

ASSISTANT TREASURER

Written Questions on Notice provided by Richard Riordan MP

BP5 PG23 - VMIA GRANT REVENUE

1. On BP5 PG23 it notes that in 2019/20, \$277 million is to be paid as part of grant revenue, in 2020/21 \$105 million, \$46 million in 2021/22 and \$49 million in 2022/23, a total of \$477 million.

Noted.

2. Given the 2019/20 payment of \$277 million is more than the total comprehensive result of \$172 million as noted on page 26 of the VMIA's latest annual report, what impact will such a payment have on the organisation?

Over several years of positive operational results, the Victorian Managed Insurance Authority (VMIA) has accumulated significant assets and is in a strong financial position. As described in Budget Paper 5, page 23, a series of dividend and dividend equivalent payments are due to be returned to the State over the forward estimates.

While these payments will reduce the VMIA's accumulated assets, VMIA will remain in a strong financial position on an economic funding ratio basis. Additionally, VMIA will remain within the preferred funding range on an accounting funding ratio basis.

On that basis, VMIA will continue to hold assets that are more than adequate to meet its liabilities.

3. What is the basis of the calculation of the amount to be paid of \$477 million?

As at 30 June 2018 the VMIA reported Total Equity of \$643 million. During budget deliberations the Government decided to utilise part of the surplus capital to fund the previously announced 'Delivering for all Victorians Infrastructure Fund' (DVIF).

4. What impact will the payment from VMIA of \$277 million in 2019/20 have on the VMA?

Following the payment of \$277 million in 2019/2020, VMIA will continue to have more than adequate assets to meet its liabilities.

5. On BP5 page 23, it notes that payment will be made from Worksafe of \$125 million in 2021/22 and \$575million in 2022/23 as part of grant revenue.

Why isn't this \$700 million over two years being used to reduce workcover premiums for all employers rather than being used to cover up the budget shortfall?

As at 30 June 2018 the VWA reported Total Equity of approximately \$3.3 billion. During budget deliberations the Government decided that the most appropriate use of this surplus capital was to fund the previously announced 'Delivering for all Victorians Infrastructure Fund'.
Furthermore, WorkSafe premiums are calculated based on the underlying cost of claims and allow for the claims experience of the industry in which an employer operates. As such, the premium rate sends an important risk management signal and is aimed at promoting safer workplace practices. Any short-term reduction in the premium may undermine this important risk management mechanism.

6. What is the basis of the calculation of the amounts being paid of \$700 million?

Labor's Financial Statement 2018 (the Statement) announced that a \$2.3 billion 'Delivering for all Victorians Infrastructure Fund' (DVIF) would be established, funded by special dividend payments from the State's insurance agencies. The Statement did not indicate the amount each insurer would contribute nor the timing of each insurer's contribution.
In this Statement, the Government also announced that it would be 'Government policy to calculate target funding ratios for the State insurers using an actuarial estimate of the long-term returns of invested funds minus a conservative bias'.
Based upon financial analysis, and taking the revised target funding ratio into account, subject to annual review, WorkSafe is scheduled to contribute \$700 million to the DVIF.

7. What impact will the payment from Workcover of \$700 million have on Workcover?

These payments will reduce the Accumulated Surplus reported in WorkSafe's balance sheet. As at 30 June 2018, WorkSafe reported a Total Equity balance of \$3.258 billion.

8. Will workcover premiums be increased in the 2019/20 financial year? What about in the 2021/22 financial year?

The WorkCover premiums are reviewed annually based on the underlying cost of claims and allow for the claims experience of the industry in which an employer operates. Currently, WorkSafe premiums only just meet the cost of claims and include very little buffer to mitigate against the impact of adverse experience. This level of premium is expected to be sustainable based on current actuarial assumptions but is subject to annual review based on actual claims experience. As far as possible, premium stability is desirable and changes to WorkSafe premiums are only made when the cost of underlying claims warrant an increase.

ENERGY SUPPLY TO DEPARTMENTS (BP3 PG 295)

9. Departmental Secretary, the Victorian Government receives a significant discount on electricity from the purchasing contract with Red Energy. In a written response to PAEC from the February 2018 hearings, the former DEDJTR confirmed that for the 2016/17 financial year rates, that despite having a reduction in electricity usage, the Departments electricity bills increased 25%. Has your Department seen a similar rise in the Departments electricity bills?

DTF's electricity consumption in its CBD offices fell by 0.5 per cent from 2015-16 to 2016-17. Expenditure rose by approximately 35 per cent in the same period.
The commodity price component of electricity purchased under the State Purchase Contract rose by 32 per cent from 2015-16 to 2016-17.

10. Can you provide the committee with your Departments:
- Units of electricity usage (excluding green power) in megajoules
 - Units of electricity usage (excluding green power) converted to kilowatt hours
 - Total financial cost of electricity
 - And how that compares with the previous financial year.

a) Electricity usage in megajoules is provided within the Department's Annual Report.
b) Kilowatt hours is not used as a reporting metric for electricity usage.
c) Total electricity costs for the 2018-19 financial year are still being calculated.
d) See above.

DEPARTMENT OFFICE BASED BULLYING (BP3 PG 295)

11. Departmental Secretary, for 2017/18 and for 2018/19 so far, can you please provide the committee with the number of Departmental staff that reported incidents of bullying to your Department.

The number of staff that reported incidents of bullying in 2017/18 and 2018/19 was three.

12. For the same timeframe, 2017/18 and for 2018/19 so far, can you please provide the committee with the number of Ministerial staff that reported incidents of bullying to your Department?

There have been no reported incidents of bullying made by Ministerial staff to the Department in 2017-18 or 2018-19.

13. Are able to provide a breakdown of all bullying incidents by category identified, whether gender, sexuality, physical for those two previous questions as well.

Details of individual matters are confidential and not publicly disclosed.

14. Secretary, are you able to please provide the committee with a copy of the latest People Matters Survey results for your Department and, in addition, the itemised results for each portfolio agency under your Department.

The Victorian Public Sector Commissioner (VPSC) is currently releasing the data of the recent 2019 People Matter Survey to all participating public sector organisations

VOLUNTARY DEPARTURE PACKAGES (BP2 PG 57)

15. Secretary, BP2 PG 57 identifies \$685 million in Reprioritisations and revenue offsets and \$251 million in savings. This follows on from reprioritisations and savings in last year's budget. Can you please detail the reprioritisations which have occurred in your Department during 2018/19, for which unit of your Department they applied to and for which programs or policy areas?

Table 4.5 in BP2 page 57 outlines the net impact of new output initiatives from 2019-20 to 2022-23. Page 54 from BP2 in the 2018-19 budget lists \$575 million in reprioritisations and revenue offsets for the 2018-19 year. The reprioritisation component was \$40.2 million across Government. Reprioritisations from 2018-19 did not impact adversely on the delivery of programs by the Department.

16. One Department has set a target of reducing their workforce from 13,000 to around 7,000 in 2019/20. What is your Department's headcount reduction target to achieve employee savings?

The Department does not have a headcount reduction target to achieve employee savings in 2019-20.

17. Can you please provide the committee with a list of how many fixed terms contracts are not going to be renewed in each unit of your Department?

Renewal of fixed term contracts is considered on a case by case basis. The Department does not have a list of fixed term contracts that are not going to be renewed.

18. The budget forecasts \$2.5 billion in reprioritisations over the forward estimates. How much of the \$2.5 billion will impact your Department?

The \$2.5 billion refers to reprioritisations and revenue offsets and is one component of the policy variations which account for the net impact of new budget initiatives. These variations also include adjustments and savings. The final allocation of policy variations to Departments across the forward estimates will not be known until the conclusion of the base review process.

19. The budget forecasts \$1.97 billion in savings over the forward estimates. How much of that \$1.97 billion will impact your Department?

The allocation of savings across Departments has not yet been finalised. This will be decided as part of the Base Review process.

20. Has the Department's Base Review begun? If not, when will it begin?

The Department has commenced its base review.

21. Has anyone been contracted to conduct the Base Review at your Department? If so who and at what cost?

Management consultants were contracted centrally to conduct the base reviews. Consultancy expenditure details will be published in DPC's 2018-19 Annual Report.

Written Questions on Notice provided by Sam Hibbins MP

QUESTION 23: What is the **total emissions from the government vehicle fleet**
What percentage of the fleet is electric or hybrid?

The VicFleet passenger vehicle fleet emits an average of 163 grams of CO2 per km travelled.

Average grams of CO2 per km travelled is based on laboratory testing by vehicle manufacturers. Data on total emissions is not held by the Department of Treasury and Finance.

Hybrid vehicles make up 23 per cent of the VicFleet passenger vehicle fleet. The passenger vehicle fleet excludes light commercial vehicles and motorcycles which are not available as electric or hybrid.

In terms of the various bands of procurement set to occur, are you able to provide the committee with information in terms of what is the actual value of procurement set to take place over the next financial year and forward estimates along with any information in terms of the value, the size, the nature of the social outcomes that are set to be targeted from those particular contracts.

In 2017-18, the Victorian Government spent approximately \$17 billion on goods and services to support service delivery and operations and \$12 billion on infrastructure.

There are 10 social and sustainable procurement objectives in the Social Procurement Framework, each of which has corresponding social and sustainable outcomes. The Social Procurement Framework adopts a scalable and flexible approach to selecting social and sustainable outcomes and setting requirements to deliver them. Rather than being prescriptive, this approach empowers government buyers to identify and pursue social procurement opportunities in every procurement activity, with a view to maximising social value and achieving optimal value for money. It is therefore not possible to advise the total value of procurement activities that will advance each social and sustainable procurement objective, nor which outcomes will be selected in relation to each activity.

The Social Procurement Framework is subject to annual reporting, with the first reporting period ending 30 June 2019. Over time, reporting will demonstrate the extent to which the Victorian Government is delivering the social and sustainable outcomes, based on agreed metrics.