

RESPONSE TO QUESTIONS TAKEN ON NOTICE
PAEC Inquiry into the 2020-21 Financial and Performance Outcomes
Department of Treasury and Finance

Monday 8 November 2021

- 1. The 2020–21 position of \$72.7 billion net debt as the closing position, is that the worst net debt in Victoria’s history in terms of GSP?**

(Asked by Mr O’Brien Page 3 of the transcript)

Transcript extract:

Mr D O’BRIEN: Thank you, Chair. Good morning, Secretary and team. You just almost finished there on net debt, Secretary, so I might actually start there. The 2020–21 position of \$72.7 billion net debt as the closing position, is that the worst net debt in Victoria’s history?

Mr MARTINE: Thanks for the question. In dollar terms it would be the highest.

Mr D O’BRIEN: I think you said 15.6 per cent of GSP. How is it in GSP terms?

Mr MARTINE: I would have to provide a bit more information on notice, but I understand we have had higher in the past in terms of the proportion of the size of the economy.

Mr D O’BRIEN: Would that have been the early 90s?

Mr MARTINE: Probably.

Mr D O’BRIEN: Okay.

Mr MARTINE: If you even go back, I suspect probably through wartime as well, but in sort of recent memory. But we are happy to provide a bit more detail on notice.

Response

The *2021-22 Budget Paper No. 2, Chapter 1, Chart 1.5*, presents the net debt to GSP ratios at ten-year intervals over the 120 years since Federation for the Victorian non-financial public sector (this includes the consolidated general government sector and public non-financial corporations). It shows that the net debt to GSP ratio for the Victorian non-financial public sector was higher in the first 70 years of Federation compared with today. In more recent times, and for the general government sector only, Victoria’s net debt to GSP ratio for 1992-93 was 16.2 per cent. This is greater than what was published in 2020-21 at 15.6 per cent.

2. **Table 7.5.1 on page 124 of the financial report recently released shows that revaluations boosted the value of land, buildings, infrastructure, plant and equipment by \$29.4 billion in the government sector. Does the revaluation of land impact the calculation of net debt? Was the revaluation done outside the usual five-year process? And if so, why?**

(Asked by Mr O'Brien Page 7 of the transcript)

Transcript extract:

Mr D O'BRIEN: I am going to run out of time, so can I just quickly follow up with one more? Table 7.5.1 on page 124 of the financial report recently released shows that revaluations boosted the value of land, buildings, infrastructure, plant and equipment by \$29.4 billion in the government sector. That means basically that the \$72.7 billion net debt without those real-time revaluations would be more like nearly \$100 billion. Is that a fact? That we have had a very convenient revaluation of public land, for example, that has actually made our net debt position look better than it actually is?

Mr MARTINE: No, that is not correct. Simple answer: revaluation of physical assets does not affect net debt. You will find at the back of the annual financial report, on pages 172 and 173, a useful glossary of technical terms. 'Net debt' is defined as equalling 'the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements'. So the revaluation of land and physical assets obviously affects the balance sheet. It would affect net worth, but it does not affect net debt. That particular revaluation has no impact on the numbers that I quoted earlier.

Mr D O'BRIEN: Was it done outside the usual five-year process? The revaluation?

Mr MARTINE: I would need to take that on notice, what was driving those particular—

Mr D O'BRIEN: And if so, why? If I could get that on notice.

Response

The revaluation of physical non-financial assets does not impact the calculation of net debt. Net debt is defined as equalling the sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements.

As outlined in the *2020-21 Financial Report*, total land, buildings, infrastructure, plant and equipment assets of the Victorian general government sector (GGS) totalled \$195.6 billion as at 30 June 2021. This was an increase of \$21.8 billion from 30 June 2020. Of this increase, around \$7 billion relates to asset revaluations, which impacts the net worth of the GGS but not net debt. The most significant GGS revaluations undertaken during 2020-21 and the associated reasons for each revaluation are outlined in the following table.

Continued on the next page

| (\$ billion) | | |
|-------------------------------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>General government sector</i> | <i>2021</i> | <i>Explanation</i> |
| Department of Education and Training (DET) | 2.8 | This relates to a land revaluation which was done outside the standard five-year revaluation process as the land values had increased by 25 per cent since the previous valuation and hence were required to be revalued per Financial Reporting Direction (FRD) 1031 <i>Non-Financial Physical Assets</i> and to ensure compliance with AASB 116 <i>Property, Plant and Equipment</i> . |
| Department of Environment, Land, Water and Planning (DELWP) | 1.8 | This includes an upward revaluation of physical assets by DELWP and its portfolio agency Parks Victoria. This revaluation exercise was conducted in accordance with the five-year revaluation schedule as per FRD 1031. |
| Department of Jobs, Precincts and Regions (DJPR) | 1.3 | This relates to revaluations by DJPR and its portfolio agencies. This revaluation exercise was conducted in accordance with the five-year revaluation schedule as per FRD 1031. |

3. They [a constituent] looked on your website, and in the economic and financial updates section for the credit ratings it used to put S&P and Moody's credit ratings, but those reports have not been published since 2017. Is there a plan to continue publishing them and updating them, or what is the reason that they have not been updated?

(Asked by Mr Limbrick Page 10 of the transcript)

Transcript extract:

Mr LIMBRICK: Thank you, Chair. Thank you, Secretary and team, for appearing today. I will start with a question that I got from a very switched-on constituent from Dandenong. They looked on your website, and in the economic and financial updates section for the credit ratings it used to put S&P and Moody's credit ratings, but those reports have not been published since 2017. Is there a plan to continue publishing them and updating them, or what is the reason that they have not been updated?

Mr MARTINE: Thanks for your question. I am not sure there is any particular reason why those reports are not there. The reports from S&P and Moody's are public. There is nothing there that is not in the public domain. I am happy to take that on notice and just have a look at our website to see what is there and what has been there in the past.

Response

Moody's reports can be found at www.moody.com and S&P's reports can be found at www.spglobal.com. Moody's and Standard and Poor's reports are proprietary, and the entities no longer provide permission the Department of Treasury and Finance to publicly disseminate their ratings report on the State.

DTF will consider updating the relevant page of the DTF website to point to these websites and to provide non-proprietary information on the State's credit rating.

4. In relation to debt owed to overseas governments – if he chose to, could the government or the minister make public in general terms that information? Is that a specific on the detail, or—and Secretary, you may be aware of the answer to this—can the Treasurer provide any details, even in terms of countries?

(Asked by Mr Newbury Page 16-17 of the transcript)

Transcript extract:

Mr NEWBURY: I am aware of where it is held. My contention is that Victorians deserve to know what overseas governments especially this state owes, and we do not ever get the answer to that.

Mr WHITFORD: The issue is that both Computershare and Austraclear have confidentiality policies which cover client information, which TCV must comply with, and those confidentiality policies for both Computershare and Austraclear say I cannot answer that directly.

Mr NEWBURY: If he chose to, could the government or the minister make public in general terms that information?

Mr WHITFORD: I do not believe so. I guess that would be a legal question. Certainly in the services agreements that we have signed with those two entities, they are the confidentiality agreements.

Mr NEWBURY: Is that a specific on the detail, or—and Secretary, you may be aware of the answer to this—can the Treasurer provide any details, even in terms of countries?

The CHAIR: Sorry to interrupt you there, Secretary. Perhaps that is something that you can take on notice, but the member's time has expired. As we are halfway through the proceedings, I will at this stage call a 10-minute break before we resume.

Response

The records of investors in TCV bonds are recorded in two places:

- TCV's Inscribed Stock Registry – which is operated by Computershare Investor Services Pty Ltd (Computershare). The registry records ownership of TCV's bonds held by non-professional investors who don't settle their transactions through a debt versus payments (DvP) system.
- Austraclear – records details of TCV's wholesale bondholders two ways - either in the name of an individual investor or in the name of nominee or trustee companies.

Both Computershare and Austraclear have confidentiality policies which cover client information with which TCV must comply. Therefore, TCV cannot provide this information directly.

At an aggregated level, TCV is able to summarise its investors as follows (as at 2/11/2021) using data provided by Austraclear:

- International Asset Managers 1%
- Central Banks and Sovereign Wealth Funds 3%
- Domestic Asset Managers 1%
- Domestic Major Bank Balance Sheet 31%
- Other Domestic ADIs 8%
- Domestic Government (Excluding the RBA) 2%
- Reserve Bank of Australia 16%
- Nominees and Custodians 37%.

The raw data reveals that 37% of TCV's investors are registered through nominee or custodian companies. These companies offer services such as account administration, transaction settlements and collection of dividends and interest payments and are used globally by institutional investors. Individual bond holders within these companies are not disclosed.

It should be noted there is significant secondary market trading in TCV bonds to which TCV is not a party that result in the registry changing dynamically.

TCV's dealer panel provides monthly reporting of secondary market turnover by dealer, security and geographical region. TCV uses this data to overlay the raw data to derive an estimate of the underlying investor split:

- International Asset Managers 14%
- Central Banks and Sovereign Wealth Funds 5%
- Domestic Asset Managers 24%
- Domestic Major Bank Balance Sheet 31%
- Other Domestic ADIs 8%
- Domestic Government (excluding the RBA) 2%
- Reserve Bank of Australia 16%.

TCV also estimates the geographical location of major international investors using the dealer panel data. Using turnover as a proxy for holdings, current offshore ownership estimates (as of 2/11/2021) are:

- Europe 5%
- Japan 6%
- non-Japan Asia 5%
- US 2%

These are estimates only.

5. I actually want to first ask about a VAGO report into DELWP insofar as it relates to DTF, and it is the audit on DELWP's performance on biodiversity and threatened species protection. The audit highlighted that: "DELWP's reporting is not comprehensive due to the gaps and flaws in its BP3 and performance reporting frameworks". I believe that relates to DTF's Resource Management Framework. It also highlighted that DELWP's initial budget bid and business case for the state's biodiversity strategy relied on 'generalised evidence and information' and lacked 'evidence-based costings'. So can I ask: what action will DTF be taking as a result of these findings to support DELWP to develop strong BP measures and ensure future biodiversity budget bids are evidence based?

(Asked by Mr Hibbins Page 20 of the transcript)

Transcript extract:

Mr HIBBINS: Thanks, Chair. Thank you, Secretary and your team, for appearing this morning. I actually want to first ask about a VAGO report into DELWP insofar as it relates to DTF, and it is the audit on DELWP's performance on biodiversity and threatened species protection. The audit highlighted that:

DELWP's reporting is not comprehensive due to the gaps and flaws in its BP3 and performance reporting frameworks.

I believe that relates to DTF's Resource Management Framework. It also highlighted that DELWP's initial budget bid and business case for the state's biodiversity strategy relied on 'generalised evidence and information' and lacked 'evidence-based costings'. So can I ask: what action will DTF be taking as a result of these findings to support DELWP to develop strong BP measures and ensure future biodiversity budget bids are evidence based?

Mr MARTINE: Thanks for your question. I have not got the report in front of me, and I would need to remind myself of some of the substance. But just in general terms, we spend quite a bit of time, not surprisingly, in the Treasury analysing proposals coming forward to government for decision-making, and we work with departments to improve the quality of those what we call business cases. So whenever they are coming forward, particularly in the budget context, they are developing business cases to support their funding request. We are a department that places a lot of emphasis on good analysis and information and data, which I think picks up a comment that the Auditor-General has made. It is an ongoing thing, I guess, for us that we just continue to work with departments, particularly on trying to ensure that the evidence base is there to support whatever the funding request is that is coming forward.

Mr HIBBINS: Okay. Thank you. Could you possibly take any more specific information about that particular—

Mr MARTINE: Yes, happy to take anything further on notice.

Response

DTF notes DELWP accepted all of VAGO's recommendations in their Protecting Victoria's biodiversity report, including:

- review BP3 objective indicators and performance measures in consultation with DTF;
- provide updated, comprehensive, scientific and evidence-based advice to the Government on the ongoing resources required to improve the net outlook for threatened species; and
- provide advice to the Government about the investment required to protect and recover prioritised critically endangered species at extreme risk of extinction.

As outlined in the Resource Management Framework (RMF), DTF currently reviews departmental performance statements as part of annual budget processes, including analysis and discussion of content with departments prior to formal submission.

The RMF also notes that investment proposals need to be supported by a business case including sufficient documentation and analysis to support any proposal. DTF engages with departments to assist in developing business cases to ensure the policy rationale and associated request for funding is clearly presented for the Government's consideration.

6. Can I ask now in terms of the revenue that actually has been raised from the EV tax to date? And, if any forecasts have changed as well.

(Asked by Mr Hibbins Page 21 of the transcript)

Transcript extract:

Mr HIBBINS: Can I ask now in terms of the revenue that actually has been raised from the EV tax to date?

Mr MARTINE: I probably need to take that on notice in terms of what was actually received. As you would have noted in the budget papers, we are assuming around that sort of \$9 million to \$10 million per annum. But I am happy to take it on notice to see if we can provide any information on what was actually collected in 2020–21.

Mr HIBBINS: Okay, and if any forecasts have changed as well.

Mr MARTINE: Yes.

Response

The zero and low emission vehicle (ZLEV) distance-based charge came into effect from 1 July 2021. As such, there was no revenue collected in the 2020-21 financial year.

The revenue forecast for the ZLEV distance-based charge has not changed since the latest forecasts in the 2021-22 Budget. Any updates will be included in the upcoming 2021-22 budget update for release in early December.

7. In your questionnaire there was \$1.9 million set aside for VicRoads to administer the tax in 2020–21, but that was not expended in 2020–21. Am I correct?

(Asked by Mr Hibbins Page 21 of the transcript)

Transcript extract:

Mr HIBBINS: Okay. Thank you. Now, in your questionnaire there was \$1.9 million set aside for, I think, VicRoads to administer the tax in 2020–21, but that was not expended in 2020–21. Am I correct?

Mr MARTINE: I just need to double-check. Do you have a page reference, sorry, to the—

Mr BARRETT: It is 89.

Mr HIBBINS: Eighty nine, correct.

Mr MARTINE: Okay. I would need to check whether the \$1.9 million has been provided. Yes, we probably just need to take that on notice about the \$1.9 million.

Response

As reported in the *2020-21 Budget Paper 3*, the budgeted \$1.9 million was provided to the Department of Transport for expenditure in 2020-21 for system development to assist with administering the ZLEV distance-based charge. The ZLEV system was operational from the launch of the charge from 1 July 2021.

8. I understand that the land sales target for 2020–21 was \$100 million, which was, I think, \$50 million less than usual, and I think you got to \$97.13 million. Can I ask how much, if any, of that was raised by the sale of Crown land?

(Asked by Mr Hibbins Page 22 of the transcript)

Transcript extract:

Mr HIBBINS: All right. Thank you for that. I will move on to government land sales. Now, I understand that the land sales target for 2020–21 was \$100 million, which was, I think, \$50 million less than usual, and I think you got to \$97.13 million. Can I ask how much, if any, of that was raised by the sale of Crown land?

Mr MARTINE: I might just see if Mr Loos has got any further information on that.

Mr LOOS: We might have to take that breakdown on notice.

Mr MARTINE: Certainly the land sales activity, given COVID and lockdowns et cetera, was less in 2021, so in aggregate we sold less land. But happy to take on notice a breakdown of how much of that is Crown land versus other.

Response

In 2020-21, land sales revenue was \$97.13 million. This revenue included \$92.94 million from the sale of Crown land and \$4.19 million from the sale of freehold land.

9. Which Government entities expressed an interest to purchase surplus government land in 2020-21 and what were the outcomes?

(Asked by Mr Hibbins Page 22 of the transcript)

Transcript extract:

Mr HIBBINS: Okay, yes. And that is in relation to Crown land. Yes, okay. All right. Thank you. I will ask now more broadly in terms of land sales within 2020–21 basically the number of properties, whether any government departments submitted an expression of interest for those properties and then what the outcomes were of those expressions of interest.

Mr LOOS: Yes. Through the first right of refusal process there are a number of expressions that get submitted, and then we work through them. I can give you a breakdown, but I will have to take it again on notice.

Response

The Department of Environment Land Water and Planning (DELWP) oversees the First Right of Refusal (FROR) process.

DELWP has advised that it received 21 expressions of interest in 2020-21 from government entities seeking to purchase surplus government land.

DELWP also advised that there may have been further expressions of interest that occurred directly between government purchasers and landholding agencies.

10. Which government entities expressed an interest in the sale of 62–64 Alexandra Parade, Clifton Hill? Are you able to provide the Committee with an update on these negotiations or what the outcome was there?

(Asked by Mr Hibbins Page 22 of the transcript)

Transcript extract:

Mr HIBBINS: All right. Thank you. Just on one specific property, and that is the site at 62–64 Alexandra Parade, Clifton Hill, I asked about this, I think, at previous outcomes hearings, and I was informed on notice that there was interest expressed in this property by two government entities and DTF continued to negotiate with one government entity. Are you able to provide the committee with an update on these negotiations or what the outcome was there?

Mr LOOS: Again—sorry—on notice, that one.

Mr HIBBINS: Okay, great. Thank you. And just in terms of the question on notice, I guess I am also talking specifically in terms of expressions of interest by the department of housing and the outcomes of those expressions of interest too.

Mr LOOS: Yes.

Response

A contract of sale has been signed and settlement is scheduled for later in 2021.

Homes Victoria did not express any interest in this site.

11. In the Department of Treasury and Finance questionnaire, page 9, the departmental outcome, number 5, which speaks to the Department's role in supporting the Victorian Government Purchasing Board (VGPB) to bring approximately 125 additional agencies under the oversight of the VGPB. How many agencies are there in total in the public sector? Can you provide a list?

(Asked by Mrs McArthur Page 26 of the transcript)

Transcript extract:

Mrs McARTHUR: I will take you to the Department of Treasury and Finance questionnaire, page 9, the departmental outcome, number 5, which speaks to the department's role in supporting the Victorian Government Purchasing Board to bring approximately 125 additional agencies under the oversight of the VGPB. How many agencies are there in total in the public sector? Can you provide a list?

Mr MARTINE: That is a very good question. Certainly one of the procurement reforms is to bring, as you mentioned, about another 150 agencies into oversight of the VGPB. I probably need to take on notice how many government agencies in total actually exist.

Mrs McARTHUR: You do not know that answer?

Mr MARTINE: I would need to take it on notice. Effectively we have three government sectors. So you have got the general government sector, you have got the public non-financial corporations sector and you have got the public financial corporations sector. There is, from memory, in the AFR a list of government entities.

Mrs McARTHUR: Too many government sectors perhaps, do you think?

Mr MARTINE: On page 169 there is accounting note 9.8, a list of controlled entities which goes on for three pages. I am happy to take it on notice and get someone to add them up, but there are three pages worth of controlled entities.

Response

The Annual Financial Report for the State of Victoria each year contains a table that details the significant controlled entities which have been consolidated for the purposes of the financial report. The table includes 271 controlled entities, which report under one of 12 parent entities. The entities in the table may include additional consolidated entities, for which only the parent entity has been listed. For the 2020-21 financial year, the table of controlled entities can be found at Chapter 4, Table 9.8, Pages 169 -171,

<https://www.dtf.vic.gov.au/sites/default/files/document/2020-21%20Financial%20Report.pdf>

12. How many agencies are required to conduct procurement under the VGPB? What is the total procurement for 2021? How many Victorian government agencies are not bound by VGPB policies and procedures? What do you estimate their combined output, capital, and expenditure to be?

(Asked by Mrs McArthur Page 26-27 of the transcript)

Transcript extract:

Mrs McARTHUR: So how many agencies are bound to conduct procurement in accordance with Victorian Government Purchasing Board requirements, and what would you estimate their combined 2020–21 output and capital expenditure to be?

Mr MARTINE: In terms of total procurement? Well, the VGPB guidelines apply to all departments, so all departments are governed by the requirements of the Victorian government procurement board. Total procurement for 2020–21—I am just seeing if I have got it in my notes. I do not think I have got that information with me, unless anyone else—actually I need to take it on notice.

Ms PORTHOUSE: Through state procurement contracts it is \$1.2 billion. On the question you asked about the number of entities that will be covered, it would be 150. The additional 125 would make 150, all up, agencies that are required to be covered by the VGPB rules in future.

Mrs McARTHUR: Also, in relation to these public sector agencies, how many are not bound by Victorian Government Purchasing Board policies and procedures, and can you provide a list of all the agencies that are not bound by these VGPB policies, guidelines and attestations?

Mr MARTINE: I am happy to provide the list. I will make the important point, though, that all departments are bound by the requirements.

Mrs McARTHUR: All departments? Okay. Thank you. And what would you estimate their combined 2020–21 output in capital expenditure to be?

Mr MARTINE: Including capital? Once again I would need to take that on notice to break down the aggregate numbers. Effectively the bulk of portfolio spending is undertaken by the departments. You do find in budget paper 5 at budget time each department prepares their own set of financial statements. It breaks down at a departmental level what their net operating result is expected to be for 2020–21. It is broken down by portfolio, so that provides information in terms of total spend, which includes capital as well.

Response

As at 30 June 2021, 35 entities were required to conduct goods and services procurement under the VGPB policy framework. Procurement by these agencies is outlined in the VGPB Annual Report. Table 15 on page 41 of the VGPB Annual Report shows that in 2020–21, the agencies reported 1 231 procurement contract approvals (with an approved contract value greater than \$100 000) with a total combined value of \$2 753.6 million. Further information on procurement for these agencies can be found in the Procuring Goods and Services section on pages 37-52.

<https://content.vic.gov.au/sites/default/files/2021-10/Victorian-Government-Purchasing-Board-Annual-Report-2020---21.pdf>

As noted above, controlled entities are listed in the Annual Financial Report. From 1 July 2021, the VGPB expansion program will bring in around another 125 agencies. These are agencies that are

currently subject to the Standing Directions, which have existing compliance requirements under the *Financial Management Act 1994* (FMA). Note that under the FMA, the VGPB only has oversight over goods and services procurement. The agencies that are subject to the VGPB expansion program can be found on the Buying for Victoria website at <https://www.buyingfor.vic.gov.au/goods-and-services-mandated-agencies>

Analysis of the *2020-21 Annual Financial Report* shows that in 2020-21 the Victorian Government spent \$24.8 billion on goods and services and \$15 billion on public construction and infrastructure.

13. How much money will the new VGPB initiatives save? What impact will it have on regional businesses (social procurement)?

(Asked by Mrs McArthur Page 27-28 of the transcript)

Transcript extract:

Mrs McARTHUR: Secretary, the purpose of the Victorian Government Purchasing Board's new mandated policy for contracts for goods and services, which applies to all 35 government departments and also the 125 government agencies, is to save money. How much money will it save?

Mr MARTINE: We have done some analytical work. As Ms Porthouse mentioned, we manage 17 SPCs with a total spend of about \$1.2 billion. So as part of making assessments on the renewal of SPCs we go through a process to identify what savings would materialise with the SPC versus not having an SPC. We have done some work—I am not sure if we have got any information here today to provide, but I am happy to provide on notice what savings have come from the 17 SPCs worth of the \$1.2 billion spend.

Mrs McARTHUR: Okay. So what impact will this have on regional businesses?

Mr MARTINE: In what?

Mrs McARTHUR: In the social procurement policy.

Mr MARTINE: There should not be any adverse impact on regional businesses. In fact one of the recent SPCs that we renewed was for banking. The new banking arrangements under the new banking SPC: we have now moved from just solely Westpac to include Commonwealth Bank of Australia and the National Australia Bank, and what that means in terms of regional footprint is it is going to provide collectively from the Commonwealth Bank and National Australia Bank access to over 140 additional regional bank branches. So that is on top of the 36 Westpac branches in the regions and 466 post offices spread across regional Victoria. So that particular SPC, for example, will actually provide more of a footprint and services to regional Victoria.

Ms PORTHOUSE: I can add to that too. The benefits for suppliers will be simpler and more consistent tender processes for small, medium and local businesses; proactive market engagement to help identify new suppliers; more information that is released sooner through forward activity plans; simplified contracts presented in plain English; timely and relevant feedback; and more opportunities becoming available for suppliers to work in regional areas as more agencies transition to the state purchase contracts.

Mrs McARTHUR: Just weeks before the policy took force the Victorian Regional Chamber Alliance noted that not one single regional or rural business was on the mandated list. These are smaller businesses already disproportionately impacted by the various diversity requirements which make government procurement so hard for smaller and regional firms. So how many companies are now on the list? And in that regard, how much money is being lost from the regional economy by these cost savings?

Mr MARTINE: So it probably varies by SPC. But are you talking about—to clarify—the social procurement framework? That has now been transferred across to DJPR, so they now administer the social procurement framework. So if it is a question specifically about—

Mrs McARTHUR: No. On the Victorian Government Purchasing Board mandated list no regional or rural businesses were listed.

Mr MARTINE: I would need to check.

Ms PORTHOUSE: Yes, we will take that on notice and check and come back to you.

Response

The VGPB expansion program will bring the coverage of the goods and services procurement policy framework in line with that applicable to construction and social procurement. There are many benefits to the reform including greater consistency in procurement policies, practices, and enhanced oversight and accountability of public expenditure. The expansion program may also provide benefits associated with greater aggregation of spending through State Purchase Contracts. 2020-21 benefits delivered as a percentage of the \$1.2 billion expenditure by agencies under DTF managed state purchase contracts, including reduced and avoided costs was 6.3%. It is anticipated that these benefits will increase as VGPB expansion agencies commence transition into the State Purchase Contracts from 31 December 2021 through to 31 December 2023.

The expansion program will provide a range of benefits for suppliers, including regional businesses. These include simpler and more consistent tender processes that will help small, medium, and local businesses supply to government, more information released sooner through forward activity plans, timely and relevant feedback offered to all suppliers and more opportunities becoming available for suppliers to bid for work in regional areas as more agencies transition to the state purchase contracts.

There is no one single supplier list for State Purchase Contracts. Each SPC has its own structure, timing and supply base. Some of these are open panel arrangements which means suppliers can submit a tender at any time.

All suppliers, including regional suppliers, are encouraged to register on the Buying for Victoria supplier portal to view and respond to procurement opportunities as they arise. Examples of engagement with regional suppliers include:

- The Print SPC which is a managed service supplier model that allows for engagement of SMEs and regional suppliers through the life of the contract.
- The Travel SPC which does not mandate inter-Victorian accommodation and car rental and this allows for the engagement of regional suppliers.
- The Marketing Services Register is an open arrangement with regional suppliers available.
- The Staffing Services SPC utilises suppliers with regionally based offices.

14. ...the state purchase contract in operation from 1 October this year is requiring local healthcare and education groups in regional Victoria to use one of the big three banks, as you have just outlined, for their transactional banking customer payment and collection services. How much is this measure intended to save?

(Asked by Mrs McArthur Page 28 of the transcript)

Transcript extract:

Mrs McARTHUR: So going back to banks—I am so pleased you raised them—the state purchase contract in operation from 1 October this year is requiring local healthcare and education groups in regional Victoria to use one of the big three banks, as you have just outlined, for their transactional banking customer payment and collection services. How much is this measure intended to save?

Mr MARTINE: We did quite a thorough process of renewing the SPC on banking, so I might just see if Mr Loos, who was involved in the assessment, has anything in particular to add on that.

Mr LOOS: The process we ran was allowing, as the Secretary mentioned, more than one bank to come in to provide a greater number of services and also to make sure that the actual banks compete with themselves, with the product offerings that departments and agencies require. I will have to take on notice a savings number, but we certainly, from the process and the panel arrangement, were very happy with the range of services offered and the pricing that has come forward, and you can see the competition in providing the services coming through to benefits.

Response

The new Banking and Financial Services State Purchase Contract (Banking SPC) commenced on 1 October 2021, with a six-month transition period currently in progress.

On establishment of the Central Banking System (CBS) the annual savings were estimated to be \$125 million. The new panel arrangement is expected to generate savings which will be captured progressively throughout the life of the contract from either State Purchasing Entities coming into the Banking SPC or transitioning services between panel providers to obtain better for value money outcomes.

In addition to the potential savings, the new Banking SPC will provide better access to alternative products, services and innovations, increased supplier competitive tension, reduced risk of losing access to services where they may become redundant with one provider, reduction in transition risk and increased access to wider reporting capabilities.

Along with reducing the cost of banking, the new Banking SPC expands the number of bank branches that government agencies and citizens can access across regional Victoria from 36 to 176. The new Banking SPC also continues to provide government agencies and citizens the ability to access the banking services provided by 460 Australia Post branches across regional Victoria.

While all government agencies have been mandated to use the new Banking SPC, the Government continues to allow agencies who have raised funds from their local community to hold these funds with a bank of their choice.

15. Prior to COVID-19 all departments and a number of agencies were required to conduct base reviews. Can you provide a table detailing who conducted each base review?

(Asked by Mrs McArthur Page 29 of the transcript)

Transcript extract:

Mrs McARTHUR: Prior to COVID-19 all departments and a number of agencies were required to conduct base reviews. Can you provide a table detailing who conducted each base review?

Mr MARTINE: We can provide that on notice, yes.

Response

The following three consultants undertook the 2019 Reviews:

- Boston Consulting Group Limited;
- McKinsey & Company; and
- PricewaterhouseCoopers Consulting (Australia) Pty Ltd.

This information is also disclosed under the *DPC Consultancies valued at \$10,000 or greater 2019-20* section of *The Department of Premier and Cabinet Annual Report 2019-20*.

16. Going back to 2017, how many first home buyers have benefited from the concessions and exemptions?

(Asked by Mr Richardson Page 31 of the transcript)

Transcript extract:

Mr RICHARDSON: Thank you very much for that response. Just finally in this section of questioning, first home buyers are also, as we touched on, eligible for stamp duty concessions or exemptions for properties under \$750 000. I am wondering if you have got any data on how many first home buyers have benefited from this initiative since July 2017 and how much stamp duty first home buyers have saved as a result of this concession.

Mr MARTINE: I will probably need to take that on notice going back to 2017 but, as I answered to your earlier question, in the 2020–21 year alone we are looking at 54 000 first home buyers have benefited from both the exemption and the concession or both, but I am happy to take on notice to put together the data that goes back to 2017.

Response

From 1 July 2017 until 30 June 2021 there have been over 157,700 land transfer duty transactions that have received a first home buyer concession or exemption. The total value of these concessions and exemptions is over \$2.7 billion.

Over the same period, over 54,000 First Home Owner Grants have been provided with a total value of over \$700 million.

The combined value of these exemptions, concessions and grants over this time frame is over \$3.4 billion.

These numbers only relate to the number of transactions and grants, and not buyers, as individuals may purchase properties together (for example couples). Property transactions may receive a concession/exemption and a grant.