

CHAPTER 1: INTRODUCTION

1.1 Background

Each year, government income in the form of taxes, imposts, rates, duties and other revenues (such as royalties) is paid into the Consolidated Fund. Money from the Consolidated Fund is used by the Government and Parliament to deliver planned goods and services and embark on new asset investments during the forthcoming financial year. Authority for the Government to spend money from the Consolidated Fund is granted by Parliament through the passing of appropriation bills.

On 5 May 2009, the Government introduced two appropriation bills into Parliament:

- the *Appropriation (2009-10) Bill*; and
- the *Appropriation (Parliament 2009-10) Bill*.

The appropriation bills seek Parliamentary authority to draw an amount of \$34.8 billion from the *Consolidated Fund* in 2009-10 for Government purposes¹ and \$96.1 million for the funding of Parliament's activities.²

1.1.1 Budget estimates

In addition to the appropriation bills, the Government is required, under section 40 of the *Financial Management Act 1994*, to prepare and present budget estimates for the forthcoming financial year. The budget estimates include, for the relevant financial year, particulars of:

- goods and services each government department will provide or produce;
- amounts available, or to be available, to each department;
- the estimated amount of the receipts and receivables for each department; and
- the expected financial requirements of Parliament.

The budget estimates also deal with the application of funds that do not require annual parliamentary authority such as:

- special appropriations where there is continuing authority embodied in specific legislation (\$2.3 billion);³
- agency revenue credited to appropriations (\$5.2 billion);⁴ and
- unspent prior year appropriations carried over to the budget year (\$585.2 million).⁵

The *2009-10 Budget Estimates* identify that the Government expects total income from operating transactions of \$42.4 billion and total expenditure from operating transactions of \$42.2 billion.⁶ The Government's net infrastructure investment program in the *General Government* sector is expected to involve a projected net investment of \$7 billion in 2009-10 and averaging \$4.4 billion over the forward estimates period to 2012-13.⁷

¹ Victorian Government, *Appropriation (2009-10) Bill*, May 2009, p.2

² Victorian Government, *Appropriation (Parliament 2009-10) Bill*, May 2009, p.2

³ Department of Treasury and Finance, *Budget Paper No.4, 2009-10 Statement of Finances*, pp.237-239

⁴ *ibid.*, pp.240-242

⁵ *ibid.*

⁶ *ibid.*, p.10

⁷ Department of Treasury and Finance, *Budget Paper No.2, 2009-10 Strategy and Outlook*, pp.49-50

1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2009-10 Budget Estimates

To assist Parliament to effectively scrutinise the activities of government, the Public Accounts and Estimates Committee undertakes an annual review of the budget estimates and revenues contained in the budget papers.

Central to this review is the conduct of public hearings where Members are able to raise with the Presiding Officers, Premier, Treasurer, and ministers, issues relating to departmental programs and performance and projected use of funds to be appropriated by Parliament, as outlined in the budget papers. Ministers are asked to make brief presentations prior to answering questions. These presentations and any other documents tabled are put on the Committee's website. This year, the Chair also specifically asked a question about Federal Government grants and accountability processes relating to them for each portfolio.

The Committee's 2009-10 review will result in the preparation of two reports:

The Part One report has been issued in two volumes and contains:

- summaries of the key issues raised and responded to by Ministers during each of the 42 hearings held between 8 May 2009 and 21 May 2009;
- information provided to the Committee by the ten government departments and the Parliamentary Departments in preparation for the hearings;
- a list of questions on notice for each portfolio;
- the *Government's response to the 2008-09 Budget Estimates Report – Part Three*; and
- transcripts from each of the hearings (contained in *Volume Two – Transcripts of Hearings*).

The Part Two report will contain the Committee's analysis, key findings and recommendations relating to the 2009-10 Budget Estimates, and will be tabled later in 2009. Part Two will also include responses to questions taken on notice, further information provided by ministers and additional information sought by the Committee on departmental responses to the *2009-10 Budget Estimates Questionnaire*.

The intention of the Committee, in presenting early reports to Parliament on the 2009-10 Budget Estimates, is to assist members of Parliament in their consideration of the appropriation bills and, in turn, to enrich Parliament's debate on the bills.

1.2.1 Departmental budget estimates questionnaire

Prior to the budget estimates hearings, the Committee sent a questionnaire to each department and the Parliamentary Departments to obtain information on the likely impact of the budget on their operations and future strategic directions. The 2009-10 budget estimates questionnaire focused on:

- budget preparation;
- asset funding;
- efficiencies, savings and productivity improvement;
- environmental challenges;
- spending;
- revenue initiatives, departmental income (fees, fines, taxation measures, concessions and subsidies) and tax expenditures;

- regional and rural considerations;
- performance measures; and
- staffing matters.

Responses received from Departments are reproduced in Appendix 1 of this report.

1.2.2 Acknowledgment

The Committee is grateful to the Presiding Officers, Premier, Treasurer, ministers, and their accompanying staff for their assistance at the budget estimates hearings. Ministers also agreed to provide further information, or took questions on notice, which is gratefully acknowledged.

The report reproduces responses received from departments to the Committee's *2009-10 Budget Estimates Questionnaire*.

1.2.3 General

The cost of this inquiry was approximately \$38,487