

**INQUIRY INTO THE GOVERNMENT'S MANAGEMENT OF THE POWERHOUSE MUSEUM
AND OTHER MUSEUMS AND CULTURAL PROJECTS IN NEW SOUTH WALES**

QUESTIONS ON NOTICE – MONDAY 15 FEBRUARY 2021

The Hon. ROSE JACKSON: I want to ask about some of the financial figures. In 2018-19, the Department of Premier and Cabinet was required to contribute over \$5 million as a funding adjustment. Can you talk us through how that shortfall occurred?

Ms HAVILAH: As a natural part of the financial operations of the museum, that reimbursement—sorry. Give me one second.

The Hon. WALT SECORD: It was \$5.23 million, to be exact.

Ms HAVILAH: Yes. It was a normal cash buffer process that is run by Treasury and it happens across—

The Hon. ROSE JACKSON: I think the Audit Office described it as very uncommon, in fact. The Audit Office described it as not common at all that a public body like the Powerhouse would require that sort of overdraft.

Ms HAVILAH: My understanding is that it is a normal process, but I am happy to take that on notice.

The Hon. ROSE JACKSON: I understand it would be a normal process that, if the Powerhouse Museum is about to run out of money, the Government would come in and provide it some support. That would be normal. I suppose my understanding is the budgeted shortfall was \$3 million, and that then blew out to close to \$6 million and the Government was required to come in, in what the Audit Office described as quite an unusual situation.

Ms HAVILAH: Just to be clear about the \$3 million, that was reimbursement—timing around a reimbursement. It was not a deficit against a budget. The way that the project is financially managed is that we spend against the budget and we invoice each month, and that was a delay in that reimbursement of the \$3 million. So it was not a deficit against a budget.

The Hon. ROSE JACKSON: But it was not, in fact, \$3 million in the end. It was significantly more than \$3 million.

Ms HAVILAH: No, they are two separate things: the \$5 million cash buffer and the \$3 million reimbursement.

The Hon. ROSE JACKSON: Just on the \$5 million cash buffer, then, is there no additional explanation for why that budgetary buffer was required?

Ms FOY: If I may take that on notice, because with the Department of Premier and Cabinet [DPC]—I do not want to be completely determinate but I do want to check whether that was part of the machinery-of-government changes between the Department of Planning and DPC. There may have been some cash adjustments required as part of that. I would like to go back and check if that is the case, so we can provide you with an exact answer. In doing so, I am very happy to review that comment that you are providing from the Audit Office, if that can be tabled, so we can provide that information.

The Hon. ROSE JACKSON: That is fine.

ANSWER:

The cost of the relocation project does not come from the Museum's budget, as the Museum is not the direct recipient of project funding. Create NSW is the direct recipient of project funding; this is the agreed process between NSW Treasury and Create NSW over the preceding two annual reports. For the relocation project, the Museum invoices Create NSW monthly for reimbursement of project expenditure incurred by the Museum as per the Project's Memorandum of Understanding.

In FY 2019, expenditure was not higher than planned and was in line with the project budget. During FY 2019 the museum incurred expenditure for the Museum's relocation project. At 30 June 2019 the Museum had **\$3.5m** in reimbursements owing to it from the Department of Planning and Environment (DPIE) for expenditure incurred on the relocation project (see [MAAS Annual Report 2018-19, page 44](#)).

To ensure agencies have cash available at the end of the financial year and before Government grants are received, NSW Treasury has an established process of providing a cash buffer adjustment.

At the end of FY2019 an assessment of the Museum's cash liabilities was undertaken. The assessment included the outstanding reimbursement from DPIE, payroll and other immediate liabilities from 1 July 2020. NSW Treasury determined MAAS' cash buffer for these liabilities was **\$5.3m**.

The Museum's net position for FY2019 was a deficit of **\$6.1m**. This deficit includes depreciation to the value of **\$8m** (see [MAAS Annual Report 2018-19, Page 27](#)). Since 2015 an additional annual depreciation charge has been incurred by the Museum based on revaluations associated with plans to close its Ultimo site (see [MAAS Annual Report 2015-16, Note 2, Page 92](#)). The majority of this funding was for costs incurred by the museum for the digitisation of its Collection.