SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
ADMINISTRATIVE APPEALS TRIBUNAL

Question No. 61

Senator Ludwig asked the following question at the hearing on 24 May 2007:

2007/08 PBS p97 - regarding the purchase of non-financial assets by the AAT -

a) The $142,000 equity injection last budget, I believe in relation to the Anti-Terrorism (No 2) Act 2005, was expended. What exactly was purchased?

b) How does the tribunal plan its purchase of non-financial appropriations funded internally?

c) How far out do you plan specific purchases?

d) If I look at the 2006-07 estimate over the past three PBS' it seems to have fluctuated a fair bit - so I'm curious about how locked down the process is?

e) Originally $3.8m, then $0.65m and the estimated actual for 2006-07 reported in the latest PBS is $1.9m. What sort of purchases do you have in mind that you can afford such fluctuations?

The answer to the honourable senator's question is as follows:

a) The funds were allocated for upgraded security facilities in Sydney and construction of a secure store in Melbourne. This included modification to fit-out, shredders and purchase of new and upgrades to existing safes. At this stage Sydney is complete but construction on the Melbourne facility has only just begun due to delays in the design and tender process. The project will not be complete till the first half of 2007/08.

b) The tribunal has only a few large fixed assets, consisting of fit out and various IT systems. All motor vehicles are leased. Fit out has been the subject of a rolling refurbishment process following the renewal of major leases over the past 2 years. The renewal of the tribunal's case management system has also taken place in the last 12 months. This previous system was 17 years old. The entire project was internally funded notwithstanding no depreciation for the previous system was provided during the change over to accrual accounting.

The Tribunal has a four year planning cycle that is reviewed yearly. This cycle is obviously affected by funding available but is also only a planning tool. In the case of large purchases, especially relating to fit-out and software it is difficult to predict accurately the cost of acquisition and the exact timing of completion of large scale projects. In the case of property relocation the ability of the Tribunal to relocate premises was limited by the budget available but we had to include the cost of relocation in the event that a suitable agreement with the lessor could not be reached as was the case in Perth where we were forced to move.

It should be noted that even though we plan for four years we also consider possible costs that may arise beyond that period and take that factor into consideration when allocating resources ie funds banked for possible future relocation at end of new lease periods.

c) As above. Possible capital replacements are identified and estimated. This can be done reasonably accurately for computer and office equipment but is more difficult with major software system replacement & accommodation fit-out. Experience has shown that planning any further ahead adds little value due to changing circumstances.

d) An indicator of some of the factors influencing the Tribunal's estimates with comments is in the chart below. The Tribunal is in the unusual position in that our premises in Canberra, Sydney, Melbourne, Adelaide and Perth all have leases expiring within two years and this creates an environment of greater uncertainty in regards to capital expenditure. It should be noted that timing changes and delays on projects can have a significant effect on year to year capital expenditure.

It should also be noted now that advice from the ANAO on how we are to treat minor refurbishments in Adelaide and Melbourne will result in an increase in actual capital expenditure for the 2007/08 figures which will be further adjusted in the 2007/08 Additional Estimates.

Reference	**2006/07 Estimated Capital Expenditure $'000**	**Explanation of variation**
2005/06 PBS	3,825	Originally allowed for possible move of office premises at end of lease in Sydney & Adelaide.
2005/06 AE's	2,300	Sydney office lease likely to be re-signed for another 10 years so estimate reduced.
2006/07 PBS	792	Adelaide lease likely to be re-signed for another 10 years so estimate again reduced.
2006/07 AE's	859	Minor change.
2007/08 PBS	1,896	Minor fit-out in Sydney & Canberra was to be expensed as maintenance but an increase in scope to allow greater flexibility (eg extra hearing room and interview rooms in Canberra) meant that the expenditure increased significantly and was capitalised. Additional funding required in Perth to complete fit-out.

e) Please see notes and chart above.