

## CHAPTER 1: INTRODUCTION

### 1.1 Background

As part of the budget process, the government introduced two appropriation bills into Parliament on 5 May 2009. The bills were the *Appropriation (2009-10) Bill* and the *Appropriation (Parliament 2009-10) Bill*. These two bills passed through the Parliament in June 2009. This legislation allows the government and Parliament to provide services and new asset investment in 2009-10. This legislation gives the government authority to draw \$34.8 billion from the Consolidated Fund<sup>1</sup> in 2009-10 for government services and \$96.1 million for funding Parliament's activities.<sup>2</sup>

Along with the appropriation bills, the *Financial Management Act 1994* requires the Government to also present to Parliament the budget estimates for the forthcoming financial year. The budget estimates include, for the relevant financial year, details regarding:

- goods and services each government department will provide or produce;
- amounts available, or to be available, to each department;
- the estimated amount of 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:<sup>3</sup>

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

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. 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.

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

A vital and important part of this Committee's work each year is undertaking an inquiry into the budget estimates and revenues contained in the Budget Papers. This year, the Committee issued Budget Estimates questionnaires to each department. These provided the Committee with information for the public estimates hearings with each minister, supported by departmental officers.

The Committee undertakes this process each year to gain a better understanding of the budget estimates and inform debate in Parliament on the budget. The Committee, in undertaking this report aims to constructively contribute to the quality and presentation of budget information

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

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

<sup>3</sup> Department of Treasury and Finance, Budget Paper No. 4, Statement of Finances, May 2009, pp.237-242

where possible and to ensure that there are appropriate accountability mechanisms in place to monitor the performance of departments and agencies.

In June this year, the Committee presented its *Report on the 2009-10 Budget Estimates Part One*. The intentions of these reports were to assist members of Parliament in considering the appropriation bills and to enrich Parliament's debate on the bills.

This inquiry into Victoria's budget estimates is primarily focused on the adequacy of reporting. As such, the report does not focus on whether information presented in the Budget Papers is well founded nor verify policy statements.

This second part (Part Two) of the *Report on the 2009-10 Budget Estimates* contains the following:

- an analysis, key findings and recommendations relating to the *2009-10 Budget Estimates*;
- additional information sought from Departments to clarify some responses to the Committee's Budget Estimates questionnaire; and
- responses received to questions taken on notice at public hearings and questions emanating from those hearings.

This Part Two report concludes the Committee's examination of the *2009-10 Budget Estimates*.

### **1.2.1 Analysis, key findings and recommendations**

This report has three distinct parts:

- a summary form of key aspects of the Budget, including an analysis of fiscal parameters, infrastructure funding, contingency provisions, efficiency initiatives revenue forgone and unspent funds carried forward;
- the Committee's analysis of a number of issues, presented under theme headings that have relevance to the estimates, such as productivity, economic reform and staffing. The Committee also examines the Government's response to the *Report on the 2008-09 Budget Estimates*; and
- an examination of some issues raised by the Committee at the estimates hearings and the Government's *Growing Victoria Together* policy vision and goals.

This year, in view of Victoria's partnership with the Commonwealth as a beneficiary of the Commonwealth's various granting programs, the Committee has also devoted a chapter to analysing Commonwealth grants.

This Part Two report contains the Committee's analysis, key findings and recommendations relating to the *2009-10 Budget Estimates*. It also includes 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. Responses from Departments to the Committee's questionnaire will be made available on the Committee's website: [www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec).

### **1.2.2 Recent machinery of government changes**

In August 2009, the Government announced that the Department of Human Services was to be restructured and effectively split into two departments. The new Department of Health now oversees all health services, including mental health, aged care and preventative services in Victoria. The new Department of Human Services now oversees services for children, youth and families, housing, disability, concessions and bushfire recovery.<sup>4</sup>

As these changes occurred after the Budget was released, they are not reflected in this Budget. The Committee has endeavoured, where possible to ensure recommendations pertaining to the responsibilities of the new Department of Health have been addressed to it.

## **1.3 Acknowledgment**

The Committee is grateful to the Presiding Officers, Premier, Deputy Premier and Attorney-General, Treasurer, Ministers, Departmental Secretaries, heads of agencies and their accompanying staff for their assistance at the Budget Estimates hearings and in providing written materials submitted in response to the Committee's formal lines of inquiry.

The cost of this inquiry was approximately \$93,826.

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<sup>4</sup> Premier of Victoria, Media Release – *Premier Announces Reforms to Health, Community Services and Local Government*, 12 August 2009, p.1