

Government Responses to the Recommendations of
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S
102nd Report on the 2011-12 Budget Estimates – Part Three

DEPARTMENT OF TREASURY AND FINANCE

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 102nd Report.

Guide for Readers - Following is the explanation of the format of this paper.

1 Title		
2 Chapter number and topic		
1 PAEC Recommendation	2 Response	3 Action Taken to Date and Commitment to Further Action

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains the PAEC's recommendations as published in its 102nd report (part 3)

Column 2: Indicates the Government's response to each recommendation:

Support – Commitments to further action should include target timeframes, where possible.

Under review – Details of the nature of the review should be provided as well as target timeframes, where appropriate.

Not support – Must be accompanied by an explanation.

Column 3: Provides an explanation of the Government's position on the recommendation; indicates the actions that have been taken to date, relevant to the implementation of the recommendation; and outlines commitment to further action, relevant to the implementation of the recommendation.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 1, Chapter 1.2.4 Timeliness of responses (Page 4)		
In future years, ministers ensure that departments' budget estimates questionnaires are returned by the specified deadline.	Support	Ministers will ensure that information required is provided by the specified deadline.
Recommendation 2, Chapter 1.2.4 Timeliness of responses (Page 4)		
The Government ensure that, in the future, responses to questions on notice and further information agreed to be provided are supplied in a timely manner.	Support	Refer to response in Recommendation 1.
Recommendation 3, Chapter 3.2.4 Budget Paper No. 3 (2011-12 Service Delivery) (Page 39)		
As more formal policies are released by the Government, additional information be provided in the service delivery budget paper detailing the relationship between departmental outputs, new initiatives and Government policies and objectives.	Support	The Department of Treasury and Finance (DTF) has improved the relationship between departmental outputs and new initiatives by including the descriptions of the new initiatives and details of which outputs these impact, in Budget Paper No. 3 <i>Service Delivery</i> . DTF is also investigating ways of improving the description of the relationship between departmental outputs and objectives and will continue to seek to improve this in future budget papers.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 4, Chapter 3.2.4 Budget Paper No. 3 (2011-12 Service Delivery) (Page 39)		
Future service delivery budget papers explain the impact on each department's outputs of changes in the amounts of funding available for the department.	Support	<p>The Government supports the principle of this recommendation.</p> <p>The amount of new funding available to departments for each budget is included as part of Budget Paper No. 3 <i>Service Delivery</i>. Chapters 1 (<i>Election commitments</i>) and 2 (<i>Other output, asset investment and revenue initiatives</i>) contain information reflecting both the newly funded departmental asset and output initiatives and the amount of funding committed towards these initiatives. In 2011-12, additional financial information was included in Budget Paper No. 3, Chapter 3 <i>Departmental output statements</i>, on the income departments receive from transactions and the Parliamentary authority for resources. These tables were presented for increased transparency and ease of comparison with the departmental output summary tables. The departmental output summary tables include information on the cost of delivering departmental outputs for the budget year and the previous year. Departments are required to report on changes between years of more than five per cent. Explanatory details are also included in the output statements tables for new performance measures, and measures that departments propose to discontinue.</p> <p>No further action is required.</p>
Recommendation 5, Chapter 3.2.4 Budget Paper No. 3 (2011-12 Service Delivery) (Page 40)		
Future service delivery budget papers provide commentary on any significant differences between the total income from transactions and the Parliamentary authority for resources.	Support	The Department of Treasury and Finance (DTF) has included information in Budget Paper No. 3 <i>Service Delivery</i> detailing the income from transactions for departments and their parliamentary authority. DTF will seek to improve this linkage by adding commentary on significant differences in future budget papers.
Recommendation 6, Chapter 3.2.4 Budget Paper No. 3 (2011-12 Service Delivery) (Page 40)		
Future service delivery budget papers include the 'expenses from transactions' section of the departmental operating statements, along with commentary on how changes in expenditure relate to changes in the outputs.	Support	<p>The Government supports the principle of this recommendation. However, further work is required to test the feasibility of its implementation.</p> <p>The merits of including extracts of information from other budget papers, in Budget Paper No. 3 <i>Service Delivery</i>, is under review and will be considered for 2012-13 and future budget papers.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 7, Chapter 3.2.6 Budget Paper No.5 (2011-12 Statement of Finances) (Page 42)

<p>Future 'statement of finances' budget papers include significantly more information about the terms used in the financial statements and more explanations for the line items, as has occurred previously, through a glossary and/or an expanded 'statement of significant accounting policies and forecast assumptions'.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>The Government is committed to increased transparency and accountability, including through greater use of technology and streamlining of published information. As noted by the Committee, detailed material, such as the glossary of terms which is readily available in the most recent publication of the Annual Financial Report (AFR) of the State, have been referred to rather than reproduced, to improve the readability of Budget Paper No. 5 <i>Statement of Finances</i>.</p> <p>Similarly, as the accounting policies are also largely unchanged since the publication of the most recent AFR, a reference to the detailed accounting policies disclosed in the AFR was considered appropriate. This approach was undertaken after consideration of practices adopted by other jurisdictions such as the Commonwealth, New South Wales and Western Australia in their budget papers. To assist readers' understanding of the budget papers, DTF has also, in consultation with the Victorian Auditor-General's Office, reviewed the previous forecast assumption disclosures and identified those that have a material impact on the financial performance and position of the State. Materiality provides an objective threshold for determining the level of information and disclosures that ensure the provision of meaningful and relevant information to users without reducing transparency.</p> <p>No further action is required.</p>
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Recommendation 8, Chapter 3.2.6 Budget Paper No.5 (2011-12 Statement of Finances) (Page 42)

<p>Future 'statement of finances' budget papers list all controlled entities which have been consolidated for the purposes of the report.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>Following a review to enhance the readability of the budget, only new controlled entities or changes to controlled entities are now listed in the budget papers. However, a list of significant controlled entities is still published in the Annual Financial Report (AFR) and this is clearly cross-referenced in Budget Paper No. 5 <i>Statement of Finances</i>. The AFR is available on the Department of Treasury and Finance (DTF) website.</p> <p>The Government is committed to more transparency and accountability, including through greater use of technology and streamlining of published information. Therefore, to further improve disclosure, this information will also be made available as part of the online data set complementing the budget papers, which may be updated on a more regular basis.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 9, Chapter 3.2.6 Budget Paper No.5 (2011-12 Statement of Finances) (Page 42)		
<p>Future 'statement of finances' budget papers include a high level analysis for each department of its operating statements, including explanations for significant variations from the prior year.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>Budget Paper No. 2 <i>Strategy and Outlook</i>, Appendix A, contains a reconciliation of the estimates from the previous budget update and provides explanations for variations. This explains key movements since the most recent published estimates and provides users with explanations on significant variations across all departments.</p> <p>However, the Department of Treasury and Finance will consider these opportunities to improve the quality and level of analysis provided for each department, for inclusion in Budget Paper No. 5 <i>Statement of Finances</i>.</p>

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Recommendation 10, Chapter 3.3.1 The geographic distribution of funding (Page 45)		
<p>Future budget papers provide detail about the geographic distribution of new initiatives, including:</p> <ul style="list-style-type: none"> (a) detailing the major initiatives and total funding for each specific region of Victoria (including metropolitan Melbourne); (b) linking those initiatives to the key issues affecting each region; and (c) differentiating funding for regional cities from funding for rural Victoria. 	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>The Department of Treasury and Finance (DTF) currently works with departments to identify (a) key service drivers, their impacts and appropriate government responses, and (b) key asset needs and appropriate government responses for the eight Victorian government regions, to the extent possible given that the regions are not uniformly defined across all departments. This information is developed and updated on an annual basis by departments in their planning processes, which consider short to long-term service delivery requirements. It is used to provide context for budget deliberations and to identify asset budget proposals that align with key service drivers and asset needs.</p> <p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. The 2011-12 <i>Budget Overview</i> included a section on regional and country Victoria, providing details of new funding for regional health, transport and other regional initiatives. Reforms to the annual State budget publications will be considered as part of the 2012-13 budget process, and in the context of the findings and recommendations of regular reviews conducted by DTF. The presentation of the geographic distribution of new initiatives, including the details of new initiatives for specific regions (metropolitan, rural and regional) and how these initiatives link to the key issues for each region, will be considered as part of these reviews. Spatial analysis of service delivery requirements currently undertaken by departments in the development of long term plans could be more explicitly referenced in future budget publications to identify the evolving service needs impacting on each Victorian Government region and details of major initiatives to address these changing needs. DTF will work with departments to implement any identified reforms for budget papers and/or online information.</p> <p>No further action is required.</p>

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Recommendation 11, Chapter 3.4 The budget papers and international better practice (Page 47)		
The Government consider modifying future budget papers to meet those criteria set out in Table 3.4 that it currently only partially meets.	Not support	<p>The Department of Treasury and Finance (DTF) will consider the following potential modifications to the budget papers:</p> <p><u>Revenue and expenditure</u></p> <p>Page 49 – The budget is developed on an output basis (rather than on a program basis). Budget Paper No. 3 <i>Service Delivery</i> provides information on all output initiatives including those additional to the Government’s election commitments. It also details the goods and services (outputs) that each government department intends to deliver during the budget year. Departmental output statements enable the assessment of departments’ service delivery. Performance measures are also provided to describe the cost of each output, the quantity of output units, the expected level of quality, and the timelines of service delivery.</p>
	Support	<p>Page 50 – The Government supports the principle of this recommendation. Budget Paper No. 5 <i>Statement of Finances</i> currently presents departmental statements by Government Purpose Classification in the <i>Estimated Financial Statements</i> (EFS). It also includes an outline of major state revenue categories and Commonwealth grants, as well as an overview of tax expenditures and concessions. Data is not currently collected at a lower level to provide a greater break-down of functions. No further action is required.</p>
	Under review	<p><u>Economic assumptions</u></p> <p>Page 51 – For DTF’s economic forecasts, the interest rate assumptions used currently follow the forecasts prepared by the Treasury Corporation of Victoria (TCV) for its forecast period and remain constant thereafter. DTF would be open to describing its interest rate assumptions provided that it was clear it was purely a forecast and was not attempting to comment on the future stance of monetary policy. DTF also uses information from TCV on forward contracts for Victorian Government bonds to estimate expenses associated with new borrowings. Given this represents a material assumption and does not provide direct commentary on monetary policy, DTF is open to publishing these estimates as part of Note 1 in the EFS. This will be reviewed prior to the 2013-14 budget.</p>
	Not support	<p><u>Systems and responsibilities</u></p> <p>Page 52 – The Finance Minister is not responsible for the EFS. Currently, the EFS is issued by the Treasurer consistent with the requirements of sections 23H-23K of the <i>Financial Management Act 1994</i>, and is reviewed by the Victorian Auditor-General’s Office. The Treasurer is responsible for tabling the EFS in the Parliament.</p>

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	Support	<p><u>Macroeconomic and fiscal policy objectives</u> Page 52 – As noted by the Committee, a clear linkage between Government objectives and the funding provided in the budget is important for transparency. As new policies are announced, DTF will consider appropriate ways to enhance the level and the quality of information provided in the budget papers to link policy objectives with expenditure.</p>
	Under review	<p><u>Fiscal information facilitates policy analysis and promotes accountability</u> Page 53 – As noted by the Committee, DTF provides summary budget information in the <i>Treasurer's Speech</i>, the <i>Victorian Budget Overview</i>, and the introduction to each budget paper. DTF will investigate options to provide further information on the key budget elements to enhance useability in the 2012-13 budget.</p>
	Support	<p><u>Independent external scrutiny of fiscal information</u> Page 54 – The Government supports the principle of this recommendation. DTF, the Australian Bureau of Statistics (ABS) and the Commonwealth Grants Commission (CGC) have developed a Tripartite Memorandum of Understanding setting the obligations of each party ensuring, among other matters, that data integrity is maintained. As part of the quality assurance process, DTF informs and consults with the ABS on major data issues, treatments and economic events; changes to classifications, government organisation structures, and systems and processes. No further action is required.</p>
Recommendation 12, Chapter 3.5 The cost of developing the Budget (Page 56)		
The Department of Treasury and Finance develop and implement processes for identifying the cost of producing the budget papers in future years.	Not support	The Department of Treasury and Finance considers that estimating the costs of producing the budget (including the budget papers) is not practical and would result in a significant increase in the costs of producing the budget when applied to contributions from across the Victorian Government.

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Recommendation 13, Chapter 4.1 Break-down of general government sector total output funding for 2011-12 (Page 61)

<p>In addition to quantifying the funding provided for new initiatives released in that year's budget, future budget papers also indicate the expected expenditure in that year on initiatives from previous budgets and the amount of departments' base funding, and reconcile these amounts with the total expenditure on outputs.</p>	<p>Not support</p>	<p>The disclosure of changes to output expenditure for all current initiatives in future budget papers is not practical and would substantially increase the cost of producing the budget due to the volume of previously approved initiatives,. This approach is consistent with the principles of output budgeting, which represents the culmination of planning and resource allocation decision making processes and discloses performance measures to specify outputs.</p> <p>However, the Government will consider other ways of including more information on how the expenses in departmental financial statements relate to output costs and how best to provide information on expenditure on previous years' budget initiatives.</p>
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Recommendation 14, Chapter 4.3.1 Overall trends for the general government sector (Page 66)

<p>Future budget papers explain the reasons for significant changes in the total value of new output initiatives in that budget compared to previous budgets.</p>	<p>Support</p>	<p>Budget Paper No. 2, Chapter 3 <i>Budget position and outlook</i>, provides information on the current fiscal context of the budget and shows where the priorities lie for government spending over the forward estimates. The amount of new funding available to departments for each budget is included as part of Budget Paper No 3 <i>Service Delivery</i>. The introduction of Chapters 1 (<i>Election commitments</i>) and 2 (<i>Other output, asset investment and revenue</i> initiatives) contain information reflecting both the newly funded departmental asset and output initiatives and the amount of funding committed towards these initiatives.</p> <p>The Department of Treasury and Finance will continue to outline the total value of new output initiatives in Budget Paper No. 2 <i>Strategy and Outlook</i>, with a narrative on Government priorities and individual new output initiatives as well as explanatory commentary in Budget Paper No. 3. This will ensure consistent information is available to the public and will enable comparisons of the total value of new output initiatives across years.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 15, Chapter 4.4.1 Hospital Operations Growth Funding (Page 72)

<p>Future budget papers list new funded activities as separate output initiatives when substantial amounts of funding are provided and where it is possible and meaningful to cost the activity separately from other activities.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation. However, further work is required to test the feasibility of its implementation.</p> <p>The Department of Treasury and Finance will review the current presentation of output initiatives in the lead up to the 2012-13 budget, and introduce where possible further refinements to the presentation of this information.</p> <p>The Government provides funding to departments for the provision of outputs as defined in Budget Paper No. 3 <i>Service Delivery</i>. As part of the budget presentation where additional funding has been provided to a department, the purpose of funding has been outlined and the particular output(s) impacted have been identified within Budget Paper No. 3.</p>
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Recommendation 16, Chapter 4.4.3 940 protective services and 1,700 new frontline police (Page 77)

<p>Where asset initiatives from previous budgets are re-focused so that significantly different products are being delivered, this re-focusing should be clearly stated in the budget papers.</p>	<p>Support</p>	<p>In general, asset initiatives are not re-focused so that significantly different products are being delivered. However, the Department of Treasury and Finance will include an explanation via additional text or a footnote in Budget Paper No. 4 <i>State Capital Program</i> to disclose any re-focussing as appropriate.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 17, Chapter 4.4.3 940 protective services and 1,700 new frontline police (Page 78)		
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<p>The Department of Justice's benefit analysis and evaluation of the deployment of the additional police and protective service offices be undertaken in a timely manner and the results published on the Department's website.</p>	<p>Support</p>	<p>The Department of Justice is working with Victoria Police and the Department of Transport to develop an evaluation framework for the Protective Services Officers (PSOs). The Department of Justice is also working with Victoria Police to ensure that mechanisms are in place to evaluate the impact of the 1700 additional police across the state, and to maximise alignment with existing data sets.</p> <p>This evaluation work is in a preliminary phase. The additional Police and PSOs are to be deployed from 2011 – November 2014, and evaluation is expected to take place toward the end of the roll-out when there are sufficient additional numbers deployed to measure the impact. The mode of reporting has not yet been determined.</p>
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Recommendation 18, Chapter 4.4.4 Regional Growth Fund (Page 81)		
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<p>The Department of Planning and Community Development develop performance measures for the Regional Growth Fund which measure its performance relative to the stated intended outcomes. These measures should be included in the 2012-13 budget papers and beyond.</p>	<p>Support</p>	<p>A set of baseline performance measures for the Regional Growth Fund (RGF) were included in the 2011-12 Budget Paper No. 3 <i>Service Delivery</i> within the Regional Development and Regional Cities output for the Department of Planning and Community Development. Performance targets for 2012-13 have been forecast and will form part of the 2012-13 budget papers. Furthermore, an evaluation framework has been developed to guide comprehensive performance measurement of RGF and subsidiary programs, with a focus on the first four years of fund investments. The evaluation framework will guide the reporting, monitoring and evaluation of the RGF in order to measure achievement against its stated goals and objectives.</p> <p>The RGF evaluation framework will provide the foundation for a series of monitoring and evaluation activities to track progress towards the RGF key performance measures. These activities will be applied across all key RGF sub-programs.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 19, Chapter 4.4.4 Regional Growth Fund (Page 81)

<p>Longer-term performance measures be developed to assess the effectiveness of the Regional Growth Fund relative to its long-term goals. The performance of the fund relative to these measures should be evaluated and publicly reported after an appropriate length of time.</p>	<p>Support</p>	<p>The Regional Growth Fund (RGF) evaluation framework has been designed to measure the Fund's progress toward achieving its long-term goals of a prosperous and thriving regional Victoria and improved quality of life for regional Victorians. The evaluation framework incorporates a set of key performance measures to assess the effectiveness of RGF outcomes in achieving these goals. Ongoing reporting and evaluation activities will measure the economic and social impacts of the RGF across local government areas, geographic regions and the State.</p> <p>A series of evaluation activities will occur across the RGF and its subsidiary programs. These ongoing activities will track performance of the fund relative to its key performances measures and will include annual performance reviews, a mid-term externally conducted evaluation (2012-13) and a final evaluation at the completion of the first four years of funding (2014-15). The high-level results of these reviews will be made publicly available.</p>
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Recommendation 20, Chapter 4.5.3 Disclosure of savings in the budget papers (Page 91)

<p>Departmental annual reports disclose any impacts on service delivery of budget savings measures.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>The impact on service delivery of budget decisions (including savings measures, growth funding, election commitments and indexation etc) are reflected in the changes to the services to be delivered or in changes to performance measures and targets. These expected impacts are already disclosed within Budget Paper No. 3 <i>Service Delivery</i>, as appropriate.</p> <p>No further action is required.</p>
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Recommendation 21, Chapter 4.5.4 Output initiatives funded for the same amount in each year of the forward estimates (Page 93)

<p>For initiatives where funding is expected to reduce in real terms over the forward estimates but where demand is not expected to decline, the Government should indicate in the budget papers whether it is expecting departments to achieve efficiencies or reduce services.</p>	<p>Not support</p>	<p>The budget papers provide details of the scope and cost of new initiatives and an outline of the services they provide. Details associated with efficiencies are provided only for the current budget year.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 22, Chapter 4.5.4 Output initiatives funded for the same amount in each year of the forward estimates (Page 93)		
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<p>If the Government intends to encourage departments to achieve efficiencies by providing a number of initiatives with the same (nominal) amount of funding over the forward estimates period, the budget papers should clearly indicate that this is the Government's intention, quantify the savings target in real terms and provide details of how departments are expected to achieve these efficiencies.</p>	<p>Not support</p>	<p>The budget papers provide details of the scope and cost of new initiatives and an outline of the services they provide. Details associated with efficiencies are provided only for the current budget year.</p>
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Recommendation 23, Chapter 4.6.1 Output initiatives that are a continuation of the previous year (Page 94)		
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<p>Future budget papers clearly identify initiatives that continue programs released in previous budgets.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation. However, further work is required to test the feasibility of its implementation.</p> <p>In the 2012-13 budget papers the Department of Treasury and Finance will identify opportunities to disclose funding which has been provided to departments to continue lapsing programs announced in previous budgets.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 24, Chapter 4.6.2 Reprioritisation and adjustments of resources (Page 95)		
<p>Details of the programs and departments from which funding is reprioritised in a budget, along with the impact of reduced funding in those areas, should be provided in future budget papers or the supporting budget data sets located on the Department of Treasury and Finance's website.</p>	<p>Not support</p>	<p>Departments are funded on a global basis in the annual appropriation acts and ministers have the ability to reprioritise funding from differing areas within their portfolio department. If the reprioritisation of funding has a significant impact on service delivery this is reflected in the changes to output performance measures and is required to be appropriately footnoted in Budget Paper No. 3 <i>Service Delivery</i>.</p>
Recommendation 25, Chapter 5.2.1 Terminology used to describe annual asses spending estimates (Page 102)		
<p>Rather than using the terms 'asset' 'infrastructure' and 'capital' interchangeably throughout the budget papers, the Department of Treasury and Finance adopt a common term for budgetary reporting purposes. If the use of a number of terms is to be continued, they should be explained in a glossary to the budget papers.</p>	<p>Support</p>	<p>The Department of Treasury and Finance seeks to continuously improve the readability and understanding of the budget papers. However, the use of differentiating terms is required for accuracy of meaning (for example, not all assets are infrastructure). These terms will be explained in a glossary in the relevant budget paper.</p>

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Recommendation 26, Chapter 5.2.2 Presentation in the budget papers (Page 103)		
<p>The Department of Treasury and Finance disclose in the budget papers a reconciliation of the differing estimates for annual asset spending that are presented throughout the budget papers, including definitions of the terms used to describe the components.</p>	Support	This will be incorporated into the 2012-13 budget papers.
Recommendation 27, Chapter 5.2.2 Presentation in the budget papers (Page 104)		
<p>To assist with reconciling figures, the Department of Treasury and Finance include in Budget Paper No.4 a line item for each department that aggregates the TEI, the estimated expenditure up to the budget year, the estimated expenditure in the budget year and the remaining expenditure on:</p> <ul style="list-style-type: none"> (a) asset projects with a TEI of less than \$250,000; (b) projects where the planned expenditure in the budget year is less than \$75,000; and (c) capital grants paid to other sectors. 	Support	This will be incorporated into the 2012-13 budget papers.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 28, Chapter 5.2.2 Presentation in the budget papers (Page 104)

<p>The Department of Treasury and Finance explain the basis of accounting that has been applied in developing material disclosed in each budget paper.</p>	<p>Support</p>	<p>Generally, monetary estimates are prepared on an accrual basis unless stated otherwise, as per the accounting policy disclosed in Budget Paper No. 5, Chapter 1 <i>Estimated financial statements</i>. The Department of Treasury and Finance will ensure that any exceptions to this are appropriately disclosed.</p>
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Recommendation 29, Chapter 5.2.2 Presentation in the budget papers (Page 107)

<p>Where the total for new asset initiatives shown in Budget Paper No.3 differs from the estimated capital expenditure on new projects for a department disclosed in Budget Paper No.4, the Department of Treasury and Finance explain the difference in the budget papers.</p>	<p>Support</p>	<p>New asset initiatives funded in the annual budget and reflected in Budget Paper No. 4 <i>State Capital Program</i> should align to information disclosed in other budget papers. In circumstances where this does not occur, the Department of Treasury and Finance will ensure these are appropriately disclosed.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 30, Chapter 5.3.3 Aggregate funding for new asset initiatives released in the 2011-12 Budget (Page 109)		
<p>Future budget papers compare the total value of new asset initiatives released in that budget to the total value of new asset initiatives released in previous budgets, and explain significant variations.</p>	<p>Under review</p>	<p>Variations between years in the total value of new asset investments is impacted by the priorities of the Government. The explanation for variances between years is a reflection of these priorities and the need to improve and/or extend the capital stock.</p> <p>However, where one year is impacted by a significant asset investment this will need to be identified appropriately. The presentation of aggregate data on the total value of new assets and previous budgets will be considered for inclusion in the 2012-13 budget papers, as appropriate. Other methods of presenting this information will also be reviewed, such as publication on the Department of Treasury and Finance website as part of the supplementary data provided with the budget papers.</p>
Recommendation 31, Chapter 5.3.3 Aggregate funding for new asset initiatives released in the 2011-12 Budget (Page 110)		
<p>The Department of Treasury and Finance aggregate the funding of all new asset initiatives that has been approved in the budget, compare this total to the associated total estimated investment that has been committed to in the budget and disclose the balance that is to be funded in future budgets.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>Budget Paper No. 4 <i>State Capital Program</i> discloses remaining asset expenditure beyond the budget year.</p> <p>Asset investments are approved on a total estimated investment basis and as such the aggregates equal each other. However, there are times when the asset expenditure for individual projects may span a number of financial years outside the published forward estimates. Such cases are explained or disclosed by footnote or in Budget Paper No. 3 <i>Service Delivery</i>. The Department of Treasury and Finance will continue to ensure such instances are disclosed.</p> <p>No further action is required.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 32, Chapter 5.3.3 Aggregate funding for new asset initiatives released in the 2011-12 Budget (Page 111)		
<p>To provide a more comprehensive publication for informing the Parliament and the community about the remaining expenditure connected with asset projects which is yet to be funded, the Department of Treasury and Finance disclose in the budget papers an estimate for each asset project of when:</p> <p>(a) the project is planned to be completed; and</p> <p>(b) funds are to be allocated to fully fund the project.</p>	<p>Support</p>	<p>See response to Recommendation 31. Further to this response, consideration will be given to including information on the planned completion date of approved asset investments in future budget papers, where appropriate.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 33, Chapter 5.3.3 Aggregate funding for new asset initiatives released in the 2011-12 Budget (Page 113)

<p>In relation to the initiative to devolve control over major capital works to Victorian schools and school principals, the Department of Education and Early Childhood Development:</p> <p>(a) develop a risk management plan to cover the risks involved in implementing this initiative, including the need for a strong corporate governance function;</p> <p>(b) disclose the cost of administering the initiative, including the provision of training; and</p> <p>(c) arrange for individual schools to report the additional costs incurred in the procurement function, as well as the benefits derived.</p>	<p>Support</p>	<p>The Department of Education and Early Childhood Development has introduced new processes to allow schools to be more engaged in the management of their capital works projects, in line with the Government's policy directions. Schools can choose to either:</p> <ul style="list-style-type: none"> • lead their projects with support from the Department; • lead their project in partnership with the Department; or • ask the Department to lead their projects. <p>The implementation of the new capital works processes will include ongoing assessment of the risks and development of risk mitigation strategies. The Department will work with schools to evaluate the new processes, including an assessment of the costs and benefits.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 34, Chapter 5.3.4 Major asset initiatives (Page 115)		
<p>The Department of Health implement a monitoring regime to oversee the development of asset projects undertaken by the smaller country health services and funded through the Rural Capital Support Fund.</p>	<p>Support</p>	<p>The Rural Capital Support Fund will be allocated to projects via a grants program. Submissions will be sought annually from eligible health services. The Department has prepared guidelines that articulate the proposal requirements. Submissions will be rigorously assessed to ensure the projects strengthen and sustain existing rural and regional health services.</p> <p>The Department of Health currently employs a comprehensive monitoring regime for the development and delivery of all asset projects, regardless of their size. The projects funded through the Rural Capital Support Fund will be subject to the existing monitoring regime.</p>
Recommendation 35, Chapter 5.3.4 Major asset initiatives (Page 115)		
<p>The Department of Health report in the latter years of the forward estimates on the use of moneys provided to the smaller country health services through the Rural Capital Support Fund, including the difference that such funding has made to the delivery of health services in country Victoria.</p>	<p>Support</p>	<p>In addition to the regular and comprehensive reporting undertaken as part of the normal operation of the Asset Investment Program, the Department of Health will report specifically on the progress and effectiveness of the Rural Capital Support Fund projects. Projects will be rigorously assessed to ensure they strengthen and sustain existing rural and regional health services.</p> <p>This reporting will commence in 2013-14 and will focus on how each project has delivered on the benefits identified as part of the original proposal submission and any other benefits derived as part of the project.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 36, Chapter 5.3.4 Major asset initiatives (Page 116)

<p>To enhance accountability, the Department of Transport release a timetable disclosing when new trains are to be progressively running on Melbourne's transport network.</p>	<p>Under review</p>	<p>Contracts for the delivery of new trains to the operators can sometimes only specify dates for first and last trains or tranches of trains. As a result, the Department of Transport is not in a position to provide specific timelines for when each new train will enter revenue service. However, within these constraints the Department will consider publishing broad delivery timeframes for new trains.</p> <p>The Department of Transport will continue to provide delivery timeframes and project information for the procurement of new rolling stock online at <www.transport.vic.gov.au>.</p>
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Recommendation 37, Chapter 5.3.4 Major asset initiatives (Page 117)

<p>To enhance accountability, the Department of Education and Early Childhood Development release a timetable disclosing when the construction of new schools in major growth areas is to be completed.</p>	<p>Support</p>	<p>The Department of Education and Early Childhood Development will provide completion details for new school construction, when these are available, on its website.</p>
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Recommendation 38, Chapter 5.3.4 Major asset initiatives (Page 117)

<p>In future budget papers, major asset initiatives be listed separately rather than aggregated.</p>	<p>Support</p>	<p>This will be incorporated into the 2012-13 budget papers; where feasible, projects will be disaggregated and separately identified.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 39, Chapter 5.4 Cost pressures associated with high-value and high-risk infrastructure projects (Page 118)		
<p>The Department of Treasury and Finance disclose in the 2011-12 Budget Update a complete analysis of any significant cost overruns in the State's asset projects.</p>	<p>Support</p>	<p>Identified cost pressures to major projects in the State's asset program was not published in the 2011-12 Budget Update.</p> <p>This information will be incorporated into the 2012-13 budget papers. Where possible, explanations for cost overruns will be provided unless commercial negotiations may be adversely affected by the disclosure at that particular point in time.</p>
Recommendation 40, Chapter 5.4 Cost pressures associated with high-value and high-risk infrastructure projects (Page 119)		
<p>Where previously planned implementation timeframes developed for the current budget year have had to be revised for projects experiencing cost pressures, the budget papers disclose details relating to these revised timelines and the reasons for the re-scheduling.</p>	<p>Support</p>	<p>This will be incorporated into the 2012-13 budget papers.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 41, Chapter 5.4 Cost pressures associated with high-value and high-risk infrastructure projects (Page 121)		
<p>With regard to the high-value and high-risk asset projects that are to be subject to the enhanced planning and governance processes, to achieve greater transparency, the Department of Treasury and Finance develop:</p> <p>(a) a strategy for listing the high-value and high-risk asset projects in the budget papers in descending order according to the level of risk, as identified by the risk assessment tool applied by the Department;</p> <p>(b) performance measures that enable an assessment to be made about how these projects are tracking according to the approved budget, established timelines and quality standards of construction; and</p> <p>(c) clear linkages between these asset initiatives and their intended service delivery outcomes.</p>	<p>Under review</p>	<p>High Value High Risk (HV/HR) projects are defined as projects with a Total Estimated Investment (TEI) of greater than \$100 million, and/or projects identified by the Government as high risk. The aim is to strengthen the rigour of project review and approval processes, which includes seeking the approval of the Treasurer for projects at key stages of project development.</p> <p>The Government will consider options for the disclosure of information relating to HV/HR projects where appropriate, although this is not expected to be able to be completed in time for the 2012-13 budget.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 42, Chapter 5.6.1 Sources of funding (Page 123)		
The Department of Treasury and Finance disclose in the budget papers a break-down of the sources of funding for asset investment projects that distinguishes between Commonwealth specific-purpose funding and State allocations.	Support	Budget Paper No. 4 <i>State Capital Program</i> already distinguishes Commonwealth funded projects from State funded projects in the road, rail and TAFE sectors. Where feasible, future budget papers will breakdown similar project funding in other sectors.
Recommendation 43, Chapter 5.6.1 Sources of funding (Page 128)		
Future budget papers covering the State Capital Program disclose which projects have contributed to the asset funding carryover to the budget year.	Not support	Asset initiatives are impacted by a number of factors that affect the timing of delivery and the need for the carryover of appropriation funding. During any financial year asset projects may have the cash flows re-phased to better align with likely completion dates. Asset funding carryovers are also not finalised until the completion of the financial year under normal circumstances. Note 37 (k) of the Annual Financial Report discloses the amounts approved for carryover from the previous financial year by department.
Recommendation 44, Chapter 5.6.1 Sources of funding (Page 128)		
The Department of Treasury and Finance explain in the budget papers the reasons for any major movements in contingency provisions over the forward estimates period.	Support	The Department of Treasury and Finance (DTF) publishes commentary on major movements for infrastructure investment, which includes the unallocated capital provision, over the forward estimates (Budget Paper No. 2, Chapter 3 <i>Budget position and outlook</i>). The Government is committed to increased transparency in the use of public funds. DTF will seek to enhance commentary on major movements over the forward estimates in the capital provision approved but not yet allocated (contingency for asset projects) in the budget papers for the general government sector.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 45, Chapter 5.6.3 Asset investment projects procured through Partnerships Victoria arrangements (Page 130)		
In relation to asset investment projects provided through public private partnerships, the Department of Treasury and Finance disclose in the budget papers the individual asset investment projects procured through Partnerships Victoria arrangements.	Support	Under the Department of Treasury & Finance's (DTF) High-Value High-Risk framework, the capital expenditure of newly funded public private partnerships (PPP) projects is disclosed, as well as existing major projects that are subject to significant budgetary and or delivery risk (2011-12 Budget Paper No. 4, <i>State Capital Program</i>). More details on the finance lease values of PPP projects can be found in note 33 of the Victorian Annual Financial Report. DTF supports a reinstatement of the listing of individual PPP projects in their various phases.
Recommendation 46, Chapter 5.6.3 Asset investment projects procured through Partnerships Victoria arrangements (Page 130)		
The Department of Transport provide commentary in its annual report on the status of all asset projects under review, including details relating to funding and re-scheduling where applicable.	Under review	Options to include this information in the Department's 2012-13 Annual Report or online on the Department of Transport website will be explored. As part of its contribution to the State's budget papers, the Department provides details, where necessary, for projects that are under review by Government and will explore options for this in the annual report or online at < www.transport.vic.gov.au >.
Recommendation 47, Chapter 6.2.3 Payroll tax (Page 137)		
The Department of Treasury and Finance quantify in the budget papers the assumptions factored into the calculation of the payroll tax revenue budget compared to the previous year.	Support	In the 2011-12 Budget suite of publications, the online data set included a description of how payroll tax is modelled. This largely reflects movements in employment and average weekly earnings, together with a fiscal drag factor to accommodate small businesses becoming liable for payroll tax as their wage bill rises. This information is planned for publication in the 2012-13 budget and DTF will enhance the commentary around economic drivers of tax revenue.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 48, Chapter 6.2.5 Taxes on insurance (Page 142)		
<p>For the revenue category 'sales of goods and services', the Department of Treasury and Finance disclose in the budget papers a comparison of the current budget for its component items to actual revenue for the most recent year and the revised estimate for the prior year.</p>	<p>Support</p>	<p>The Department of Treasury and Finance (DTF) currently publishes comparisons of sales of goods and services for its component items between actuals in the Annual Financial Report, and between budget and revised budget for the current budget year in the budget update. As noted by the committee, a comparison of the current budget for its component items to actual revenue for the most recent year, and the revised estimate for the prior year, is not available.</p> <p>DTF supports the committee's recommendation for further disclosure of comparisons of the components of sales of goods and services between the budget year, the revised estimates for the prior year, and the most recent actuals. The Department will explore options to disclose this information in future budget publications.</p>
Recommendation 49, Chapter 6.3 Policy initiatives in the 2011-12 Budget (Page 142)		
<p>To assist in better understanding of the impact of policy initiatives in the Budget, the Department of Treasury and Finance classify revenue initiatives that result in revenue foregone to the Government as 'revenue foregone initiatives' in the budget papers.</p>	<p>Support</p>	<p>The Department of Treasury and Finance supports classifying revenue forgone to the Government in future budget papers.</p>
Recommendation 50, Chapter 6.4 Changes to the economic climate (Page 147)		
<p>To enhance understanding of the fiscal implications of the predicted economic outlook, the Department of Treasury and Finance present in the budget papers a summary in a tabular form of the economic factors that have influenced the major revenue items.</p>	<p>Support</p>	<p>For the 2011-12 Budget, the online data set included descriptions of the economic drivers of taxation revenue. The economic drivers were also briefly discussed in Budget Paper No 5, Chapter 4 <i>State revenue</i>.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 51, Chapter 6.4 Changes to the economic climate (Page 149)		
<p>In terms of the presentation of 'Other Commonwealth Grants' in the budget papers, the Department of Treasury and Finance differentiate between:</p> <p>(a) grants for specific purposes and grants for on-passing; and</p> <p>(b) grants that are ongoing and those that are one-off in nature.</p>	Support	<p>The Government supports the principle of this recommendation. However, further work is required to test the feasibility of its implementation.</p> <p>Other Commonwealth Grants is a combination of a number of minor grants provided to the State. The Department of Treasury and Finance will review the presentation of this information in Budget Paper No. 5 <i>Statement of Finances</i> to better improve the transparency surrounding this item in the 2013-14 budget.</p>
Recommendation 52, Chapter 6.4 Changes to the economic climate (Page 149)		
<p>The Department of Treasury and Finance explain in the budget papers all significant movements in Commonwealth funding between the latest revised estimate and the current Budget.</p>	Support	<p>Note 5 of the Budget Paper No. 5, Chapter 1 <i>Estimated financial statements</i> disclosed separately the total value of specific purpose grants for on-passing, and grants for specific purposes. Further disclosure beyond that already presented in <i>Table 4.10: Payments for specific purposes and grants for on-passing</i> (Chapter 5, Budget Paper No. 5) will not add significant value for the reader of this content.</p> <p>Further explanation of movements in Commonwealth funding is also provided in Budget Paper No.2, Appendix A <i>Operating statement reconciliation</i>, which explains at a high level the movements in Commonwealth Specific Purpose Grants since the estimates previously published (2011-12 Budget Update).</p> <p>The Department of Treasury and Finance (DTF) will continue to disclose this information and explain the key drivers in changes to Specific purpose payments (SPP) between previous published information.</p> <p>SPPs are impacted by a number of factors that impact the timing of payments. During any financial year SPPs may be re-phased to better align with projects' revised completion dates and the Commonwealth's financial objectives. As such, in considering an appropriate response to this recommendation, DTF will consider the level of explanation for what is deemed a significant movement in SPPs in future publications.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 53, Chapter 6.5.3 One-off grants from the Commonwealth (Page 152)		
<p>Future budget papers continue to disclose the effect of removing one-off Commonwealth grants on the net results from transactions for previous years, the budget year and the forward estimates.</p>	<p>Under review</p>	<p>The Department of Treasury and Finance will consider in the preparation of the 2012-13 budget papers the appropriateness of continuing to disclose the impact of major one-off Commonwealth grants on the State's net result from transactions in future budget papers. The winding down of the Nation Building and Jobs Plan, and subsequently the cessation of these major one-off Commonwealth capital grants, has reduced the need for disclosure and the significance of this measure.</p>

Recommendation 54, Chapter 6.5.3 One-off grants from the Commonwealth (Page 154)		
<p>The Department of Treasury and Finance disclose, by way of the supporting budget data sets that accompany the budget papers, a reconciliation of how grants for specific purposes received from the Commonwealth for the general government sector will be distributed to individual departments, together with a trail of how this funding can be traced to departmental output and financial statements.</p>	<p>Not support</p>	<p>The Department of Treasury and Finance considers that existing disclosure in the budget papers, together with data presented in departmental annual reports, offers sufficient information on Commonwealth grants.</p> <p>The Commonwealth specific purpose payments are provided across five broad banded groupings for the Victorian Government to spend in those areas.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 55, Chapter 6.6 Changes to Commonwealth legislation (Page 155)		
<p>To enable interested parties to understand the status of unresolved matters that could have a material effect on the State's budget, the Department of Treasury and Finance establish a dedicated page on its website that contains an up-to-date commentary on the status of these matters and their potential impact on the Budget.</p>	<p>Not support</p>	<p>As outlined in the PAEC Report, it is difficult to estimate the budgetary impact of unresolved matters, particularly those beyond the control of the Victorian Government. There is a strong likelihood that the publication of up-to-date commentary on the status of unresolved matters that may have a material impact on the State's budget may ultimately mislead interested parties. Known risks that may have a material effect on the estimated financial statements are contained in Budget Paper No. 2, Chapter 2 <i>Economic context</i>, Budget Paper No. 2, Chapter 3 <i>Budget position and outlook</i>, Budget Paper No. 5, Chapter 6 <i>Contingent assets and contingent liabilities</i>.</p>
Recommendation 56, Chapter 6.7 Competitiveness of Victoria's taxation system (Page 156)		
<p>The Department of Treasury and Finance supplement the disclosure of revenue items in the budget papers by including measures of the competitiveness of Victoria's taxation system compared to the other Australian states and territories.</p>	<p>Under review</p>	<p>Measuring tax competitiveness is a difficult issue because it needs to consider the burden of taxation on various groups and the total amount collected. The Department of Treasury and Finance is assessing the merits of a suite of tax competitiveness measures, but which of these measures are preferred will not be finalised until after the 2012-13 budget.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 57, Chapter 6.8.3 Analysis of net debt levels (Page 160)		
<p>The Department of Treasury and Finance disclose in the budget papers its debt management strategy and detail the measures, including targets, that are to be employed to ensure the successful implementation of the strategy.</p>	<p>Support</p>	<p>In the 2011-12 Budget, Budget Paper No. 2, Chapter 3 <i>Budget position and outlook</i>, a fiscal strategy was outlined to reduce net debt and bring the Government's finances to a more sustainable footing. In the 2011-12 Budget Update, the measures taken to address the high growth in expenses and improve the operating result to restore a fiscal buffer against future economic downturns are detailed in Appendix A <i>Specific policy initiatives affecting the budget position</i>. Further, in Chapter 1 <i>Economic and fiscal overview</i>, the overall effect of those initiatives on the fiscal aggregates is summarised.</p> <p>The Department of Treasury and Finance will continue to publish details of any future measures taken to implement the Government's debt management strategy.</p>
Recommendation 58, Chapter 6.8.3 Analysis of net debt levels (Page 160)		
<p>The Department of Treasury and Finance include in the budget papers a comparison of Victoria's ratio of net debt to GSP to the other states and territories.</p>	<p>Not support</p>	<p>The publication dates of annual budgets in other jurisdictions do not align with Victoria's. Up to date information will not be available from other jurisdictions in time for the Victorian Government to present this in the budget publication. In addition, most jurisdictions do not publish estimates of nominal GSP.</p> <p>The Department of Treasury and Finance currently publishes the forecast net debt to GSP figures in the budget (2011-12 Victorian Budget, Budget Paper No. 2, Chapter 3 <i>Strategy and outlook</i>, page 22).</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 59, Chapter 6.9.2 Concessions (Page 167)		
<p>The Department of Treasury and Finance ensure that the diagrammatic breakdown of estimated concessions in the budget papers reflects the current budget year.</p>	<p>Support</p>	<p>The 2011-12 budget papers included a chart of the estimated composition of concessions by category for 2010-11.</p> <p>The 2012-13 budget papers will update the chart to reflect the estimated composition of concessions by category for 2012-13. This will clearly show any changes to concessions as a result of budget initiatives.</p>
Recommendation 60, Chapter 7.3.1 Expenditure by department (Page 178)		
<p>Future budget papers show a breakdown of the estimated expense described as 'regulatory bodies and other part funded agencies' in Note 12(b) to the general government sector operating statement.</p>	<p>Not support</p>	<p>This recommendation is not supported as it would not add value nor enhance the readability of the budget papers. However, for future budget papers the Department of Treasury and Finance (DTF) will consider if a more appropriate way of disclosing this information is possible to ensure the appropriate balance between readability and disclosure. DTF will also need to consider the availability of information for all agencies.</p>
Recommendation 61, Chapter 7.3.1 Expenditure by department (Page 178)		
<p>Future budget papers itemise the composition of the major deduction figures shown as 'eliminations and adjustments' in Note 12(b) to the general government sector operating statement</p>	<p>Not support</p>	<p>This recommendation is not supported as it would not add value nor enhance the readability of the budget papers. However, for future publications the Department of Treasury and Finance will consider options for improving disclosures around the composition of eliminations and adjustments.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 62, Chapter 7.3.1 Expenditure by department (Page 178)

<p>In the budget papers or the online supporting budget data sets, the Department of Treasury and Finance break down the 'eliminations and adjustments' figure by department.</p>	<p>Not support</p>	<p>Refer to response to Recommendation 61.</p>
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Recommendation 63, Chapter 7.3.2 Comparison of departments' mix of expense types (Page 180)

<p>Departments which pass on large amounts of grants for specific purposes should give consideration to including performance measures in the budget papers to assess the departments' effectiveness at managing service delivery through grants.</p>	<p>Support</p>	<p>The Department of Treasury and Finance supports consideration of this recommendation for future budget papers. Performance measures associated with output delivery are constantly under review to improve the transparency and reporting of departmental effectiveness in managing service delivery.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 64, Chapter 7.3.3 Variations in departments' expenditure in certain categories between 2010-11 and 2011-12 (Page 181)		
<p>Future budget papers provide explanations for major changes (between the budget year and the revised estimates for the previous year) to the estimated expenditure in each of the categories into which expenditure is broken down in the departmental operating statements.</p>	<p>Under review</p>	<p>The presentation and discussion of departmental estimates in the budget papers is under constant review and this will be considered for the 2012-13 budget papers when planning the commentary to be provided by departments for inclusion in Budget Paper No. 5, Chapter 3 <i>Departmental financial statements</i>.</p>
Recommendation 65, Chapter 2.7 7.3.3 Variations in departments' expenditure in certain categories between 2010-11 and 2011-12 (Page 184)		
<p>In future responses to the Committee's budget estimates questionnaires, the Parliamentary Departments ensure that they provide accurate and complete responses to questions seeking explanations for variances in expenditure.</p>	<p>N/A</p>	<p>The Department of Parliamentary Services will respond directly to Parliament in relation to this recommendation.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 66, Chapter 7.3.4 Expenditure on outputs (Page 185)

<p>In future budget papers, where a department's total expenses from transactions differs from its total output cost, details be provided which:</p> <ul style="list-style-type: none"> (a) quantify the difference; and (b) explain what the expenditure not accounted for in the output cost is. 	<p>Support</p>	<p>The Department of Treasury and Finance will work with departments to provide additional details under the relevant tables to explain any significant differences (greater than five per cent) between the output cost summary table and the total expenses from transactions table from Budget Paper No. 5 <i>Statement of Finances</i>.</p>
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Recommendation 67, Chapter 7.3.5 Employee expenses (Page 187)

<p>The 2012-13 budget papers detail the effects of enterprise bargaining agreements established in 2011-12, including:</p> <ul style="list-style-type: none"> (a) quantifying the effects of the agreements on estimates for 'employee expenses'; and (b) detailing any productivity savings targets established as part of the process. 	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>The Department of Treasury and Finance advises that the <i>Estimated financial statements</i> will reflect the updated estimates for the impact of the new Enterprise Bargaining Agreements and any other factors having an effect on employee expenses.</p> <p>No further action is required.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 68, Chapter 7.3.6 Other operating expense (Page 193)		
<p>Future budget papers contain a more detailed break-down of the expense category 'other operating expenses' than is currently provided. In developing a more detailed break-down, the Department of Treasury and Finance should consider the sub-categories used in the Department of Innovation, Industry and Regional Development's 2009-10 Annual Report.</p>	<p>Support</p>	<p>The Department of Treasury and Finance will assess opportunities to further disaggregate the 'other operating expenses' for future budget papers, and will consider presentation methods used in other government department reports. The timing of implementing this recommendation will be influenced by data availability and collection time requirements.</p>
Recommendation 69, Chapter 7.3.6 Other operating expense (Page 193)		
<p>Any changes to the sub-categories into which 'other operating expenses' are broken down in the budget papers be matched by equivalent improvements in the reporting of actual expenditure in the annual financial report for the State.</p>	<p>Support</p>	<p>The presentation of the actual expenditure of 'other operating expenses' in the annual financial reports will be aligned to the sub-category format used in the estimates.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 70, Chapter 7.3.6 Other operating expense (Page 194)		
<p>The model financial report for departments be modified to recommend the use of the same sub-categories to break down 'other operating expenses' that are developed for use in the budget papers and annual financial report for the State.</p>	<p>Support</p>	<p>The presentation format of the note disclosure for 'other operating expenses' in the Model Report will be aligned to the format of the equivalent note in the corresponding budget papers and the Annual Financial Report for the State.</p>

Recommendation 71, Chapter 7.3.7 Investigations to be conducted in 2011-12 (Page 197)		
<p>The cost, outcomes, impact on Government policy decisions and impact on forward expenditure of reviews, inquiries, studies, audits and evaluations commissioned by the Government be explained in future budget papers or in a separate report referenced in the budget papers.</p>	<p>Support</p>	<p>The Government supports the principle of this recommendation.</p> <p>The cost, outcomes, impact on Government policy decisions and impact on forward expenditure of reviews, inquiries, studies, audits and evaluations commissioned by the Government are reflected in the budget papers which detail the funding of new initiatives.</p> <p>No further action is required.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 72, Chapter 7.4 Contingencies (Page 199)		
<p>In presenting details of the drawdowns from contingency provisions in future annual financial reports for the State, the Government adopt the format used to account for use of the Advance to the Treasurer in the appropriation bills.</p>	<p>Under review</p>	<p>The Department of Treasury and Finance (DTF), when preparing the Annual Financial Report (AFR), publishes information on the payments from Advance to Treasurer (2010-11 Annual Financial Report, Chapter 4, Note 37 <i>Public Account</i>). When requesting access to funds from the unallocated operating expense contingency, departments must seek supplementation via an Advance to Treasurer.</p> <p>DTF will continue to publish details of allocations from contingencies to departments associated with payments from Advance to Treasurer (which includes payments for unallocated operating expenses), and will consider ways of improving the presentation of adjustments of the contingency provisions for the 2011-12 AFR.</p>
Recommendation 73, Chapter 7.4 Contingencies (Page 199)		
<p>In future annual financial reports for the State, the notes accompanying the financial statements break down expenditure both by department and by purpose, to complement the equivalent disclosure in the budget papers.</p>	<p>Under review</p>	<p>While this level of disclosure is not required under the Accounting Standards, the Department of Treasury and Finance will review how to better disclose this information in the 2013-14 budget papers.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 74, Chapter 7.4 Contingencies (Page 200)		
<p>Future budget papers and budget updates specify how much of the allowance for 'contingencies not allocated to departments' is released to pay for new initiatives and 'policy decision variations' when:</p> <p>(a) quantifying the net impact of new output initiatives; and</p> <p>(b) reconciling the forward estimates to previously published estimates.</p>	Under review	<p>The Department of Treasury and Finance (DTF) publishes the impact of 'policy decision variations' at gross levels in budget papers and budget updates, with release of contingency provisions for policy decisions shown separately in as part of 'other administrative variations'.</p> <p>DTF will continue to publish the impact of 'policy decision variations' at gross levels in future budget papers and budget updates, with the release of contingency provisions for policy decisions shown separately as part of 'other administrative variations'.</p> <p>DTF will also look further into opportunities in the 2012-13 budget to enhance disclosure of these amounts released from 'contingencies not allocated to departments' to fund new policy decisions.</p>
Recommendation 75, Chapter 8.2.2 Commonwealth funding in 2011-12 (Page 207)		
<p>Where there is a significant discrepancy between the estimate of Commonwealth grants for Victoria in the Victorian budget papers and the Commonwealth budget papers, the Department of Treasury and Finance publish a document on its website indicating what impact that difference will have on the budget.</p>	Support	<p>The Government supports the principle of this recommendation.</p> <p>Currently, significant changes in Commonwealth Government grants paid to Victoria are referenced in the budget update each year following publication of the Commonwealth budget.</p> <p>No further action is required.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 76, Chapter 8.4 The impact of changes at the Commonwealth level in 2011-12 (Page 213)		
<p>The Department of Transport publish details, as soon as they are known, of the impacts of the deferrals of Commonwealth funding for the Regional Rail Link, including quantifying the additional costs that will be incurred as a result and how those costs will be met.</p>	<p>Under review</p>	<p>The Department of Transport is currently finalising project timelines and costs. The revised timeline and costs will be published once approved and announced by the Government.</p>
Recommendation 77, Chapter 8.5.1 State-based reform agenda (Page 215)		
<p>Any policy developed as part of the State-based reform agenda clearly indicate any correlation between the State objectives and targets and the targets and objectives established as part of the COAG Reform Agenda.</p>	<p>Support</p>	<p>To date, Budget Paper No. 2 <i>Strategy and Outlook</i> has outlined Victoria's commitment to the development of a state based reform agenda.</p> <p>The Department of Treasury and Finance will work with departments to identify any correlation between state and COAG reform agendas in the Government's response to VCEC's inquiry into a state-based reform agenda. This is due to be released within six months of VCEC's final report, which was received in January 2012.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 78, Chapter 8.6 Progress on implementing the framework for federal financial relations (Page 216)		
<p>The Department of Treasury and Finance detail more precisely in future budget papers the extent of policy alignment between the State Government and the COAG Reform Agenda, including the extent to which performance measures and targets align or differ.</p>	<p>Under review</p>	<p>To date, Budget Paper No.3 <i>Service Delivery</i> has included departmental output performance measures that are appropriate to Victoria with high level linkages to the COAG Reform Agenda with Budget Paper No. 2 <i>Strategy and Outlook</i> outlining Victoria's state-based reform agenda.</p> <p>COAG performance measures and targets under National Agreements are currently being reviewed by COAG working groups. COAG will consider the revised indicators according to a staggered workplan from March 2012. The Department of Treasury and Finance (DTF) is seeking to ensure that the revised indicators are consistent with those used in the Victorian budget. Upon COAG agreement to the revised indicators, DTF will need to consider how the budget papers could best accommodate a comparison between performance measures and targets. Any changes will need to be mindful of the different COAG Reform Council reporting timeframes and the integration of the COAG Reform Agenda's outcomes framework with the Victorian budget's output reporting model.</p>
Recommendation 79, Chapter 9.4.1 Bushfire response (Page 228)		
<p>The Department of Justice reassess the performance measures in its Emergency Management Capability output to reflect the impact of the additional funding provided for this output.</p>	<p>Support</p>	<p>The Department has recently completed a comprehensive desktop review of output measures utilised by all Australian states and territories and is in the process of determining a suitable suite of measures for consideration and endorsement.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 80, Chapter 9.4.1 Bushfire response (Page 228)		
<p>Once the details and priorities for the Safer Electricity Fund are established, the Government develop appropriate performance indicators for this initiative.</p>	<p>Support</p>	<p>The scope of the Safer Electricity Asset Fund (SEAF) is being finalised. Once the details are ascertained the Department of Primary Industries (DPI) will develop performance measures aligned with the program objectives.</p> <p>DPI reviews its performance measures on an annual basis to ensure that all performance measures are still relevant and appropriate. This review takes into account historical performance and any new funding approved through the annual BERC process in accordance with guidance provided by the Department of Treasury and Finance (DTF). As the scope of SEAF is still being established, performance measures are yet to be developed.</p> <p>DPI will seek to introduce performance measures relating to the SEAF in the 2012-13 budget papers.</p>
Recommendation 81, Chapter 9.4.1 Bushfire response (Page 229)		
<p>A break-down of all current initiative funding and estimated expenditure over the longer-term dedicated to the implementation of the Victorian Bushfires Royal Commission recommendations be provided in a single place, in either the budget papers or reports from the independent bushfire monitor.</p>	<p>Under review</p>	<p>All current initiative funding dedicated to the implementation of the Victorian Bushfires Royal Commission recommendations has been previously provided in various budget papers. In future, the Government will review the recommendation to provide this information in a single place, and will consider ways this can be achieved most effectively.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 82, Chapter 9.4.2 Flood response (Page 231)		
<p>The Government develop a single implementation, reporting and evaluation framework that encompasses the 2010-11 Victorian flood response and will also be appropriate for future emergency management and responses. The Government should consider incorporating into this framework the emergency management phases of the 'Comprehensive Approach' – preparation, prevention, response and recovery.</p>	<p>Under review</p>	<p>The Government's commitment to a 'Comprehensive Approach' to emergency management (i.e. preparation, prevention, response and recovery) is outlined in the <i>Emergency Management Act 1986</i> and the Emergency Management Manual Victoria.</p> <p>The Review of the 2010-11 Flood Warnings and Response by Neil Comrie, examining flood predictions and warnings, command and control arrangements, the adequacy of evacuations and the clean up and recovery efforts, was provided to the Premier in December 2011.</p> <p>In addition, the Government recently released a green paper Towards a More Disaster Resilient and Safer Victoria on the reform of Victoria's emergency management framework and aims to improve the State's all hazards, all-agencies approach during large and complex disasters.</p> <p>It is anticipated that the Government will provide a response to each recommendation contained in the Review of the 2010-11 Flood Warnings and Response, which will be incorporated into the Green Paper Towards a More Disaster Resilient and Safer Victoria process. The Secretaries' Flood Recovery Group will also feed learning from the 2010-11 Victorian floods response and recovery into the Green paper process.</p> <p>Following the Green Paper consultation process, a White Paper outlining emergency management reform and planned actions will be released in 2012. The Government will consider the recommendation by the PAEC in parallel to the above mentioned processes in 2012.</p>
Recommendation 83, Chapter 9.5 Urban water management (Page 232)		
<p>The Department of Sustainability and Environment develop performance measures for the Living Melbourne, Living Victoria road map following the development of related initiatives.</p>	<p>Support</p>	<p>Subsequent to the Living Victoria Roadmap the Living Victoria Ministerial Advisory Council was asked to prepare an implementation plan to accompany the roadmap. Appropriate performance measures will be developed following the public launch of the implementation plan and consideration of the plan's recommendations by Government.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 84, Chapter 10.1.1 Supported recommendations (Page 234)		
In future responses to the Committee's recommendations, the Government indicate in the response column whether a recommendation is fully or only partly supported.	Not support	The Government has clarified and standardised its responses to the PAEC recommendations in a way that clearly focuses on the distinction between supporting and not supporting a recommendation. Government responses that support a recommendation include commentary that demonstrates the Government's actions taken and/or commitment for any further action, and the expected timelines for any action. The Government supports clarity in responses, however, defining the exact extent of support may be difficult at the time the Government response is being prepared, given the complexity of implementing recommendations and the timelines that may be involved.
Recommendation 85, Chapter 10.1.2 Recommendations under review (Page 236)		
In future responses to the Committee's recommendations, the Government specify a timeframe by which a decision will be reached for each recommendation classified as 'under review'.	Support	Government responses to future PAEC recommendations that are "under review" will include commentary that, when possible, estimates expected timeframes for the review and/or implementation period. Government responses that indicate action is under review in "future budget papers" is intended to inform the PAEC that consideration will be given to the recommendation in the lead-up to the development of the State budget in 2012-13 in the first instance and where appropriate.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
Recommendation 86, Chapter 10.1.2 Recommendations under review (Page 236)		
<p>In future responses to the Committee's recommendations, the Government commit to updating the Public Accounts and Estimates Committee within three months of determining what action will be taken for each recommendation classified as 'under review'.</p>	<p>Not support</p>	<p>The Department of Treasury and Finance is investigating options to update the PAEC on responses that are "under review" to advise PAEC about the status of any actions being taken in relation to the recommendation, and provide an update on their expected timeframe where necessary.</p> <p>In many cases, Government responses are constantly under review to improve transparency and reporting, particularly where a recommendation involves the presentation of new information in developing the budget papers. Furthermore, action is also taken to consider alternative ways in which it could meet the needs of the PAEC request, whilst ensuring outcomes from the previous year's review of budget papers (such as to enhance readability) are also given due consideration.</p>
Recommendation 87, Chapter 10.2 Quality of the Government's responses (Page 237)		
<p>In future responses to the Committee's recommendations, for all recommendations with further action planned, the Government provide timelines by which it expects the actions to be completed.</p>	<p>Support</p>	<p>Government responses to the PAEC recommendations include expected timelines where possible for any further action planned.</p>

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 88, Chapter 10.2 Quality of the Government's responses (Page 237)

<p>The Department of Treasury and Finance clarify for the Government the differences between the classification 'under review' and 'support'.</p>	<p>Support</p>	<p>The Department of Treasury and Finance has clarified that responses are drafted on the basis that:</p> <ul style="list-style-type: none"> - a "support" response indicates that the Government supports the recommendation, and describes the action that has been or will be completed for meeting the recommendation. Any plans for further action will indicate expected timelines where possible; - an "under review" response indicates that the Government is still considering its position in relation to the recommendation. Where possible, details of the nature of the review will be provided as well as expected timelines; and - where a PAEC recommendation asks Government or a public sector agency to "consider" or to "review" a particular issue, a "support" response indicates that the consideration or review of the recommendation will occur.
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Recommendation 89, Chapter 10.2 Quality of the Government's responses (Page 240)

<p>In its response to the 2011-12 Budget Estimates Inquiry, the Government provide an update on all recommendations from the 2010-11 Budget Estimates Inquiry which included further planned actions.</p>	<p>Not support</p>	<p>The Government has responded to PAEC's 96th Report and a further update of planned actions should not form part of the Government's response to the 102nd Report's recommendations.</p> <p>A review of responses for which further action was specified in response to the 96th Report (where actions have not been superseded by new recommendations) will be considered together with actions planned in the Government's response to this report.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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Recommendation 90, Chapter 10.2 Quality of the Government's responses (Page 241)		
<p>In future responses to the Committee's recommendations, in describing any further actions planned, the Government specify:</p> <p>(a) whether those actions will definitely include what the Committee has recommended; and</p> <p>(b) whether the planned actions will fully or partly implement the recommendation.</p>	<p>Not support</p>	<p>The Department of Treasury and Finance has investigated options to refine the drafting of responses to recommendations.</p> <p>Government responses to PAEC recommendations which commit to further actions planned will specify the intended action to be implemented to meet the objectives of the committee's recommendation.</p>