

MINISTER FOR INDUSTRIAL RELATIONS
MINISTER FOR TECHNOLOGY

1 Oxford Street, Darlinghurst 2010.

27th August, 1982.

Dear Mr Egan,

I refer to your letter of 13th August, 1982, requesting an explanation of apparent expenditure over the Budget allocation totalling \$142,869.63 under Administrative Division, Item C4, Occupational and Environmental Health—Expenses during the year 1981–82.

You will recall the re-organization in Ministerial responsibilities during November, 1981, proclamation of which was published in the Government Gazette No. 170 of 6th November, 1981.

As a result of this re-organization, the Division of Occupational and Environmental Health was transferred to this Department from the Health Commission of New South Wales and an allocation of \$1,074,958 was included in the Budget Papers (No. 2) for the total operating expenses of this Division for 1981–82.

This estimate was calculated by the Health Commission of New South Wales and was based on the transfer of fifty-three staff to my Department of Industrial Relations whereas in fact the actual number transferred was sixty as advised by the Public Service Board of New South Wales.

I am informed that representations were made to the Financial Controller of the Health Commission who advised that the estimate had been understated by \$196,252 and that the Commission was prepared to underspend its allocation by an equivalent amount to make the necessary funds available to my Department.

In order to regularize the situation, the Department approached the Treasury on 8th April, 1982, and requested the supplementation of funds of \$196,252 as a matter of urgency.

The situation became critical in respect of the payment of salaries for the pay period ended 20th May, 1982, when it became apparent that insufficient funds were available to meet these costs and the supplementation of funds had not been approved. This was reported to the Treasury and advice received to pay the staff affected pending formal advice covering the supplementation request.

On 30th June, 1982, Treasury approval (T82/1888) was given to the provision of funds to the extent of \$197,252 in supplementation of the Department of Industrial Relations and Technology, Division of Administration, Item "C4 Occupational and Environmental Health—Expenses" on the understanding that savings to the extent of \$48,931 would be effected on the overall Consolidated Revenue Allocation for the Health Commission of New South Wales—Administration in the current financial year. A copy of this approval is attached.

The savings figure of \$48,931 mentioned by the Treasury is the result of the Health Commission applying \$148,321 of the amount of \$196,252 which should have been underspent by the Commission towards the payment of a 4.3 per cent salary increase to their staff.

This action resulted in only \$47,931 being realised in savings despite the undertaking given by the Health Commission to underspend \$196,252. The discrepancy of \$1,000 in both the supplementation and savings figures mentioned in the Treasury approval would appear to be errors in the Treasury calculations.

As indicated in the Public Accounts for 1981–82 the amount actually required of the \$196,252 supplementation was only \$142,869.63. Should you require any further information or witnesses to appear before the Public Accounts Committee, it would be appreciated if you could contact Mr B. Simmons, Acting Chief Administrative Officer, or my Department of Industrial Relations on 266 8351.

Yours faithfully,

P. D. HILLS,

Minister for Industrial Relations.

Mr M. Egan,
Chairman,
Public Accounts Committee,
Parliament House,
Sydney.

THE TREASURY, NEW SOUTH WALES

The Under Secretary,
Department of Industrial Relations,
Sydney.

30th June, 1982.

Department of Industrial Relations and Technology—Division of Administration, Item "C4. Occupational and Environmental Health—Expenses": Request for Supplementation

Approval has been given to the provision of funds to the extent of \$197,252 in supplementation of the Department of Industrial Relations and Technology, Division of Administration Item "C4. Occupational and Environmental Health—Expenses" on the understanding that savings to the extent of \$48,931 will be effected on the overall Consolidated Revenue Allocation for the Health Commission of New South Wales—Administration in the current financial year.

G. LAMBERT,

for Secretary and Comptroller of Accounts.

MINISTER FOR LOCAL GOVERNMENT AND
MINISTER FOR LANDS

Sydney, 23rd August, 1982.

Mr M. R. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
Sydney.

Dear Mr Egan,

I refer to your letter of 13th August, 1982, in which you requested departmental explanations as to expenditure made without Parliamentary sanction or appropriation. The expenditure referred to is the sum of \$1,442,820.73 which was paid as subsidies to local government councils in respect of rates written off for Old Age, Invalid and other Pensions.

I would like to explain that the payment of the subsidies was made only after the Treasurer had approved of the provision of funds to the extent of \$1,442,821 in supplementation of the relevant Local Government item; the accompanying copy of the Treasurer's letter of 29th June, 1982, refers.

As you may be aware, the Government is committed by Statute to re-imburse local government councils for rates written off in respect of eligible pensioners in accordance with section 160AA of the Local Government Act, 1919, which provides, *inter alia*, that—

- "(12) The council shall write off the amount by which rates are reduced pursuant to this section . . .
- (13) The Minister shall, out of moneys provided by Parliament, pay to the council an amount equal to that written off by the council pursuant to this section."

Ever year, provision is made in departmental draft estimates of expenditure and in the subsequent allocation of funds for the purpose of paying these subsidies. No doubt you will appreciate that it is most difficult for either the Local Government Office or the Treasury to forecast accurately the likely expenditure on an item of this nature where a number of factors influence the final cost, including—

- the broadening of pensioner eligibility;
- the variability of the pattern of applications to councils by pensioners;
- the increasing longevity of pensioners;

- the difficulty, if not impossibility, at the time of preparing the estimates of expenditure (June) in forecasting the increases in rates to be struck by local government councils some 7-8 months later;
- the increasing rates resulting from increasing values of properties; and
- the increasing amount by which rates for eligible pensioners are written off, by virtue of the increases in the amounts of rates, i.e., if, say, 50 per cent of a rate amount is to be subsidized, the amount of subsidy will increase as the dollar amount of the rate increases.

An amount of \$38,000,000 was allocated for subsidies in 1981-82, representing an increase of \$4,539,618 over the actual expenditure for 1980-81. Notwithstanding the increased allocation, only \$20,000 of this amount remained as at 21st June, 1982, when supplementary funds were sought from the Treasurer for the unpaid claims by councils, amounting to \$1,463,019. Further claims for approximately \$2,730,000 were received subsequently between 21st and 30th June, 1982, but payment of these claims had to be held over until the next financial year. I note that supplementary funds for subsidies have been requested and granted for seven of the last nine years for similar reasons to the above.

Particularly during the last financial year, the Department of Local Government and Lands (including the Local Government Office) has been obliged to operate under most difficult economic constraints and has foregone a number of expenditure items in its bid to operate within the allocation of funds. Even in the matter of salaries, the payment of some adjustments had to be held over until the new financial year. Accordingly, my letter of 21st June, 1982, to the Treasurer seeking supplementary funds for the subsidies stated that the Local Government Office "is unable to make any offsetting savings of this magnitude but will endeavour to make the maximum savings possible on the overall Consolidated Revenue Fund Vote". In approving the provision of supplementary funds, the Treasurer added the proviso "that, as far as practicable, offsetting savings will be effected within the overall Consolidated Revenue Fund allocation for Local Government". At that stage in the financial year (29th June) it was not practicable to effect offsetting savings.

I assure you that the Department Head and his senior officers fully appreciate the seriousness of incurring expenditure without Parliamentary sanction or appropriation and, in this case, I uphold their claim that all payments were made in a correct and regular manner and as required by Statute in fulfilling the Minister's obligations. Supplementary funds were obtained and applied correctly.

I trust that the foregoing will be acceptable to the Public Accounts Committee and will dispense with the need for further departmental explanations at Parliament House.

Yours sincerely,

A. R. L. GORDON,

Minister for Local Government and Lands.

TREASURER—NEW SOUTH WALES

Ministerial Letter No. 10900.

Sydney, 29th June, 1982.

The Hon. A. R. L. Gordon, M.P.,
Minister for Local Government and Lands,
Sydney.

Dear Mr Gordon,

I refer to your letter seeking additional funds to enable higher than anticipated claims by councils for subsidies in respect of pensioner rate rebates to be paid.

Having regard to the circumstances as outlined in your letter, I have approved of the provision of funds to the extent of \$1,442,821 in supplementation of your Local Government item "C6. Subsidies to Shires and Municipalities in respect of rates written off—Old Age, Invalid and certain other classes of Pensioners", to enable councils' claims during the 1981-82 financial year to be met, on the understanding that, as far as

practicable, offsetting savings will be effected within the overall Consolidated Revenue Fund allocation for Local Government.

Yours sincerely,
KEN BOOTH, Treasurer.

MINISTER FOR PLANNING AND ENVIRONMENT

Sydney, 27th August, 1982.

Mr M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
Sydney, N.S.W. 2000.

Dear Mr Egan,

I refer to your letter dated 13th August, 1982, dealing with the indication of expenditure without parliamentary sanction by the Department of Environment and Planning disclosed in the preliminary Public Accounts for 1981-82, the particular item being—"Legal Expenses in connection with various court actions—\$309,818.91".

As suggested in your letter, the matter has been examined by departmental officers and I have been provided with the following explanation as to the reasons for this apparently unauthorized expenditure.

By way of brief background information, it will be helpful to note that the Department is, by the very nature of its function and business exposed, to an unusual degree, to contention and challenge within the community, and the new planning legislation has considerably increased this exposure. In the light of this the Department has, in the context of annual budget submissions, routinely advised Treasury officers of the ever-present likelihood of court actions and their related heavy costs and there has been a general understanding that, in the event of such costs arising, they would be viewed as a special non-administrative item in the State's expenditure.

Nevertheless, the Department, having knowledge of impending court cases likely to entail very substantial costs, included a sum of \$605,000 in its estimate of administrative expense for 1981-82 (see attached extract marked "A"). However, the allocation ultimately advised by Treasury and appropriated by Parliament amounted to \$100,000 only. This was incorporated with B4 items under Fees for Service.

By August, 1982, it became apparent that the main court action provided for in the estimates (brought by San Sebastian Pty Ltd) would involve the Department in major costs far exceeding the \$100,000 provided and Treasury was informed of this on 4th September, 1981. Further details and refined estimates of costs of \$323,000 were sent to Treasury on 18th November, 1981. During this time, as a result of a heavy corporate work programme, much initiated by Cabinet, substantial commitments had been entered into particularly under Fees for Service.

On 29th January, Treasury approved expenditure to a limit of \$323,000 in respect of court actions but provided the funds under a "C—Other Services" category and, at the same time, required the original \$100,000 to be saved together with a further \$143,000 from B4 Fees for Service, i.e., the Fees for Service allocation of \$643,000 was reduced to \$400,000.

Despite the substantial commitments, the whole of the required amount of \$243,000 and indeed more, was saved from "B" item allocations in 1981-82, as demonstrated in the attached copy of the 1981-82 summary report marked "B". The additional money provided in respect of the cost of court action amounted to \$66,819 (\$309,819 minus \$243,000).

In order to explain the representation of these transactions in the Public Accounts for 1981-82, reference must be made to Treasury Instruction 322.02 (3) which does not allow savings under "B" headings of the Accounts to be offset against over-expenditure under "C" items even though, as in this case, there may be a direct causal connection.

In view of the foregoing, I am sure you will agree that the extent of unauthorized expenditure by the Department of

Environment and Planning was not as great as represented by the preliminary Public Accounts, was in fact relatively modest and in the circumstances, was entirely outside departmental control.

I trust this explanation will be found adequate by your Committee. The witnesses to attend your Committee on my behalf to provide any further information required and answer any questions will be the Permanent Head and Director of the Department, Mr R. B. Smyth and the Manager, Finance Branch, Mr A. O'Dey.

Yours faithfully,

ERIC BEDFORD,

Minister for Planning and Environment.

Departmental Explanations

8. Extra-ordinary Legal Services—

(a) The Department is currently involved in litigation surrounding the Wolloomooloo Redevelopment Study. The first action brought by *San Sebastian Pty Ltd* could involve the Department in considerable cost. This case

which began in May 1981 and expected to continue in the 1981-82 financial year are likely to involve the Department in costs amounting to \$500,000. In addition to legal costs, the Department, in order to adequately refute statements, engages various expert witnesses (*No provision for damages—however, the liability could be in the order of \$10-20 million)

- | | |
|--|---------|
| (b) <i>Obsolite Pty Ltd v. the former Commission</i> is likely to come on for hearing in the 1981-82 financial year. Costs are estimated at \$20,000. (*No provision for damages—however as a verdict against the Department could be in the order of \$100,000) | 500,000 |
| (c) <i>O'Neal Estate v. The Corporation Sole</i> may also be heard during 1981-82. Costs are estimated at \$50,000. (*No provision for damages—however, a verdict against the Corporation could be up to \$4 million) | 20,000 |
| (d) <i>Lindeman Wines v. Woodward and Brooks</i> in respect of the costs payable to the other parties | 50,000 |
| | 35,000 |

Total: \$605,000

MINISTER FOR PLANNING AND ENVIRONMENT

Sub-heads under which this Expenditure will be Accounted for

DEPARTMENT OF ENVIRONMENT AND PLANNING		\$
Salaries and Payments in the Nature of Salary		
A1. Salaries, Wages, and Allowances, as per Schedule, page 192		9,051,000
A2. Payments for Leave on Retirement, Resignation, etc.		150,000
A3. Overtime		26,000
		\$9,227,000
Maintenance and Working Expenses		
B.1 Subsidiary Staff Charges—		
Workers' Compensation Insurance		30,000
Meal Allowances		4,700
Employee' Liability to Local Government Superannuation Fund		13,000
B2. Expenses in Connection with Buildings—		
Rent, Rates, etc.		660,500
Cleaning		65,000
Maintenance, Alterations, Additions and Renewals		72,000
B3. Subsistence and Transport Expenses—		
Travelling, Removal and Subsistence Expenses		120,000
Motor Vehicles—Running Costs, Maintenance, Hire and Insurance		50,000
B4. General Expenses—		
Advertising and Publicity		288,000
Books, Periodicals and Papers		36,000
Postal and Telephone Expenses		126,000
Gas and Electricity		13,600
Fees for Services Rendered		643,000
Stores, Provisions, Furniture, Equipment, Minor Plant, etc. (including Maintenance and Repairs)		160,000
Printing and Stationery		117,000
Other Insurance		8,500
Minor Expenses not elsewhere included		9,600
		\$2,416,900
Other Services		
C1. Heritage Conservation Fund—Contribution to be carried to Special Deposits Account		250,000
C2. Contribution towards Stabilising Sand Dunes on the Kurnell Peninsula		16,200
C3. National Trust of Australia (N.S.W.)—Grant		28,000
C4. Australian Institute of Urban Studies—Grant		16,000
C5. Grants to Environment Organizations		30,000
C6. Contribution to National Parks and Wildlife Fund		16,212,100
C7. National Parks and Wildlife Foundation—Grant		50,000
C8. Western Sydney Area Assistance Scheme—Amount to be carried to Special Deposits Account		1,000,000
C9. Fees and Expenses of Training Courses		12,000
C10. Purchase and Replacement of Motor Vehicles		58,000
C11. Special Transport Surveys—Expenses		165,000
C12. Residential Land Monitoring Programme—Expenses		19,200
C13. Coastal Protection Fund—Contribution to be carried to Special Deposits Account		180,000
C14. Committee and Sub-Committee Fees and Expenses		36,000
C15. Commissioners of Inquiry—Salary and Administrative Costs		400,000
C16. Overseas Visits		3,280
		\$ 18,475,780
Total—Department of Environment and Planning		\$ 30,119,680

MINISTER FOR PLANNING AND ENVIRONMENT

Sub-heads under which this Expenditure will be Accounted for	1981-82	
	Appropriation	Expenditure
DEPARTMENT OF ENVIRONMENT AND PLANNING		
Salaries and Payments in the Nature of Salary		
A1. Salaries, Wages, and Allowances, as per Schedule, page 192	9,051,000	10,024,371
A2. Payments for Leave on Retirement, Resignation, etc.	150,000	258,464
A3. Overtime	26,000	19,299
	\$ 9,227,000	\$10,302,134
Maintenance and Working Expenses		
B1. Subsidiary Staff Charges—		
Workers' Compensation Insurance	30,000	55,849
Meal Allowances	4,700	2,592
Employers' Liability to Local Government Superannuation Fund	13,000	19,528
B2. Expenses in Connection with Buildings—		
Rent, Rates, etc.	660,500	666,654
Cleaning	65,000	55,996
Maintenance, Alterations, Additions and Renewals	72,000	37,083
B3. Subsistence and Transport Expenses—		
Travelling, Removal and Subsistence Expenses	120,000	103,638
Motor Vehicles—Running Costs, Maintenance, Hire and Insurance	50,000	54,875
B4. General Expenses—		
Advertising and Publicity	288,000	287,691
Books, Periodicals and Papers	36,000	30,473
Postal and Telephone Expenses	126,000	140,543
Gas and Electricity	13,600	13,383
Fees for Services Rendered	643,000	398,530
Stores, Provisions, Furniture, Equipment, Minor Plant, etc. (including Maintenance and Repairs)	160,000	144,082
Printing and Stationery	117,000	116,984
Other Insurance	8,500	12,994
Minor Expenses not elsewhere included	9,600	8,389
	\$2,416,900	\$2,149,284
Other Services		
C1. Heritage Conservation Fund—Contribution to be carried to Special Deposits Account	250,000	250,000
C2. Contribution towards Stabilising Sand Dunes on the Kurnell Peninsula	16,200	16,200
C3. National Trust of Australia (N.S.W.)—Grant	28,000	28,000
C4. Australian Institute of Urban Studies—Grant	16,000	16,000
C5. Grants to Environment Organizations	30,000	30,000
C6. Contribution to National Parks and Wildlife Fund	16,212,100	16,212,100
C7. National Parks and Wildlife Foundation—Grant	50,000	50,000
C8. Western Sydney Area Assistance Scheme—Amount to be carried to Special Deposits Account	1,000,000	1,000,000
C9. Fees and Expenses of Training Courses	12,000	11,492
C10. Purchase and Replacement of Motor Vehicles	58,000	51,277
C11. Special Transport Surveys—Expenses	165,000	165,000
C12. Residential Land Monitoring Programme—Expenses	19,200	..
C13. Coastal Protection Fund—Contribution to be carried to Special Deposits Account	180,000	180,000
C14. Committee and Sub-Committee Fees and Expenses	36,000	35,971
C15. Commissioners of Inquiry—Salary and Administrative Costs	400,000	398,779
C16. Overseas Visits	3,280	9,816
C17. Legal Expenses—Various Court Actions	309,918
C18. Special Communities Program—Grant
*To be submitted separately.	\$18,475,780	\$18,764,454
Total—Department of Environment and Planning	\$30,119,680	\$31,215,872

PREMIER'S DEPARTMENT

23rd August, 1982.

Dear Sir,

Reference is made to the Chairman's letter to the Premier dated 13th August, 1982, seeking explanations as to the reasons for certain unauthorized expenditures reported in the Premier, Head Office and Public Service Board Sections of the preliminary Public Accounts for 1981-82.

Attached for the Public Accounts Committee's consideration are relevant explanations endorsed by the Premier.

In the event that the Committee deems it necessary for witnesses to appear during its examination of these explanations, their attendance will be arranged. In this respect, you are invited to inform this Department's Financial Controller, Mr J. J. Fitzgerald (270 5189), of any matters requiring further explanation.

Yours sincerely,

M. FITZGERALD, for Secretary.

The Committee Secretary,
Public Accounts Committee,
Parliament House,
Sydney.

PREMIER OF NEW SOUTH WALES

Premier, Head Office—Sydney Opera House Trust—Endowment in terms of section 20 of the Sydney Opera House Trust Act, 1961—\$431,000

An amount of \$6,900,000 was included in the 1981-82 Estimates being the statutory endowment payable to the Sydney Opera House Trust under the provisions of section 20 of the Sydney Opera House Trust Act, 1961.

In arriving at this level of assistance certain assessments had to be made about the likely trading performance of the Sydney Opera House during the year.

It was estimated that salaries and salaries related costs for the year would be \$6,737,000, that other operating costs would be \$8,280,000—resulting in a total expenditure for the year of \$15,017,000.

Against these costs it was expected the trading income would reach \$7,494,000, cash reserves would provide a further \$623,000, and the \$6,900,000 Endowment would provide the difference required for a balanced budget.

During the course of the year it became increasingly apparent that salaries and related cost pressures in particular could force the Opera House Trust into a substantial loss situation.

An urgent assessment of the position was undertaken and when it appeared evident during May and June that the Trust was facing a difficult cash flow problem and would not be able, from within its own resources, to meet salaries increases of the levels being granted under Award and Agreement variations the decision was taken to supplement the 1981-82 Endowment allocation to the extent of \$431,000.

An appreciation of the salaries and wages pressure exerted on the Sydney Opera House Trust can be gained when account is taken of the fact that the actual net salaries and salaries related costs paid within the year exceeded the \$6,737,000 estimate by \$389,840, and that a contingent liability of \$170,000 has had to be carried forwarded into 1982-83.

Details of the total net cost of salaries and salaries related cost increases during 1981-82 are as follows:

	\$
Skilled Trades Award	46,560
Apprentices Award	3,352
Tradesmen's Assistants	14,906
Trade based groups	53,504
Combined Public Service Unions case	139,717
Stores Officers	4,192
Nurses	13,455
Publicity Officers	6,556
General Division salaries	132,302
Senior Officers	4,228
Clerical Assistants, etc.	30,021
	<hr/> \$448,793
Associated salary costs	185,241
Payroll Tax	38,042
Superannuation	57,063
	<hr/> \$729,139

The Treasurer when approving of the provisions of funds to the extent of \$431,000 in supplementation of the Premier—Head Office item "C33. Sydney Opera House Trust—Endowment in terms of section 20 of the Sydney Opera House Trust Act, 1961" also advised:

"Consideration has also been given to the Trust's request for increased endowment instalments during the first quarter of 1982-83. Bearing in mind the need to constrain expenditure, I have approved of the amount available under 'Supply' being \$900,000, \$800,000 and \$650,000 to be paid during the months of July, August and September, respectively. It should not be construed, however, that the 1982-83 endowment will be based on these rates of payment."

NEVILLE WRAN, Premier.

Public Service Board—

	\$
Expenditure by the Administrative Units of the former Department of Services from 26th May, 1982	652,407.48
Automatic Data Processing Service (total expenditure from 26th May, 1982)—	285,613.52

A new Ministry of Police and Emergency Services was established from the 26th May, 1982, resulting in the discontinuance of the former portfolio of Police and Services and a transfer of certain administrative functions from the discontinued portfolio to other portfolios.

As part of the new arrangements the Automatic Data Processing Service Bureau and the Industrial Engineering Group were transferred to the Public Service Board. In addition, fifty-eight staff from branches abolished by the Proclamation were temporarily appointed to the Office of the Public Service Board in pursuance of section 75 of the Public Service Act, 1979, pending their redeployment elsewhere in the Public Service. The branches abolished were—

Secretariat and Administration Branch.

Finance and Personnel Branch.

Internal Audit Branch.

Bills and Regulations Branch.

Parliamentary authority for expenditure in relation to the Automatic Data Processing Service Bureau, the Industrial Engineering Group and the Theatres and Films Commission, and the other Department of Services Head Office groups mentioned above lapsed from the 26th May, 1982, with the discontinuance of the Services portfolio.

With regard to the Administrative Units of the former Department of Services (the Industrial Engineering Group,

the Theatres and Films Commission and the staff of the abolished branches indicated above) it was necessary for funding to be arranged through the Consolidated Revenue Suspense Account and accounted for under the "Premier, Public Service Board" Section of the 1981-82 Public Accounts.

To provide for this the Treasurer approved of expenditure being authorized, and of the provision of funds on Consolidated Revenue Fund Expenditure Suspense to the extent of the balance of funds as at 26th May, 1982, of the allocation (as already supplemented) for the former Department of Services Head Office.

Expenditure on this account amounted to \$652,407.48.

With regard to the Automatic Data Processing Service the Treasurer approved that expenditure on and from 26th May, 1982, to 30th June, 1982, would also form a charge against Consolidated Revenue Fund Expenditure Suspense. To meet this situation the Treasurer approved of the provision of funds to the extent of the balances as at 26th May, 1982, of the original appropriations to the Minister for Services for the Automatic Data Processing Service. This expenditure was to be accounted for as a new "Automatic Data Processing Service" Section within the Premier's administration.

Expenditure against this section amounted to \$285,613.52.

NEVILLE WRAN, Premier.
