

MINISTER FOR PUBLIC WORKS AND SERVICES

OVERVIEW

<i>Agency</i>	<i>Budget 1998-99 \$m</i>	<i>Budget 1999-2000 \$m</i>	<i>Variation</i>	
				<i>%</i>
Office of the Minister for Public Works and Services				
Total Expenses	55.2	34.1	(-)	38.4
Asset Acquisitions .....	...	...		...
Department of Public Works and Services				
Total Expenses	328.6	339.5		3.3
Asset Acquisitions	11.3	18.4		62.8
State Valuation Office				
Total Expenses	12.9	13.2		2.0
Asset Acquisitions .....	...	...		...
Total, Minister for Public Works and Services				
Total Expenses	396.7	386.8	(-)	2.5
Asset Acquisitions	11.3	18.4		62.8

OFFICE OF THE MINISTER FOR PUBLIC WORKS AND SERVICES

The recurrent funding for the Office of the Minister for Public Works and Services provides for the development of operational policy and risk management frameworks that ensure effective utilisation of resources and reduce Government's risk exposure in its procurement activities.

The services include advice and policy development for procurement, risk management, total asset management, management of Government-wide contracts and provision of maintenance services for key heritage buildings.

These services are purchased from the Department of Public Works and Services.

Expenditure Trends and Recent Developments

Over recent years, significant funding has been directed to the City Improvement Project, including improvements to the Railway Square precinct and George Street south. The work includes construction of kerb realignment in George Street (Bathurst Street to Railway Square) and Railway Square, increasing footpath area and improving safety and amenities for pedestrians. Total cost of the project is \$41 million, which is to be jointly funded by the Sydney City Council (\$10 million) and the Government (\$31 million).

Strategic Directions

The Office of the Minister for Public Works and Services has an advisory role to Government and develops whole of Government policies and activities including:

- ◆ development of a whole of Government approach to total asset management policy, procedures and standards;
- ◆ leadership in the reform of the building and construction industry;
- ◆ consolidation of the Government's purchasing power to maximise benefits and cost savings to Government and clients;
- ◆ consolidation of the Government's contracting to maximise benefits of the risk management process across all procurement activities;
- ◆ provision of information to the public on Government initiatives and activities through various communication media and the Government Gazette; and
- ◆ impartial advice and expertise on business services and infrastructure to the Government in areas including environment and energy management, natural disaster relief and heritage conservation.

1999-2000 Budget

Total Expenses

Total expenses are estimated at \$34.1 million, a decrease of 38.3 percent on 1998-99. The decrease is mainly due to the near completion of the City Improvement Project that has resulted in a funding difference of \$20.4 million from 1998-99.

Funds totalling \$8.8 million have been allocated to Project Risk Management and Total Asset Management activities in 1999-2000 to reduce risks in contracting for capital works and make optimal use of Government assets through effective planning, acquisition, management and disposal strategies.

The Budget also provides \$3.3 million for ongoing Construction Industry Development and \$2.8 million for the provision of Government-wide procurement policies, which pass on savings to agencies through the bulk purchasing power of the Government.

An amount of \$4.3 million has been provided for stonework and heritage maintenance projects and \$2.5 million for the purchase of sandstone. Restoration work will be carried out on Sydney Observatory, the Australian Museum, the Art Gallery of NSW, Government House, Botanic Gardens and Farm Cove Road.

An amount of \$0.5 million has been provided for the City Improvement Project, which will be completed in the first half of 1999-2000.

DEPARTMENT OF PUBLIC WORKS AND SERVICES

Stemming from the functional review conducted in mid 1995, the Government realigned the Department of Public Works and Services to provide a sharper focus on service delivery, reduce waste and eliminate duplication. Through the provision of various services to the Government and its agencies, the Department aims to deliver maximum benefit to the community.

The Department develops a strategic partnership with its clients, bringing together a wide range of technical, managerial and specialist skills which, together with an intimate knowledge of Government, its policies and processes, ensures that clients are provided with innovative and practical solutions to all their asset related needs. As a commercially focused service delivery organisation, the work of the Department is broad and diverse, ranging from providing leadership in developing and implementing whole of government policies to providing commercial business services that meet client needs.

Expenditure Trends and Recent Developments

As the Department's major client base is the public sector, changes in Government policies and directions have a direct impact on its financial performance. Savings in government spending, restructure of agencies, new policy initiatives and redirection of funding to specific portfolios have the capacity to open up new markets or conversely restrict other markets with a resultant impact on performance.

The Department's expenditure for 1999-2000 is expected to increase mainly due to the implementation of an Integrated Management System and other strategies under the Corporate Change Program. The implementation of these strategies is expected to improve efficiency and result in cost savings in 2000-01 and following years.

Strategic Directions

To ensure the Department remains competitive in the current and future economic climate, a major business improvement strategy has been developed as part of the Corporate Change Program.

The Department's new Strategic Marketing Plan is seen as a key driver within the Corporate Change Program. It defines the Department's business in terms of key markets, clients and products and therefore sets the overall marketing objectives.

The Department, through its ongoing Best Practice Program, has identified opportunities to reduce costs, particular in the area of corporate overheads. A new model, the Shared Business Support model, for delivering shared corporate and business support services is expected to deliver economies of scale and improved efficiencies. An outcome of this model will be a far more centralised approach to future corporate services delivery within the Department, but supported by internal service level agreements.

The final major strategic initiative in business reforms is the implementation of the Department's Information Management and Technology strategy. This strategy focuses on the standardisation of information management and development of core business applications. Part of this is the new corporate Integrated Management System with a number of discrete modules, which are being configured to support the Department's core business and service delivery reform.

The Corporate Change Program is anticipated to have a positive impact on the financial performance of the Department from the year 2000-01.

1999-2000 Budget

Total Expenses

Total expense for 1999-2000 is estimated to be \$339.5 million, an increase of 6.5 percent over 1998-99. As would be expected from a service-focused organisation, staff related costs are the major contributor to the increased expenditure. Also having a major impact in 1999-2000 are the costs of implementing the Corporate Change Program and the Integrated Management System.

Asset Acquisitions

Total expenditure for 1999-2000 is budgeted at \$18.4 million, a decrease of 14.0 percent over forecast expenditure for 1998-99. Major expenditure for 1999-2000 includes the \$6.9 million Integrated Management System (\$11.3 million in 1998-99), \$1.9 million Desktop Computer Upgrade program, and \$1.2 million for a sorter/bar coding machine and an inserting and packaging machine for State Mail Services.

A detailed business case, including an extensive economic and financial appraisal, has been prepared for the Integrated Management System. The project identified quantified benefits to the Department over the life of the project. The Desktop Computer Upgrade is intended to overcome numerous problems in the network due to a mixture of various types of hardware and software across the Department.

State Mail Service's capital program was originally included in the 1998-99 capital budget but was deferred to 1999-2000. It is expected that this expenditure will have a reasonably short payback period. Included in the new works is a provision for the Year 2000 millennium bug and the replacement of obsolete assets.

STATE VALUATION OFFICE

The State Valuation Office (SVO) was transferred, as a commercial unit, to the Department of Public Works and Services from the Department of Land and Water Conservation on 8 April 1999.

The SVO operates in a contestable market in the provision of services to the regulatory body, the Valuer-General's Department.

Expenditure Trends and Recent Developments

There is very little historic data available against which to report trends, as 1998-99 was the SVO's first full year of operations.

The first twelve months has seen the setting up of the business, including the development and implementation of a statewide computer network and several software programs to facilitate the effective and efficient delivery of services to its clients.

Strategic Directions

The SVO delivers mass land rating and taxing valuations to Government and provides a property consultancy service to other Government agencies (local and State). The SVO competes with the private sector for this business, which includes market valuations, rental and compensation assessments.

The SVO's future will depend on its ability to supply its services in a competitive environment.

1999-2000 Budget

Total Expenses

Total expenses for 1999-2000 are estimated to be \$13.2 million, which is marginally lower than the forecast for 1998-99.

The majority of the SVO's staff are qualified real estate valuers. The remainder manage and/or support the delivery of client services. Corporate support functions are outsourced to enable concentration on core business.

Asset Acquisitions

The SVO leases all its accommodation, motor vehicles and computers. Consequently it has no asset acquisition plan for 1999-2000.

MINISTER FOR PUBLIC WORKS AND SERVICES
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	1998-99		1999-2000
	Budget	Revised	Budget
	\$000	\$000	\$000
OPERATING STATEMENT			
Expenses -			
Operating expenses -			
Employee related	650	687	690
Other operating expenses	334	333	335
Depreciation and amortisation	...	62	62
Grants and subsidies	27,868	27,138	8,722
Other expenses	26,387	27,567	24,247
Total Expenses	55,239	55,787	34,056
Less:			
Retained Revenue -			
Investment income	30	180	31
Total Retained Revenue	30	180	31
NET COST OF SERVICES	55,209	55,607	34,025

MINISTER FOR PUBLIC WORKS AND SERVICES
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	1998-99		1999-2000
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee Related	650	651	654
Grants and subsidies	27,868	27,138	8,722
Other	26,721	27,908	24,582
Total Payments	55,239	55,697	33,958
Receipts			
Other	68	164	36
Total Receipts	68	164	36
NET CASH FLOWS FROM OPERATING ACTIVITIES	(55,171)	(55,533)	(33,922)
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriation	55,174	55,104	33,892
NET CASH FLOWS FROM GOVERNMENT	55,174	55,104	33,892
NET INCREASE/(DECREASE) IN CASH	3	(429)	(30)
CLOSING CASH AND CASH EQUIVALENTS	425	356	326
CASH FLOW RECONCILIATION			
Net cost of services	(55,209)	(55,607)	(34,025)
Non cash items added back	...	98	98
Change in operating assets and liabilities	38	(24)	5
Net cash flow from operating activities	(55,171)	(55,533)	(33,922)

MINISTER FOR PUBLIC WORKS AND SERVICES
65 OFFICE OF THE MINISTER FOR PUBLIC WORKS AND SERVICES

	1998-99		1999-2000
	Budget	Revised	Budget
	\$000	\$000	\$000
STATEMENT OF FINANCIAL POSITION			
ASSETS -			
Current Assets -			
Cash	425	356	326
Receivables	15	73	68
Inventories	...	529	529
Total Current Assets	440	958	923
Non Current Assets -			
Property, plant and equipment -			
Cost/valuation	...	309	309
Accumulated depreciation	...	(82)	(144)
Total Non Current Assets	...	227	165
Total Assets	440	1,185	1,088
NET ASSETS	440	1,185	1,088
EQUITY			
Accumulated funds	440	1,185	1,088
TOTAL EQUITY	440	1,185	1,088

MINISTER FOR PUBLIC WORKS AND SERVICES
65 OFFICE OF THE MINISTER FOR PUBLIC WORKS AND SERVICES

65.1 Risk Management and Policy Development

65.1.1 Risk Management and Policy Development

Program Objective(s): To provide risk management and policy services to the Minister and Government.

Program Description: Provision of services to Government including advice on risk management issues, total asset management, management of Government-wide contracts and provision of maintenance services for key Government buildings.

1998-99		1999-2000
Budget	Revised	Budget
\$000	\$000	\$000

OPERATING STATEMENT

Expenses -

Operating expenses -			
Employee related	650	687	690
Other operating expenses	334	333	335
Depreciation and amortisation	...	62	62
Grants and subsidies			
Consultation services for Walsh Bay Redevelopment Program	400	400	...
Disposal of Polychlorinated Biphenyl Waste	500	650	...
Public Works and Services - interim additional staff costs	...	...	1,380
Government Cleaning Service - sick leave liability	50	50	80
Grants for capital purposes - non budget dependent general government agencies	156	156	...
Heritage buildings programs - non budget dependent general government agencies	4,262	4,262	4,262
Purchase of sandstone	2,000	750	2,500
City Improvement Project	20,500	20,870	500
Other expenses			
Parliament House maintenance	754	754	768
Government House maintenance	520	520	520
Parramatta Government Property Strategy	...	480	...
Public building maintenance	312	312	312

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65.1 Risk Management and Policy Development

65.1.1 Risk Management and Policy Development (cont)

OPERATING STATEMENT (cont)

Whole-of-Government procurement	2,258	2,279	2,770
Information technology master lease	...	700	153
Information services	2,343	2,398	2,140
Project risk management	9,442	10,004	8,302
Total Asset Management	1,070	771	450
Construction industry development	3,389	3,196	3,297
Specialist policy advice and investigations	5,443	5,367	4,779
Compliance with regulations	856	786	756
Total Expenses	55,239	55,787	34,056
Less:			
Retained Revenue -			
Investment income	30	180	31
Total Retained Revenue	30	180	31
NET COST OF SERVICES	55,209	55,607	34,025

MINISTER FOR PUBLIC WORKS AND SERVICES
DEPARTMENT OF PUBLIC WORKS AND SERVICES

	1998-99		1999-2000
	Budget	Revised	Budget
	\$000	\$000	\$000
OPERATING STATEMENT			
Retained Revenue -			
Sales of goods and services	325,285	319,776	335,947
Investment income	7,436	4,900	4,198
Grants and contributions	...	...	1,380
Total Retained Revenue	332,721	324,676	341,525
Less:			
Expenses -			
Operating Expenses -			
Employee Related	160,241	131,353	140,333
Other operating expenses	159,047	180,678	189,356
Maintenance	2,532	1,370	635
Depreciation and amortisation	6,817	5,415	9,150
Total Expenses	328,637	318,816	339,474
Gain/(loss) on disposal of non current assets	204	431	161
SURPLUS/(DEFICIT) BEFORE DISTRIBUTIONS	4,288	6,291	2,212
Distributions -			
Dividends	4,958	10,893	752
Tax equivalents	1,544	2,265	797

MINISTER FOR PUBLIC WORKS AND SERVICES
DEPARTMENT OF PUBLIC WORKS AND SERVICES

	1998-99		1999-2000
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	324,041	315,659	333,197
Other	7,386	4,924	5,601
Total Receipts	331,427	320,583	338,798
Payments			
Employee Related	160,648	134,111	141,074
Equivalent Income Tax	2,351	13,098	1,531
Other	158,264	205,146	186,474
Total Payments	321,263	352,355	329,079
NET CASH FLOWS FROM OPERATING ACTIVITIES	10,164	(31,772)	9,719
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	2,353	1,812	227
Purchases of property, plant and equipment	(11,267)	(21,406)	(18,448)
Purchases of investments	(600)	...	(591)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(9,514)	(19,594)	(18,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(6,482)	(21,546)	(2,139)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(6,482)	(21,546)	(2,139)
NET INCREASE/(DECREASE) IN CASH	(5,832)	(72,912)	(11,232)
Opening Cash and Cash Equivalents	57,536	138,652	65,740
CLOSING CASH AND CASH EQUIVALENTS	51,704	65,740	54,508
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year before distributions	2,744	4,026	1,415
Non cash items added back	6,817	5,415	9,155
Change in operating assets and liabilities	603	(41,213)	(851)
Net cash flow from operating activities	10,164	(31,772)	9,719

MINISTER FOR PUBLIC WORKS AND SERVICES
DEPARTMENT OF PUBLIC WORKS AND SERVICES

	1998-99		1999-2000 Budget \$000
	Budget \$000	Revised \$000	
STATEMENT OF FINANCIAL POSITION			
ASSETS -			
Current Assets -			
Cash	51,704	65,740	54,508
Investments	114,068	60,409	61,000
Receivables	97,427	111,541	114,167
Inventories	9,350	9,180	9,494
Other	108,073	162,192	162,192
Total Current Assets	380,622	409,062	401,361
Non Current Assets -			
Property, plant and equipment -			
Cost/valuation	101,790	102,956	116,157
Accumulated depreciation	(37,070)	(37,588)	(41,557)
Periodic maintenance	(274)	(280)	(285)
Other	42,670	43,153	44,031
Total Non Current Assets	107,116	108,241	118,346
Total Assets	487,738	517,303	519,707
LIABILITIES -			
Current Liabilities -			
Accounts payable	142,492	151,079	147,013
Employee entitlements	11,337	12,915	12,415
Other provisions	4,230	4,512	2,150
Other	28,848	14,935	22,726
Total Current Liabilities	186,907	183,441	184,304
Non Current Liabilities -			
Employee entitlements	39,824	43,153	44,031
Other	17,266	...	...
Total Non Current Liabilities	57,090	43,153	44,031
Total Liabilities	243,997	226,594	228,335
NET ASSETS	243,741	290,709	291,372

MINISTER FOR PUBLIC WORKS AND SERVICES
DEPARTMENT OF PUBLIC WORKS AND SERVICES

	———1998-99———		1999-2000
	Budget	Revised	Budget
	\$000	\$000	\$000
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STATEMENT OF FINANCIAL POSITION (cont)			
EQUITY			
Reserves	12,316	2,778	2,778
Accumulated funds	231,425	287,931	288,594
TOTAL EQUITY	243,741	290,709	291,372

MINISTER FOR PUBLIC WORKS AND SERVICES
STATE VALUATION OFFICE

	1998-99		1999-2000
	Budget	Revised	Budget
	\$000	\$000	\$000
OPERATING STATEMENT			
Retained Revenue -			
Sales of goods and services	13,027	13,184	13,401
Investment income	30	102	71
Total Retained Revenue	13,057	13,286	13,472
Less:			
Expenses -			
Operating Expenses -			
Employee Related	9,156	9,855	9,850
Other operating expenses	3,660	3,438	3,160
Depreciation and amortisation	115	270	179
Total Expenses	12,931	13,563	13,189
SURPLUS/(DEFICIT) BEFORE DISTRIBUTIONS	126	(277)	283
Distributions -			
Dividends	...	50	75
Tax equivalents	...	...	45

MINISTER FOR PUBLIC WORKS AND SERVICES
STATE VALUATION OFFICE

	1998-99		1999-2000
	Budget \$000	Revised \$000	Budget \$000
CASH FLOW STATEMENT			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	13,016	13,218	13,387
Other	30	65	79
Total Receipts	13,046	13,283	13,466
Payments			
Employee Related	8,930	9,377	9,787
Equivalent Income Tax	...	232	45
Other	3,859	4,011	3,154
Total Payments	12,789	13,620	12,986
NET CASH FLOWS FROM OPERATING ACTIVITIES	257	(337)	480
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	...	(24)	...
NET CASH FLOWS FROM INVESTING ACTIVITIES	...	(24)	...
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	...	(50)	(75)
NET CASH FLOWS FROM FINANCING ACTIVITIES	...	(50)	(75)
NET INCREASE/(DECREASE) IN CASH	257	(411)	405
Opening Cash and Cash Equivalents	765	2,159	1,748
CLOSING CASH AND CASH EQUIVALENTS	1,022	1,748	2,153
CASH FLOW RECONCILIATION			
Surplus/(deficit) for year before distributions	126	(277)	238
Non cash items added back	115	270	179
Change in operating assets and liabilities	16	(330)	63
Net cash flow from operating activities	257	(337)	480

MINISTER FOR PUBLIC WORKS AND SERVICES
STATE VALUATION OFFICE

	1998-99		1999-2000
	Budget \$000	Revised \$000	Budget \$000
STATEMENT OF FINANCIAL POSITION			
ASSETS -			
Current Assets -			
Cash	1,022	1,748	2,153
Receivables	365	639	645
Total Current Assets	1,387	2,387	2,798
Non Current Assets -			
Property, plant and equipment -			
Cost/valuation	288	717	717
Accumulated depreciation	(230)	(531)	(710)
Other	15,721	3,619	3,619
Total Non Current Assets	15,779	3,805	3,626
Total Assets	17,166	6,192	6,424
LIABILITIES -			
Current Liabilities -			
Accounts payable	294	754	760
Employee entitlements	730	332	332
Other provisions	...	60	60
Total Current Liabilities	1,024	1,146	1,152
Non Current Liabilities -			
Employee entitlements	15,722	4,165	4,228
Total Non Current Liabilities	15,722	4,165	4,228
Total Liabilities	16,746	5,311	5,380
NET ASSETS	420	881	1,044
EQUITY			
Accumulated funds	420	881	1,044
TOTAL EQUITY	420	881	1,044