



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2014-15 BUDGET ESTIMATES QUESTIONNAIRE

DEPARTMENT OF TREASURY AND FINANCE

1. Strategic priorities

Question 1

- (a) What are the Department’s key strategic priorities underpinning its budget for 2014-15 and over the forward estimates to 2017-18?

The Department of Treasury and Finance’s (DTF) key strategic priorities for 2014-15 are:

- Sound financial management of Victoria’s fiscal resources;
- Guide government actions to increase Victoria’s productivity and competitiveness;
- Drive improvement in public sector asset management and the delivery of infrastructure; and
- Deliver efficient whole of government common services to the Victorian public sector.

No changes to DTF’s objectives over the forward estimates to 2017-18 are anticipated at this time. However, the Department will continue re-assess its objectives in each annual planning cycle to ensure that they continue to focus on the results Government expects the Department to deliver.

- (b) If applicable, how do these priorities differ from the previous year?

Not applicable.

- (c) What are the impacts of any differences in the Department’s strategic priorities between 2013-14 and 2014-15 on funding and resource allocation in the 2014-15 Budget?

Not applicable.

- (d) Please identify any programs or initiatives (asset or output) over \$2 million relevant to the Department that have been curtailed, deferred, discontinued or completed as a result of changes in strategic priorities between 2013-14 and 2014-15. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

Not applicable.

Question 2

Please identify any programs or initiatives (including asset or output initiatives) that have lapsed in 2013-14 (i.e. will not be continued in 2014-15). For each program or initiative, please indicate the expenditure on this program/initiative in 2013-14 and the impact on the community of the lapsing. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

Program or initiative	Expenditure in 2013-14 (\$ million)	Impact on the community (including rescheduling of services provision or commencement of services provision)
The Department does not have any programs or initiatives that meet these criteria.		

Question 3

What are the key Government policies applicable to the Department in 2014-15?

High Value/High Risk (HVHR) project assurance process

Under the HVHR process, infrastructure and ICT projects identified as being high value and/or high risk are subject to extra scrutiny and ongoing involvement by the Treasurer and DTF. Increased central oversight extends through various stages of investment development and implementation.

Construction Code Compliance

All contractors undertaking Victorian Government funded building and construction projects, and subsequent privately funded projects, must comply with the Victorian Code of Practice for the Building and Construction Industry and the Implementation Guidelines to the Code of Practice. The Department of Treasury and Finance (DTF), through the Construction Code Compliance Unit (CCCU), has responsibility for undertaking monitoring and compliance activities including investigation of alleged breaches.

Unsolicited proposals guideline

In February 2014, the Government released a new Unsolicited Proposals Guideline for welcoming proposals from the private sector to deliver a project or service which offers something genuinely unique and the best value for Victorians.

Private Sector parties wishing to make an unsolicited proposal should provide key information about the proposal to the Deputy Secretary, Commercial in DTF.

DataVic Access Policy

In August 2012, the Victorian Government released the DataVic Access Policy, a policy administered through DTF that enables the sharing of Government data at no, or minimal, cost to users.

Intellectual Property Policy

In August 2012, the Victorian Government released the Intellectual Property Policy, which is the State's framework for the ownership and management of its intellectual property (IP), and for its use of IP belonging to other parties.

DTF is responsible for the IP Policy and supporting Guidelines. DTF supports the Victorian public sector by providing training, preparing resources, and providing a point of contact for IP management queries.

Partnerships Victoria

The Partnerships Victoria policy focuses on whole-of-life costing and full consideration of project risks and optimal risk allocation between the public and private sectors.

There is a clear approach to value for money assessment and the public interest is protected by a formal public interest test and the retention of core public services.

Since 2002-03, Partnerships Victoria projects have accounted for approximately 10 per cent of annual public asset investment commitments.

Partnerships Victoria aims to use the innovative skills and abilities of the private sector in a way that is most likely to deliver value for money and improved services to the community.

Partnerships Victoria is most useful for major and complex capital projects with opportunities for innovation and risk transfer.

Public Sector Workplace Relations policies

The Government's Public Sector Workplace Relations Policies 2012 provide information that relates to all employees in the Victorian public sector concerning the:

- workplace relations environment;
- kinds of workplace agreements that are recognised by the public sector;
- Victorian Government's commitment to facilitating best practice and improving work-family balance for public sector employees; and
- procedures and policies relating to redundancy, redeployment and retrenchment.

Reducing red tape on business and the community

The Government's vision is for Victoria to have the most efficient regulatory system in Australia. The time spent and costs incurred by business and the community dealing with excessive regulatory requirements is an unacceptable burden. The ability to get on with more productive endeavours that can create jobs and investment is lost. The Government has a comprehensive program to reduce red tape by 25 per cent.

Procurement reform

In February 2013, the Victorian Government Purchasing Board (VGPB) introduced a new policy framework. This framework is designed to support a more strategic and more efficient approach to procurement. It is underpinned by high standards of probity, accountability and flexibility with a strong focus on value for money, more interactive engagement with the market and productivity improvement.

All government Departments and offices subject to VGPB policy transitioning to the new procurement framework over the next 12-18 months. DTF transitioned to operate under the new framework on 1 July 2013, the first department to do so.

Question 4 (Department of State Development, Business and Innovation and Department of Treasury and Finance only)

Please explain, incorporating relevant expenditure estimates for 2014-15 and beyond, the manner in which recent industry restructuring decisions, proposed plant closures and job displacements etc. have impacted on departmental responsibilities and budgetary directions. In doing so, please identify the extent of both State and Commonwealth assistance initiatives embodied in budgetary projections.

Response:

Structural adjustment is not a new challenge for the Victorian economy. The Victorian economy has already absorbed large structural shifts over recent decades, resulting in a more flexible and diverse economy in which workers and businesses can respond quickly to emerging opportunities.

Victorian manufacturing businesses have continually transformed in response to changing market conditions over many decades. However, manufacturers have faced a prolonged period of challenges to competitiveness from lower-cost international competitors.

Victorian manufacturing businesses are continuing to adjust to be globally competitive, take advantage of the global fragmentation of manufacturing supply chains, and benefit from the convergence of existing industries and new capabilities to develop into new products and markets that draw on Victoria's comparative advantages.

Support by Government involves helping affected workers and communities to find new jobs and business opportunities. Successful delivery of assistance programs will require partnership with the Commonwealth Government, which has had a historical role and responsibility in supporting structural adjustment of the economy.

The Victorian economy, and affected regions and industry, will benefit from programs that support a smooth adjustment process which shifts resources, including employees, to their most productive means as quickly as possible.

To support adjustment, the Department of State Development, Business, and Innovation (DSDBI) has continued to deliver initiatives throughout 2013-14 under the 2011 Manufacturing Strategy *A more competitive manufacturing industry* to lift the productivity and competitiveness of Victoria's manufacturing sector. Details on expenditure to date can be separately provided by DSDBI.

In response to the announced cessation of local manufacturing by Ford, the Victorian Government has worked with the Commonwealth Government and Ford to develop the \$24.5 million Geelong Region Innovation and Investment Fund (GRIIF) and the \$24.5 million Melbourne's North Innovation and Investment Fund (MNIIF). The Victorian Government has contributed \$4.5 million to each of these funds. Details on expenditure to date can be separately provided by DSDBI.

In addition to GRIIF and MNIIF, Victoria has collaborated with the Commonwealth to provide an additional \$12 million for the Automotive New Markets Program to support automotive businesses to diversify into new products and markets. Details on expenditure to date are separately provided by DSDBI.

Victoria has committed \$12 million towards the Growth Fund announced by the Commonwealth in response to Holden's announcement (\$2 million in each of 2014-15 and 2015-16; \$4 million in each of 2016-17 and 2017-18). Other contributors include the Commonwealth Government (\$100 million), SA Government (\$12 million), Holden and Toyota (\$15 million each).

Through the *2014-15 Budget*, the Government is funding a \$30 million package to assist automotive manufacturing and supply chain workers transition to their next job. This package includes:

- Expanding the training entitlement to allow workers to reskill at any level, regardless of the qualifications they currently hold (normally, a worker over 20 years of age cannot receive government subsidies to train at the same or lower qualification level than they currently hold).
- An expanded training entitlement will be provided to up to an estimated 6,500 affected employees.
- Providing access for affected workers to one of three Workforce Development Centres. These Centres will coordinate access by workers to various support services such as CentreLink and careers advice, and will establish eligibility for the expanded training entitlement

More broadly, the Government's economic strategy to create long term sustainable jobs and boost productivity is focussed on encouraging greater flexibility in the Victorian economy, strengthening the training system and creating a business environment conducive to growth.

Through the *2014-15 Budget* the Government is delivering a major new infrastructure investment program that will provide further growth and employment opportunities for Victoria, including the construction and manufacturing sectors. Significant additional funding

is also provided for vocational education and training to ensure a highly skilled workforce is available for Victorian businesses.

2. Budget preparation

Question 5 (Department of Treasury and Finance only)

Please detail the economic forecasts which had the most significant impact on framing the 2014-15 Budget, detailing for each the major revenue and expenditure items in the budget that have been affected.

Economic forecast	Affected items in the budget
Household consumption	Gambling taxes. GST grants revenue, although this is largely affected by forecasts of national, not Victorian, household consumption
State final demand	Insurance taxes
Employment	Payroll tax, Gambling taxes
Population/households	Land transfer duty, Motor vehicle taxes, Demand for services
CPI	Motor vehicle taxes, Insurance taxes, Gambling taxes, Liquor licence fees, Congestion levy, Other miscellaneous taxes, employee expenses, other operating expenses
Wages	Payroll tax, Land transfer duty
House prices	Land transfer duty
Interest rates	Land transfer duty, interest expense

See Budget Paper 2 Appendix A *Sensitivity Analysis Table*: This table provides a sensitivity analysis relating to independent variations in major economic parameters. It outlines the impacts of key fiscal aggregates to selected economic indicators being 1 per cent higher than expected.

Question 6 (Department of Treasury and Finance only)

In relation to the line item 'Contingencies not allocated to departments' (in the note to the estimated operating statement on total expenditure by department) for the general government sector, please explain the reasons for any differences between:

- the amount provided for 2013-14 in the 2013-14 Budget; and
- the amount provided for 2014-15 in the 2014-15 Budget

Note 12 (b) Expenses by department including administered items	2013-14 (\$ million)	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)	2017-18 (\$ million)
2013-14 Budget	(88.4)	834.4	1 385.4	2 108.2	
2014-15 Budget		(232.0)	960.2	1 854.3	3 202.8

Note: Contingencies not allocated to departments include provisions available to be allocated to specific departments and projects, future demand growth, departmental underspending and items not yet formalised at the time of publication.

Variations in these provisions from budget to budget reflect the impact of Government policy decisions, variations to departmental expenditure estimates and assumptions for the likely growth in Victoria's population, and consequent derived demand for government services.

Question 7 (Department of Treasury and Finance only)

Please identify the manner in which any unallocated capital provisions shown in the 2014-15 Budget have been quantified. In doing so, please also present the composition (with detail) of any drawdowns made in 2013-14 from the provision published in the 2013-14 budget papers.¹

- (a) method for quantifying capital provision approved but not yet allocated in 2014-15 budget papers:

Table 4.5 of Budget Paper 2	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)	2017-18 (\$ million)
Capital provision approved but not yet allocated (\$ million)		300.0	400.0	1 000.0

¹ Budget Paper No.2, 2013-14 Strategy and Outlook, May 2013, p.55

(b) drawdowns made in 2013-14

Drawdowns made in 2013-14	Department/entity	Project	Purpose	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)	2017-18 (\$ million)
Capital provision approved in 2013-14 budget papers but not yet allocated.	N/A	N/A	N/A	225.6	504.2	818.1	
Less: drawdowns and adjustments as part of 2013-14 Budget Update	N/A	N/A	N/A	(61.1)	(75.4)	(84.0)	
Less: drawdowns and adjustments as part of 2014-15 Budget	N/A	N/A	N/A	(164.5)	(128.8)	(334.1)	
Capital provision approved in 2014-15 budget papers but not yet allocated.	N/A	N/A	N/A	0	300.0	400.0	1 000.0

Question 8 (Department of Treasury and Finance only)

In relation to the estimated financial statements for the general government sector (estimated operating statement and estimated balance sheet), please explain any variations of more than 10 per cent (or greater than \$100 million) between the estimates for 2014-15 published in the 2013-14 budget papers, and the budget forecasts for 2014-15 shown in the 2014-15 budget papers.

Line item	Reason for variation
OS – Taxation Revenue	<p>Estimated taxation revenue has increased by \$553 million (3.1 per cent) since the <i>2013-14 Budget</i>, with increases in some lines offset by decreases in others. The main increases are:</p> <ul style="list-style-type: none"> • Land transfer duty (\$732 million) mainly due to the stronger than expected recovery in the property market and strong cash collections in 2013-14; • Land tax revenue (\$102 million) reflecting an upward revision to the expected 2014 land revaluation and higher than anticipated compliance activity; and • Motor vehicle registration fees (\$120 million) due to: the <i>2014-15 Budget</i> revenue initiative increasing light vehicle registrations fees from 1 July 2014; the restoration of the real value of the fee unit from the <i>2013-14 Budget Update</i>; and higher than expected revenue in 2013-14 flowing through to 2014-15. <p>The main offsetting reductions are lower revenue collection in payroll taxes of \$273 million and gambling taxes of \$156 million.</p>
OS – Sales of goods and services	<p>Estimated sales of goods and services revenue has decreased by \$607 million (8.6 per cent) since the <i>2013-14 Budget</i> primarily driven by:</p> <ul style="list-style-type: none"> • new arrangements for revenue collected in relation to the rail franchise contract, where franchisees now collect the majority of revenue directly; and • the deconsolidation of dual sector TAFEs (including the elimination of all their previously estimated transactions and balances) following the enactment of the <i>Education and Training Reform Amendment (Dual Sector Universities) Act 2013</i>, where four entities have been transferred to the relevant Universities (outside of the General Government Sector).

<p>OS – Grants Revenue</p>	<p>Estimated grants revenue has increased by \$918 million (3.8 per cent) since the <i>2013-14 Budget</i>.</p> <p>This is driven by increases in Commonwealth specific purpose and national partnership grants; mainly the Commonwealth’s contribution to the East West Link and various other national partnership grants announced as part of the Commonwealth’s <i>2013-14 Mid-Year Economic and Fiscal Outlook</i> and as advised by the Commonwealth.</p>
<p>OS – Other Revenue</p>	<p>Other revenue has increased by \$138 million (7.1 per cent) since the <i>2013-14 Budget</i> primarily due to increased fines revenue and revenue associated with Kew Residential Services Redevelopment project being re-phased from 2013-14 to 2014-15.</p>
<p>OS – Employee Expenses</p>	<p>Employee expenses has decreased by \$225 million (1.2 per cent) since the <i>2013-14 Budget</i>.</p> <p>This is primarily driven by the deconsolidation of the dual-sector TAFEs (where four entities have been moved outside of the General Government Sector) and revisions to the TAFE sector’s estimated employee expenses.</p>
<p>OS – Interest Expense</p>	<p>Interest expense has decreased by \$114 million (5.2 per cent) since the <i>2013-14 Budget</i>.</p> <p>This primarily reflects the changed profile of the general government sector borrowings.</p>

Question 9 (Department of Treasury and Finance only)

(a) What new features have been incorporated in the budget papers for 2014-15 and why?

The 2014-15 budget papers are structured in a similar manner to the 2013-14 papers. There are no significant changes to the suite of core budget papers.

There are a number of incremental refinements to the presentation of content within the Budget Papers including:

- additional disclosure relating to public private partnerships;
- additional clarification relating to the completion of capital projects; and
- continuous improvement to the defining of key terms used in the budget papers.

These additional disclosures have been included to provide more detailed information to users of the budget papers. Some of these changes reflect the Government's responses to previous recommendations from the Public Accounts and Estimates Committee.

(b) What previous features have been modified and why?

The budget papers have limited disaggregation of cashflows and net infrastructure investment relating to the lease of Port of Melbourne. This is intended to optimise the competitiveness of the tender process.

In the 2014-15 Budget Papers, Table 4.4 in Budget Paper No.2 has been amended to split the adjustments line from the reprioritisation of existing resources, which will now enable "Less funding from reprioritisation of existing resources" in Table 4.4 (Budget Paper No. 2) to be reconciled with "Existing resources" in output tables in Chapter 1, Budget Paper No. 3.

3. Spending

Question 10

For your department, please explain any variations of more than 10 per cent (or greater than \$100 million) between the revised estimate for 2013-14 and the target for 2014-15 for expenses from transactions (as presented in the Department's operating statement in the Statement of Finances budget paper) that relate to the following line items:

- (a) 'Employee benefits';
- (b) 'Grants and other transfers';
- (c) 'Other operating expenses' in aggregate; and
- (d) the major components of 'other operating expenses' for your department (please supply categories as appropriate).

	2013-14 (Revised estimate) (\$ million)	2014-15 (Budget) (\$ million)	Explanation for any variances greater than ±10% (or greater than \$100 million)
Employee expenses	118.60	115.28	Variance less than 10 per cent
Other Superannuation	8.97	8.91	Variance less than 10 per cent
Depreciation	42.46	38.05	Reduction in amortisation of municipal land valuations purchased by the State Revenue Office on a biannual basis
Interest expense	13.41	13.44	Variance less than 10 per cent
Grants and other transfers	8.73	5.61	The decrease relates to a grant to local government for the implementation of Fire Services Property Levy and cessation of grants to the National Occupational Licensing Authority
Other operating expenses:	116.90	108.19	Variance less than 10 per cent
Purchase of Supplies and Consumables	32.24	33.33	Variance less than 10 per cent
Purchase of services	42.8	35.30	The decrease is driven by cost saving initiatives, mainly related to labour contractor expenses

Maintenance	6.12	5.84	Variance less than 10 per cent
Operating lease payments	12.53	10.71	The decrease is driven by cost saving initiatives. DTF has developed an accommodation strategy by re-stacking and refitting some floors in 1 Macarthur Street and 1 Treasury Place to be more efficient in the use of floor area and thus accommodation, rental and property charges
Capital Asset Charge	21.17	21.17	Variance less than 10 per cent
Other Expenses (Motor Vehicle Registration)	0.14	0.14	Variance less than 10 per cent
Audit Services – Auditor General	1.20	1.00	Variance less than 10 per cent
Finance Expenses	0.70	0.70	Variance less than 10 per cent
Total expenses	309.07	289.48	Variance less than 10 per cent

If the Department is unable to provide estimates for the expenditure on the components of ‘other operating expenses’ in 2014-15, please explain how the amount of ‘other operating expenses’ listed for 2014-15 in the budget papers was calculated.

N/A

Question 11 (Department of Treasury and Finance only)

With respect to the two line items that sum to ‘Net cash flows from investments in financial assets for policy purposes’ in the general government sector cash flow statement, please identify:

- (a) the material reporting entities that contributed to estimates of cash inflows and cash outflows in 2014-15 and the forward estimates;

The Departments of Transport, Planning and Local Infrastructure, Human Services, Environment and Primary Industries and Treasury and Finance are the primary contributors to the **net cash flows from investments in financial assets for policy purposes**.

Note - The Department of Treasury and Finance does not collect or record gross cash flow (i.e. inflow and outflow) forward estimate data for this line item, so is unable to fully respond to the above request. The Annual Financial Report will however provide more detail on the actual gross cash flow position for the relevant year. In this context, in response to question 11 we have outlined below the primary drivers of the movements in the net cash flows from investments in financial assets for policy purposes.

- (b) the expected cash flows to and from those entities in 2014-15; and

The table below shows the net cash flows from investments in financial assets for policy purposes.

- (c) what policy objectives underlie the choice of investments.

The table below outlines the policy objectives underlying the choice of investments.

As per table 6 in 2014-15 Budget – Budget Paper 4 page 16

Material reporting entity	(\$ million)	Policy objectives
Transport, Planning and Local Infrastructure – Regional rail Link	555.0	Increasing transport system capability, efficiency and resilience, and improving transport services
Environment and Primary Industries – Goulburn Murray Water Connections Project	77.9	To use modern technology to enable more efficient on-farm water use through a more responsive water ordering system
Transport, Planning and Local Infrastructure – Port of Hastings development	30.0	Increasing transport system capability, efficiency and resilience, and improving transport services
Human Services – Equity investment in Director of Housing	44.5	Contribute to providing public housing, community housing, disability supported accommodation services and other related support for Victorians most in need

4. Efficiencies and savings

Question 12

For each of the savings initiatives detailed in the table below, please detail (on the same basis of consolidation as the budget papers):

- (a) what actions the Department will take in 2014-15 to meet the various savings targets;
- (b) any impact that these actions will have on the delivery of services during 2014-15; and
- (c) the Department's savings target for 2014-15, with an explanation for any variances between the current target and what was originally published in the budget papers when the initiative was released.

Initiative	Actions the Department will take in 2014-15	Impact of these actions on service delivery in 2014-15	Savings target for 2014-15 (\$ million)	Explanation for variances to the original target
Government election commitment savings (2011-12 Budget)	The initiatives introduced by Government as part of the 2011-12 Budget will continue to be sustained	Savings initiatives implemented in past budgets are not tracked separately. Once the full year ongoing savings amount has been achieved, it is assumed that no further actions are required in order to achieve the target.	13.92	Not applicable
Measures to offset the GST reduction (2011-12 Budget)	The initiatives introduced by Government as part of the 2011-12 Budget will continue to be sustained	See note above	Included in the 13.92 target above	Not applicable

Capping departmental expenditure growth (2011-12 Budget Update)	The Department continues to review its processes and systems to identify and implement efficiencies	See note above	7.10	Not applicable
Maintain a sustainable public service (2011-12 Budget Update)	Targets have been achieved. The Department continues to review its processes and systems to identify and implement efficiencies	See note above	16.95	The Department has achieved the target
Savings (2012-13 Budget)	All savings requirements have been achieved in previous years, however the Department continues to review its processes and systems to identify and implement efficiencies	See note above	5.00	The Department has achieved the target
Efficiency measures (2012-13 Budget Update)	General Efficiency Dividend Additional Sustainable Government Initiatives	See note above	1.00 1.00	The Department is expected to achieve this target.
Efficiency measures (2013-14 Budget)	Not applicable	Not applicable	Nil	Not applicable
Efficiency measures (2013-14 Budget Update)	Not applicable	Not applicable	Nil	Not applicable

Any savings or efficiency initiatives in the 2014-15 Budget	Not applicable	Not applicable	Nil	Not applicable
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Question 13

Budget Paper No.2 for 2011-12 to 2013-14 indicated that funding previously allocated to departments for expenditure in the three years is to be ‘reprioritised or adjusted’ to fund new initiatives. Please provide the following information about your department’s share of the actual funding reprioritised and adjusted in these years and forecast in the 2014-15 Budget:

(a) for 2011-12 to 2013-14:

Budget in which funding was reprioritised or adjusted	Department’s share of the reprioritised or adjusted funding	What the reprioritised and adjusted funding was initially provided for	How much of the Department’s funding was reprioritised or adjusted (\$ million)	Reasons for any variances between initial provision and actual reprioritisation or adjustment
2011-12	\$0	See comment below		
2012-13	\$0	See comment below		
2013-14	\$0	See comment below		

(b) for 2014-15

Breakdown of the projected reprioritised and adjusted funding	Quantification of proposed reprioritised and adjusted funding (for each sub-item)
\$0	See comment below
Total (equals Department's share of the reprioritised or adjusted funding)	

Comment: The Department may reallocate funds between outputs to deliver new initiatives. Output deliverables are still achieved after the funding reallocation.

Question 14 (Department of Treasury and Finance only)

Please provide a breakdown of the amounts making up the item ‘funding from reprioritisation and adjustments’ for 2014-15 and beyond, usually shown in Budget Paper No.2² as a deduction from the projected cost of new output initiatives.

	2014-15	2015-16
Reprioritisation	(140.9)	(155.0)
Adjustments	60.4	214.5
Total funding from reprioritisation and adjustments	(80.5)	59.5

Question 15 (Department of Treasury and Finance only)

The 2013-14 budget papers did not include a reconciliation of the savings item in Table 4.4 of Budget Paper No.2³ and the aggregate of amounts deducted for each department in Budget Paper No.3⁴ in the presentation of their new output initiatives. If such a reconciliation is not included in the 2014-15 budget papers, please provide the relevant data as per the following table:

	2014-15	2015-16	2016-17	2017-18
Savings item (BP2)	See response below			
Total of departmental deducting items (‘existing resources’) (BP3)	See response below			
Difference (if applicable)	See response below			
Explanation of difference for each year	See response below			

Response:

The two items identified will not reconcile as they represent two different and unrelated items. The savings are efficiency measures implemented at a whole of Government and department level that contribute to the funding of the total budget. However, the existing resources identified by the department in Budget Paper 3 represents funding already contained within a department’s budget that is being directed to fund specific new initiatives included in the Budget Papers. The savings identified in Table 4.4 of Budget Paper No. 2 are detailed in Budget Paper 3, “*Efficiency and Expenditure Reduction Measures*”.

² Most recently, Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.54

³ Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.54

⁴ Presented in the 2013-14 budget papers as ‘existing resources’ in departmental output initiatives tables (Budget Paper No.3, *2013-14 Service Delivery*, May 2013, chapter 1)

Existing resources refers to existing departmental resources that have been reallocated to contribute to the delivery of new initiatives and are in the Output Initiatives tables for each department in Chapter 1 - Budget Paper No. 3.

However in the 2014-15 Budget Papers, Table 4.4 in Budget Paper No.2 has been amended to split the adjustments line from the reprioritisation of existing resources, which will now enable “Less funding from reprioritisation of existing resources” in Table 4.4 (Budget Paper No. 2) to be reconciled with “Existing resources “in output tables in Chapter 1, Budget Paper No. 3.

5. Output and asset initiative funding

Question 16

In regard to adjustments to the Department’s base funding as set out in BFMG-06 (Departmental Funding Model), please provide:

- (a) the department’s base funding for 2013-14;
- (b) the initial figure used to escalate the Department’s 2013-14 base output price to maintain alignment with movements in the rate of inflation;
- (c) details of any adjustments in this rate that apply to the Department;
- (d) the final escalation rate applied to the Department’s base output price for 2013-14 to calculate the Department’s base output price for 2014-15; and
- (e) the department’s base funding for 2014-15.

Departmental base funding 2013-14	Initial escalation factor	Adjustments to escalation factor	Final escalation factor	Departmental base funding 2014-15
\$ million	Per cent		Per cent	\$ million
See response below				

Response:

The original base year for 2013-14 was created four years ago as part of the creation of the (then) new financial year, and since that time it has been varied in accordance with output decisions made by Government as part of ongoing budgetary processes.

The underlying indexation rate applied was 2.5%, in line with consumer price index published in Budget Paper No. 2 *Strategy and Outlook*. However uniform indexation is not applied equally to all department estimates since some components of output delivery are subject to different price indexation.

6. Public private partnership expenditure

Question 17 (Department of Treasury and Finance only)

Please provide details of the estimated amount of expenditure on commissioned PPP projects in 2014-15 and across the forward estimates. For each year, please also indicate all PPP projects for which payments are expected to start in the year.

	2014-15	2015-16	2016-17	2017-18
Value of payments for PPP projects (\$ million)	See comment below			
Projects for which payments will start in the year		Victorian Comprehensive Cancer Centre	Bendigo Hospital	

Comment: Estimates of expenditure on commissioned PPP projects provided by departments and agencies to DTF cannot be disaggregated into specific projects or long term operating contracts. Actual expenses and commitments on PPPs are reported in Departmental/Agency Annual Reports. This disclosure is consistent with other capital investment projects and service contract arrangements.

Question 18 (Department of Treasury and Finance only)

In regard to the figure in the budget papers for ‘cash flows from PPP payments’,⁵ please:

- (a) provide a revised estimate for this figure for 2013-14, and estimates for 2014-15 and the forward estimates;

2013-14 Revised: \$334 million
2014-15 - \$1 854 million
2015-16 – Not for publication
2016-17 - \$968 million
2017-18 - \$808 million

Note – In 2014-15 Budget Papers ‘cash flows from PPP payments’ has been retitled ‘PPP infrastructure investment’ as shown in *Budget Paper No.4 State Capital Program* Table 4, p.13

Note – 2015-16 PPP infrastructure investment is not disclosed to protect the commercial sensitivities of balances.

⁵ Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.11

- (b) indicate all line items in the budget papers (including the accompanying notes) that wholly or partly contribute to these estimates; and

The PPP investment ('cash flows from PPP payments') figure aggregates, for all PPP projects in the design and construction phase, the value of construction activity to be undertaken by the private sector during the budget year, excluding components (such as State contributions) which are represented elsewhere in the budget papers. Therefore no other line items within the budget papers contribute to the PPP investment figure.

- (c) provide explanations for any changes in these figures from those provided to the Committee as part of its 2013-14 Budget Estimates inquiry.

The 2013-14 PPP investment figure was amended in the 2013-14 Budget Update, primarily due to the Bendigo Hospital contract being executed after the Budget (and the estimated expenditure during procurement therefore being updated to reflect the private sector's construction profile). The estimated expenditure for Ravenhall was also updated to reflect scope changes made since the Budget.

In addition, new PPP projects approved as part of the 2014-15 Budget include the Cranbourne-Pakenham Rail Project and Citylink-Tulla widening.

Question 19 (Department of Treasury and Finance only)

Please disaggregate the 'cash flows from PPP payments' figure for 2014-15 given in Question 18 into the underlying public private partnership projects where there are expected to be cash flows.

PPP Project name	Expected cash flow 2014-15 (\$ million)
Cash flows from PPP projects (as given in budget papers)	

Response:

The 'cash flows from PPP payments' figure cannot be disaggregated into individual PPP projects under construction, as this would reveal commercially sensitive information relating to consortia's confidential tenders.

If this is not possible, please indicate which PPP projects are expected to have cash flows during 2014-15.

PPP Projects with cash flows during 2014-15
East West Link – Eastern Section
Victorian Comprehensive Cancer Centre
Cranbourne-Pakenham Rail Corridor (excluding capitalised interest)
CityLink - Tulla Widening
New Bendigo Hospital
Ravenhall Prison
Royal Children's Hospital

NOTE: In relation to the school capital program, including new schools, the private sector will be invited to deliver components of the program under a PPP arrangement.

7. Revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures

Question 20

In relation to 2014-15, please outline any new revenue-raising initiatives and/or major changes to existing revenue initiatives. For each initiative/change, please explain:

- (f) the reasons for the initiative/change;
- (g) the assumptions underlying the analysis;
- (h) alternative scenarios considered;
- (i) the impact of any changes on service delivery (i.e. please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives);
- (j) any performance measures or targets altered as a result of the initiative/change; and
- (k) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Abolishing inefficient taxes – stamp duty on life insurance	Abolishing this stamp duty will build on the Victorian Government’s strong record of tax reform. The Government will abolish life insurance duty from 1 July 2014.	Currently, duty is payable on life insurance policies based on the insured sum. Most life insurance products are now bundled together with products provided as	No	No	No	Revenue forgone: (\$16.1m) over estimates period

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
		part of superannuation savings, and the stamp duty is not paid.				
Increase in rate of stamp duty on motor vehicles and increase in motor vehicle registration fee	The revenue from these initiatives will support Government investment in major new road infrastructure and initiatives which support workers from industries in transition including the automotive industry.	The stamp duty on motor vehicle registrations and transfer of registrations of motor vehicles will rise by \$0.40 per \$200 or part thereof, commencing from 1 July 2014. The rate on motor vehicles will rise from 3.0 per cent to 3.2 per cent for new passenger cars valued below the luxury car tax threshold, and from 5.0 per cent to 5.2 per cent for those valued above the threshold. The rate on new non-	No.	No.	No.	Additional revenue: \$584.4 million over the estimates period.

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
		<p>passenger cars will rise from 2.5 per cent to 2.7 per cent, and the rate on used vehicles will rise from 4 per cent to 4.2 per cent.</p> <p>Light vehicle registration fees will rise by \$25 to \$270 (including indexation) from 1 July 2014. Existing concessions will continue to apply.</p>				
<p>Reduce payroll tax rate by 0.05 per cent from 1 July 2014</p>	<p>The payroll tax rate will be reduced by 0.05 percentage points from 4.9% to 4.85% from 1 July 2014.</p>	<p>This measure will benefit approximately 39,000 Victorian employers and support job creation. Businesses in Victoria with payrolls between \$4.7 million and \$26.7 million will pay the lowest</p>	<p>No.</p>	<p>No.</p>	<p>No.</p>	<p>Revenue forgone:(\$234.3 million) over estimates period</p>

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
		payroll tax in Australia.				
Metropolitan Planning Levy	The new Metropolitan Planning Levy is being introduced in order to support the funding of two 2014- 15 Budget measures, Metropolitan Planning Authority and implementation of Plan Melbourne.	The levy revenue was estimated using an average of planning permit activity over the last five years.	In developing the proposal, different rates were considered	The revenue from the Metropolitan Planning Levy will support funding for planning work including the 2014- 15 Budget initiatives Metropolitan Planning Authority and implementation of Plan Melbourne. These initiatives will improve decision making in the planning system and development in National Employment Clusters and Activity Centres, unlock capacity in priority areas of Melbourne, support local government in delivering <i>Plan</i>	The introduction of the levy will not affect performance targets directly. However, the levy's revenue will support funding for the 2014-15 Budget initiatives Metropolitan Planning Authority and implementation of Plan Melbourne. Activities from these two initiatives will be reflected in the new performance measure <i>Plan Melbourne prioritised</i>	The estimated revenue from the Metropolitan Planning Levy is \$17.1 million per annum from 2015-16.

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
				<i>Melbourne</i> and deliver a new metropolitan open space strategy.	<i>Planning's short term actions completed</i> which has been introduced in the 2014-15 Budget. The 2014-15 Target for this measure is 54.	
Casino electronic gaming machine levy	The introduction of a casino electronic gaming machine levy and the associated estimates in the <i>2013-14 Budget Update</i> were subject to the satisfactory conclusion of negotiations and mutual agreement between the Victorian Government and the casino operator. While discussions are continuing, mutual agreement	Not applicable	While discussions are continuing, mutual agreement has not been reached at this time.	Not applicable	Not applicable	The impact of the removal from the budget estimates is \$13.9 million in 2013-14 and \$56.8 million annually from 2014-15.

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
	has not been reached at this time. Consequently the associated estimates are not included in the 2014-15 Budget.					

Question 21

If the ‘total expenses from transactions’ figure listed in the Department’s comprehensive operating statement in Budget Paper No.5, is greater than the total figure in the Department’s output summary table in Budget Paper No.3., please explain:

- (a) what the difference between the two figures is

The difference is \$54 million.

- (b) what the ‘non-output’ expenditure in the ‘total expenses from transactions’ figure is used for.

The non-output expenditure is related to the expenses incurred for the following working accounts:

Shared Services Provider - \$20 million

Government Accommodation Trust - \$21 million

VicFleet - \$12 million

These expenses for the abovementioned working accounts should largely be reflected in the output costs of relevant departments purchasing the services, renting government owned buildings and leasing motor vehicles.

The remaining balance of \$2 million relates to expenses excluded from the output costs until annotated revenue under S29 of the *Financial Management Act 1994* is earned.

Question 22

In relation to 2014-15, please outline any new tax expenditures or concession/subsidy initiatives and/or major changes to existing tax expenditures or concession/subsidy initiatives. For each initiative/change, please explain:

- (a) the reasons for the initiative/change;
- (b) the assumptions underlying the analysis;
- (c) alternative scenarios considered;
- (d) the impact of any initiatives/changes on service delivery (i.e. please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives);
- (e) any performance measures or targets altered as a result of the initiative/change; and
- (f) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

Initiative/ change	Reasons for the initiative/ change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Not applicable.						

Question 23

For the Department's income categories (as appear in the Department's operating statement in the Statement of Finances budget paper), please provide an explanation for any items that have a variance of greater than 10 per cent or \$100 million between the revised estimate for 2013-14 and the budget for 2014-15.

Income category	Revised estimate for 2013-14 (\$ million)	Estimate for 2014-15 (\$ million)	Explanation
Interest	12.21	12.21	
Sales of goods and services	19.40	19.40	
Other current revenue	26.60	26.60	
Total revenue	58.21	58.21	

8. Grants from the Commonwealth**Question 24**

What impact have developments at the Commonwealth level had on the Department's component of the 2014-15 State Budget?

Developments at the Commonwealth level have had no material impact on the Department's component of the 2014-15 Budget.

Question 25 (Department of Treasury and Finance only)

Please explain how any major changes between financial agreements with the Commonwealth have impacted on the State Budget for 2014-15, e.g. health and hospitals reform.

Key changes in financial agreements with the Commonwealth which have impacted on the State Budget for 2014-15 include:

- From 1 January 2014, funding under the National Education Agreement was replaced by funding committed for Students First – A fairer funding agreement for schools. Thus, for 2013-14, education funding is provided across these two agreements while from 2014-15 onwards, education funding is provided solely under Students First – A fairer funding agreement for schools; and
- Commonwealth funding and associated expenditure related to the Home and Community Care (HACC) program from 2015-16 and beyond was removed to reflect the transfer responsibility of funding the HACC program based on client age with the Commonwealth agreed to as part of the full implementation of the NDIS. These changes were also reflected in the 2013-14 Budget Update.

Question 26 (Department of Treasury and Finance only)

What has been the impact of any changes to Victoria's share of the GST pool for 2014-15 and beyond? Please detail any actions that the State Government has taken in response to changes in the value of general purpose grants in 2014-15.

Changes to Victoria's share of the GST national pool are driven by changes to relativities and population.

In its *2014 Update Report*, the Commonwealth Grants Commission (CGC) published a GST assessed relativity for Victoria of 0.88282 which was lower than the forecast of 0.89372 implied in the *2013-14 Budget Update*. This was driven by a lower than expected per capita relativity in 2012-13 and a downward revision to the 2010-11 per capita relativity. It was partly offset by an upward revision to the 2011-12 per capita relativity. The change to the outlook for relativities takes into account supporting information published by the CGC.

Changes to Victoria's population share have also impacted negatively on general purpose grants, with Commonwealth estimates for Victoria's population share being slightly lower than previously expected.

The changes to Victoria's share of the GST national pool can be expected to reduce general purpose grants in 2014-15 by over \$150 million, and by \$982 million over the period 2014-15 to 2017-18.

9. Net debt

Question 27 (Department of Treasury and Finance only)

In relation to the net debt projections for the non-financial public sector for the 2014-15 budget year and over the forward estimates to 2017-18,⁶ please provide a break-down of the spread of net debt between the general government sector (GGS) and each of the main public non-financial corporations (PNFCs) concerned.

Table: Estimated net debt – preliminary data only

GGS/PNFC entity	Net debt, 30 June 2014	Net debt, 30 June 2015	Net debt, 30 June 2016	Net debt, 30 June 2017	Net debt, 30 June 2018
General Government	21 515	23 368	18 463	19 022	19 525
Melbourne Water Corporation	8,329	8,510	8,533	8,533	8,573
Yarra Valley Water Corporation	1,972	2,169	2,335	2,498	2,661
South East Water Corporation	1,181	1,353	1,487	1,605	1,715
City West Water Corporation	1,033	1,176	1,259	1,372	1,479
Victorian Rail Track	827	738	646	554	475
Barwon Region Water Corporation	590	606	629	631	622
Coliban Region Water Corporation	458	473	493	506	504
Port of Melbourne Corporation	417	799	915	-	-
Urban Renewal Authority Victoria (Places Victoria)	345	349	333	284	232

Note: preliminary data only.

⁶ Budget Paper No.5, 2013-14 Statement of Finances, May 2013, p.69

Question 28 (Department of Treasury and Finance only)

What factors or assumptions have led to changes to the estimates of borrowings and net debt for 2013 and the forward estimates between the 2013-14 Budget and the 2014-15 Budget?

- Net debt is projected to decline as a percentage of GSP from June 2015 reaching 4.5 per cent of GSP by June 2018;
- The decline over the forward estimates is driven by the impact of growing operating surpluses and the timing of proceeds from entering into a medium term lease over the operation of the Port of Melbourne, partly offset by spending on a record program of infrastructure projects over the forward estimates period;
- Since the 2013-14 Budget Update, general government net debt is forecast to be \$19.0 billion by June 2017, which is \$3.8 billion lower than the equivalent estimate published in the *2013-14 Budget Update*.

10. Performance measures

Question 29

For each initiative (asset or output) in the 2014-15 Budget with a total cost over the forward estimates greater than \$20 million (or a TEI over \$20 million), please list all new and existing performance measures in the budget papers related to the initiative. In describing initiatives, please use the same names as are used in the budget papers.

Initiative	Related performance measures
Not applicable	Not applicable

Question 30

Please indicate any changes that the Department has made since the 2013-14 Budget to increase the proportion of performance measures that indicate quality of output.

DTF introduced the performance measure “Maintain ISO 9001 (Quality Management Systems) certification” in 2013-14 and aims to continuously improve the quality of its outputs to meet ISO standards.

ISO 9001 certification provides independent external assurance that DTF has high quality processes in place that support the delivery of departmental outputs.

This reflects the department’s commitment to a standardised measure of quality assurance to ensure quality outputs are produced.

11. Staffing matters

Question 31

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2013 and estimates of FTE staff numbers (broken down by the categories listed below) at 30 June 2014 and 30 June 2015 for the Department. Please provide figures consolidated on the same basis as the expenditure for the Department in the budget papers.

DTF Grade	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
EO-2	22.6	19.8	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
EO-3	41.6	44.53	
VPS Grade 7 (STS)	12.8	12.8	
VPS Grade 6	151.93	137.03	
VPS Grade 5	148.16	128.83	
VPS Grade 4	104.15	100.59	
VPS Grade 3	105.69	86.97	
VPS Grade 2	23.2	23.33	
VPS Grade 1	1	0.5	
Government Teaching Service	n/a	n/a	
Health services	n/a	n/a	
Police	n/a	n/a	
Allied health professionals	n/a	n/a	
Child protection VPS Grade 1	n/a 1	n/a 0.5	
Disability development and support	n/a	n/a	
Custodial officers	n/a	n/a	
Other	4.92	2.07	
Total	621.05	560.45	

ESC Grade	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
Secretary	0	0	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
EO-1	0	0	
EO-2	1.00	1.00	
EO-3	3.00	3.00	
VPS Grade 7 (STS)	2.00	2.00	
VPS Grade 6	12.00	13.00	
VPS Grade 5	10.44	13.64	
VPS Grade 4	11.03	14.80	
VPS Grade 3	16.72	13.00	
VPS Grade 2	0	3.00	
VPS Grade 1	0	0	
Government Teaching Service	n/a	n/a	
Health services	n/a	n/a	
Police	n/a	n/a	
Allied health professionals	n/a	n/a	
Child protection	n/a	n/a	
Disability development and support	n/a	n/a	
Custodial officers	n/a	n/a	
Other (SRM, Casual)	5.07	8.00	
Total	61.26	68.44	

SRO Grade	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
Secretary	0.00	0.00	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
EO-1	0.00	0.00	
EO-2	1.00	1.00	
EO-3	4.00	4.00	
VPS Grade 7 (STS)	2.60	2.60	
VPS Grade 6	42.20	42.10	
VPS Grade 5	96.30	93.80	
VPS Grade 4	106.79	105.00	
VPS Grade 3	164.00	168.00	
VPS Grade 2	33.77	34.80	
VPS Grade 1	1.00	0.00	
Government Teaching Service	n/a	n/a	
Health services	n/a	n/a	
Police	n/a	n/a	
Allied health professionals	n/a	n/a	
Child protection	n/a	n/a	
Disability development and support	n/a	n/a	
Custodial officers	n/a	n/a	
Other	19.40	19.40	
Total	471.06	470.70	

Question 32

Please break down the actual staff numbers in your department as at 30 June 2013 and the estimates as at 30 June 2014 and 2015 according to the number of staff that are ongoing, fixed-term or casual.

DTF	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
Ongoing	608.83	542.75	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Fixed-term	10.8	15.63	
Casual	1.42	2.07	
Total	621.05	560.45	

ESC	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
Ongoing	55.96	58.84	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Fixed-term	3.23	5.60	
Casual	2.07	4.00	
Total	61.26	68.44	

SRO	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
Ongoing	459.46	455.50	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Fixed-term	11.60	15.20	
Casual	0.00	0.00	
Total	471.06	470.70	

Question 33

Please indicate, for 2013 and 2014, the estimated total number of VPS positions and non-VPS positions that the Department expects to have as at 30 June.

DTF	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
VPS positions	551.85	492.05	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Non-VPS positions	69.2	68.4	

ESC	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
VPS positions	61.26	68.44	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Non-VPS positions (Commissioners)	1.90	1.90	

SRO	30 June 2013 (Actual FTE number)	30 June 2014 (Expected FTE number)	30 June 2015 (Forecast FTE number)
VPS positions	446.66	446.30	It is not possible to accurately forecast staffing numbers for June 2015 at this time.
Non-VPS positions *	24.40	24.40	
Total	471.06	470.70	
* Includes Legal Adaptive and Executive staff			

Question 34

~~Please detail the actual amount that the Department spent on contractors and consultants in 2012-13 and the estimated expenditure in 2013-14 (for a definition on the difference between consultants and contractors, see FRD 22D – Standard Disclosures in the Report of Operations). Please provide figures on the same basis of consolidation for the Department as used in the budget papers.~~

	2012-13 Actual (\$ million)	2013-14 Expected (\$ million)	2014-15 Forecast (\$ million)
Consultants	9.15	9.58	1.94
Labour Contractors	16.4	18.96	11.23

~~*The exact breakdown of forecasts for 2013-14 and 2014-15 will not be known until analysis of actual expenditure for consultants and contractors has been completed to ensure compliance with FRD22D – Standard Disclosures in the Report of Operations.~~

~~The expenditure includes DTF Controlled and Administered Items, excluding the Essential Services Commission.~~

~~*This table does not include outsourced services.~~

Question 34

Please detail the actual amount that the Department spent on contractors and consultants in 2012-13 and the estimated expenditure in 2013-14 (for a definition on the difference between consultants and contractors, see FRD 22D – Standard Disclosures in the Report of Operations). Please provide figures on the same basis of consolidation for the Department as used in the budget papers.

	2012-13 Actual (\$ million)	2013-14 Expected (\$ million)	2014-15 Forecast (\$ million)
Consultants	9.15	9.58 <u>10.78</u>	1.94
Labour Contractors	16.4	18.96 <u>17.76</u>	11.23

*The exact breakdown of forecasts for 2013-14 and 2014-15 will not be known until analysis of actual expenditure for consultants and contractors has been completed to ensure compliance with FRD22D – Standard Disclosures in the Report of Operations.

The expenditure includes DTF Controlled and Administered Items, excluding the Essential Services Commission.

*This table does not include outsourced services.

12. Previous recommendations

Question 35

For each recommendation in the Committee's *Report on the 2013-14 Budget Estimates – Part Two* that relates to an area relevant to your department or one of its portfolio agencies, please indicate:

- (a) whether or not the action specified in the recommendation has been implemented;
- (b) if so, how it has been implemented and what publicly available information (if any) demonstrates the implementation of the recommendation; and
- (c) if not, why the recommendation has not been implemented, and the intended date of implementation.

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
1	Future budget papers provide more information about the potential impacts of key risks and the measures included in the budget papers to mitigate them, including quantifying the risks and measures where possible.	No, consistent with the Government's response to the report			<p>The budget papers already provide detailed information to this end.</p> <p>Both the Budget (Budget Paper No. 2 Strategy and Outlook) and the Budget Update publications detail information on key economic and fiscal risks.</p> <p>Budget Paper No. 5 Statement of Finances also details information on contingent liabilities. This information is prepared in accordance with the principles of Australian Accounting Standard AASB137 Provision, Contingent Liabilities and Contingent Assets.</p>	Not applicable

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
2	<p>Future budget papers explain variations for any component of the budget estimates from one year to the next (including the previous year, budget year and each year of the forward estimates period) where the variation is:</p> <p>(a) close to or over \$1.0 billion; or</p> <p>(b) more than 50 per cent for any item with a value over \$200.0 million.</p>	Yes, consistent with the Government's response to the report	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> publish commentary on both year-on-year trends and movements between previous budget publications to the current budget publication for both revenue and expenditure items.</p> <p>Budget Paper No. 3 <i>Service Delivery</i> also provides a comprehensive outline of the investment in departmental outputs and new policy decisions.</p> <p>Budget Paper No. 4 <i>State Capital Program</i> provides a comprehensive outline of State capital expenditure estimates.</p> <p>Budget paper No. 5 <i>Statement of Finances</i> provides comprehensive detail on the financial forecasts. The Estimated Financial Statements are reviewed by the Auditor-General and are presented in a manner consistent with Australian Accounting Standards, in particular the principles of AASB1049 <i>Whole of Government and General Government Sector Financial Reporting</i>.</p>	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> publish commentary on both year-on-year trends and movements between previous budget publications to the current budget publication for both revenue and expenditure items.</p> <p>Budget Paper No. 3 <i>Service Delivery</i> also provides a comprehensive outline of the investment in departmental outputs and new policy decisions.</p> <p>Budget Paper No. 4 <i>State Capital Program</i> provides a comprehensive outline of State capital expenditure estimates.</p> <p>Budget paper No. 5 <i>Statement of Finances</i> provides comprehensive detail on the financial forecasts. The Estimated Financial Statements are reviewed by the Auditor-General and are presented in a manner consistent with Australian Accounting Standards, in particular the principles of AASB1049 <i>Whole of Government and General Government Sector Financial Reporting</i>.</p>		
3	The Department of Treasury and Finance undertake a review of the budget papers to ensure that all key terms are clearly defined.	Partially		Budget Paper No. 4 <i>State Capital Program</i> contains definitions and style conventions.	Further definitions such as 'cash flows from PPP payments' will be added to the online budget data (DTF website) following the 2014-15 Budget.	PAEC will be notified when this is completed.

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
4	Future budget papers include a discussion of the size of variances from previous forecasts (including those made four years in advance) in discussing forward estimates.	Yes, consistent with the Government's response to the report	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> publish commentary on movements between previous budget publications to the current budget publication for revenue items. Included in the commentary is a discussion on the key drivers of the variance for the budget year and the three forward estimates years.</p> <p>From the time a financial year first appears in the previous year's budget forward estimates, financial estimates for that year are published another seven times. A detailed reconciliation of variations to revenue from one publication to the next is provided as part of budget and budget update publications.</p> <p>In addition, the Government publishes online data sets (www.dtf.vic.gov.au) that show current and previous forecasts for various macroeconomic parameters.</p>	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> publish commentary on movements between previous budget publications to the current budget publication for revenue items. Included in the commentary is a discussion on the key drivers of the variance for the budget year and the three forward estimates years.</p> <p>From the time a financial year first appears in the previous year's budget forward estimates, financial estimates for that year are published another seven times. A detailed reconciliation of variations to revenue from one publication to the next is provided as part of budget and budget update publications.</p> <p>In addition, the Government publishes online data sets (www.dtf.vic.gov.au) that show current and previous forecasts for various macroeconomic parameters.</p>		
5	Future budget papers include a discussion of the impact on revenue and expenditure when macroeconomic indicators are 1 per cent lower than expected.	Yes, consistent with the Government's response to the report	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Appendix A, provides a sensitivity analysis relating to independent variations in major economic parameters. It outlines the impacts of key fiscal aggregates to selected economic indicators being 1 per cent higher or lower than expected.</p>	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Appendix A, provides a sensitivity analysis relating to independent variations in major economic parameters. It outlines the impacts of key fiscal aggregates to selected economic indicators being 1 per cent higher or lower than expected.</p>		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
6	Future budget papers include an analysis of the competitiveness of Victoria's taxation compared to other states.	No, consistent with the Government's response to the report			Sufficiently detailed information is already included in the budget papers about Victorian revenue to enable interstate comparisons. However it is beyond the scope of Victoria's budget papers to publish detailed information about the budget aggregates and other detail of other jurisdictions' budgets such as taxation and other revenue.	Not applicable
7	Once funding arrangements between Victoria and the Commonwealth for the National Disability Insurance Scheme have been finalised, future budget papers clearly specify the impact on the budget.	Yes, consistent with the Government's response to the report	Under a full scheme NDIS, Victoria will commit additional funding from 2016-17 onwards. An estimate has been factored into the expenditure estimates within the 2014-15 Budget. Arrangements and final costs for the full scheme will be known closer to the rollout of the full scheme in 2016. Allocations of additional funding to departments will be published in the budget papers once full costs are confirmed.	Not applicable yet		
8	Future budget papers identify the grants included in the line items labelled 'other' in the break-down of Commonwealth grants for specific purposes.	No, consistent with the Government's response to the report			Payments aggregated into 'other' are aggregated because of the large number of agreements with a small financial value. Where grants are a substantial size, they are separately listed in the budget papers.	Not applicable

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
9	In discussing 'specific purpose grants for on-passing' in future budget papers, the Department of Treasury and Finance identify any Commonwealth grants passed on to bodies outside the state public sector that are not included in 'specific purpose grants for on-passing', and indicate why these amounts have not been included.	Yes, consistent with the Government's response to the report	The budget papers already identify all payments to local governments and non-government schools that are provided as specific purpose grants for on-passing.	The budget papers already identify all payments to local governments and non-government schools that are provided as specific purpose grants for on-passing.		
10	Future budget papers include, when explaining superannuation liability assumptions, information on the estimated numbers of eligible superannuation beneficiaries over the forward estimates period.	No, consistent with the Government's response to the report			Estimates of the number of beneficiaries are provided in the three-yearly payments for on-passing.	Not applicable
11	The budget papers include a discussion and explanation of changes in base funding for departments.	No, consistent with the Government's response to the report			Explanations of movements in departmental funding from year to year are explained and published in individual departmental annual financial reports.	Not applicable
12	Consistent with other forecasts, significant variations in forecasts for government purpose expenditure classifications from one year to another be discussed and explained in the budget papers.	No, consistent with the Government's response to the report			The government purpose classification tables are prepared for purposes of statistical comparison.	Not applicable
13	In future budget papers, the Department of Treasury and Finance explain variations in the growth rate between individual years within the forward estimates period for employee expenses and other significant line items.	Yes, consistent with the Government's response to the report	The budget papers already provide detailed explanations of major expense variations, including those relating to employee expenses.	The budget papers already provide detailed explanations of major expense variations, including those relating to employee expenses.		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
14	The Government reinstate the practice of explaining variances between total expenses from transactions for departments and departmental total output costs.	Yes, consistent with the Government's response to the report	Explanations of variances between total expenses from transactions and departmental total output costs will be published as part of the online datasets.	Explanations of variances between total expenses from transactions and departmental total output costs will be published as part of the online datasets.		
15	When one savings initiative partially or fully replaces an earlier savings initiative, the description given in the budget papers for the new initiative include a statement quantifying relevant savings already made and savings yet to be made in the old initiative.	Yes, consistent with the Government's response to the report	The budget papers already provide detailed information about efficiency measures and other savings.	The budget papers already provide detailed information about efficiency measures and other savings.		
16	The Department of Treasury and Finance update the model report to require departments to list expenditure reduction methods along with data indicating whether expenditure reductions have been achieved through efficiency gains or reductions in service delivery.	No, consistent with the Government's response to the report			Under the output management framework departments are funded for the delivery of outputs, and information on input costs are not reported centrally in the budget papers.	Not applicable
17	Future budget papers indicate both the total impact of savings measures and the impact of each measure on each department.	Yes, consistent with the Government's response to the report	The budget papers already report on the impact of specific departmental initiatives. Where an initiative is a whole-of-government initiative it is appropriate that the impact is explained at a whole-of-government level.	The budget papers already report on the impact of specific departmental initiatives. Where an initiative is a whole-of-government initiative it is appropriate that the impact is explained at a whole-of-government level.		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
18	Future budget papers include a reconciliation between reprioritisation and adjustments and departmental 'existing resources' line items.	Yes, consistent with the Government's response to the report	<p>Budget Paper No.3, <i>Service Delivery</i> identifies each department's existing resources that are reprioritised to fund new initiatives.</p> <p>Budget Paper No 2 <i>Strategy and Outlook</i> provides additional detail about reprioritisations that have occurred over time. The two sections may not be directly comparable, and this is clear in the presentation of Budget Paper No 2.</p>	<p>Budget Paper No.3, <i>Service Delivery</i> identifies each department's existing resources that are reprioritised to fund new initiatives.</p> <p>Budget Paper No 2 <i>Strategy and Outlook</i> provides additional detail about reprioritisations that have occurred over time. The two sections may not be directly comparable, and this is clear in the presentation of Budget Paper No 2.</p>		
19	In future budget papers, the Department of Treasury and Finance improve its discussion of the basis, role and calculation of output contingencies, including a discussion of the reasons for and implications of fluctuations in amounts set aside for future expenditure.	Yes, consistent with the Government's response to the report	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> provide information on the role and basis behind output contingency provisions under the fiscal risk sections. Also, the aggregate level of output contingency provision can be found in both publications; Note 12(b) in Budget Paper No. 5 <i>Statement of Finances</i>, Chapter 1 <i>Estimated Financial Statements and Notes</i> and Note 12(b) in Budget Update, Chapter 5 <i>Estimated financial statements and notes</i>.</p>	<p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Chapter 4 <i>Budget Position and Outlook</i> and Budget Update, Chapter 3 <i>Budget Position and Outlook</i> provide information on the role and basis behind output contingency provisions under the fiscal risk sections. Also, the aggregate level of output contingency provision can be found in both publications; Note 12(b) in Budget Paper No. 5 <i>Statement of Finances</i>, Chapter 1 <i>Estimated Financial Statements and Notes</i> and Note 12(b) in Budget Update, Chapter 5 <i>Estimated financial statements and notes</i>.</p>		
20	The Department of Treasury and Finance, through its guidance materials, require changes to departmental objectives made in the budget papers to be supported by text that provides the rationale for the change and indicates any impacts on departmental service delivery.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will require departments to provide explanations for changes to objectives for inclusion in the budget papers, consistent with the current policy on changes to outputs and performance measures.	Not applicable yet		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
22	The Department of Treasury and Finance work with departments to ensure that all objective indicators included in the budget papers clearly identify and measure impacts on the community rather than outputs or processes.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will work with departments to ensure that in future budget papers objective indicators identify and measure the impacts on the community of departmental activities.	Not applicable		
23	Departments in future budget papers ensure that all objective indicators are clearly quantifiable or measurable.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will continue to work with departments to ensure that in future budget papers objective indicators are clearly quantifiable or measurable.	Not applicable		
24	Future budget papers and annual reports include at least five years' past performance data for each objective indicator, where possible.	No, consistent with the Government's response to the report			The budget papers presently include performance data for three years including the previous year, the budget and forecast for the current year and the coming budget year. Actual performance data for the past five years is published as part of the online data sets for each budget.	Not applicable
25	The Department of Treasury and Finance update the Model Report for Victorian Government Departments to require departments to report on their actual results for all objective indicators stated in the budget papers. The model report should also include a recommended format for presenting this information.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will update the Model Report to require departments to report progress figures for objective indicators.	Not applicable yet		
27	The Department of Treasury and Finance assist departments to review their output titles to ensure they are clear.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will work with departments to ensure that the titles of all outputs are clear and relate to the activities delivered through that output.	Not applicable		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
28	The Department of Treasury and Finance work with departments to ensure that they follow the guidance requiring them to have performance measures reflecting all major initiatives released in future budgets.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will work with departments to ensure that departments follow the guidance requiring them to have performance measures reflecting all major initiatives released in future budgets.	Not applicable		
29	The Government not discontinue the measures listed in Table 7.6 of this report.	Awaiting PAEC response			The Minister for Finance has responded directly to the Chair of the PAEC on the Government's position on the discontinued measures included in Table 7.6 of the Committee's report.	Not applicable
30	The Department of Treasury and Finance continue to review its quality assurance processes to ensure clarity in the relationship between new and discontinued performance measures.	Yes, consistent with the Government's response to the report	The Department of Treasury and Finance will continue to review its quality assurance processes and will work with departments to ensure clarity in the relationship between new and discontinued performance measures.	Not applicable		
31	Future budget papers include an explanation of how the 'cash flows from PPP payments' item is calculated, including whether amounts included in that figure are also included in line items of the financial statements and, if so, which ones.	Yes, consistent with the Government's response to the report	The Government supports the principle that the budget papers include an explanation of how cash flows from PPP payments are calculated. This will be done in a way which ensures commercially sensitive information relating to PPPs under construction remains confidential.	The BP4 Chapter 1 section explains the key components of a PPP transaction.		
32	The causes of variations in the value of 'cash flows from PPP payments' from one year to the next be explained in future budget papers.	Partially			This information will be included in the online budget data (DTF website) following the 2014-15 Budget.	PAEC will be notified when this is completed.

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
33	To enable an understanding of how the Government is achieving its infrastructure investment target, future budget papers disclose the individual components used in calculating the 'Government infrastructure investment' measure across the forward estimates period.	Yes, consistent with the Government's response to the report	The budget papers already provide detailed information on components of the Government's infrastructure program in Budget Paper No. 4, State Capital Program.	The budget papers already provide detailed information on components of the Government's infrastructure program in Budget Paper No. 4, <i>State Capital Program</i> .		
34	Future Annual Financial Reports for the State disclose actual figures for all components of the 'Government infrastructure investment' measure in the reporting year and compare these to forecasts in the budget papers and the previous year's actual results.	Under review, consistent with the Government's response to the report			The Government will consider how best to report components of the Government's infrastructure program in future Annual Financial Reports, taking into account any relevant commercial sensitivities around PPP projects. Government infrastructure investment includes net infrastructure investment and estimated capital cash flows for Partnerships Victoria Projects and excludes one-off fiscal stimulus payments for Nation Building – Economic Stimulus Plan Social Housing component and Building the Education Revolution.	Not able to be specified at this time

Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:		
		How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?	
35	In future budget papers, the Department of Treasury and Finance build on the list of projects funded by investment through other sectors ('investments in financial assets for policy purposes'), by ensuring that: (a) line items in that list can be readily connected to projects listed in Chapter 3 of Budget Paper No.4; and (b) any differences between the estimated expenditure in the list and the estimated expenditure in Chapter 3 are explained.	Yes, consistent with the Government's response to the report	Future budget papers will cross reference 'investments in financial assets for policy purposes' to individual projects listed in Budget Paper No.4 <i>State Capital Program</i> Chapter 3. If there are reasons why these amounts differ, a note will be incorporated to explain any differences. The differences in the two amounts can arise as the Chapter 3 entity amounts can include additional contributions from the entity on top of the 'investment in financial asset' amount.	Future budget papers will cross reference 'investments in financial assets for policy purposes' to individual projects listed in Budget Paper No.4 <i>State Capital Program</i> Chapter 3. If there are reasons why these amounts differ, a note will be incorporated to explain any differences. The differences in the two amounts can arise as the Chapter 3 entity amounts can include additional contributions from the entity on top of the 'investment in financial asset' amount.		
36	Estimated completion dates for projects in future budget papers be aligned with financial years, so that it is clear to the reader which financial year a project is expected to be completed in.	Yes, consistent with the Government's response to the report	Budget Paper No. 4 <i>State Capital Program</i> , Chapter 2 contains, for each project, estimated completion dates aligned with financial years.	Budget Paper No. 4 <i>State Capital Program</i> , Chapter 2 contains, for each project, estimated completion dates aligned with financial years.		
37	The Department of Treasury and Finance revise its definitions in Budget Paper No.4 to explicitly identify terms that are used interchangeably and avoid the potential confusions noted in this report.	Yes, consistent with the Government's response to the report	Budget Paper No. 4 <i>State Capital Program</i> provides clear definitions of technical terms	Budget Paper No. 4 <i>State Capital Program</i> provides clear definitions of technical terms		
38	The Department of Treasury and Finance continue to expand the definitions in Budget Paper No.4, including adding definitions of 'Government infrastructure investment' and 'cash flows from PPP payments'.	Partially			This information will be included in the online budget data (DTF website) following the 2014-15 Budget.	PAEC will be notified when this is completed.

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
40	Following its investigation, the Department of Treasury and Finance implement a system to inform committees about the ultimate decisions on all recommendations initially classified as 'under review'.	No, consistent with the Government's response to the report			Relevant departments are able to provide this information to PAEC in responses to questionnaires.	Not applicable