
Management Discussion and Analysis

Office of the Legislative Assembly

for the Financial Year Ended 30 June 2014

General overview

The following management discussion and analysis provides an overview of the financial results of the Office of the Legislative Assembly for 2013-14.

Objectives

The functions of the Office are codified in section 6 of the *Legislative Assembly (Office of the Legislative Assembly) Act 2012*. Section 6 provides that the Office's function is to provide impartial advice and support to the Legislative Assembly, its committees and members of the Assembly, including by:

- (a) providing advice on parliamentary practice and procedure and the functions of the Assembly and committees;
- (b) reporting proceedings of the Assembly and meetings of committees;
- (c) maintaining an official record of proceedings of the Assembly;
- (d) providing library and information facilities and services for members;
- (e) providing staff to enable the Assembly and committees to operate efficiently;
- (f) providing business support functions, including administering the entitlements of members who are not part of the executive; and
- (g) maintaining the Assembly precincts.

The Office also has the role of providing public education about the functions of the Assembly and its committees. The Office may exercise any other function given to it under the Act or another Territory law.

Risk management

The Office maintains an ongoing program of risk assessment, treatment and review in accordance with the principles embodied in AS/NZS ISO 31000.

The Office's Internal Audit Committee continues to play an important role in regularly reviewing the risk management program of the organisation, providing assurance to the Clerk of the Assembly in relation to a number of governance functions and contributing to the maintenance of an effective internal control framework across the Office.

Reporting entities

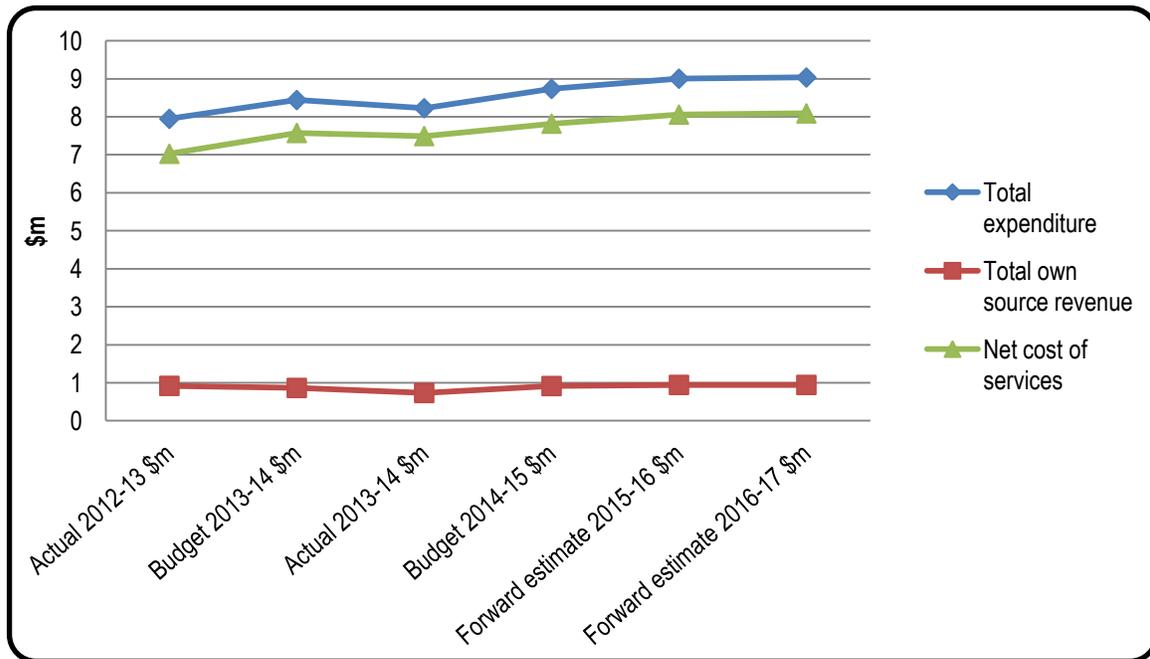
The 2013-14 financial statements relate to the Controlled and Territorial entities administered by the Office. The financial information is based on audited financial statements for 2012-13 and 2013-14, and the forward estimates contained in Budget Paper No. 4 for 2014-15.

The Office's Financial Performance

Net Cost of Services

The Office's Net Cost of Services is the total expenditure of the Office less Total Own Source Revenue. It is summarised in the following table and illustrated in the graph below. The majority of the Office's Own Source Revenue relates to Resources Received Free of Charge. It is an accounting requirement that the value of such services is treated as revenue, but there is also a corresponding expense recognised in the financial statements. Accordingly, fluctuations in the cost of these services have no impact on the Net Cost of Services.

	Actual 2012-13 \$m	Original Budget 2013-14 \$m	Actual 2013-14 \$m	Forward estimate 2014-15 \$m	Forward estimate 2015-16 \$m	Forward estimate 2016-17 \$m
Total Expenditure	7.947	8.441	8.226	8.735	9.003	9.035
Total Own Source Revenue	0.919	0.865	0.732	0.918	0.944	0.944
Net Cost of Services	7.028	7.576	7.494	7.817	8.059	8.091



Comparison to Original Budget

The Office's Net Cost of Services for 2013-14 of \$7.494m was \$0.082m or 1.1 per cent lower than the 2013-14 Budget.

Comparison to 2012-13 Actual Net Cost of Services

The Office's Net Cost of Services for 2013-14 was \$0.466m or 6.6 per cent higher than the Actual Net Cost of Services result for 2012-13.

A number of factors were responsible for this variance. These factors, including significant offsetting effects, are summarised below.

- **An increase of \$0.275m in wages and salaries expenditure (increased from \$3.249m to \$3.524m).** This increase is mainly due to the revised wage indexation of 2 per cent in accordance with the Office of the Assembly Enterprise Agreement for 2013-17.
- **An increase of \$0.063m in expenditure in casual staffing and overtime expenditure costs (increased from \$0.218m to \$0.281m).** This increase is mainly attributable to increased Assembly activity in 2013-14 with the Assembly returning to a normal pattern of sittings, following the 2012 Territory election. The Office's staffing and overtime have returned to expected levels for this reporting period.
- **An increase of \$0.054m in the Office's long service leave expense (increased from \$0.050m to \$0.104m).** The increase is mainly due to fewer employees accessing the long service leave entitlement and the application of on-costs on the higher balance of unused leave entitlements. An increase in the present value rate to 103.5% (2013: 101.3%) also increased the expense.
- **A number of expenditure decreases were recorded over the 2013-14 results, including expenditure on repairs and maintenance for the Assembly building (decrease of \$0.066) and printing and stationery (decrease of \$0.036m).** These and other minor expenditure decreases across the Office partially offset the overall increase in Net Cost of Services recorded during the period.

Future trends

The Office's Net Cost of Services may remain relatively static in the out-years, with only a minor (3.4 per cent) increase between the 2014-15 Budget and 2016-17 Budget, consistent with the consumer price indexation and revised wage indexation.

However, in the event that the Assembly passes the Australian Capital Territory (Legislative Assembly) Bill 2014 and the Electoral Amendment Bill 2014, leading to an enlarged Assembly in 2016, the Office anticipates some additional in costs from 2015-16 onwards.

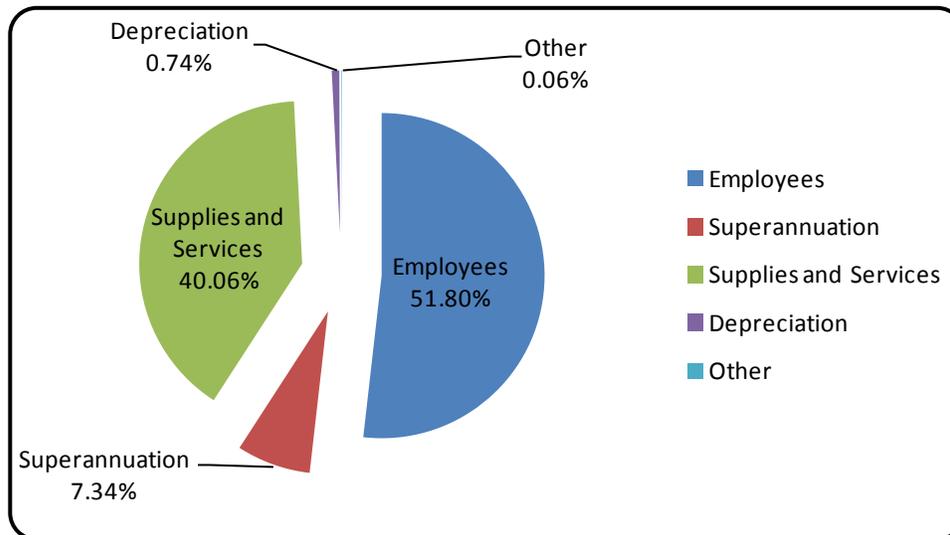
Total Expenditure

The following table disaggregates the Office's actual and budgeted expenditure for 2013-14 as well as actual expenditure for 2012-13.

Expenditure type	Actual 2013-14 \$m	Budget 2013-14 \$m	Actual 2012-13 \$m
Employees	4.261	4.393	3.863
Superannuation	0.604	0.588	0.604
Supplies and Services	3.295	3.404	3.422
Depreciation and Amortisation	0.061	0.054	0.056
Other	0.005	0.002	0.002
TOTAL	8.226	8.441	7.947

Components of expenditure

The components of the Office's 2013-14 actual expenditure are shown in the following chart.



Employee expenses, combined with superannuation expenses, accounted for \$4.865m, or 59 per cent, of the Office's total expenditure (2 per cent higher than 2012-13). Expenditure on Supplies and Services, totalling \$3.295m, was the second largest component of the Office's overall expenditure, representing 40 per cent of the total (2 per cent lower than 2012-13).

In 2013-14, in line with previous years' results, the two largest costs incurred in relation to the Office's Supplies and Services expenditure related to:

- building management (\$0.647m, or 20 per cent of Supplies and Services expenditure); and
- information technology running costs (\$0.717m, or 22 per cent of Supplies and Services expenditure).

Comparison to 2013-14 Budget

The Office's total expenditure of \$8.226m in 2013-14 was \$0.215m lower (2.5 per cent lower) than originally budgeted. The Office's expenditure on Salaries and Wages was \$0.132m or 3 per cent lower than 2013-14 Budget and expenditure on Supplies and Services was \$0.109m less than budgeted.

These lower-than-budgeted results are mainly due to management efforts to reduce expenditure in order that greater provision can be made to meet the Office's employee benefit liabilities into the future.

Comparison to 2012-13 Actual Expenditure

The Office's total expenditure of \$8.226m in 2013-14 was \$0.279m higher (3.5 per cent higher) than in 2012-13.

The variance is mainly due to the Assembly returning to normal levels of activity following the Assembly election in 2012.

Future trends

The Office's total expenditure is budgeted to increase in line with applicable indexation adjustments over the next three years.

However, in the event that the Assembly passes the Australian Capital Territory (Legislative Assembly) Bill 2014 and the Electoral Amendment Bill 2014, leading to an enlarged Assembly in 2016, the Office anticipates some additional costs from 2015-16 onwards.

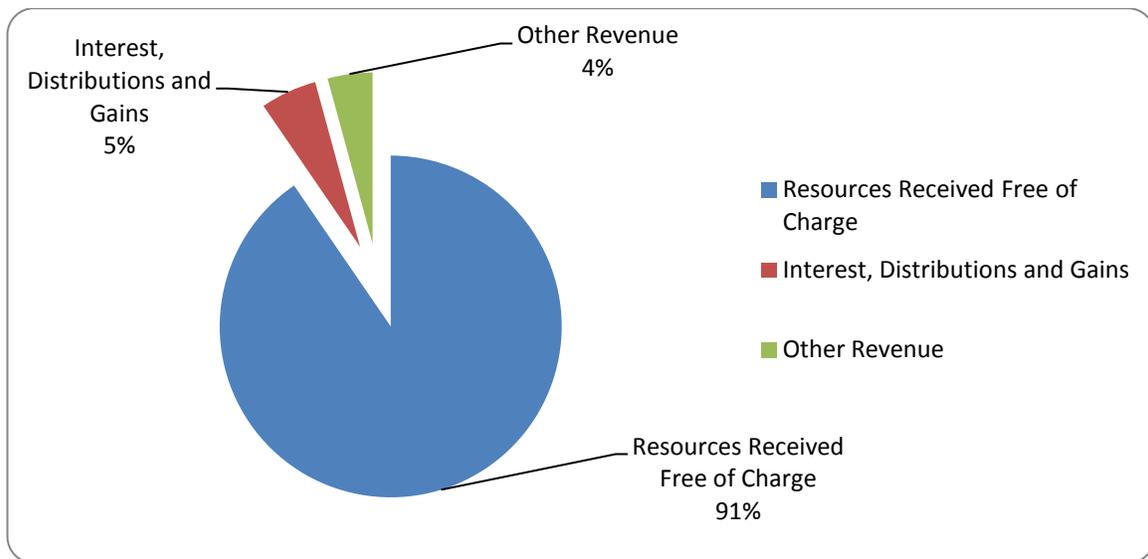
Total Own Source Revenue

The most significant component of Own Source Revenue relates to those resources received by the Legislative Assembly free of charge from other ACT entities. These sources of revenue are discussed in more detail in Notes 5 to 10 of the 2013-14 Controlled Financial Statements. In 2013-14, these were:

- legislative drafting services provided by the Parliamentary Counsel's Office to non-executive MLAs and one executive MLA (\$0.128m);
- legal services provided to the Office of the Legislative Assembly by the ACT Government Solicitor's Office (\$0.007m);
- the value of rental (\$0.527m) relating to the proportion of space within the Legislative Assembly building occupied by the Office of the Legislative Assembly.

The table and chart below show a breakdown of the Office's Own Source Revenue for 2013-14 (both budgeted and actual) as well as the actual 2012-13 amounts. The table also shows the individual amount represented as a proportion of Total Own Source Revenue.

Income type	Actual 2013-14 \$m	Proportion of Total 2013-14 Own Source Revenue	Budget 2013-14 \$m	Actual 2012-13 \$m
Resources Provided Free of Charge	0.662	91%	0.795	0.828
Interest, Distributions and Gains	0.039	5%	0.025	0.033
Other Revenue	0.031	4%	0.042	0.058
Total	0.732	100%	0.862	0.919



Comparison to Budget and 2013-14 Actual Own Source Revenue

The Office's Actual Own Source Revenue for 2013-14 was \$0.130m less than the budgeted amount. This was almost entirely due to a lower-than-anticipated legislative drafting activity.

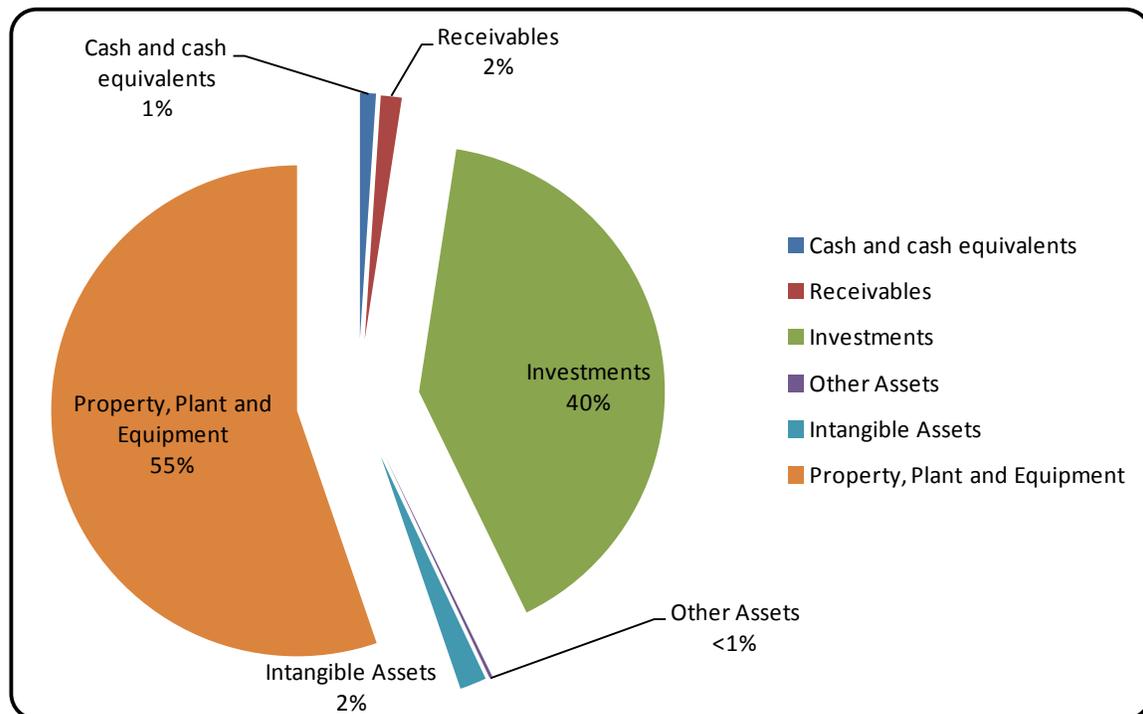
The reduction in Actual Own Source Revenue between 2012-13 and 2013-14 (\$0.187m) is also related to a reduction in both legislative drafting and legal services between the two reporting periods.

Controlled Financial Position

Total Assets

The value of the Office's Total Assets at 30 June 2014 was \$2.961m. The composition and proportions of this total amount are shown in the following table and chart.

Asset category	Value \$m
Current	
▪ Cash and cash equivalents	0.031
▪ Receivables	0.041
▪ Investments	1.195
▪ Other Assets	0.006
Non-Current	
▪ Property, Plant and Equipment	1.636
▪ Intangible Assets	0.052
TOTAL	2.961

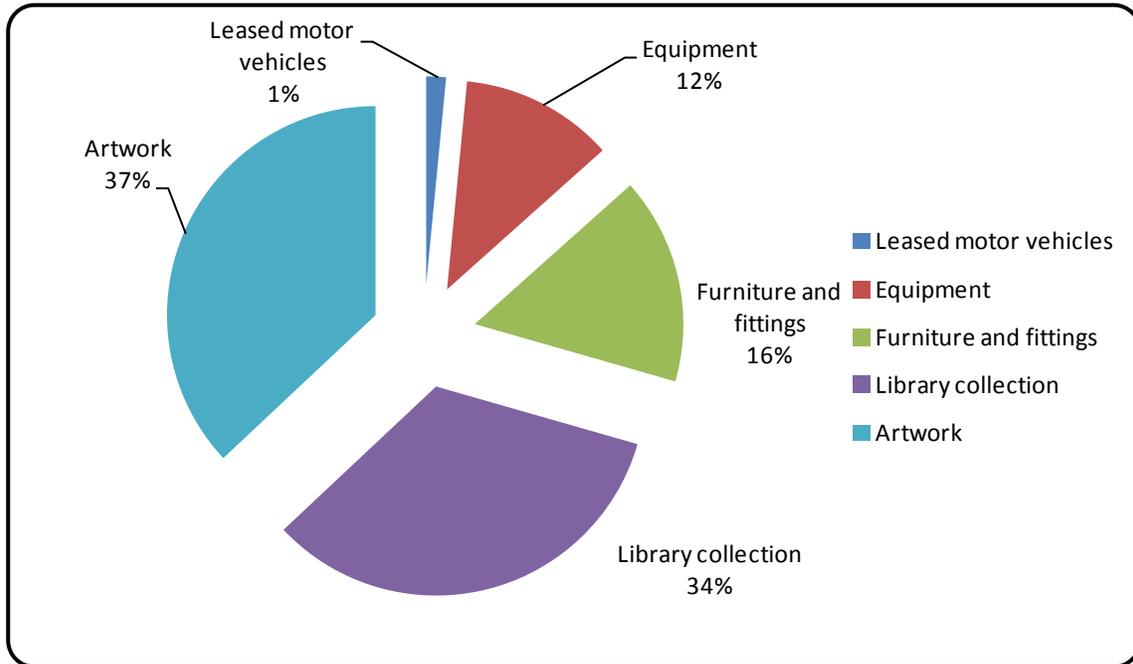


As the above chart shows, the two main components of the Office's assets are Property, Plant and Equipment (\$1.636m, or 55 per cent of Total Assets) and Investments (\$1.195m, or 40 per cent of Total Assets).

Property, Plant and Equipment

The total value and proportion of the Office’s Property, Plant and Equipment at 30 June 2014 is shown in the table and chart below.

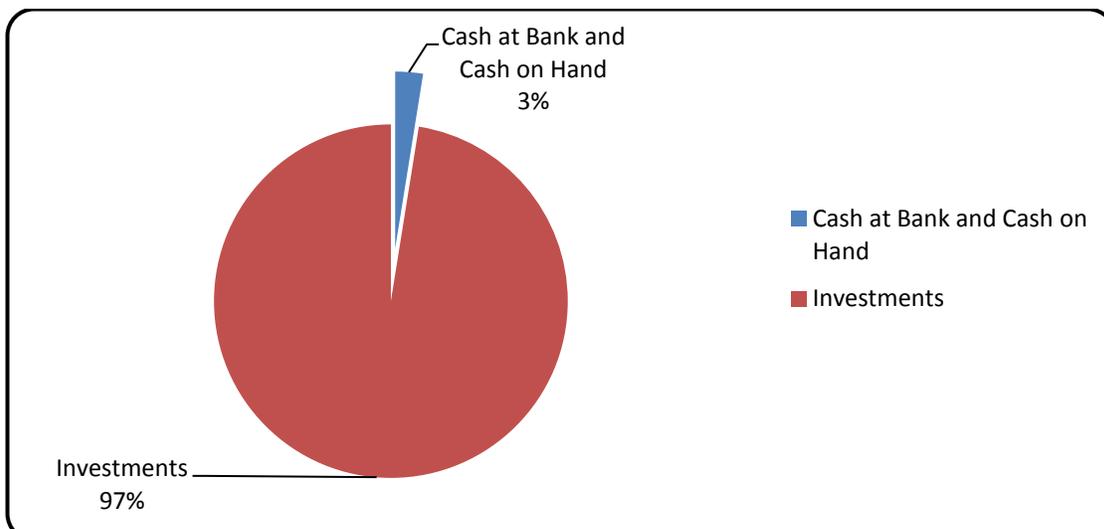
Motor Vehicles under a Finance Lease \$m	Equipment \$m	Furniture and Fittings \$m	Library Collection \$m	Artwork & Other Collectables \$m
0.025	0.194	0.263	0.549	0.605



Cash, Cash Equivalents and Investments

The total value and proportion of the Office’s Cash, Cash Equivalents, and Investments at 30 June 2014 is shown in the following table and chart.

Cash at Bank and Cash on Hand \$m	Investments \$m
0.031	1.195



Comparison to Budget

The following table and chart show the composition and proportion of the Office's Total Asset position as at 30 June 2014 compared to the 2013-14 Budget and as at 30 June 2013.

Asset category	Actual 30 June 2014 \$m	Original Budget 30 June 2014 \$m	Actual 30 June 2013 \$m
Current			
- Cash and Cash Equivalents	0.031	0.062	0.051
- Receivables	0.041	0.064	0.061
- Investments	1.195	0.510	0.701
- Other Assets	0.006	0	0.002
Non-Current			
- Property, Plant and Equipment	1.636	1.365	1.407
- Intangible Assets	0.052	0	0.046
- Closing Work in Progress	0	0	0.013
Total Assets	2.961	2.001	2.281

The Total Asset position of \$2.961m at 30 June 2014 was \$0.960m higher than the 2014 budgeted amount. This was mainly due to:

- the higher-than-budgeted investment balance; and
- the asset revaluation that was performed in 2013-14, resulting in a larger value being attributed to Property Plant and Equipment.

Comparison to 30 June 2013 Actual

The increase of \$0.68m from the 30 June 2013 Total Asset Value was mainly due to the increased investment balance and the asset revaluation (discussed above).

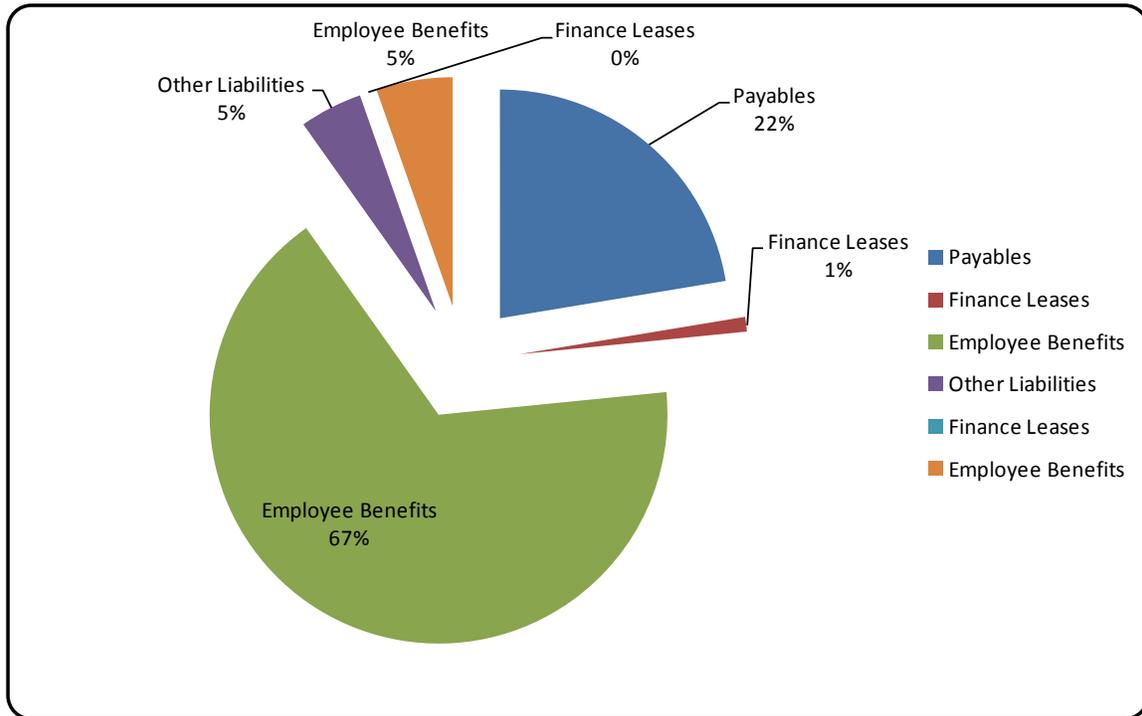
Future trends

The Office will continue to adopt a strategy of increasing its financial assets to offset employee benefit liabilities into the future.

Total Liabilities

The following table shows the composition of the Office's Total Liabilities as at 30 June 2014, compared to the 2013-14 Budget and as at 30 June 2013.

Liability category	Actual 30 June 2014 \$m	Original Budget 30 June 2014 \$m	Actual 30 June 2013 \$m
Current			
- Payables	0.520	0.331	0.299
- Finance Leases	0.024	0.012	0.009
- Employee Benefits	1.551	1.519	1.466
- Other Liabilities	0.103	0.71	0.071
Non-Current Liabilities			
- Finance Leases	0	0.23	0.024
- Employee Benefits	0.125	0.193	0.084
Total Liabilities	2.323	2.149	1.953



The value of current and non-current employee benefits at 30 June 2014 totalled \$1.676m and accounted for 72 per cent of Total Liabilities at that date. The probability that each staff member's leave entitlements will be paid out in the event that they resign or retire, and results in a high proportion of benefits being classified as current. In practice, the likelihood that all staff would leave the organisation over the next 12 months is low. However, as noted above, the Office will continue to make greater provision for current employee benefits liabilities in the out-years by way of increasing the Office's financial asset position.

Comparison to Budget

The Total Liabilities recorded by the Office in 2013-14 were \$0.174m greater than 2013-14 Budget. This largely arose due to a lower-than-expected use of leave entitlements during the period.

Comparison to 2012-13 Actual

The Office recorded a \$0.370m increase in Total Liabilities compared with 2012-13. This is mainly due to an increase in leave liabilities associated with decreased use of leave entitlements throughout the period.

Territorial Statement of Income and Expenses

Total Income

Territorial income is almost entirely in the form of a Payment for Expenses on Behalf of the Territory to meet the cost of salaries and related employment entitlements for non-executive MLAs and their staff.

The payment for Expenses on Behalf of the Territory was \$5.410m in 2013-14, which was \$0.334m (6 per cent), more than originally budgeted.

The decrease was mainly due to a reduction in employee expenses for the reporting period resulting from lower than anticipated vehicle lease expenses for the non-executive members motor vehicles and wages and salaries.

Total Income for the Territorial Entity was \$5.791m, which was \$0.392m less than originally budgeted.

Total Expenditure

Total Territorial expenditure for 2013-14 was \$6.311m.

Comparison to 2013-14 Budget

Total expenditure was \$0.722m less than budgeted. This lower-than-budgeted expenditure is largely due to the following factors:

- lower-than-anticipated staffing in members' offices;
- lower-than-anticipated superannuation expenses (\$0.161m) due to a reduction in the number of employees who were entitled to be members of a defined benefit scheme, and a corresponding increase in the number of employees in lower rate fund-of-choice schemes; and
- a reduction (\$0.239m) in the Vehicle Lease Expenses incurred due to a reduction in the number of members electing to use their entitlement to a fully maintained vehicle and instead opting to receive an in lieu payment.

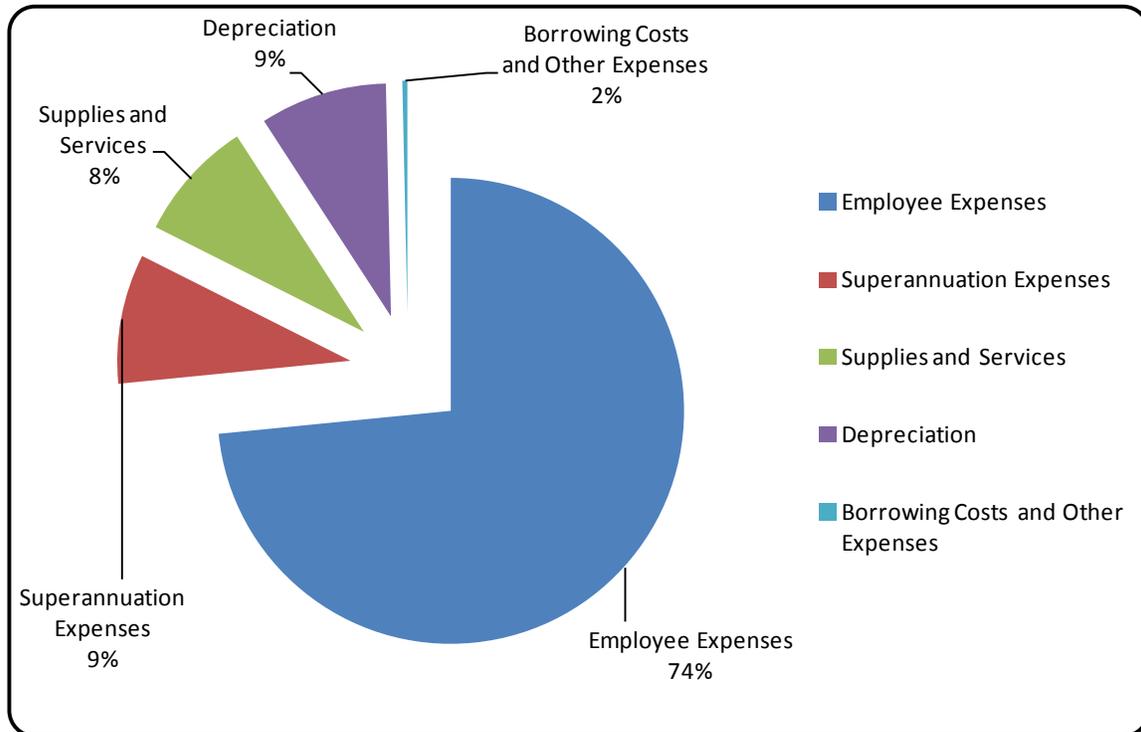
Comparison to 2012-13 Actual Expenditure

The total expenditure of \$6.311m in 2013-14 was \$0.390m less (5.8 per cent) than for the previous financial year (\$6.701m).

The components of Total Territorial Expenditure for 2013-14 are set out in the table and illustrated in the chart below.

Employee Expenses \$m	Superannuation Expenses \$m	Supplies and Services \$m	Depreciation \$m	Borrowing Costs and Other Expenses \$m	TOTAL \$m
4.633	0.568	0.531	0.556	0.022	6.311

Breakdown of Total Expenditure 2013-14



Territorial Financial Position

Total Assets

The value of the Office's Territorial Total Assets at 30 June 2014 was \$31.058m. The composition and proportions of this total amount are shown in the following table and chart.

Asset category	Value \$m
Current	
▪ Cash and cash equivalents	0.254
▪ Receivables	0.014
Non-Current	
▪ Property, Plant and Equipment	30.790
TOTAL	31.058

The Total Asset position of \$31.058m at 30 June 2014 was \$2.939m higher than the 2014 budgeted amount. This was mainly due to:

- the asset revaluation that was performed in 2013-14, resulting in a larger value being attributed to Property Plant and Equipment.

Comparison to 30 June 2013 Actual

The increase of \$2.368m from the 30 June 2013 Total Asset Value was mainly due to the increased asset revaluation (discussed above).

Future trends

It is anticipated that there will be additional costs incurred by the Office's Territorial Entity in the event that the Assembly's membership is enlarged to 25 in 2016.

Total Liabilities

The following table shows the composition of the Office's Territorial Total Liabilities as at 30 June 2014, compared to the 2013-14 Budget and as at 30 June 2013.

Liability category	Actual 30 June 2014 \$m	Original Budget 30 June 2014 \$m	Actual 30 June 2013 \$m
Current			
- Payables	0.096	0.071	0.070
- Finance Leases	0.124	0.157	0.079
- Employee Benefits	0.389	0.475	0.308
Non-Current Liabilities			
- Finance Leases	0.109	0.139	0.087
- Employee Benefits	0	0.002	0.002
Total Liabilities	0.719	0.844	0.546

The value of current and non-current employee benefits at 30 June 2014 totalled \$0.389m and accounted for 54 per cent of Total Liabilities at that date. Each staff member's leave entitlements are classified as current.

Comparison to Budget

The Total Liabilities recorded by the Office in 2013-14 were \$0.125m lower than 2013-14 Budget. This largely arose due to a higher-than-expected use of leave entitlements during the period and a lower-than-anticipated number of members opting to use their entitlement for a fully maintained motor vehicle under a finance lease.

Comparison to 2012-13 Actual

The Office recorded a \$0.173m increase in Total Liabilities compared with 2012-13. This is mainly due to an increase in motor vehicles under a finance lease. A greater number of members opted to use their entitlement to a fully maintained motor vehicle at the end of the reporting period in lieu of a cash allowance.