURY AND FINANCE - WESTERN AUSTRALIAN LAND AUTHORITY**..... 7,127,798.00

The increased expenditure was related to additional Community Service Obligation funding to the Western Australian Land Authority (LandCorp) (\$10,300,000). This additional expenditure was partially offset by savings in the Townsite Development Program (\$3,172,202)

**TREASURY AND FINANCE - MIDLAND REDEVELOPMENT AUTHORITY**..... 300,000.00

The overspending relates to operational costs associated with the security and maintenance of the Railways Workshops site arising as a result of delays encountered with the selling, renovating, leasing and demolition of some of the workshop.

**TREASURY AND FINANCE - ON ROAD DIESEL  
SUBSIDIES .....** 2,101,000.00

The 2003/04 Budget provided \$4,449,000 funding for the On Road Diesel Subsidies. Additional costs were incurred in relation to retrospective claims, and increases in the number of litres claimed under the scheme (\$2,101,000).

**TREASURY AND FINANCE - PENSIONER  
CONCESSIONS - EMERGENCY SERVICES LEVY.....** 150,000.00

The first full year estimate for this item, associated with changes in Fire and Emergency Services funding which commenced on 1 July 2003, was \$3,500,000. Eligible claims in excess of the budget estimate resulted in supplementary funding being provided for this item.

**TREASURY AND FINANCE - PENSIONER  
CONCESSIONS - LOCAL GOVERNMENT AND WATER  
RATES.....** 5,927,000.00

The increase in expenditure was driven by growth in pensioner and senior numbers resulting in eligible concession claims exceeding the budget estimate by \$5,927,000.

**TREASURY AND FINANCE - REFUND OF PAST YEARS  
REVENUE COLLECTIONS - PUBLIC CORPORATIONS.**

604,347.08

The National Tax Equivalent Regime (NTER) is intended to promote competitive neutrality through the uniform application of income tax laws between NTER agencies and their privately held counterparts. Each NTER agency is assessed as to its income tax equivalent liability, and is required to pay instalments to the Department of Treasury and Finance.

Refunds were required to be made to the following Public Corporations due to discrepancies between the initial and final assessment of agencies' liabilities:

- Geraldton Port Authority (\$556,179.00);
- Esperance Port Authority (\$142,945.48); and
- Fremantle Port Authority (\$5,222.60).

\$100,000 base funding had been allocated against the item, resulting in a supplementary funding requirement of \$604,347.08.

**TREASURY AND FINANCE - REFUND OF PAST YEARS  
REVENUE COLLECTIONS - ALL OTHER.....**

3,189,000.00

The overspend related to refunds for several unexpected claims, where the refund was not made in the year of the assessment and collection. Due to the non-discretionary nature of this expenditure, it is difficult to predict the liability in any one year (\$3,189,000).

**TREASURY AND FINANCE - STATE HOUSING  
COMMISSION - GENERAL HOUSING FUNDING.....**

1,000,000.00

Supplementary funds were approved to enable the State Housing Commission to partially reimburse the Department of Consumer and Employment Protection for grants previously provided to the Commission from the Rental Accommodation Fund.

**TREASURY AND FINANCE - WATER CORPORATION-  
STATE WATER STRATEGY REBATE SCHEME.....** 8,844,979.00

Higher than expected eligible claims for products within the scope of the Waterwise Rebate Scheme resulted in increased expenditure of \$8,844,979.

**TREASURY AND FINANCE - REFUND OF STAMP  
DUTY.....** 10,262.00

Additional expenditure related to an ex-gratia payment to Mr Brian Mayer on compassionate grounds. Mr Mayer had paid stamp duty on the transfer of title of the ownership of two residential properties with no money changing hands.

Mr Mayer's grandson had become a quadriplegic as a result of a motor vehicle accident. Mr Mayer had offered to swap his larger home with that of his son-in-law's family to assist them in properly caring for their son. Under the gifting provisions of the *Stamp Act 1921*, duty was paid on the transfer of both properties. Given the circumstances of the case, a refund was granted.

**TREASURY AND FINANCE - WESTERN AUSTRALIAN  
GAS DISPUTES ARBITRATOR.....** 20,000.00

A new appropriation item was created to enable the WA Gas Disputes Arbitrator (WAGDA) to refund the costs of Mr Laurie James, a private sector solicitor engaged to perform the duties of the Gas Referee, which included hearing dispute proceedings brought by Western Power Corporation against Epic Energy.

**OFFICE OF THE AUDITOR GENERAL.....** 172,000.00

Additional funding of \$82,000 was sought in relation to reviews and investigations required to be undertaken by the Office under the *Public Interest Disclosure Act 2003*.

A further \$90,000 was required by the agency for higher than budgeted capital user charge.

**OFFICE OF ENERGY.....** 7,883,000.00

The increase in expenditure was attributable to:

- funding provided to the Electricity Reform Implementation Unit to oversee the implementation of the recommendations of the Electricity Reform Taskforce (\$9,781,000). This additional expenditure is partially offset by \$2,000,000 as a result of the deferral of the electricity reform expenditure related to disaggregation; and
- costs associated with the redeployment of a Gas Corporation employee, following the wind-up of that entity (\$132,000). This additional expenditure is fully offset by the transfer of residual Gas Corporation funds to the Consolidated Fund.

These funds were partially offset by savings in depreciation expense (\$25,000) and Recruitment Advertising and Management Systems changes (\$5,000).

**ECONOMIC REGULATION AUTHORITY.....** 1,733,000.00

Additional funds were sought for:

- the repayment of a Treasurer's Advance relating to legal costs associated with the access arrangements for the Dampier to Bunbury Natural Gas Pipeline and Goldfields Gas Pipeline (\$800,000);
- staff and other costs associated with the Court and Review Board function undertaken by the Authority (\$423,000);
- operational costs incurred in relation to references on water pricing and the establishment of the new Authority (\$370,000); and
- costs associated with project work being undertaken by the Office of the Rail Access Regulator in relation to compliance and audit functions (\$140,000).



***THE AGRICULTURE PROTECTION BOARD.....*** ***5,000.00***

The additional funds were requested to enable the Agriculture Protection Board to meet a revised capital user charge expense. .

***MID WEST DEVELOPMENT COMMISSION.....*** ***372,000.00***

Additional funding was sought to meet an increase in grant expenditure associated with the Geraldton Foreshore and Central Business District (CBD) Redevelopment project, which is designed to connect the foreshore and CBD to create a beachfront community and tourism facility (\$400,000).

These funds were partially offset by a reduction in employee entitlements expenditure (\$28,000).

***WHEATBELT DEVELOPMENT COMMISSION.....*** ***47,000.00***

Increased expenditure related to:

- Wheatbelt Development Commission Board (\$45,000);
- costs of replacing an employee on extended sick leave (\$11,000);
- Avon Industrial Park Advisory Board expenses (\$10,000); and
- revised capital user charge expenditure (\$5,000).

This additional expenditure is partially offset by savings in accrual expenditure (\$22,000) and savings in relation to Recruitment Advertising and Management Systems (\$2,000).

***HOUSING AND WORKS .....*** ***1,926,900.00***

The Office of the Auditor General recommended that 151 Royal Street East Perth be transferred from the Department's administered to controlled budget. In complying with this recommendation, the Department experienced additional capital user charge (\$1,175,000) and depreciation expenditure (\$925,000).

Further supplementation was required to the settlement of claims against the government by Mr Graham Innes (\$93,000) and Mr Phillip Vellios (\$54,000) for mesothelioma contracted as a result of exposure to asbestos.

***LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT.....*** ***384,100.00***

Supplementation of \$200,000 was provided to fund a Panel Inquiry into the conduct of the former Joondalup City Council, to investigate whether there has been a failure to provide good governance in the City of Joondalup.

An additional \$196,000 was requested to enable the Department to meet a revised capital user charge expense.

The increased funding has been partially offset by \$2,000 in Recruitment Advertising and Management System savings, and a transfer from output appropriation to Special Acts (\$9,900).

**CONSUMER AND EMPLOYEE PROTECTION..... 2,628,000.00**

Additional funds were provided to offset delays in realising budgeted savings arising from the introduction of full cost recovery for the Energy Safety Division (\$2,500,000).

A further \$155,000 was requested to enable the Department to meet a revised capital user charge expense. The increased funding has been partially offset by \$27,000 in Recruitment Advertising and Management System savings.

**OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS ..... 400,000.00**

Additional funding was provided to meet unbudgeted prosecution matters for the Mallard, Mickelberg and Slater cases (\$318,000).

Further expenditure was incurred in relation to building maintenance and logistical support resulting from an office reorganisation driven by additional functions pertaining to Criminal Property Confiscations and Children’s Court Services. (\$103,000).

Supplementation was also provided to acquire software licences and staff training to align the Office’s IT system with the Department of Justice. In addition, IT consultants were engaged to carry out reprogramming work to comply with the *State Records Act* (\$58,000).

This expenditure was partially offset though the reallocation of funds and use of internal cash balances (\$79,000).

**OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES ..... 50,000.00**

Cost pressures related to rent, insurance, travel and communication increases resulted in additional expenditure of \$50,000.

**OFFICE OF THE PARLIAMENTARY INSPECTOR OF  
THE CORRUPTION AND CRIME COMMISSION .....** 74,000.00

The additional expenditure relates to the establishment of the Office of the Parliamentary Inspector of the Corruption and Crime Commission.

**CONSERVATION AND LAND MANAGEMENT .....** 2,303,000.00

The increase in expenditure was largely attributable to:

- wildfire prevention and suppression (\$2,986,000). Funding provided for this component relates to wildfire prevention activities and the capability of the Department to respond to fire outbreaks;
- wildfire suppression costs resulting from the number and severity of fires in the 2003/04 fire season (\$1,700,000);
- a Community Service Obligation payment to the Department for forest management activities (\$600,000);
- additional depreciation liability arising from the impact of new capital (\$117,000);
- increased employee entitlements resulting from the Industrial Relations Commission decision on common fire service conditions (\$77,000).

This expenditure was partially offset by delays in finalising agreement with the Commonwealth Government on the National Action Plan for Salinity and Water Quality (\$3,161,000). In addition, a further offset of \$16,000 resulted from savings resulting from Recruitment Advertising and Management System changes.

**OFFICE OF WATER REGULATION - ADMINISTERED GRANTS, SUBSIDIES AND OTHER TRANSFER PAYMENTS .....** **1,170,000.00**

Additional expenditure largely related to the transfer of the Carnarvon Irrigation Scheme (CIS) from the Water Corporation to the Gascoyne Water Cooperative Ltd and the payment of an operating subsidy for the CIS (\$1,163,026).

Further funds were provided to address a shortfall in the payment of the subsidy for the transfer of ownership of the Ord Stage I distribution system to the Ord Irrigation Cooperative, and system distribution assets to the Ord Asset Cooperative Ltd (\$7,296).

**SWAN RIVER TRUST.....** **2,011,000.00**

Additional expenditure of \$1,200,000 related to initiatives to fight against algal blooms in the Swan and Canning Rivers through the Swan Canning Clean Up Program. Initiatives include a new Swan River Audit Team to assess nutrient management plans and general river impacts, and stripping nutrients from key drains before they enter the Swan and Canning Rivers.

Further expenditure of \$750,000 relates to the creation of the Swan River Park to recognise the iconic status of the Swan and Canning Rivers.

A further \$61,000 was requested to enable the Swan River Trust to meet a revised capital user charge expense.

***POLICE SERVICE .....*** 21,366.000.00

Additional expenditure related to:

- costs associated with the new police officers' enterprise bargaining agreement approved in November 2003 (\$11,892,000);
- revised accounting treatment, in adherence with the Australian Accounting Standards, of capital works outlays from capitalised to expensed (\$8,204,000);
- the establishment costs for the Police Assistance Centre in Midland (\$577,000);
- an increase in depreciation expenses (\$351,000);
- training costs associated with improved detection and apprehension of drug impaired drivers (\$226,000);
- the costs associated with establishment of the On-Line Covert Computer capability (\$162,000); and
- the establishment of the Child Protection Offender Register (\$160,000).

The increased funding has been marginally offset by \$13,000 in Recruitment Advertising and Management System savings, and reduced capital user charge expenditure (\$193,000).

***POLICE SERVICE - HANDGUN BUYBACK SCHEME.....*** 1,255,000.00

In December 2002 the Council of Australian Governments agreed to a national approach to restrict the availability of handguns by way of a compensation scheme. A new appropriation item was created to account for the State's contribution to the scheme (\$1,255,000) and funds received from the Commonwealth (\$6,290,000).

***FIRE AND EMERGENCY SERVICES AUTHORITY OF  
WESTERN AUSTRALIA.....***

2,262,789.00

The increase in expenditure was attributed to:

- costs associated with fire suppression in regional areas (\$492,846);
- reimbursement of the emergency services levy to address a shortfall in total revenue collected on State Government Properties (\$466,549);
- unbudgeted activity by the State Emergency Service for response and recovery operations (\$415,262);
- ex-gratia payments in respect of Bush Fire Service Volunteers Mr Charles Baldock, who died during a fire suppression operation, and Mr Henry Gratte, who was total incapacitated during a fire suppression operation, pursuant to section 37(5) of the *Bush Fires Act 1954* (\$406,522);
- additional funding for the Western Australian Emergency Rescue Helicopter Service (\$300,000);
- an ex-gratia payment for State Emergency Service Volunteer Mr James Regan who died during a fire suppression operation in Newman (\$187,375);
- funding for the superannuation provision associated with the transfer of an employee from the Department of Justice (\$107,990);
- expenditure in respect to claims against Natural Disaster Relief Arrangement (\$62,808);
- increased capital user charge expenditure (\$36,000); and
- unfunded superannuation liability for an employee who elected to transfer from the Government Employees Superannuation Board (\$28,437).

These additional funding requirements are partially offset by savings in depreciation expense (\$241,000).

*PLANNING AND INFRASTRUCTURE .....*

646,000.00

The overrun was mainly attributable to:

- capital user charge expenditure arising due to the transfer of liabilities to the newly formed Public Transport Authority of Western Australia (\$3,462,000);
- restoring funding to the Department following an earlier reduction in appropriation in anticipation of payments from the Western Australian Planning Commission (\$1,500,000);
- providing additional funds to employ staff to resolve a backlog of applications with the Statutory Planning Division (\$1,107,000);
- providing additional funds for the operation of the Road Network Planning Unit (\$794,000);
- providing for the procurement of a new Human Resources Management Information System (\$380,000);
- providing for additional Practical Driving Assessment examiners to address long waiting times (\$250,000);
- expenditure associated with the creation of an Albany Waterfront/Peace Park Precinct as part of the 175<sup>th</sup> Anniversary Celebrations (\$250,000);
- providing additional funding for fire hazard protection on Crown land within the metropolitan area (\$200,000);
- refunding the Western Australian Land Authority (Landcorp) for the sale of Crown land as part of the Property Asset Rationalisation process (\$190,000);
- expenditure committed in continuing the LPG Subsidy Scheme (\$150,000);
- providing additional funds for the Dialogue With The City project (\$120,000); and



- a commitment by the State Government to meet revenue shortfalls of the City of Mandurah in regard to the Mandurah Ocean Marina (\$106,000).

These additional expenditures are almost fully offset by reduced depreciation expenditure relating to the TRELIS project (\$4,000,000), the transfer of superannuation payments to the Department of Treasury and Finance (\$3,805,000), and savings in relation to the Recruitment Advertising and Management System (\$59,000).

**PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA .....**

54,956,720.00

The increase in expenditure was attributable to:

- new funding to meet the Authority's capital user charge expense (\$23,821,000);
- revised depreciation expense resulting from a review of asset holdings (\$15,877,000);
- compensation for school bus contractors as part of their unconditional agreement to a new funding model by mid-January 2004 (\$7,018,000);
- interest charges related to borrowings used to fund the operation of the Public Transport Authority, pending completion of funding arrangements for the new body corporate (\$3,910,000);
- additional expenditure associated with the public train services (\$2,770,000);
- higher than budgeted increases in fuel costs and bus driver salaries (\$851,000);
- additional expenditure related to the updating of stop-specific timetable information modules at over 1,400 locations throughout the metropolitan area (\$400,000); and
- unfunded payroll tax associated with 100 Transperth staff transferred from the Department for Planning and Infrastructure (\$310,000).

**WESTERN AUSTRALIAN TOURISM COMMISSION .....** 116,000.00

Additional funding of \$125,000 was sought for the Value of Tourism Campaign, which was aimed at increasing business and key stakeholder awareness of the economic value and business impact of tourism.

This additional expenditure is partially offset by savings in relation to the Recruitment Advertising and Management System (\$9,000).

**WESTERN AUSTRALIAN TOURISM COMMISSION - ADMINISTERED GRANTS, SUBSIDIES AND OTHER TRANSFER PAYMENTS .....** 1,047,000.00

Additional expenditure related to reinstatement works carried out by the Rottnest Island Authority following substantial damage to its coastal infrastructure after severe storms and high tides (\$797,000).

A further \$250,000 was provided to the Rottnest Island Authority to meet the cost of addressing immediate infrastructure and equipment replacement and repair works at the Rottnest Island Hotel.

**INDIGENOUS AFFAIRS .....** 475,000.00

Increased expenditure relates to security costs for the Swan Valley Nyoongar Community site pending longer term management arrangements being put in place (\$480,000).

This amount is marginally offset by savings in relation to the Recruitment Advertising and Management System (\$5,000).

***DISABILITY SERVICES COMMISSION..... 103,000.00***

An increase in expenditure of \$270,000 was required to meet the payment of past service liability to the Government Employees Superannuation Board.

This amount is partially offset by savings in depreciation expense (\$145,000), savings in relation to the Recruitment Advertising and Management System (\$16,000) and a transfer to Special Acts (\$6,000).

***CULTURE AND THE ARTS - ART GALLERY OF WESTERN AUSTRALIA..... 183,000.00***

Additional funding was transferred from the Department of Culture and Arts (DCA) to the Art Gallery of Western Australia to assist the agency in meeting costs associated with salary payments (\$340,000). This additional appropriation is directly offset by savings against the DCA.

A further \$32,000 was sought by the agency as a recoup to meet the costs associated with pension fund superannuation payments.

This additional expenditure is partially offset by saving in depreciation (\$179,000) and a transfer from recurrent appropriation to capital appropriation, reflecting a movement between interest expense and the principal repayment (\$10,000).

***CULTURE AND THE ARTS - PERTH THEATRE TRUST . 511,000.00***

Supplementary funding of \$495,000 was required by the Perth Theatre Trust to meet increased depreciation expenses following a review of assets.

A further \$16,000 was sought by the agency as a recoup to meet the costs associated with pension fund superannuation payments.

<b><i>CULTURE AND THE ARTS - WESTERN AUSTRALIAN MUSEUM.....</i></b>	<b><i>1,687,000.00</i></b>
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Additional funds were sought for:

- an increase in depreciation expenditure associated with the acquisition of the Welshpool facility and the revaluation of assets (\$1,424,000);
- expenditure associated with the Migrant Welcome Wall project at Victoria Quay, as part of the 175<sup>th</sup> Anniversary celebrations (\$150,000); and
- costs associated with pension fund superannuation payments (\$113,000).

<b><i>HEALTH.....</i></b>	<b><i>3,000,000.00</i></b>
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The increase in expenditure was attributable to:

- a \$1,000,000 one-off grant to the Royal Flying Doctors Service to assist with its aircraft replacement campaign Flying into the Future ; and
- a \$2,000,000 one-off grant to the Association for the Blind WA (Inc) for the development of the Braille and Talking Book Library and Resource Centre.

<b>TOTAL .....</b>	<b><u>146,527,783.50</u></b>
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