

BUDGET ESTIMATES 2010 - POLICE, FINANCE
General Purpose Standing Committee No. 3
Friday 17 September 2010

Questions taken on Notice during hearing

QUESTION 1

The Hon Greg Pearce: Has the parliamentary draftsman been instructed to prepare the legislation at this stage?

ANSWER

Communications with the Parliamentary Counsel in relation to the preparation of legislation are confidential and subject to legal professional privilege.

QUESTION 2

The Hon Greg Pearce: I ask about the Compensation Authorities Staff Division. I notice that the budget for 2009-10 was revised down from \$182 million to \$145 million for revenue. What is the explanation for that? I do not understand that because the budget for 2010-11 has gone back up above the original budget figure for last year.

ANSWER

The Compensation Authorities Staff Division provides personnel services to the following entities:

- Building and Construction Industry Long Service Payments Corporation;
- Lifetime Care and Support Authority;
- Motor Accidents Authority;
- Sporting Injuries Committee;
- WorkCover Authority;
- Workers Compensation Commission; and
- Workers Compensation (Dust Diseases) Board.

The Compensation Authorities Staff Division only receives revenue to the extent that it provides personnel services. The 2009-10 and 2010-11 budgets were both based on fully funded staff establishments in anticipation of the New South Wales staff freeze being lifted and salary award increases.

I am advised that the decrease in revenue between the 2009-10 budget and the revised amount is due to staff vacancies as a result of the staff freeze still being in place. There has also been a \$14 million expected improvement in WorkCover's superannuation liabilities based on the half-year actuarial valuation.

QUESTION 3

The Hon Greg Pearce: The division combines the staffing for seven authorities. Can you give us a breakdown of the staffing costs for those authorities prior to the creation of the division? Is there a saving?

ANSWER

A breakdown of the staffing costs for the seven entities prior to and following the creation of this entity is as follows:

	Budget 2008/09 \$'000	Budget 2009/10 \$'000	Variance \$	Variance %
Office of the Motor Accidents Authority				
Lifetime Care Support Authority	2,171	4,232	2,061	95%
Motor Accidents Authority	12,825	15,044	2,219	17%
	14,996	19,276	4,280	17%
Office of the WorkCover Authority				
Building and Construction Long Service Payments Corporation	5,656	6,120	464	8%
Sporting Injuries Committee	320	406	86	27%
WorkCover Authority of NSW	121,330	134,319	12,989	11%
Workers Compensation Commission	11,669	16,870	5,201	45%
Workers Compensation Dust Diseases Board	4,493	5,056	563	13%
	143,468	162,771	19,303	13%
Compensation Authorities Staff Division	158,464	182,047	23,583	15%

I am advised that the combined budgets of the former Office of the Motor Accidents Authority and the Office of the WorkCover Authority increased primarily for the following reasons:

- 4% salary award increase;
- Additional permanent arbitrators and support officers in place of contractors within the Workers Compensation Commission as part of an approved restructure. The reduction in arbitrator contractor expenditure is not reflected within the Compensation Authorities Staff Division as it is not personnel services expenditure;
- Additional staff within the Lifetime Care and Support Authority to support the increased workload in this growth agency;
- Changing the assumptions underpinning the budgets of both the Motor Accidents Authority and the WorkCover Authority to reflect fully funded staff establishments in anticipation that the New South Wales Government's staff freeze would be lifted.

QUESTION 4

The Hon Greg Pearce: I refer you to some of the WorkCover Authority capital expenditures. The ones I have been looking at are the information technology hardware package, which supposedly began in 2004 and is now pushed out to 2014, with a \$2 million overrun; the upgrade of the business system technology, which supposedly started in 2005 and is now pushed out to 2014, with a \$4.5 million overrun; and the WorkCover licensing scheme from 2005 now up to 2013, with a \$300,000 overrun. How can you have information technology projects running for eight, nine or 10 years and blowouts of \$2 million and \$4.5 million? What is happening there?

ANSWER

In respect of the IT systems mentioned, I am advised that:

The Information Technology Hardware Package is an Annual refresh program over a five to seven year cycle depending on hardware purpose. Estimated spend of \$1million annually.

Upgrade of Business System Technology

WorkCover has an IT Strategic Plan that addresses the business initiatives and changes that are anticipated over the coming years and the IT enablement required to support those changes. The result of that plan is a program of subprojects that form the building blocks or core elements of IT systems to prepare for those business changes. Each year there are a different set of components that are required depending upon the nature of the business initiatives moving forward. The estimated total cost from year to year increases by approximately \$3 million as the additional forward year budget is submitted.

WorkCover Authority Licensing System

WorkCover has 1,500,000 licences relating to workplace safety under management. These licenses are managed in nine separate information technology systems which have limited integration. This program is to support licence processing and compliance changes occurring at WorkCover since 2005.

Costs have been allocated to develop changes to individual information technology systems to manage legislative changes, business process changes, information requirements and changes required as part of the National Licensing System. There was also significant work carried out on systems as a result of the Independent Commission Against Corruption recommendations to enable WorkCover to check for fraudulent activity.

From 2010, WorkCover is integrating all of its authorisations, including licence, registrations, notification and permission activity, into the Government Licensing System. The Government Licensing System is a bureau which will support authorisations for the model work health and safety legislation.

The integration to the Government Licensing System will make it easier for applicants to apply for an authorisation while maintaining safeguards against fraud. Once the integration to the Government Licensing System is complete, the capital expenditure on licensing information technology systems is expected to decrease significantly.

QUESTION 5

Mr David Shoebridge: If your whole-person impairment is less than 10 per cent you will recover some lump sum compensation as an injured worker for general damages. But if that same worker then goes and brings a motor accident claim, and again falls under the 10 per cent threshold using a different scheme under a different administrative process, they have got no entitlement to general damages. So they do not get compensated for general damages under the Motor Accidents Scheme, but then they have to pay back to the WorkCover Authority the modest amount of compensation they got for general damages under the WorkCover scheme. Do you not agree that is an unfairness?

Will you undertake to have a look at that particular anomaly and see the cost of getting rid of it? What would that cost be to the WorkCover scheme—?

Mr David Shoebridge: I refer to the example I gave you earlier about being injured at work and by reason of the fault of another driver. If you have received your lump sum claim for non-economic loss under the workers compensation system and you do not exceed the 10 per cent threshold for the Motor Accidents Scheme, you have to pay back the non-economic loss sum from the workers compensation scheme but you do not get any benefit at all from the Motor Accidents Scheme. That is correct, is it not?

Could you answer it with some more reflection on notice, including if you have any details of the numbers of cases?

ANSWER

Under section 151Z of the *Workers Compensation Act 1987* if an injured worker has received compensation from their employer for a work related injury and recovers damages from another person arising from the same injury, they must repay the compensation paid to them by the employer.

WorkCover does not have any proposal to amend the legislation.

The Motor Accidents Scheme is a modified common law scheme for the award of compensation for death or injury caused by a motor accident. Under

the *Motor Accidents Compensation Act 1999* entitlement to an award of damages for non-economic loss (general damages) is dependent on an injured person having a greater than 10 per cent whole person impairment.

Determination of the level of permanent impairment is a matter of degree in individual cases and involves an independent medical assessment process involving medical specialists applying standardised guidelines.

Before determining whether to settle a motor accidents scheme damages claim, the claimant will have either received an offer of settlement from the Compulsory Third Party insurer or had their claim independently assessed by a claims assessor, giving them the opportunity to consider which scheme will deliver the greatest benefit to them.

QUESTION 6

Mr David Shoebridge: In terms of the workers going back to the workers compensation scheme, since 2002 there has been a very restricted capacity to get an exit payment out of the statutory scheme. Can you, Minister, or perhaps Ms Hawkins from the WorkCover Authority, give details of the number of workers who were in receipt of ongoing weekly payments for two years or more in the last full financial year before 2002, so for 2001 and 2002 the number of workers who were in receipt of ongoing weekly benefits for two years or more?

And can you compare that and provide the same figures of the number of workers who were in receipt of ongoing weekly benefits for two years or more in the 2009-2010 financial year?

Could you also provide, if you can, what the actual cost to the current scheme is of that class of workers, including the extent to which it is contributing to the deficit?

Are there any plans to review the scheme to determine whether allowing for an increased capacity to get an exit payment might reduce that ongoing deficit?

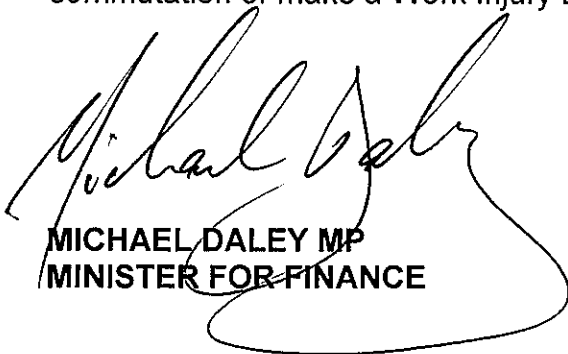
ANSWER

The following table, based on information and advice from WorkCover, details the number of workers compensation claimants in receipt of ongoing weekly benefits for two or more years in the 2000/2001 and 2009/10 financial years:

Period	Total number of claimants in receipt of ongoing weekly payments for 2 or more years
2000/01	33,194
2009/10	29,492

I am further advised that the total claims liability attached to WorkCover Scheme claims that are over two years old as at June 2010 is estimated to be \$8.154 billion.

The Government is not currently contemplating any change to the pre-conditions that must be met in order for an injured worker to receive a commutation or make a Work Injury Damages claim.



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