

1981

PARLIAMENT OF NEW SOUTH WALES

**PUBLIC ACCOUNTS COMMITTEE
PARLIAMENT HOUSE**

FIRST REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

OF THE

FORTY-SEVENTH PARLIAMENT

25 NOVEMBER, 1981

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FIRST REPORT OF THE PUBLIC ACCOUNTS COMMITTEE OF THE FORTY-SEVENTH PARLIAMENT

The Public Accounts Committee appointed by the Legislative Assembly under the provisions of section 16 of the Audit Act, 1902, with power, inter alia, to:

Inquire into and report to the Legislative Assembly upon all expenditure by a Minister of the Crown made without Parliamentary sanction or appropriation,

sat on 17th, 18th and 25th November, 1981, for the purpose of inquiring into the items of unauthorized expenditure in the periods 1st July, 1980 to 30th June, 1981 and 1st July, 1981 to 31st October, 1981 set out hereunder.

The meetings were attended by:

Mr M. R. Egan, M.P.

Mr S. T. Neilly, M.P.

Mr T. S. Webster, M.P.

Mr N. F. Greiner, M.P.

Mr S. C. Boyd, M.P.

After careful consideration, the Committee decided to regard the appended departmental explanations and supplementary information as satisfactory.

In the Committee's view expenditure on Police Overtime both "authorized" and "unauthorized" is a matter which would warrant an investigation on a more intensive basis than can be encompassed by the Committee under section 16 (1) (b) of the Audit Act. The Committee is examining its position in relation to section 16 (1) (a) of the Act in the light of comments by the Auditor-General at page 17 of his 1980-81 Report to Parliament which concern the incidence of overtime in the Corrective Services Commission and the Police Department.

The Committee noted that the departmental explanations relating to unauthorized expenditure in the period 1st July, 1980 to 30th June, 1981, although available on 26th August, 1981, were not considered by the former Committee as a consequence of the dissolution of Parliament.

25th November, 1981.

M. R. EGAN, Chairman.

FIRST REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE
OF THE FORTY-SEVENTH PARLIAMENT

Service	Payments made during period 1st July, 1980 to 30th June, 1981 without Parliamentary Appropriation
FROM CONSOLIDATED REVENUE FUND	\$
MINISTER FOR HEALTH--	
Health Commission of New South Wales--Administration--	
Salaries, Wages and Allowances.....	1,902,274.96
Contribution to the Hospital Fund for Subsidies and Other Assistance to Hospitals	
Allied Services	13,341,000.00
Ambulance Services Fund--Contribution.....	536,000.00
TREASURER--	
Treasury--Head Office--	
Revenue Supplements	
State Rail Authority--	
Subsidy for Freight Services.....	35,851,000.00
Provision for Relief Measured associated with Natural Disasters.....	59,769,102.18
MINISTER FOR POLICE AND MINISTER FOR SERVICES--	
Police Department--	
Salaries, Wages and Allowances.....	3,340,488.84
Payments for Leave on Retirement, Resignation, etc.....	1,444,614.01
Overtime	4,545,672.75
MINISTER FOR CORRECTIVE SERVICES---	
Department of Corrective Services--	
Salaries, Wages and Allowances.....	2,177,579.90
MINISTER FOR LANDS, MINISTER FOR FORESTS AND MINISTER FOR WATER RESOURCES--	
Water Resources Commission-	
Subsidies in respect of Farm Water Storages, Bores, Wells, etc.....	1,700,000.00
MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS--	
Central Administration--Head and District Offices--	
Salaries, Wages and Allowances.....	1,865,137.38
Maintenance of Public Works and Services, including Renewals, Surveys and Investi- gations--	
State Telephone Services.....	3,966,166.32
MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR ROADS-	
Department of Local Government--	
Subsidies to Shires and Municipalities in respect of rates written off--Old Age, Invalid and certain other classes of Pensioners.....	2,988,500.27
MINISTER FOR EDUCATION--	
Office of the Minister for Education--	
Adult Migrant Education--Salaries and Other Expenses.....	546,514.55
Department of Education--	
Head Office	
Salaries, Wages and Allowances.....	2,277,318.33
Handicapped Childrens Centres-Subsidies towards costs of supervision and travel of children	513,105.62
Special Programmes for Improvements in Schools and Teaching Generally	519,566.78
Primary Education--	
Salaries, Wages and Allowances.....	9,479,205.39
Allowances for primary pupils in non-State-Schools.....	976,052.07
Secondary Education--	
Salaries, Wages and Allowances.....	4,554,152.16
Allowance for secondary pupils in non-State-Schools.....	749,174.00
Department of Technical and Further Education--	
Salaries, Wages and Allowances.....	3,846,715.13
MINISTER FOR SPORT AND RECREATION AND MINISTER FOR TOURISM~	
Department of Sport and Recreation-	
Refunds, as Acts of Grace, 6 Unclaimed Totalizator Dividends, Unclaimed Investments and Non-Starters, Bookmakers' Tax, Foes, etc.....	459,621.07
TOTAL--Consolidated Revenue Fund.....	\$157,348,961.71

Service	Payments made during period 1st July, 1980 to 30th June, 1981 without Parliamentary Appropriation
FROM GENERAL LOAN ACCOUNT	\$
MINISTER FOR LANDS, MINISTER FOR FORESTS AND MINISTER FOR WATER RESOURCES--	
Water Resources Commission--	
Construction of Split Rock Dam on Manilla River	1,000,000.00
TOTAL--General Loan Account	\$1,000,000.00
FROM ROAD TRANSPORT AND TRAFFIC FUND	
Department of Motor Transport--	
Administrative and General Charges and Other Expenses	3,934,526.00
TOTAL---Road - Transport and Traffic Fund	\$3,934,526.00

DEPARTMENTAL EXPLANATIONS
Consolidated Revenue Fund
MINISTER FOR HEALTH

Health Commission of New South Wales--Administration: Salaries, Wages and Allowances--\$1,902,274.96.

Expenditure from this item in 1980-81 amounted to \$41,305,662.50--\$2,453,662 in excess of the Budget Estimate. After inter-item transfers of appropriation, the balance of \$1,902,274.96 was met from Consolidated Revenue Expenditure Suspense Account, pending Parliamentary Appropriation.

The excess expenditure is mainly attributable to costs associated with the National Wage Case Decisions in January and May, 1981 and other award variations and salary determinations which were not provided for in the 1980-81 Budget allocation of \$38,852,000. A dissection of the additional costs is set out hereunder:

	\$	\$
1. Wage increases arising from--		
(a) National Wage Adjustment—January, 1981	750,791	
National Wage Adjustment—May 1981	245,209	
	996,000	996,000
(b) Award variations and salary determinations--		
● Medical Officers	395,645	
● Scientific Officers	180,725	
● Health and Pure Food Inspection	161,496	
● Administrative and Clerical Officers	107,000	
● Social Workers	92,298	
● Guidance Officers, Psychologists, etc.	90,821	
● Scanners	43,365	
● Research Officers	42,138	
● Therapists	37,743	
● Health Education officers	24,577	
● General Division (Trade Based Groups)	23,506	
● Part-time Medical Officers	20,471	
● Assistants—Division of Forensic Medicine	19,336	
● Other award increases	74,923	1,314,044
2. Approved regradings and reclassifications		133,959
3. Higher Duties Allowance		30,106
		2,474,109

Additional information requested by the Committee--
Provision for National Wage and Award Increases--

Members of the Committee requested additional information concerning the reasons why provision was not made in all salaries estimates for the above contingencies.

Except in a few instances, referred to later, the general practice is for the estimated costs of national wage and award variations, not determined when the Budget papers are printed, to be provided for under the allocation for "Advance to Treasurer".

It has been the usual practice, however, because of the large number of employees involved, for a contingency provision for National Wage variations to be included under the classification of "Adjustment of Salaries" within the Primary and Secondary Education salaries items. A similar practice has been followed, for example, in providing a contingency sum within the Health Commission "CI" item in 1981-82 towards the cost of the recent Nurses award.

Where details of National Wage and award increases are known when the Budget Papers are printed, the costs involved are included in the salary costs for the relevant positions.

The practice of including a provision for the projected cost of National Wage and award increases under the Vote "Advance to Treasurer" is considered to have the following advantages when compared with a system under which a provision is made in the Estimates for each individual Department or section-

- (a) any savings in the provision are available for reallocation to other purposes and are thus covered by Parliamentary authority. Such savings can occur as a result of the quantum of the increases being less than expected or from changes in policy, e.g. half-yearly rather than quarterly adjustments of the national wage;
- (b) under-expenditure of provisions on departmental votes (notwithstanding a stipulation that they are unavailable for other salary related purposes) could tend to be wholly or partially utilized by Departments and result in a loss to some extent, of budgetary control; and

(c) those involved in negotiations for increases in salaries and wages would have regard to any amounts specifically provided within a department's salary estimates and the decisions reached could be influenced accordingly.

Additional information requested by the Committee--

Poker Machine Revenue--

The Committee noted that actual revenue received by the Hospital Fund from poker machines exceeded the estimate by \$6,205,000.

Information was provided by the Secretary of the Committee relating to the action being taken by the Poker Machine Section of the Treasury to encourage club officials in the use of proper management techniques in the oversighting of machine receipts and payments and of the appointment of additional inspectorial staff.

The possibility of additional revenue being received from a further increase in the numbers of Inspectors was examined by the Committee. It was advised that the results being achieved by the increase in surveillance and educational programmes are being carefully monitored and that while no further increase in the numbers of Inspectors was considered to be warranted at this time preliminary information appears to suggest that some further benefits in terms of club revenue and payments to the Hospital Fund may ultimately be achievable and a further period of review was required to confirm this situation.

"CI. Contribution to the Hospital Fund for Subsidies and Other Assistance to Hospitals and Allied Services"--\$13,341,000.

The allocation for this Item provides for subsidies to recognized hospitals, i.e. those hospitals covered by the then existing Commonwealth-State Hospital Agreement, service facilities provided for those hospitals e.g. by the central laundry services, subsidies for non-recognized hospitals, predominantly the psychiatric and State hospitals, together with allied services, Community Health and Research and Planning.

In assessing the required allocations regard was had inter alia to the "approved budget" for recognized hospitals, i.e. the amount which the Commonwealth Minister for Health agreed to support for cost-sharing purposes, expected increases in wages, especially from national wage decisions, likely increases in other costs and the level of patient numbers and hence fee income. In the case of Community Health an important factor was the extent of Commonwealth assistance available under the then existing arrangements whereby the Commonwealth provided funds on a 50/50 basis for the bulk of the Programme.

The Budget allocations for the various sections together with the other sources of funds, as estimated at that time were;

	Budget
	\$000
Cash Outflows—	
Subsidies—	
Recognised Hospitals and Allied Services	957,030
Non-Recognised Hospitals	164,094
Non-Recognised Allied Services	17,978
Community Health	45,123
Research and Planning	100
Total (a)	1,184,325
Funds Available—	
Poker Machine Revenue	131,000
Commonwealth Payments	476,027
Superannuation Repayments	4,600
Use of Hospital Fund Balance	4,000
Total (b)	615,627
Net "CI." Requirement (a)—(b)	568,698

The actual cash outflows were as follows:

	Actual	Variation
	\$000	from
		Budget
		\$000
Cash outflows—		
Subsidies—		
Recognised Hospitals and Allied Services	968,414	+ 11,384
Non-Recognised Hospitals	162,722	- 1,372
Non-Recognised Allied Services	18,132	+ 154
Community Health	45,945	+ 822
Research and Planning	100	..
Total (a)	1,195,313	+ 10,988

Funds Available—					
Poker Machine Revenue	..	..	..	..	137,205 + 6,205
Commonwealth Payments	..	..	..	..	465,840 - 10,187
Superannuation Repayments	..	..	..	..	5,907 + 1,307
Use of Hospital Fund Balance	..	..	..	..	4,322 + 322
Total (b)	..	..	..	..	613,274 - 2,353
Net "C1." Requirement (a)—(b)	..	..	..	..	582,039 + 13,341

The reasons for the increased expenditure requirements are set out hereunder.

Recognized Hospitals--

Increased expenditure commitments arose in the following areas:

Increase in Original State Budget Allocation--

The Premier and Treasurer approved on 12th February, 1981 of the budget for recognized hospitals being increased to adjust for increased cost escalation factors and provision for staffing variations accepted by the Commonwealth for cost sharing. In the original approved budget the escalation factor which the Commonwealth was prepared to support was 9 per cent, but this was subsequently increased to 9.75 per cent. The approval to staffing variations was in recognition of an abnormal level of vacancies in 1979-80.

The total increased provision was \$5,572,000.

Non Achievement of 1979-80 Rationalisation--

In advising the State of the approved Budget for 1979-80, the Commonwealth stated that the cost of new services would have to be met from within existing approved bed numbers. As a number of new projects, especially Westmead Hospital, required large additional provisions, significant reductions had to be made at existing hospitals.

This caused considerable disquiet and understandable concern among hospital staff and the community. A special Committee was established under the Chairmanship of Mr John Ducker, with representatives of the Health Commission of N.S.W., the N.S.W. Nurses' Association, Hospital and Related Employees Association and the Public Service Association to review the various proposals. The Committee recommended, inter alia, deferral of rationalisation proposals at a number of hospitals and the government adopted these recommendations.

The additional 1980-81 cost arising out of non-achievement of rationalisation proposals amounted to \$2,035,000.

Non Attrition of Staff--

In the implementation of the economy measures the government's firm policy was that there should be no staff retrenchments. All surplus staff were to be absorbed as new vacancies occurred. The attrition rate was slower than originally anticipated resulting in reduced savings.

Some 144 staff and a cost of \$2,603,000 was involved.

Revenue Shortfall--

Due primarily to an increased percentage of "hospital" i.e., non-paying patients, hospital fees and other revenue fell below budget, thereby increasing net subsidy requirements.

The shortfall amounted to \$16,700,000.

In total the increased subsidy requirements arising from the above amounted to \$27 million. However, savings against the budget provisions were effected in a number of areas including salaries award increases, sessional payment to visiting medical officers, superannuation and maintenance costs, and after taking these into account the net additional requirement for recognized hospitals amounted to \$11.384 million.

Non-recognized Allied Services--

The Health Commission meets the cost of the N.S.W. Hospital Planning Advisory Centre (Hosplan). During the year expenditure by the Centre's Building and Research Group increased due to the need to undertake several essential projects in 1980-81 for which no specific provision was made in the allocation, and approval was given to an increased allocation to the extent of \$83,000 for Hosplan, subject to offsetting savings within the non-Recognized Hospitals allocation. The balance of \$71,000 is attributed mainly to increased requirements of the Institute of Clinical Pathology and Medical Research associated with a higher level of activity than anticipated.

Community Health Programme--

The Premier and Treasurer approved on 5th November, 1980 of an increase in the allocation of \$45.123 million for the recurrent costs of this Programme to \$45.317 million (i.e., an increase of \$194,000) to match funds provided by the Commonwealth in 1980-81.

Following an approach by the Health Commission for additional funds to meet increased operating costs for "State Projects" approval was given on 25th May, 1981 to the allocation being increased by a further \$670,000 on the understanding that equivalent savings would be achieved against the programmes 1980-81 capital allocation.

The additional operating cost requirement for "State Projects", which in the event totalled \$861,000, arose as a result of regions employing staff up to the approved staff ceiling, whereas the funds allocation was based on maintaining activities at the same real level as in 1979-80 (in which year staff numbers averaged 40 below ceiling). The net overexpenditure in operating costs of the programme was \$822,000 when account is taken of savings made on other sections of the programme. Commonwealth Grants--

The shortfall in Commonwealth payments arose as a result of an adjustment for overpayments made in previous years and the decision by the Commonwealth to terminate the Hospitals Cost

Sharing Agreement with possible consequential adjustments in respect of past payments.

Summary---

After allowing for savings, the net additional expenditure requirements for hospitals and allied services totalled roundly \$11 million. The net reduction in funds available below the level originally anticipated increased the overall additional funds requirement to \$13,341,000.

The Committee sought additional information as follows:

- (a) Details of the individual hospitals and the amounts involved in the non-realization of rationalization proposals;
- (b) (i) Details of the previous two years' budgeted and actual fees shortfall;
- (ii) Further information regarding the shortfall in revenue of \$16.7 million in 1980-81, including details of variations on a region by region basis.

Non Achievement of 1979-80 Rationalization

Details of the individual hospitals and amounts involved in the non-realization of rationalization proposals, leading to additional expenditure totalling \$2,035,800 are as follows:

Hospital	Rationalisation proposal	Amount involved 1980-81
		\$
Adelong	Replace Hospital Services	155,200
Broken Hill	Reduction of 26 beds	328,600
Cessnock	Close Male Surgical Ward (25 beds)	372,800
Coolamon-Ganmain	Replace Hospital Services	195,200
Dungog	Close Maternity Unit (8 beds) and convert 20 beds to nursing home beds	80,000
Kurri Kurri	Reduction of 39 beds	574,400
Murrurundi	Close Obstetrics Unit (4 beds)	9,600
Newcastle Western Suburbs.	Close 15 beds and Pathology	320,000
		<u>2,035,800</u>

Hospitals' Revenue Shortfall

(a) Details of the previous two years' budgeted and actual fees revenues are as follows:

	Budget \$000	Actual \$000	Variation \$000
1978-79	191,470	176,124	- 15,346
1979-80	203,200	205,943	+ 2,743

The significant variation in 1978-79 was due to provision having been made within the estimates for receipts of outpatient fees raised direct on the Health Insurance Funds to the extent of \$15.5 million. In the event the Funds failed to pay any of these accounts and no provision was made for their receipt in subsequent years' (i.e. 1979-80 and 1980-81) estimates.

- (b) As indicated in the explanation, the shortfall in patients' fees and other revenue which occurred in 1980-81 was due primarily to the significant swing away from insurance which occurred during this year. The fact that this significant change in the community's attitude to insurance cover occurred some two years after the Commonwealth Govern-

ment abolished the health insurance levy and the compulsion to insure (in November, 1978) made accurate forecasting of the 1980-81 results extremely difficult. In fact, the estimate of 1980-81 revenue was based on the assumption of a similar proportion of fee paying patients to that which had emerged by the end of 1979-80.

It should be noted that the shortfall of \$16.7 million dollars upon which the final subsidy payments were made to hospitals in June 1981 was the anticipated result based on returns submitted by the Hospitals in May, 1981. The actual result as revealed by the Hospitals' unaudited annual returns was a shortfall of \$12.8 million, i.e., \$3.9 million less than foreshadowed.

However, roundly \$3.2 million of this apparent improvement in the revenue position is attributable to increased "local income" i.e. funds from donations, bequests, etc. having been applied to expenditure on repairs and maintenance, equipment, etc. and is therefore offset by increased expenditure. In respect of the balance of \$0.7 million of this variation, an over provision would have been made in the 1980-81 subsidy payments to the hospitals which will be adjusted in the 1981-82 subsidy provisions.

Details of the shortfall on a regional basis are as follows:

Region	Budget \$000	Actual \$000	Variation	
			\$000	Per cent
Western Metropolitan	40,610	39,780	- 830	- 2.0
Inner Metropolitan	56,065	52,548	- 3,517	- 6.3
Northern Metropolitan	44,072	41,705	- 2,367	- 5.4
Southern Metropolitan	37,695	36,126	- 1,569	- 4.2
Hunter	23,788	24,036	+ 248	+ 1.0
Illawarra	12,003	12,379	+ 376	+ 3.1
North Coast	14,768	13,474	- 1,294	- 8.8
New England	10,767	10,080	- 687	- 6.4
Orana and Far West	7,720	7,185	- 535	- 6.9
Murray	6,515	6,180	- 335	- 5.1
Riverina	8,424	7,627	- 797	- 9.5
South Eastern	7,478	7,146	- 332	- 4.4
Central West	10,827	9,678	- 1,149	-10.6
Totals	280,732	267,944	-12,788	- 4.6

Ambulance Services Fund--Contribution--\$536,000.

The 1980-81 Budget allocation for the item was \$21,322,000. The actual State contribution required to support the net operating expenditure requirements of the Ambulance Services in that year was \$21,858,000, the excess of \$536,000 being charged to Consolidated Revenue Fund Expenses Suspense Account.

The need for the additional State contribution resulted from greater than anticipated increases in award costs during the year. An amount of \$2,350,000 was included in the original allocation to the Fund to meet estimated award increases in 1980-81, but in the event, these amounted to \$4,207,000, including \$1,704,000 for the Ambulance Employees (State) Award adjustment.

The increased commitment for award increases (\$1,857,000) was largely offset, however, by a reduction in the level of expenditure on the purchase of replacement ambulances due to delays in deliveries and additional revenue generated by an increase in Air Ambulance rates from 1st January, 1981 (\$1,321,000 in total). The net difference of \$536,000 was met by way of an increased contribution from Consolidated Revenue Fund to the Ambulance Fund.

Additional information requested by the Committee--

Additional information was sought by the Committee to show how the original provision of \$2,350,000 related to the cost of the Ambulance Employees Award.

The provision of \$2,350,000 made in the Estimates for future award variations was solely for National Wage adjustments as no variations outside these were foreshadowed by the Health Commission at the time of preparation of the Estimates.

TREASURER--

Treasury Head Office--

Revenue Supplements to--

State Rail Authority--

Subsidy for Freight Services---\$35,851,000

In accordance with the requirements of Section 66 of the Transport Authorities Act, the following amounts were included in the 1980-81 Estimates to provide for payments into the State Rail Authority Fund by way of revenue supplements to enable or assist the Authority to exercise its functions:

	\$
Subsidy for Metropolitan Passenger Services.....	88,952,000
Subsidy for Country Passenger Services.....	77,850,000
Subsidy for Freight Services.....	96,754,000
 Total Provision for S.R.A.....	 263,556,000

The total provision for the S.R.A.'s revenue supplements (\$263.556 million) was assessed on the basis of the Authority's original estimates of its financial results for 1980-81, and according to the amount by which expected total annual railway revenue fell short of expected total railway working expenditure. These budgets, revised as indicated, are shown in the following table (column 1). Also shown are preliminary figures indicating the foreshadowed achievements against budget, as anticipated by the S.R.A. on 30th June, 1981, for 1980-81 (column 2).

	Budget for 1980-81 (1) \$	Achievements in 1980--81 against budgets (2) \$	Variation (3) \$
S.R.A.'s Operating Revenue	596,077,000	557,000,000	-39,077,000
Less S.R.A.'s Operating Expenditure ..	859,633,000'	856,407,000	- 3,226,000
Revenue Supplement	263,556,000	299,407,000.....	35,851,000

* The S.R.A.'s estimates were \$10,102,000 higher than this figure but the Authority was set the target of achieving a \$10 million reduction in the Revenue Supplement.

+ These are the best estimates available at the close of the financial year. The S.R.A. accounts are kept on an income and expenditure basis (accounting for accruals, etc.) as distinct from the Consolidated Revenue Funds' purely cash operations basis. Final S.R.A. figures are extracted after June 30 when all transactions applicable to the year have been brought to account.

In assessing its revenue budget, and in accordance with the principle of annual reviews of its charges inherent in Section 71 of the Transport Authorities Act, the S.R.A. made provision for a full range of railway fare rises and freight rate increases expected to be implemented early in the financial year and to yield around \$18 million and \$28 million respectively for 1980--81. In the event (see under), whilst the expected fare increases did occur, a large proportion of the anticipated increased revenue from freight rate increases was not realised.

As can be seen from a comparison of columns (1) and (2) of the foregoing table, there was a substantial deterioration in the Authority's budget position during 1980-81 which necessitated the provision of additional revenue supplementation from the Consolidated Revenue Expenditure Suspense Account of \$35,851,000.

On the expenditure side, the overall operating expenditure savings on budget of \$3.226 million (see table) resulted firstly from National Wage awards during the year being less than anticipated in the initial allocation although the cost of other wage and salary awards for S.R.A. staff exceeded original expectations--but by less than the National Wage improvement. At the same time, S.R.A. branches' expenditure control procedures effectively kept their financial operations within budget. Savings were also achieved in respect of the distillate allocation (a major cost item in public transport), and the cost of unavoidable additional maintenance and locomotive running was largely contained within branch allocations.

The overriding cause of the budget deterioration was the massive shortfall in revenue---down \$39.077 million for the year. This was due in the main to freight business and returns falling short of the Authority's original expectations by about \$42 million, given that there was a small offset from improved revenue from rail passenger services and miscellaneous charges of around \$3 million.

The freight revenue shortfall is attributable to three main factors, none of which could reasonably be expected to have been predicted or controlled by the Authority. They were:

1. A drop in freight haulage business due to the drought-caused crop failures throughout N.S.W.--notably wheat---estimated revenue loss \$13 million
2. A drop in freight haulage business due to an extended railway shunters' industrial dispute--estimated revenue loss \$16 million
3. A Cabinet decision during the year not to proceed with planned freight rate increases on a range of rural products out of consideration for the drought stricken rural sector--estimated revenue foregone \$13 million

The disastrous State-wide drought over the course of the financial year had a most serious impact on freight revenue in the two respects mentioned. Wheat haulage, for example, was substantially down on budget expectations imposing an irretrievable loss of revenue on the S.R.A. The second indirect but major impact of the drought is reflected in Cabinet's decision last October, on the sole basis of the worsening of the N.S.W. drought and the extreme hardship it was already causing primary producers, not to proceed with significant line haul freight increases that has been planned

for wheat, other grains, wool, livestock, meat, milk, fruit and vegetables and fertilizers. Cabinet's decision was brought to the attention of the Members of Parliament by the Minister for Transport on 25th February, 1981, when he said in part that, though there was every justification for increasing freight charges on wheat and other rural products, and in fact increases were included in the estimates of the S.R.A., the Government decided in view of the drought conditions not to increase those charges.

The railway shunters' dispute extended over many weeks during the financial year and had a very serious adverse effect on revenue from the haulage of important income producing commodities such as export coal. Over a lengthy period the numbers of freight wagon loadings were drastically reduced.

Since the preparation of the Public Accounts for 1980-81 the State Rail Authority has advised that the formula previously used to apportion revenue supplements over the three heads of service referred to under paragraph one of this explanation had been varied to take account of:

1. the influence of capital costs which were reduced in 1979-80 following the writing down of capital debt by over \$300 million;
2. changes in the relative status of statistics following a substantial increase in the volume of freight traffic hauled (tonne/mile statistics);
3. the major restructuring of freight rating schedules; and
4. continued refinement of the formulae and statistics for producing results on a services basis.

Had the revised formula been applied to the original revenue supplement for 1980--81 the distribution would have been-

S	
Subsidy for Suburban Passenger Services.....	114,174,000
Subsidy for Country Passenger Services.....	104,019,000
Subsidy for Freight.....	45,363,000
.....	263,556,000

and the final result for the year would have been-

\$	
Subsidy for Suburban Passenger Services.....	114,174,000
Subsidy for Country Passenger Service.....	104,019,000
Subsidy for Freight.....	81,214,000
.....	299,407,000

The State Rail Authority has further refined the apportionment of the subsidy since the end of June 1981 and it is understood that the apportionment to be disclosed in its Annual Report for 1981-82 will now be--

S	
Subsidy for Suburban Passenger Services.....	104,919,000
Subsidy for Country Passenger Services.....	105,711,000
Subsidy for Freight.....	88,777,000
.....	299,407,000

Provision for Relief Measures associated with Natural Disasters--\$59,769,102.18.

Under the existing arrangements between the Commonwealth and the State, expenditures associated with declared natural disasters are shared between the Commonwealth and the State.

The established criteria for cost sharing requires the State to meet the first \$10 million of assistance provided in each financial year and for expenditure beyond the first \$10 million to be shared on a \$1 State, \$3 Commonwealth basis. In practice all expenditures are first met by the State and subsequently recovered progressively from the Commonwealth where appropriate. Payments by the Commonwealth are credited to the Consolidated Revenue Fund as a receipt item.

In respect of 1980-81 an amount of \$8,000,000 was appropriated to meet the anticipated expenditure from the item which may result from a number of causes including drought, floods, fires, storms and tempests. This was based on the amount expended in the previous financial year--\$8,457,954 and the fact that drought conditions were being experienced in parts of the State at that time.

Of the amount provided, \$500,000 was notionally allocated for the purpose of meeting finalising payments in respect of relief for disasters that occurred prior to 1980-81.

At that time 43 of the State's 58 Pastures Protection Districts were drought declared and it was anticipated conditions would improve to the extent that expenditures could be contained within the \$7.5 million balance of uncommitted funds available.

Unfortunately, conditions deteriorated further during 1980-81 and at one stage up to 52 of the State's Pastures Protection Districts were drought declared. A number of Districts remained in drought for over 12 months. Consequently, the requests for assistance under the various drought relief measures increased substantially to a very high level. In all, expenditure brought to account amounted to \$67,769,102.18 and of this \$59,769,102.18 was provided from Consolidated Revenue Expenditure Suspense Account. The amounts were distributed in the following manner:

Drought Relief Payments to Farmers--	\$000
Rural Bank--loans to primary producers--including advances against commitments	43,400
Road Transport Subsidies'	21,827
Rail Freight Concessions	431
Stock Slaughter Subsidies	150
Water Cartage Subsidies	182
Other Relief and restoration measures 'for other disasters and cartage of emergency water supplies	1,779
	67,769

Commonwealth contributions amounting to \$43,554,500 were received during the year reducing the impact on the State Budget to \$24,214,602.18.

MINISTER FOR POLICE AND MINISTER FOR SERVICES

Police Department--

Salaries, Wages and Allowances--\$3,340,488.84.

An amount of \$191,971,875 was voted on the Police Department item Salaries, Wages and Allowances to provide for estimated expenditure in 1980-81. The amount voted included a provision of \$2.5 million for future salary adjustments.

Details of the actual variations to salaries and wages that occurred during the year compared to the provision made for these contingencies have been summarised as follows:

.....	\$	\$
National wage variations--		
from 16-1-81--		
Constabulary	2,757,827	
Other	362,971	
.....		3,120,798
from 8-5-81--		
Constabulary	901,047	
Other	119,205	
.....		1,020,252
Administrative and Clerical Officers Award.....	218,000	
New positions (23)	176,300	
Additional Temporary Assistance.....	133,500	
Allowances--Police Relieving, Higher Duties Allowances, etc.....	631,202	
Amount required in 1980-81 to meet amount of salaries and wages accrued in period 19th-30th June, 1980, not charged against 1979-80 Expenditure.....		680,000
.....		5,980,052
Less Amount provided		2,500,000
Additional cost in 1980-81.....		\$3,480,052

In respect of the amount provided to meet salaries that had accrued in the period 19th-30th June, 1980 (\$680,000), all departments are advised of the need to charge each year's vote with the amount of salaries that accrue in the last days of a financial year notwithstanding that the end of the pay period may occur in the following financial year. (Treasury Circular 1980-3 dated 26th May, 1980.) This procedure ensures that each financial year is charged the full annual cost of salaries. Pending payment in the subsequent year (together with the balance of the amount that accrues in that year) the accrued amount is held in "Balance of Salaries Adjustment Suspense Account" in Special Deposits Account.

Unfortunately the Police Department overlooked the need for the transfer to be made in respect of salaries payable to staff other than the Constabulary and it was necessary to provide funds to the extent of \$680,000 to enable the Department to meet this commitment in 1980-81 in addition to the salaries payable in respect of that year.

The fact that the Department had not made the necessary transfer was first detected in the course of a routine review by the Treasury in November, 1980 of income and expenditure trends and since the Estimates had already been presented to Parliament it was not practicable to include a provision on the item to cover this expenditure.

A special report on the circumstances under which the error occurred was obtained by the Treasury and referred to the Auditor-General. Action was also taken to ensure that the required transfers are made in future.

Savings by the Department exceeded those allowed for when the 1980-81 Estimates was prepared by \$139,563, due in the main to a higher staff turnover than originally anticipated, and this reduced the Department's net additional requirement to \$3,340,488.84. Pending appropriation by Parliament, funds to this extent were made available from Consolidated Revenue Expenditure Suspense Account.

Payments for Leave on Retirement, Resignation, etc.--\$ 1,444,614.01

Expenditure for the item in 1980-81 to \$4,964,614.01 and exceeded the amount of appropriation available by \$1,444,614.01.

The additional funds required to meet this commitment were provided from Consolidated Revenue Expenditure Suspense Account, pending Parliamentary Appropriation.

Although expenditures brought to account on the item relate to all sections of the Department, the bulk of the expenditure is incurred as a consequence of retirements and resignations from the Police Force.

The basis of the appropriation and the final expenditure may be summarized as follows:

.....	Appropriation	Expenditure	Variation
.....	\$	\$	\$
Constabulary-			
Retirements	2,405,000	3,684,761	+1,279,761
Resignations	692,000	895,533	+ 203,533
General Establishment-			
Retirements	173,000	89,574	- 83,426
Resignations	250,000	294,746	+ 44,746
	3,520,000	4,964,614	+1,444,614

Expenditure in a year is difficult to estimate because of unknown factors such as the numbers likely to retire or resign and the extent to which those that leave the Department may be entitled to receive a payment of the monetary value of accrued leave.

It will be noted that the major variations occurred in relation to retirements (which include officers retired on medical grounds) and resignations from the Constabulary and that the whole of the excess expenditure occurred in this area. The following factors contributed to the expenditure exceeding the amount noted by Parliament:

- There were 209 resignations from the Police Force compared with 173 resignations in 1979-80, i.e., an increase of 21 per cent. The 1980-81 Estimates were prepared on the basis of an anticipated 200 resignations.
- There were 18 more retirements than was anticipated (71 compared with an anticipated 53). Following the announcement in May, 1981 of the introduction of voluntary early retirement from age 55, a total of 12 officers decided to retire early in the last month of the financial year.
- There was a dramatic increase in the number of retirements on medical grounds with 102 retirements compared with 43 in 1979-80. Estimates were prepared on the basis of the same level of retirements on medical grounds as for 1979-80.

Additional information requested by the Committee--

In connection with the increase to 102 in the numbers of police retired on medical grounds in 1980-81 the Committee sought the following information:

- (a) Particulars of losses from the Police Force as a result of resignations, normal retirements and retirements on medical grounds over the last 5 years; and
- (b) Whether, in respect of the 102 retirements there was any change in the criteria for retirement which might explain the increase on the previous year.

Details of resignations, etc. over the past five years are as follows:

.....	Resignations Retirements Retirements		
	Normal	Medical	
1976-77	133	61	27
1977-78	155	71	40
1978 -79	138	54	48
1979-80	178	61	43
1980-81	204	71	102

Prior to 1980-81, the then Senior Police Medical Officer pursued a policy of endeavouring to rehabilitate Police who were medically unfit for full Police duty, especially those who had been injured on duty. Light duty clerical-type positions were found where these men could be usefully employed, rather than retire them.

The increase in medical retirements in 1980-81, compared to previous years, is attributable in the main to the following factors:

1. An increase in the numbers of men in the above category and the difficulty in finding positions in which they could be usefully employed.
2. The appointment of a new Senior Police Medical Officer during 1980-81 with somewhat different views to those of his predecessor on the success or the desirability of the latter's programme of rehabilitation.

When considered against the constraint that the increase in the strength of the Police Force authorized by the Government, particularly in 1980-81 and 1981-82 was below the number considered by the Commissioner to be essential, the replacement on establishment of those medically unfit Police with young active Police resulted in a net increase in strength in mainstream Police activities. It also

alleviated to some extent the problems and constant complaints of District Superintendents, who were confronted with an established strength at particular Police Stations, but where actual strength was weakened because certain Police could only perform restricted duty.

So far as Police operations "in the field" are concerned, the net result of the increased number of retirements on medical grounds is an improved service to the public.

Overtime--\$4,545,672.75-

A total of \$21,545,672.75 was expended by the Police Department on overtime in 1980--81 and this exceeded the amount of appropriation available by \$4,545,672.75. Funds to this extent were made available from Consolidated Revenue Expenditure Suspense Account, pending Parliamentary Appropriation to enable the Department's commitment to be met.

Payments from the item relate to the undermentioned groups of personnel employed by the Department and amounts expended compared with the appropriation allocated to each group were roundly as follows:

Group	Appropriation	Expenditure	Variation
	\$	\$	\$
Constabulary	16,234,000	20,664,687	4,430,687
Other (Parking Police, Public Service Staff, Security Officers etc.).....	766,000	880,986	114,986
	17,000,000	21,545,673	4,545,673

A number of special factors contributed to the increase in overtime hours worked by the Police Constabulary. The most significant of these special factors were:

- Ⓢ industrial disputes at the State's Corrective Services institutions. Members of the Police Force were required to maintain security and the cost of these disputes in terms of overtime payments is estimated at \$1.5 million;
- Ⓢ investigation of the bombings and bomb scares at Woolworths stores throughout New South Wales and the slaying of two Turkish Diplomats in Sydney. These investigations are estimated to have cost at least \$700,000 in overtime payments;
- Ⓢ the cost of the new police overtime agreement (introduced in August, 1980) was some \$493,000 more than the amount for which provision was made.

There were a number of other special factors, including overtime which was necessary to undertake a campaign against major drug activities.

Emergency situations, such as industrial disputes at the Corrective Services institutions, create staffing problems for the Police Force. In such situations, it is necessary to recall substantial numbers of police to duty, cancel leave and direct police to continue work after the expiration of rostered shifts. It is very difficult to estimate the cost of these "flow on" effects, but in special situations, which require a high level of manpower, they could be considerable.

In relation to "Other" overtime, the overexpenditure was due to additional hours worked by Police Parking Officers (7 per cent higher than in 1979-80) and higher than anticipated work demands resulting from the non-falling of vacancies from 25th May, 1981.

Total expenditure also includes \$632,000 representing overtime accrued but unpaid at 30th June, 1981, which was transferred to "Balance to Salaries Adjustment Account" for payment on 2nd July, 1981.

MIINISTER FOR CORRECTIVE SERVICES

Department of Corrective Services--Salaries, Wages and Allowances-\$2,177,579.90--

Total expenditure from this item was \$40,414,579.90 of which \$2,177,579.90 was in excess of the amount available under Parliamentary Appropriation. Funds to meet the additional payments beyond the vote were provided from Consolidated Revenue Expenditure Suspense Account.

The elements contributing to the increase in expenditure and the costs involved in each have been assessed as follows:

I. Award increases.....	\$
National Wage.....	1,217,900
Administrative and Clerical Division Award.....	258,000
2. Cost in 1980-81 of 200 additional positions.....	1,201,576
.....	2,677,476

No specific provision was made in the amount voted on the item for these additional expenditures. However largely as a result of industrial disputes, staff turnover and other recoupments, overall savings amounting to \$499,896 in excess of the amount of \$2,267,628 assessed from all sources when the original requirement for the item was determined were achieved by the Department during the course of the year. After allowing for these savings the amount of unauthorised expenditure was reduced to \$2,177,580.

MINISTER FOR LANDS, MINISTER FOR FORESTS AND AND MINISTER FOR WATER RESOURCES

Water Resources Commission--

Subsidies in respect of Farm Water Storages, Bores, Wells, etc.--\$1,700,000

Subsidies to landowners of a maximum of \$1,000 or 25 per cent of the cost of the work, whichever is the lesser, are provided under the terms of the Farm Water Supplies Act.

The amount of \$2.5 million appropriated for 1980-81 was based on the numbers of applications in recent years, the average subsidies paid and the increased demands in evidence since the drought began.

As the effects of the drought became more widespread and existing water supplies became exhausted the demand for additional storage reached unprecedented levels. In all some 11 300 applications were lodged and special measures were adopted to minimize delays in approvals. (In the event 10 867 applications were approved and expenditure rose to \$4.2 million).

Payment of the additional \$1.7 million in excess of the amount authorized by Parliament was effected from Consolidated Revenue Expenditure Suspense Account.

MINISTER FOR PUBLIC WORKS AND MINISTER FOR PORTS

Central Administration--Head and District Offices--

Salaries, Wages and Allowances--\$1,865,137.38.

Expenditure from the item in 1980-81 amounted to \$43,116,137.38 and exceeded the amount of Parliamentary Appropriation available by \$1,865,137.28.

Payments during the year included the following commitments in respect of which no specific provision was made in the amount of \$41,251,000 originally estimated to be required for the year.

	\$	\$
1. Wage increases arising from--		
(a) National Wage Adjustment--January, 1981..	748,918	
National Wage Adjustment--May, 1981	241,997	990,915
(b) Award determinations--		
(i) Professional Officers	172,383	
(ii) Foremen and Related Groups and Trade- Based Groups	100,864	
(iii) Senior Officers (Allowances)	1,597	
(iv) Publicity Officers & Public Relations' Officers	6,869	
(v) Foremen and Related Groups	337,953	
(vi) Interior Designers	6,002	
(vii) Senior Technical Officers and Technical Officers	156,294	
(viii) Surveyors	5,916	
(ix) Administrative and Clerical Officers	207,142	995,020
2. Cost of new positions		130,803
3. Higher Duties Allowances		104,714
4. Other Salary Adjustments		44,216
		2,265,668

AS a contra to the abovementioned commitments the effects of staff turnover, delays in the filling of vacancies, etc. resulted in the saving of \$400,530 in the amount of expenditure authorised by Parliament and the amount required to be provided from Consolidated Revenue Expenditure Suspense Account was therefore limited to \$1,865,137.38.

Maintenance of Public Works and Services, including Renewals, Surveys and Investigations

State Telephone Services--\$3,966,166.32.

This item is charged with the costs incurred for telephone installations, hire and usage by the bulk of Government Departments. The 1980-81 allocation of \$10,800,000, an increase of 3.9 per cent on the previous year's expenditure, proved to be inadequate for the following reasons:

- (a) the allocation of \$10.8 million allowed for the effects of major economy measures recommended by an interdepartmental committee, established to investigate telephone usage, which was expected to offset the likely growth in the telephone rental component of the allocation. The introduction of the economy measures has taken longer than anticipated due to administrative problems but these have now been resolved; and

(b) during the year Telecom changed its procedures relating to the payment of claims and requested the Department to clear all arrears. These amounted to \$2.8 million and related almost entirely to the 1979-80 financial year.

All Ministers were formally reminded during the year of the need for maximum economy in telephone usage, with the steps being taken to implement a system to ensure that Departments are aware of their telephone expenditures much more promptly. There are now much better prospects for the effective oversight and control of telephone usage.

The following table details, under Ministerial Headings telephone expenditure in 1979-80 a 1980-81:

	1979-80	1980-81
.....	\$	\$
The Legislature	230,051	324,254
Premier	461,862	505,267
Minister for Transport.....	29,380	91,799
Treasurer	92,458	92,371
Minister for Industrial Development and Minister for Decentralisation	85,649	157,185
Attorney-General and Minister of Justice.....	679,631	888,703
Minister for Police and Minister for Services.....	352,689	437,198
Minister for Corrective Services.....	544,797	878,606
Minister for Lands, Minister for Forests and Minister for Water Resources	989,399	1,454,774
Minister for Public Works and Minister for Ports	2,436,799	4,413,545
Minister for Local Government and Minister for Roads.....	36,466	4,943
Minister for Education	1,861,908	2,424,647
Minister for Sport and Recreation and Minister for Tourism.....	30,974	83,849
Minister for Youth and Community Services.....	693,926	1,030,401
Minister for Mineral Resources and Minister for Technology.....	153,070	201,058
Minister for Industrial Relations and Minister for Energy	321,231	239,150
Minister for Consumer Affairs.....	1,811	117,025
Minister for Housing and Minister for Co-operative Societies.....	60,097	42,542
Minister for Agriculture.....	1,172,083	1,248,047
Minister for Planning and Environment.....	159,864	130,803
.....	\$10,394,145	\$14,766,166

To enable the 1980-81 expenditures to be met, funds to the extent of \$3,966,166.32 were provided to the Minister from Consolidated Revenue Expenditure Suspense Account pending Parliamentary Appropriation.

Additional Information Requested by the Committee-

The Committee sought additional information concerning the increase in expenditure in 1980-81 compared with 1979-80 recorded for:

	Per cent increase
Minister for Public Works and Minister for Ports.....	(81.1)
Minister for Education	(30.2)
Minister for Youth and Community Services"	(48.5)

Minister for Public Works and Minister for Ports-

1979-80 \$2,436,799; 1980-81 \$4,413,545; Variation + \$1,976,746 (81.1 per cent). The increased expenditure of \$1,976,746 is attributable to the following factors:

Expenditure on telephones in rented premises containing more than one department which prior to 1980-81 were apportioned to other Ministers in the group vote statement	\$	+666,780
Increase in expenditure allowed for new or replacement installations		+157,098
Allowance for expenditure due to carry-over of accounts (estimated)		+898,783
Attributable to price increases and variations in usage		+254,085*
		\$1,976,746

* Represents 6.1 per cent of expenditure on rentals, calls, etc., which is less than the assessed State average of 7.5 per cent.

Minister for Education-

1979-80 \$1,861,908; 1980-81 \$2,424,647; Variation + \$562,739 (30.2 per cent). School telephone bills are not included in these figures. The increase is due to the following

factors:

	\$
Adjustment for rented premises previously included under Minister for Public Works and Ports	-184,051
Decrease in installation expenditure ..	-- 38,745
allowance for expenditure due to carry-over of accounts (estimated) ..	+504,732
Attributable to price increases and variations in usage	+280,803

\$562,739

The amount of \$280,803 attributable to price increases and variations in usage represents 12 per cent of total calls and rental expenditure, which is higher than the State average of 7.5 per cent. The vote includes expenditure by the Department of Technical and Further Education. While it is not appropriate for the Department of Public Works to quantify growth factors applicable to other departments, it is understood that growth in technical college expenditure in particular would be generally greater than that experienced in other areas of State expenditure.

Minister for Youth and Community Services--

1979-80 \$693,926; 1980-81 \$1,030,401; Variation + \$336,475 (48.5 per cent).

The increase is due to the following factors-

	\$
Adjustment for rental premises previously included under Minister for Public Works and Ports	82,938
Decrease in installation expenditure	- 18,541
Allowance for expenditure due to carry-over of accounts (estimated) ..	+221,358
Attributable to price increases and variations in usage	+216,596
.....	\$336,475

The amount of \$216,596 represents 21 per cent of total expenditure compared to the State average of 7.5 per cent.

Compared to the 1979-80 expenditure of \$693,926, recorded expenditure for 1978-79 was \$830,835, including \$35,000 for major installations. These figures indicate that the impact of the assessed carry-over from 1979-80 was probably greater than estimated.

It is understood that the Minister for Youth and Community Services has taken initiatives over the past two years to make local offices of his department more accessible to the public. There have been some 27 relocations during this period. It has also been noted that there has recently been a re-organization of the Department's establishment placing greater emphasis on the Field Division (staff in this division increased from 700 in 1979-80 to 816 in 1981-82).

It is not possible for the Public Works Department to quantify growth factors applicable to other departments. However, it does seem reasonable to observe that recent developments in the area of social welfare could be expected to accelerate growth in this area of expenditure.

MINISTER FOR LOCAL GOVERNMENT AND MINISTER FOR ROADS

Department of Local Government--\$2,988,500.27

Subsidies to Shires and Municipalities in respect of rates written off--Old Age, Invalid and certain other classes of Pensioners--\$2,988,500.27--

Under the provisions of the Local Government Act it is mandatory for Councils to write off 50 per cent of the rate that would otherwise be levied in respect of property owned by old age and other classes of pensioners subject to the maximum write off not exceeding \$120 (for 1980 and prior years) per tenement (now \$150). The Act also provides for the amount written off to be made good to councils by the Government.

In 1980-81 expenditure from the item at \$33,460,382.23 exceeded the amount of Parliamentary Appropriation available of \$29,800,000 by \$3,660,382.23. However, of the total excess expenditure \$671,881.96 was met from the vote Advance to Treasurer and the net "unauthorized" expenditure was therefore reduced to \$2,988,500.27.

A. number of factors influenced the level of expenditure from the item and not all of these could have been precisely assessed when the Estimates were prepared. Such factors were:

- the extent to which council rates were increased in 1981 as a result of both increased land values and annual upward adjustments of the rate in the dollar levies by councils;
- the increase in the limit of rate subsidy from \$120 to \$150;
- the growth in the number of pensioners owning their dwellings;
- the timing of lodgement of claims for reimbursement of councils; and
- the level of claims received during 1980-81 in respect of rates written off in respect of 1980 and previous calendar years.

The amount appropriated in 1980-81 represented an increase of 12.2 per cent on the previous years' actual expenditure and allowed for an anticipated average increase in rates of 7.5 per cent in 1981 as well as for the increase in the limit of rate concessions from \$120 to \$150.

At the time the Estimates were prepared it was noted that there was a substantial amount of 1980 (calendar year's) rates written off to be claimed by councils and as it was considered that arrears to a similar extent would remain at 30th June, 1981, in respect of 1981 rate assessments, no special provision for a reduction in these arrears was provided for. A review of the expenditure from the item during 1980-81 indicated that claims paid in the period July-December, 1980 exceeded those met

in the same period in 1979 by \$1 million, that was a 10.5 per cent increase, while claims met in the period January-June, 1981, were \$5.9 million in excess of those met in the same period in 1980, representing an increase of 34 per cent. It would also appear that there has been a significant reduction in the level of arrears remaining at 30th June, 1981.

Funds to the extent of \$3,660,382.23 were provided to the Minister from Consolidated Revenue Expenditure Suspense Account to permit reimbursement to councils of rates written off, pending Parliamentary Appropriation.

MINISTER FOR EDUCATION

Office of the Minister of Education--

Adult Migrant Education--Salaries and Other Expenses--\$546,514.55--

Almost all of the expenditure by the Adult Migrant Education Service is recovered from funds provided by the Commonwealth Department of Immigration and Ethnic Affairs and the amounts received are credited to Consolidated Revenue Fund Receipts.

The 1980-81 expenditure estimate of \$7,374,000 included \$74,000 as the State contribution towards renovation of the Blackfriars school at Chippendale to provide accommodation for the Service. The balance of the estimated fund requirement, \$7.3 million, was based on then available information from the Commonwealth. In the event actual expenditure reached roundly \$7,920,515 due in the main to the effects of award increases and it was necessary for the amount of \$546,515 in excess of appropriation to be met from Consolidated Revenue Expenditure Suspense Account pending Parliamentary Appropriation. This additional expenditure will be fully recovered from the Commonwealth in 1981-82.

Department of Education--

Head Office--

Salaries, wages and allowances--\$2,277,318.33--

The amount of expenditure from the item authorized by Parliament in respect of 1980-81 was \$38,270,000. Actual expenditure brought to account was \$40,658,370.56, a difference of \$2,388,370.56, and after allowing for \$111,052.23 covered by savings in appropriation from other items the amount provided from Consolidated Revenue Expenditure Suspense Account was reduced to \$2,277,318.33.

No specific provision was made within the item to meet salary adjustments resulting from award variations and other miscellaneous matters or from new appointments and the expenditure in excess of appropriation was due in the main to these factors. Full details of the costs incurred by the Department in this respect have been summarized as follows:

	\$
National Wage variations.....	567,566
Teachers Award (Professional Staff).....	923,822
Administrative and Clerical Staff Award.....	330,000
Other--adjustments, allowances, reclassification of position etc.....	517,324
	2,338,712
Additional staff appointments (52).....	511,490
Total cost	2,850,202

Savings in salary costs were greater than originally allowed for by \$572,883 as a result of a higher staff turnover, non-filling of vacancies, etc. and the net additional expenditure was therefore reduced to \$2,277,319.

Handicapped Children's Centres--Subsidies towards costs of supervision and travel of children--\$513,105.62--

The Budget allocation of \$2,850,000 for this item was exceeded by roundly \$513,106, this excess being met from Consolidated Revenue Expenditure Suspense Account pending Parliamentary Appropriation.

Subsidies are paid by the State towards the cost of supervision of classes conducted for handicapped children by voluntary organizations. The subsidy is equivalent to the salary of a supervisor or supervisors subject to conditions relating to the numbers supervised being met. In addition subsidies are paid towards the cost of transport services operated by approved organizations.

Arrangements have been made for the progressive transfer of responsibility for the supervision of some of these children to the Department of Education and it was expected that payments from this item would gradually diminish on this account. Accordingly, the amount provided in the Estimates represented an increase of \$82,000 or 3 per cent on the amount expended for this purpose in 1979-80. It was anticipated that after allowing for classes taken over by the Department, the amount provided would be sufficient to provide for salary adjustments for existing supervisors and any additional supervisors that may be employed.

Increases in supervisors salary rates and transport costs were higher than anticipated and the position was also aggravated by the need to meet arrears in respect of supervisors employed in 1979-80, a factor not known when the Estimates were prepared. Also transfers of classes to the Department were not as high as originally anticipated.

Special Programmes for Improvements In Schools and Teaching Generally--\$519,566.78--

This item provides, in the main, for administrative oncost, workers' compensation, pay-roll tax and employers' superannuation contribution payments associated with programmes wholly or partially funded by the Commonwealth under States Grants (Schools Assistance) Acts and by specific allocations in respect of Transition from School to Work programmes. The amounts received from the Commonwealth are taken into the State Budget as a receipt item.

The programmes include expenditure on both salary and non-salary items with some items of expenditure being totally funded by the Commonwealth while others such as salary and related charges in part being met from State funds. The objective of the item is to bring to account the miscellaneous costs associated with these programmes so that the total overall cost is readily identifiable.

The 1980-81 allocation for the item was based on an estimated expenditure for a full 12 months on the normal schools programme after allowing for some escalation in the Commonwealth contribution, but only 6 months expenditure to 31 st December, 1980 on the transition to work programme, pending agreement with the Commonwealth on whether the latter programme would be continued beyond 31st December, 1980. The Commonwealth subsequently agreed to continue to fund the transition to work programme during 1981.

Mainly as a result of wage increases and the continuation of the transition to work programme expenditures from the several items involved exceeded the original estimates and resulted in an increase in ancillary charges of \$519,567 of which \$227,088 related to the schools programme and \$292,479 to the transition to work programme.

Pending appropriation by Parliament the full amount, \$519,567, was charged against Consolidated Revenue Expenditure Suspense Account. Of this \$349,074 was recovered from the Commonwealth (Schools programme \$56,595 and Transition to Work \$292,479) so that the net impact on the Budget of the additional expenditure was reduced to \$170,493.

Primary Education--Salaries, Wages and Allowances--\$9,479,205.39--

Secondary Education--Salaries, Wages and Allowances--\$4,554,152.16

	Primary	Secondary	Total
.....\$	\$	\$	\$
1980-81 Budget Estimates.....	462,060,000	472,860,000	934,920,000
Actual Expenditure 1980-81.....	472,237,985	477,414,152	949,652,137
.....	10,177,985	4,554,152	14,732,137
Less Appropriation available from other items	698,780		698,780
Payments Unauthorised in Suspense	9,479,205	4,554,152	14,033,357

The amounts appropriated on the items included a provision of \$30 million (\$15 million Primary and \$15 million Secondary) to meet anticipated wage increases during the year. Taken overall the effect of all increases compared with the provisions made is demonstrated in the following table:

	\$	\$	\$
Teachers Award	15,007,228	14,992,334	29,999,562
National Wage Variation' '	10,360,085	10,765,626	21,125,711
Other Awards	996,303	677,215	1,673,518
.....	26,405,751	26,475,117	52,880,868
Less Provision for Award variations, etc.....	15,000,000	15,000,000	30,000,000
.....	11,405,751	11,475,117	22,880,868

It will be seen that had all other expenditures for which a provision had been made been brought to account additional funds of the order of \$22.9 million would have been required. In the event this was reduced to roundly \$14 million by the transfer of a relatively small amount of appropriation from other items (approximately \$700,000) and by savings resulting from industrial action by teachers and the employment of a lower number of teachers as the direct result of enrolments not reaching the the level originally forecast.

Pending Parliamentary Appropriation funds to the extent of roundly \$9,479,206 for Primary Education and \$4,554,153 for Secondary Education were provided from Consolidated Revenue Expenditure Suspense Account to enable all commitments for the year to be met.

Primary Education--Allowances for primary pupils in non-State Schools--\$976,052.07.

Secondary Education--Allowances for secondary pupils in non-State Schools--\$749,174.00.

	Primary	Secondary	Total
.....\$	\$	\$	\$
1980--81 Budget Estimates.....	26,500,000	34,280,000	60,780,000
Expenditure in 1980-81	27,476,053	35,029,174	62,505,227
Excess--Payments Unauthorized in Suspense	976,053	749,174	1,725,227

Payments of allowances to pupils in non-State schools are calculated on enrolment numbers at approved per capita rates. The per capita rates are based on 20 per cent of the cost of educating a child in a Government school, as determined in accordance with a formula prescribed by the Australian Education Council.

Under new arrangements introduced in 1980-81 the rates are determined each six months rather than annually as was previously the case. An amount of \$3 million was included in the allocations to provide for the estimated effects of the new arrangements.

However, enrolments in non-State schools were higher than predicted. The relevant figures were--

Primary-		Projected	Actual	Variation
period 1-7-80 to 31-12-80	..	132 000	133 018	(+) 1 018
period 1-1-81 to 30-6-81		133 000	134 956	(+) 1 956
Secondary--				
period 1-7-80 to 31-12-80	..	97 000	97 816	(+) 816
period 1-1-81 to 30-6-81		99 000	102 201	(+) 3 201

-The assessed rates of payment were Primary \$98 and \$107 and Secondary \$169 and \$181 for the two six monthly periods referred to. These were largely in line with the financial provision made in the Estimates and the increase in expenditure was attributable to the increase in numbers.

Department of Technical and Further Education--
Salaries, Wages and Allowances--\$3,846,715.13.

In determining the allocation for this item, provision was made to meet the cost of national wage and other salary and wage agreements and award variations expected to be handed down during the year. In addition, some provision was made to meet the estimated cost of new appointments in the year to provide for growth in student enrolments. An estimate was also made of the likely level of savings consequent upon retirements resignations, etc. during the year.

The variations that occurred during the year and culminated in expenditure by the Department exceeding the amount voted on the item were as follows:

1. Actual cost of--		\$
Crown Employers (Skilled Tradesman) Award		24,042
Crown Employers (Tradesmans Assistants) Award		16,146
Library Officers Determination		112,586
Gardening Parks and Horticultural Landscape Staff Agreement	..	99,104
National Wage Variation-		
3.7 per cent 16-1-81	2,491,000	
3.6 per cent 8-5-81	798,000	
		3,289,000
Teachers Award		3,955,000
Stores Officers Award		19,318
Administrative and Clerical Officers Award		158,000
Other adjustments, allowances, etc		59,498
		7,732,694
Less--Provision for Award increases etc. in 1980-81 allocation		4,000,000
		3,732,694
2. Additional expenditure on Commonwealth-funded positions (fully recoverable from the Commonwealth)		105,125
		3,837,819
3. Non-realization of savings from staff vacancies and turnover		8,897
		3,846,716

Pending Parliamentary Appropriation, funds to the extent of \$3,846,715.13 were provided to the Minister for Education from Consolidated Revenue Expenditure Suspense Account to enable the additional costs to be met.

MINISTER FOR SPORT AND RECREATION AND MINISTER FOR TOURISM

Department of Sport and Recreation--

Refunds, as Acts of Grace, of Unclaimed Totalizator Dividends, Unclaimed Investments on Non-Starters, Bookmakers' Tax, Fees, etc.--\$459,621.07.

Total expenditure from the item in 1980-81 amounted to \$1,399,621.07 and this exceeded the amount of Parliamentary appropriation on the item of \$940,000 by \$459,621.07.

Under the provisions of the Totalizator Act all totalizator dividends and refunds remaining unpaid by racing clubs and the Totalizator Agency Board after four weeks are required to be paid into the Consolidated Revenue Fund. There is no provision in the Act for subsequent payments from the Fund to legitimate ticket holders and these are facilitated by the Minister authorizing payments on an ex gratis basis from the amount voted by Parliament for the purpose.

In 1980-81 there was an excessively high rate of dividends paid into the Fund after the expiry of the statutory four week period and this led to the high rate of expenditure from the item. The whole of the additional expenditure against the item was attributable to the claims made for the recovery of unclaimed dividends and pending Parliamentary Appropriation, funds to the extent of \$459,621.07 were provided to the Minister for Sport and Recreation and Minister for Tourism from Consolidated Revenue Expenditure Suspense Account to meet the increased expenditure.

GENERAL LOAN ACCOUNT

MINISTER FOR LANDS, FORESTS AND WATER RESOURCES

Water Resources Commission--

Construction of Split Rock Dam--\$1,000,000.

The Water Resources Commission has been reviewing for some time the need for additional irrigation supplies for the cotton industry in the Namoi Valley. The Commission concluded that a further major dam would be needed for this purpose and a site near Manilla was chosen. Preliminary investigation, survey and design costs have been met from the relevant items on the Commission's Loan Vote.

Following a conditional offer by the Federal Government to provide \$500,000 on a dollar for dollar matching basis for further work on the Dam the State agreed to provide \$500,000 from the State funds for this purpose.

The work undertaken in 1980-81 included the preparation of plans and specifications for a part of the new access road, for associated bridges and for construction of the dam itself. In addition foundation drilling and trenching of the dam site were completed as well as a start being made on the reconstruction of another section of the access road.

Funds provided by the Commonwealth were credited to General Loan Account as an unissuable receipt and as no specific appropriation was provided in 1980-81 for the work it was necessary to provide funds to the extent of \$1 million from General Loan Expenditure Suspense Account pending passing of the 1981-82 Appropriation Bill.

DEPARTMENT OF MOTOR TRANSPORT

Road Transport and Traffic Fund-

Administrative and General Charges and Other Expenses--\$3,934,526.

Section 202 of the Transport Act provides that any balance remaining in the Road Transport and Traffic Fund at 30th June each year after all commitments have been met shall be transferred to the credit of the Traffic Facilities Fund.

Since the estimates of expenditure from the Fund have regard to the total income expected to be received in a year the disbursement of any income in excess of the original estimate can only be effected in a year as Expenditure Suspense in anticipation of Parliamentary authority.

The Fund derives its revenue principally from the collection of fees for the registration of motor vehicles and the licensing of drivers and riders. Of the various other revenue sources the most significant is the commission on Motor Vehicle Third Party Insurance Premiums collected by the Department on behalf of the Government Insurance Office of N.S.W.

The major portion of funds received is applied to meeting the Departments' administration costs while other payments include contributions to the Traffic Facilities Fund for the provision and maintenance of traffic facilities, to the Health Commission towards the cost of Ambulance Services and to the Consolidated Revenue Fund in recoupment of the cost of Police supervision and control of traffic.

Registration and licence fees revenue to the Fund during 1980-81 was expected to increase only marginally on the previous year to a total of \$72,271,000. In the event, actual receipts for 1980-81 amounted to \$76,205,526, i.e., \$3,934,526 more than the Budget estimate. The main reasons for the increases were:

- (a) a greater than anticipated growth in the numbers of registered motor vehicles and licensed drivers and riders;
- (b) the adoption of a new basis for determining the commission on third party insurance premiums collected; and
- (c) the receipt of a deferred payment for 1979-80 to cover the costs of administration of the State Transport (Co-ordination) Act.

With the combination of the additional funds available and expenditure savings, the Fund was in a position to contribute \$6,374,447 towards the cost of Police Traffic Services in lieu of the figure of \$450,000 included in the 1980-81 Estimates of Expenditure from the Fund. This still fell well short of the assessed cost of \$47,033,509 for the provision of these services.

Approval was given, therefore, to that part of the contribution in excess of the total appropriation available from the Fund, viz., \$3,394,526 being charged against the Road Transport and Traffic Fund Expenditure Suspense Account, pending Parliamentary Appropriation.

Payments made
period
1st July,
1951 to
31st October,
1981 without
Parliamentary
Appropriation

SERVICE

FROM GENERAL LOAN ACCOUNT

\$

MINISTER FOR WATER RESOURCES--

Water Resources Commission--

Construction of Split Rock Dam on Manilla River

237,039.78

MINISTER FOR PLANNING AND ENVIRONMENT--

Department of Environment and Planning--

Acquisition of Coastal Land

313,363.90

Total-General Loan Account

\$550,403.68

DEPARTMENTAL EXPLANATIONS

MINISTER FOR WATER RESOURCES

Water Resources Commission--

Construction of Split Rock Dam on Manilla River--\$237,039.78.

The circumstances which resulted in the need to provide funds for preliminary works associated with this dam are contained in the earlier explanations concerning unauthorized expenditure from General Loan Account in the year ending 30th June, 1981.

Finalizing payments associated with the preliminary works have continued into 1981-82 and pending passing of the General Loan Account Appropriation Bill have also been treated as "unauthorized". As at 31st October, 1981, payments on this account amounted to \$237,039.78.

MINISTER FOR PLANNING AND ENVIRONMENT

Department of Environment and Planning--

Acquisition of Coastal Land--\$313,363.90.

Since 1973 successive Governments have progressively acquired key areas of coastal land to conserve and protect its natural scenery, (which could otherwise be lost by development, for public enjoyment.

In 1980-81 an amount of \$1 million was allocated for the acquisition of further lands under this programme. The amount of \$600,000 voted by Parliament in 1980-81 together with the balance of amounts authorized by Parliament in previous years, i.e., \$918,010 meant that authority for an expenditure of up to \$1,518,010 was available if the need should arise before the 1981 General Loan Account Appropriation Bill was passed.

Expenditure under the programme is difficult to predict and is related in the main to the extent that owners request the Department to acquire their land. In 1980-81 the value of settlements exceeded the original allocation by \$500,000 and the Treasurer authorized an increase in the Departments' cash allocation to meet this commitment. However this also meant that the amount of Parliamentary Authority for expenditure in the early part of 1981-82 was reduced to \$18,010 and, pending passing of the current years General Loan Account Appropriation Bill (which will validate the expenditure), payments in excess of the appropriation available have been met from General Loan Expenditure Suspense Account. As at 31st October, 1981, the amount charged to this account for the acquisition of coastal lands was \$313,363.90.

