



The Treasurer of Victoria

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Mr David Morris MP
Chair
Public Accounts and Estimates Committee
Parliament House, Spring Street
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David
Dear Mr Morris

2013-14 BUDGET ESTIMATES FURTHER INFORMATION – TREASURER'S PORTFOLIO

Thank you for your correspondence of 20 June 2013 requesting a response to the question taken on notice during the Budget Estimates Hearing for the Treasurer's Portfolio on 10 May 2013.

Your letter also requested responses to questions for clarification relating to items in the budget papers.

Please find enclosed the responses to the question taken on notice and the questions for clarification.

I trust this information is of assistance.

Yours faithfully

Michael O'Brien

HON. MICHAEL O'BRIEN MP
Treasurer

5 / 7 / 2013



QUESTIONS TAKEN ON NOTICE

TREASURER'S PORTFOLIO

1. The following table shows previously published figures for revenue and savings initiatives [i], and the latest published figures [ii].

Item	Source	2013-14 (\$ million)	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)
'Sub-total savings' (2011-12 Budget to 2012-13 Budget)	2012-13 BP2 p.5	1,447	1,748	2,000	
Efficiency measures from 2012-13 Budget Update	2012-13 BU p.124	118.3	203.5	290.3	
Total of the above [A]		1,565.3	1,952.5	2,290.3	
Revenue measures (2011-12 Budget to 2012-13 Budget)	2012-13 BP2 p.5	639	670	643	
Revenue measures from 2012-13 Budget Update	2012-13 BU p.126	21.7	23.0	19.4	
Total of the above [B]		660.7	693	662.4	
[i] Calculated savings and revenue up to 2013-14 Budget using above figures ([A]+[B])		2,226	2,645	2,953	
[ii] 'Previous savings and targeted revenue measures' (prior to 2013-14 Budget), as detailed in the 2013-14 Budget	2013-14 BP2 p.5	2,203	2,624	2,956	3,039

Please explain the difference between [i] and [ii] above, disaggregating the totals from the table above to show the adjusted figures for initiatives from past budgets and budget updates, on the model of the 2012-13 budget papers (see table below).

	2013-14 (\$ million)	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)
Savings				
2011-12 Budget	520	537	545	545
2011-12 Budget Update	661	943	1 215	1 320
2012-13 Budget	266	268	240	239
2012-13 Budget Update	118	204	290	378
Revenue				
2011-12 Budget	153	154	158	163
2011-12 Budget Update	233	267	262	276
2012-13 Budget	212	210	207	93
2012-13 Budget Update	39	41	39	25
Total	2 202	2 624	2 956	3 039

*Figures have been rounded



The differences between [i] and [ii] above relate to:

- Updated revenue forecasts – the estimated impact of some previous revenue measures have been adjusted from the *2012-13 Budget Update* to the *2013-14 Budget*. These adjustments relate to updated forecasts of the impact of previously announced revenue measures, and do not relate to policy variations to the scope of these measures.
- Fire Services Property Levy – the impact of the changes to the Fire Services Property Levy (as outlined in Table A.2, p. 126) has been excluded from Table 1.1 as this was a change in estimate not a change in revenue policy. Similarly, the impact of the changes to the Fire Services Property Levy has been excluded in the saving/revenue table in the *2013-14 Budget (BP2, Ch 1, Table 1.2, p. 5)*.

Please also note that the estimated 2016-17 impact of the previous savings and revenue measures reflect a continuation of the previously announced measures, and as such do not relate to policy variations to the scope or application of these measures.

QUESTIONS FOR CLARIFICATION

TREASURER'S PORTFOLIO

- 1. Regarding the figure in the budget papers for 'cash flows from PPP payments', please indicate:**
- a. how this figure is calculated;**

Projects specifically approved to be delivered as public private partnerships in or after the 2013-14 Budget are budgeted for consistently with the expected delivery model from the date of approval, and in accordance with the accounting policies applicable to service concession arrangements outlined in the 2011-12 Annual Financial Report.

- b. what line items in the financial statements and accompanying notes also include amounts included in this figure;**

This information is not published elsewhere in the 2013-14 Budget papers.

- c. the amounts for this item in each year of 2011-12 to 2016-17 used in calculating the estimates and actuals for the line item 'Government infrastructure investment' in Table 4.1 of Budget Paper No.2;**

As detailed in Table 4.1 note (d) - The Government Infrastructure investment measure includes general government net infrastructure investment and estimated cashflows for Partnerships Victoria projects, and excludes one-off fiscal stimulus payments for Nation Building - Economic Stimulus Plan Social Housing component and Building the Education Revolution.

		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<i>Estimated PPP cash flows</i>	\$ million	496.1	238.7	310.1	1 465.0	1 078.6	..
<i>Fiscal stimulus</i>	\$ million	(344.3)	(17.0)				
<i>Total net investment in fixed assets</i>	\$ million	5 228.9	5 204.5	5 826.0	5 101.8	2 891.0	3 527.8
<i>Government infrastructure investment</i>	\$ billion	5.4	5.4	6.1	6.6	4.0	3.5

- d. the reasons for changes from one year to the next in the amounts in response to (c); and**

The year to year variations reflect the different cash flow profiles across projects.

- e. any items that have been included in calculating the 'Government infrastructure investment' for any of the years in Table 4.1 of Budget Paper No.2 other than 'Total net investment in fixed assets' and 'Cash flows from PPP payments'.**

As outlined in 1(c), the Government Infrastructure investment measure excludes one-off fiscal stimulus payments for Nation Building - Economic Stimulus Plan Social Housing component and Building the Education Revolution.

- 2. Please provide a description of the negative output expenditure line item 'existing resources' in the departmental output initiatives tables in Budget Paper No.3 (Chapter 1), including:**

The negative output expenditure line item 'existing resources' in the departmental output initiatives tables in Budget Paper No. 3 (Chapter 1) relate to a reallocation of a portion of a department's existing output funding to new initiatives. Existing funding may be available to reprioritise for many reasons for example, where the department has reduced its expenditure through efficiencies or where public uptake for an initiative is lower than predicted, which results in a lower cost to the department.

- a. is this item a portion of the line item 'funding from reprioritisation and adjustments' in Table 4.4 of Budget Paper No.2 (p.54)?

Yes

- b. if so, why is the total of the 'existing resources' line items in the departmental output initiatives tables less than the line item 'funding from reprioritisation and adjustments' in Table 4.4 of Budget Paper No.2 (p.54)?

The 'funding from reprioritisation and adjustments' line is made up of the 'existing resources' as well as other adjustments. The majority of these other adjustments relate to depreciation and Capital Assets Charge for asset initiatives. Other minor adjustments include adjustments for payroll tax, minor revenue offsets, expenditure to support asset investment and resources provided by the Commonwealth Government.

- c. if not, how do the 'existing resources' line items in the departmental output initiatives tables relate to the line items in Table 4.4 of Budget Paper No.2 (p.54)?

N/A

3. Regarding the *Adjusting the Efficiency Dividend to Non-Frontline Departmental Expenditure* initiative, the budget papers suggest that this initiative is about increasing the efficiency dividend rate set in the *Application of an Efficiency Dividend to Non-Frontline Departmental Expenditure* initiative from the 2012-13 Budget Update. The budget papers indicate that the adjustment increases the rate from 2 per cent to 2.5 per cent. However, whereas the 2 per cent dividend is estimated to provide \$60-70 million per full year, the additional 0.5 per cent is estimated to provide \$50 million per full year. Please explain why the estimated yield from the *Adjusting the Efficiency Dividend to Non-Frontline Departmental Expenditure* initiative is more than one quarter of the amount estimated to be provided by the *Application of an Efficiency Dividend to Non-Frontline Departmental Expenditure* initiative.

The Application of an efficiency dividend to non-frontline departmental expenditure as outlined in the 2012-13 Budget Update (p.124) identified savings of \$33.0 million in 2013-14 6 months, \$95 million in 2014-15 and \$162 million in 2015-16, working out to be approximately \$60-\$70 million per year. The 2012-13 Budget Update states "The freeze on indexation of non-wage costs will be replaced with a general efficiency dividend". The \$60-70 million is the net impact of the efficiency dividend, offset by the provision of indexation.