

**DEPARTMENT OF TREASURY AND FINANCE**  
**(rcvd 12062015)**



**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**2015-16 BUDGET ESTIMATES QUESTIONNAIRE**

## 1. Strategic priorities

### Question 1

If the Department has been affected by machinery-of-government changes, please:

- (a) outline the machinery-of-government changes which have affected the Department.

The machinery-of-government changes affecting DTF from 1 January 2015 are as follows:

- The Victorian Competition and Efficiency Commission (VCEC) transferred to the Department of Premier and Cabinet (DPC);
- The Workplace Relations Unit transferred to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR); and
- CenITex transferred from DEDJTR to DTF.

- (b) estimate the anticipated benefits of these changes (such as improved service delivery, savings in accommodation costs, reduced employee expenses). Please quantify these benefits where possible.

The machinery-of-government changes were announced by the Premier to align resources in a way that better achieves the Government's objectives.

- (c) estimate the anticipated costs of carrying out the changes. Please include all costs of the changes, such as IT-related costs or relocation costs, excluding staff costs.

DTF did not incur any costs as a result of the transfer of VCEC to DPC or the Workplace Relations Unit to DEDJTR. DTF did not incur any additional costs as a result of the transfer of CenITex into DTF.

- (d) identify the anticipated staff impacts of the machinery-of-government changes, quantifying expected redeployments, redundancies (including targeted redundancies), non-renewal of contracts and any other means of reducing staff numbers. Please identify estimated staff costs and savings arising from each means. Please also identify the areas within the Department where staff reductions are anticipated.

There were no staff impacts as a result of the transfer of CenITex to DTF.

- (e) detail any expected closures of offices, depots or other public service points as a result of the machinery-of-government changes, quantifying the number of each type of location to be closed.

Not applicable

### Question 2

- (a) What are the Department's key strategic priorities underpinning its budget for 2015-16 and over the forward estimates to 2018-19?

The Department's key strategic priorities for its budget for 2015-16 are its departmental objectives. These are:

- Sound financial management of Victoria's fiscal resources;
- Guide government actions to increase Victoria's productivity and competitiveness;
- Drive improvement in public sector asset management and the delivery of infrastructure; and
- Deliver efficient whole of government common services to the Victorian public sector.

No changes to the department's objectives over the forward estimates are anticipated at this time. However, the department will continue to re-assess its objectives in each annual planning cycle to ensure they continue to focus on the results that the Government expects the department to deliver.

(b) If applicable, how do these priorities differ from the previous year?

No amendments have been made to DTF's objectives from the previous year.

(c) What are the impacts of any differences in the Department's strategic priorities between 2014-15 and 2015-16 on funding and resource allocation in the 2015-16 Budget?

Not applicable.

(d) Please identify any programs or initiatives (asset or output) over \$2.0 million relevant to the Department that have been curtailed, deferred, discontinued or completed as a result of changes in strategic priorities between 2014-15 and 2015-16. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

The Construction Code Compliance Unit was disbanded with savings directed to the whooping cough initiative.

### **Question 3**

Please identify any programs or initiatives (including asset or output initiatives) that have lapsed in 2014-15 (that is, they will not be continued in 2015-16). For each program or initiative, please indicate the expenditure on this program/initiative in 2014-15. Please also identify the impact on the community of the lapsing (including rescheduling of service provision or commencement of service provision). If there is no impact, please detail the actions undertaken by the Department to ensure that there is no impact. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

The Department of Treasury and Finance has no lapsing programs in 2014-15.

#### **Question 4**

What are the key Government policies applicable to the Department in 2015-16 and how are these policies addressed in this budget?

##### **Fiscal Policy**

The Government's fiscal strategy closely aligns with its priorities to provide services and infrastructure for all Victorians in a fiscally responsible manner.

##### **Public private partnerships**

The Partnerships Victoria policy provides the framework for a whole of government approach to the provision of public infrastructure and related ancillary services through public private partnerships.

##### **Market-led proposals**

In February 2015, the Government released the Market-led Proposals Interim Guideline for assessing proposals from the private sector to deliver a project or service that offers something genuinely unique and of value to Victorians.

##### **Public construction policy and resources**

These policies apply to all departments and public bodies engaged in construction procurement including tendering and contracting procedures and mandatory practices for public construction.

##### **High Value High Risk**

Under the High Value High Risk policy, infrastructure and ICT projects identified as being high value and/or high risk will be subject to more rigorous scrutiny and approval processes.

##### **Reducing the regulatory burden**

Victoria aims to have the most efficient regulatory system in Australia. The time spent and costs incurred by business and the community dealing with excessive regulatory requirements is an unacceptable burden.

##### **Intellectual Property Policy**

The Whole of Victorian Government Intellectual Property Policy Intent and Principles (IP Policy) is the State's framework for the ownership and management of its intellectual property (IP), and for its use of IP belonging to other parties.

##### **DataVic Access Policy**

The Victorian Government recognises the benefits from and encourages the availability of Victorian government data for the public good. The DataVic Access Policy has been developed to support this goal.

##### **Financial reporting policy**

The Department of Treasury and Finance provides various guidance materials to assist Victorian public sector entities meeting their accounting and financial reporting obligations.

##### **Victorian risk management framework and insurance management policy**

The Victorian Government Risk Management Framework provides a minimum risk management standard for the Victorian public sector. The Framework applies to

departments and public bodies covered by the Financial Management Act 1994.

**Procurement**

The Victorian Government Purchasing Board (VGPB) sets the policies that govern procurement of non-construction goods and services across all Victorian Government departments and some public bodies.

**Question 5**

- (a) Please provide details of the Department's progress at developing corporate plans and long-term plans as detailed in the Department of Treasury and Finance's *A Guide to Corporate and Long-Term Planning* (April 2014).

The Department is developing a 2015-19 Corporate Plan in line with the current guidelines *A Guide to Corporate and Long-Term Planning* (April 2014).

Long-term plans are currently not required by Government.

- (b) If your corporate plan is online, please provide the address below. If it is not online, please provide a copy and explain why it is not online.

The Department's 2014-18 Corporate Plan was not published. It was classified as Cabinet-in-Confidence under the previous Government and, in line with the caretaker conventions, is no longer relevant.

- (c) Please supply a copy of your department's long-term plan. This will not be published on the PAEC's website. If you are unable to supply a long-term plan, please explain why.

The Department did not prepare a 2014-24 long-term plan as it was not required by Government.

## 2. Budget preparation

### **Question 6**

In relation to the Department's budget across the forward estimates period, please indicate:

- (a) major areas of risk identified by the Department for its income estimates

The majority of the Department's revenue base is appropriation. The Department is not directly subject to material third party revenue risks.

The major area of risk for CenITex is the possibility that a customer department may make the decision to choose an alternative service provider.

- (b) major areas of risk identified by the Department for its expenses estimates

The major component of DTF's expenses are staffing costs which are generally stable and predictable. DTF will achieve its allocated savings target by finding efficiencies while continuing to deliver services through its allocated resources.

The major areas of risk for CenITex are an ageing asset base and platforms, and the potential impairment of assets upon transition to cloud technologies.

- (c) what measures have been put in place to manage these risks.

DTF is exploring prevailing best practices by re-examining the Department's expenditure base and the development of short to medium-term expenditure reduction options designed to sustain the key operations of the department over the medium to long-term without impacting on its core delivery functions. This is supported by regular reporting to DTF senior management and the DTF Board.

CenITex will manage the asset risks by increasing the Asset Refresh Program to upgrade the existing asset base and platforms and reviewing the relevance of refresh for certain types of assets that may be candidates for transition to cloud technologies.

**Question 7**

Please list all agreements or contracts with a total value of \$10 million or greater entered into in the three-month period prior to the 2014 State election. Please also provide the total value of each agreement/contract and a description of the agreement/contract). Include agreements/contracts for both asset and output expenditure and related to either your department or its controlled entities.

The Department of Treasury and Finance did not enter into expenditure contracts with a value exceeding \$10 million in the three-month period prior to the 2014 State Election.

**Question 8**

Please describe any expected sources of income or expenses where the Department anticipates that the actual amount is likely to be more than 10 per cent greater than what has been estimated in the budget papers (for example, where the amount is difficult to predict so the budget paper estimates are zero or a low amount). Please also identify any items for which the budget estimates are zero but income or expenses are expected. Examples might include 'fair value of assets and services received free of charge or for nominal consideration' or grants from new national partnerships that the Commonwealth might announce at some point during the forward estimates period.

<b>Source of income/expenses</b>	<b>Affected line item</b>	<b>Details</b>
Revenue (CenITex only)	Interest from Non Public Sector on financial assets at amortised cost	Interest income if certain CenITex customers prepay their annual fees in advance.

### 3. Spending

#### Question 9

Please explain any variations of more than  $\pm 10$  per cent (or greater than \$100 million) between the revised estimate for 2014-15 and the budget for 2015-16 for the following line items in the Department's operating statement in the Statement of Finances budget paper:

- (a) 'employee benefits'
- (b) 'grants and other transfers'
- (c) 'other operating expenses' in aggregate
- (d) the major components of 'other operating expenses' for your department (please supply categories as appropriate).

	<b>2014-15 (revised estimate)</b>  <b>(\$ million)</b>	<b>2015-16 (budget)</b>  <b>(\$ million)</b>	<b>Explanation for any variances greater than <math>\pm 10\%</math> (or greater than \$100 million)</b>
<b>Employee benefits</b>	153.2	183.5	The increase reflects the full year impact of the machinery-of-government changes for CenITex.
<b>Grants and other transfers</b>	7.4	5.5	The decrease relates to a one-off grant provided to Master Agency Media Services for the Fire Services Property Levy media campaign in 2014-15.
<b>Other operating expenses</b>	149.0	159.4	
<b>Major components of 'other operating expenses' (please supply categories):</b>			
<b>Asset provided free of charge</b>	3.7	5.0	The increase relates to the internal transfer of capital works from the Government Accommodation Trust to the DTF Output. This is offset by assets received free of charge.
<b>Purchase of Supplies and Consumables</b>	58.4	82.9	The increase reflects the full year impact of the machinery-of-government changes for CenITex.



	<b>2014-15 (revised estimate)</b>	<b>2015-16 (budget)</b>	<b>Explanation for any variances greater than ±10% (or greater than \$100 million)</b>
<b>Purchase of Services</b>	51.0	36.1	The decrease is largely due to planned lower funding for the final stages for the facilitation of the medium-term lease of Port of Melbourne (\$11.0 million) and one-off funding relating to the sale of the Rural Finance Corporation (\$3.2 million) incurred in 2014-15.
<b>Operating Lease</b>	26.0	25.8	
<b>Maintenance</b>	7.7	7.2	
<b>Audit Services Auditor General</b>	1.5	1.7	
<b>Finance Expenses and Fees</b>	0.7	0.7	

**Question 10**

Please provide the following information regarding maintenance costs and other costs intended to increase the function or service capacity of assets (such as upgrading, improvement, refurbishment, etc.). Do not include capital expenditure.

(a) estimated expenditure for 2015-16 and over the forward estimates period

	<b>2015-16</b> <b>(\$ million)</b>	<b>2016-17</b> <b>(\$ million)</b>	<b>2017-18</b> <b>(\$ million)</b>	<b>2018-19</b> <b>(\$ million)</b>
<b>Maintenance</b>	7.2	7.8	8	8.1
<b>Other costs to increase function/service capacity of assets</b>	2.3	2.3	2.3	2.3

Note: CenITex classifies other costs to increase function/service capacity of assets as capital expenditure.

(b) the Department's method for estimating these costs

Maintenance. The Department applies current contract plus CPI where specified. For software and hardware maintenance costs, the estimates are based on a review of contracts in respect to these services and are forecast based on the expected contract costs. Where a contract is due to expire in a period, an estimate is made of the cost to replace the same service, usually represented by a percentage increase to the previous contract cost.

(d) details, including cost provisions, of any formal asset maintenance strategies or plans developed by the Department.

The Department is developing an annual works program and a 5 year rolling plan for land and buildings maintenance for government owned buildings held within the DTF portfolio.

IT infrastructure is mainly leased and there is no formal asset maintenance strategy.

CenITex maintains a risk based strategy when reviewing asset maintenance strategies. Assets that have high impact on customer services are generally covered under 24 x 7 maintenance and warranty programs. Certain risks that cannot be mitigated are communicated fully through CenITex customers' Service Assurance program. As a general rule, maintenance costs are expensed unless they are incorporated as part of the purchase cost of the asset.

**Question 11**

For the line item 'payments for non-financial assets' for 2015-16 in the departmental cash flow statement in the Statement of Finances budget paper, please identify the amount that is expected to be funded using funds carried over from 2014-15.

No carryover funding has been identified for 2014-15 to 2015-16.

**Question 12**

In relation to the break-down of expenses from transactions disaggregated by government purpose classification in the budget papers (Note 12(a) to the general government sector consolidated operating statement the Statement of Finances budget paper, p.34), please provide details of the Department's component of the expenses in each category for 2014-15 and 2015-16. Please explain any variations between the years that are greater than  $\pm 10$  per cent or greater than \$100 million.

<b>Government purpose classification</b>	<b>2014-15 revised estimate (\$ million)</b>	<b>2015-16 Budget (\$ million)</b>	<b>Explanation for any variances greater than <math>\pm 10\%</math> (or greater than \$100 million)</b>
General public services	1,979.6	2,324.9	The variance is mainly related to employee expenses, reflecting estimates for the Advance to Treasurer (central contingency).
Public order and safety			
Education			
Health			
Social security and welfare			
Housing and community amenities	94.8	95.5	
Recreation and culture			
Fuel and energy			
Agriculture, forestry, fishing and hunting			
Transport and communications			
Other economic affairs	15.7	17.1	

Other purposes	1,815.4	1,507.0	The decrease of \$308.4 million is mainly related to the interest cost on defined benefit superannuation. Interest expense has decreased due to changes in the superannuation top-up payments. These changes resulted in the contribution under section 90(2) of the State Superannuation Act 50/1988, being made sooner than expected which increased the level of assets, thereby increasing interest income and reducing the net interest expense. In addition the superannuation interest expense has decreased primarily due to the net effect of a significant reduction in the underlying bond yields.
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It should be noted that the estimates for the Department of Treasury and Finance and other portfolio departments do not include consolidation adjustments for general government sector presentation purposes, forecast sectoral underspends and funding not yet allocated to individual departments.

#### 4. Expenditure reduction measures

##### Question 13

For each of the savings initiatives detailed in the table below, please detail (on the same basis of consolidation as the budget papers):

- (a) what actions the Department will take in 2015-16 to meet the various savings targets
- (b) any impact that these actions will have on the delivery of services during 2015-16
- (c) the Department's savings target for 2015-16, with an explanation for any variances between the current target and what was originally published in the budget papers when the initiative was released.

<b>Initiative</b>	<b>Actions the Department will take in 2015-16</b>	<b>Impact of these actions on service delivery in 2015-16</b>	<b>Savings target for 2015-16 (\$ million)</b>	<b>Explanation for variances to the original target</b>
Savings (2012-13 Budget)	The Department continues to review its processes and systems to identify and implement efficiencies.	* see footnote below	5.00	The Department has achieved the target.
Efficiency measures (2012-13 Budget Update)	General Efficiency Dividend. Additional Sustainable Government Initiatives.	* see footnote below	5.30 1.00	The Department is expected to achieve this target.
Efficiency measures (2013-14 Budget)	Not applicable	Not applicable	Nil	Not applicable
Efficiency measures (2013-14 Budget Update)	Not applicable	Not applicable	Nil	Not applicable

<b>Initiative</b>	<b>Actions the Department will take in 2015-16</b>	<b>Impact of these actions on service delivery in 2015-16</b>	<b>Savings target for 2015-16 (\$ million)</b>	<b>Explanation for variances to the original target</b>
Efficiency and expenditure reduction measures (2014-15 Budget)	Better Services Initiative Target.	* see footnote below	9.00	The Department is expected to achieve this target.
Efficiency and expenditure reduction measures (2015-16 Budget)	LFS Savings on travel, labour hire, hardcopy reports and reduce number of executive officers.	* see footnote below	0.91	The Department is expected to achieve this target.
	Disbandment of the Construction Code Compliance Unit.	* see footnote below	2.00	The Department is expected to achieve this target.

\* The Department of Treasury and Finance is committed to finding efficiencies while continuing to deliver services through its allocated resources.

#### **Question 14**

In relation to any funding from reprioritisation of existing resources in the 2015-16 Budget (as noted in Table 4.4 of Budget Paper No.2, p.58) for your department, please provide the following information in relation to each initiative, program or project from which \$2.0 million or more of funding has been reprioritised. In describing initiatives, please use the same names as are used in the budget papers.

The Department of Treasury and Finance has no new initiatives for which existing resources have been reprioritised.

## 5. Output and asset initiative funding

### Question 15

In regard to adjustments to the Department's base funding (as set out in *BFMG-06 – Departmental Funding Model*), please indicate:

- (a) the Department's base funding for 2014-15
- (b) the Department's base funding for 2015-16
- (c) the major factors driving the variance between 2014-15 and 2015-16.

<b>Departmental base funding 2014-15</b> (\$ million)	<b>Departmental base funding 2015-16</b> (\$ million)	<b>Major factors driving the variance between 2014-15 and 2015-16</b>
222.96	235.65	<p>The main increases are due to funding to progress the medium-term lease over the Port of Melbourne (\$8.8 million), funding to the State Revenue Office for taxation compliance activities (\$8.1 million), funding to the Essential Services Commission for regulation of retail energy functions (\$0.9 million), and higher depreciation funding primarily attributable to amortisation expense for municipal land valuations (\$7.0 million).</p> <p>The increase is partially offset by machinery-of-government changes resulting in the transfer of the Victorian Competition and Efficiency Commission and the Workplace Relations Unit (\$6.9 million), the disbandment of the Construction Code Compliance Unit (\$2.0 million) and various savings measures (\$3.9 million).</p>

Estimates source: 2015-16 Appropriation Bill

### Question 16

Please provide the following details of any outputs for which output resources allocation reviews or base reviews (as described in *BFMG-05*) were completed in 2014-15:

- (a) output resources allocation reviews
- (b) base reviews

DTF was not required to undertake output resources allocation reviews or base reviews in 2014-15.

**Question 17**

In relation to the asset initiatives released in the 2015-16 Budget for the Department (as detailed in the Service Delivery budget paper), please quantify the amount of funding for those initiatives that is expected to come from the Department's own sources (such as depreciation, applied appropriations which have not been spent or other sources) and the amount of new funding provided specifically for these initiatives in this budget.

The Department of Treasury and Finance has no new asset initiatives.

**Question 18**

- (a) Please quantify the Department's balance of applied appropriations unspent as at 30 June 2014 (as defined in the notes to note 39(a) of the 2013-14 Financial Report for the State), along with estimates for the equivalent figures as at 30 June 2015 and 2016.

	<b>2014</b> (\$ million)	<b>2015</b> (\$ million)	<b>2016</b> (\$ million)
Applied appropriations unspent as at 30 June	244.0	279.4	338.0

- (b) Please indicate the intended use of these amounts.

There are no identified plans for these amounts. Any requests to access funds will be in line with the requirements in the Budget and Financial Management Guidance 39.



## 6. Public private partnership expenditure

### **Question 19**

For each line item in the Department's comprehensive operating statement or statement of cash flows (as indicated in the Statement of Finances budget paper) which includes expenditure on commissioned PPP projects in 2015-16 or across the forward estimates period, please identify:

- (a) the line item
- (b) the value of expenditure on PPP projects included within that line item
- (c) what the expenditure is for (for example, payment of interest, payment of capital, purchases of services, payment of contracted penalties etc.).

The Department of Treasury and Finance is not a partner department in any Public Private Partnerships.
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## 7. Revenue

### ***Question 20***

In relation to 2015-16, please outline any new revenue-raising initiatives and/or major changes to existing revenue initiatives. For each initiative/change, please explain:

- (a) the reasons for the initiative/change
- (b) the assumptions underlying the reasons
- (c) alternative scenarios considered
- (d) the impact of any changes on service delivery (that is, please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives)
- (e) any performance measures or targets altered as a result of the initiative/change
- (f) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

<b>Initiative/change</b>	<b>Reasons for the initiative/change</b>	<b>Underlying assumptions</b>	<b>Alternative scenarios</b>	<b>Impact of changes on service delivery</b>	<b>Performance measures or targets altered</b>	<b>Anticipated total value of revenue gained/foregone</b>
Absentee landowner surcharge	The surcharge will ensure absentee property owners contribute to the maintenance and development of government services and infrastructure, which contribute to capital growth.	A landowner who does not ordinarily reside in Australia will be liable for this surcharge in addition to any other land tax payable. The surcharge will be applied on the taxable land value from the 2016 land-tax year.	Not applicable	Taxpayers will be given an opportunity to declare if they are absentee landowners during the land tax assessment process for the 2016 land tax year.	Not applicable	\$53.5 million

Initiative/change	Reasons for the initiative/change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Land transfer duty surcharge on foreign buyers of residential property	The surcharge will ensure foreign buyers contribute to the maintenance and development of government services and infrastructure, which contribute to overall liveability and to the capital growth of property.	<p>Foreign buyers of residential property will pay the surcharge in addition to any other stamp duty payable. The surcharge will apply to contracts entered into on or after 1 July 2015 and payable at settlement.</p> <p>The Treasurer may exercise discretion to provide an exemption to foreign developers that add to the supply of housing stock in Victoria.</p>	Not applicable	The purchaser will have an opportunity to declare whether they are a 'foreign purchaser' at the time of making a purchase or relevant acquisition.	Not applicable	\$279.6 million

**Question 21**

In relation to 2015-16, please outline any new tax expenditures or concession/subsidy initiatives and/or major changes to existing tax expenditures or concession/subsidy initiatives. For each initiative/change, please explain:

- (a) the reasons for the initiative/change
- (b) the assumptions underlying the reasons
- (c) alternative scenarios considered
- (d) the impact of any initiatives/changes on service delivery (that is, please detail all programs/projects that have been revised as a result of changes to existing revenue initiatives)
- (e) any performance measures or targets altered as a result of the initiative/change
- (f) the anticipated total value of revenue gained/foregone as a result of the initiative/change.

In describing initiatives, please use the same names as are used in the budget papers where applicable.

Initiative/change	Reasons for the initiative/change	Underlying assumptions	Alternative scenarios	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Stamp duty exemption on mobile plant registration	<p>The exemption is part of a package of measures to reduce the costs of running a small business, making it easier for small businesses to compete and to provide greater access to the public sector market.</p> <p>Stamp duty is an inefficient tax which creates excess burdens, in particular for small businesses.</p> <p>Victorian businesses will benefit from a decrease in the costs associated with registering their motor vehicles.</p>	All vehicles classified as mobile plant (under 4.5 tonnes) and plant-based special purpose vehicles (over 4.5 tonnes) will be exempt from motor vehicle stamp duty from 1 July 2015.	Not applicable	VicRoads will not charge stamp duty on the registrations of mobile plants.	Not applicable	(\$11.4m)

**Question 22**

For the Department's income categories (as appear in the Department's operating statement in the Statement of Finances budget paper), please provide an explanation for any items that have a variance of greater than  $\pm 10$  per cent or \$100 million between the revised estimate for 2014-15 and the budget for 2015-16.

<b>Income category</b>	<b>Revised estimate for 2014-15 (\$ million)</b>	<b>Estimate for 2015-16 (\$ million)</b>	<b>Explanation</b>
Sale of Goods and Services	86.1	154.8	The increase reflects the full year impact of CenITex included as a result of machinery-of-government changes.

**Question 23**

What impact have developments at the Commonwealth level had on the Department's component of the 2015-16 State Budget?

The Government is continuing its discussions with the Commonwealth on the use of funding previously provided for the East West Link project.

**8. Performance measures****Question 24**

For each initiative (asset or output) in the 2015-16 Budget with a total cost over the forward estimates greater than \$20 million (or a TEI over \$20 million), please list all new and existing performance measures in the budget papers related to the initiative. In describing initiatives, please use the same names as are used in the budget papers.

<b>Initiative</b>	<b>Related performance measures</b>
Not applicable	Not applicable

## 9. Staffing matters

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2014 and estimates of FTE staff numbers (broken down by the categories listed below) at 30 June 2015 and 30 June 2016 for the Department. Please provide figures consolidated on the same basis as the expenditure for the Department in the budget papers.

<b>DTF Grade</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2016</b>
	<b>(Actual FTE number)</b>	<b>(Expected FTE number)</b>	<b>(Forecast FTE number)</b>
Secretary	1.00	1.00	1.00
EO-1	3.00	4.00	4.00
EO-2	19.80	18.00	18.00
EO-3	42.93	40.21	40.21
VPS Grade 7 (STS)	12.80	11.80	11.80
VPS Grade 6	134.87	120.24	120.24
VPS Grade 5	129.58	129.71	129.71
VPS Grade 4	103.39	96.85	96.85
VPS Grade 3	86.08	76.67	76.67
VPS Grade 2	23.93	16.83	16.83
VPS Grade 1	n/a	n/a	n/a
Government Teaching Service	n/a	n/a	n/a
Health services	n/a	n/a	n/a
Police	n/a	n/a	n/a
Allied health professionals	n/a	n/a	n/a
Child protection	n/a	n/a	n/a
Disability development and support	n/a	n/a	n/a
Custodial officers	n/a	n/a	n/a
Other (Legal Officers and Casuals)	7.02	4.00	4.00
<b>Total</b>	<b>564.40</b>	<b>519.31</b>	<b>519.31</b>



<b>ESC Grade</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2016</b>
	<b>(Actual FTE number)</b>	<b>(Expected FTE number)</b>	<b>(Forecast FTE number)</b>
Secretary	0	0	0
EO-1	0	0	0
EO-2	1	1	1
EO-3	2	3.8	4
VPS Grade 7 (STS)	1	2	1
VPS Grade 6	14	13	17
VPS Grade 5	12.44	12.6	19.6
VPS Grade 4	13.2	14.6	14.6
VPS Grade 3	11.6	12.57	14.57
VPS Grade 2	3	0	2
VPS Grade 1	0	0	0
Government Teaching Service	n/a	n/a	n/a
Health services	n/a	n/a	n/a
Police	n/a	n/a	n/a
Allied health professionals	n/a	n/a	n/a
Child protection	n/a	n/a	n/a
Disability development and support	n/a	n/a	n/a
Custodial officers	n/a	n/a	n/a
Other (Legal Officers and Casuals)	1.13	2	0
Other (SRM)	4	3	4
<b>Total</b>	<b>63.37</b>	<b>64.57</b>	<b>77.77</b>

<b>SRO Grade</b>	<b>30 June 2014 (Actual FTE number)</b>	<b>30 June 2015 (Expected FTE number)</b>	<b>30 June 2016 (Forecast FTE number)</b>
Secretary	n/a	n/a	n/a
EO-1	n/a	n/a	n/a
EO-2	1.00	1.00	1
EO-3	4.00	4.00	5
VPS Grade 7 (STS)	2.60	3.00	3
VPS Grade 6	41.20	43.80	44
VPS Grade 5	94.00	100.60	100
VPS Grade 4	106.62	109.18	107
VPS Grade 3	163.12	161.45	160
VPS Grade 2	30.40	46.36	45
VPS Grade 1	n/a	n/a	n/a
Government Teaching Service	n/a	n/a	n/a
Health services	n/a	n/a	n/a
Police	n/a	n/a	n/a
Allied health professionals	n/a	n/a	n/a
Child protection	n/a	n/a	n/a
Disability development and support	n/a	n/a	n/a
Custodial officers	n/a	n/a	n/a
Other (Legal Officers and Casuals)	18.40	18.40	18
<b>Total</b>	<b>461.34</b>	<b>487.79</b>	<b>483</b>

**Question 25**

Please break down the actual staff numbers in your department as at 30 June 2014 and the estimates as at 30 June 2015 and 2016 according to the number of staff that are ongoing, fixed-term or casual.

<b>DTF</b>	<b>30 June 2014</b> <b>(Actual FTE number)</b>	<b>30 June 2015</b> <b>(Expected FTE number)</b>	<b>30 June 2016</b> <b>(Forecast FTE number)</b>
Ongoing	548.35	502.78	502.78
Fixed-term	13.63	16.53	16.53
Casual	2.42	0.00	0.00
<b>Total</b>	<b>564.40</b>	<b>519.31</b>	<b>519.31</b>

<b>ESC</b>	<b>30 June 2014</b> <b>(Actual FTE number)</b>	<b>30 June 2015</b> <b>(Expected FTE number)</b>	<b>30 June 2016</b> <b>(Forecast FTE number)</b>
Ongoing	58.24	57.77	77.77
Fixed-term	4	4.8	0
Casual	1.13	2	0
<b>Total</b>	<b>63.37</b>	<b>64.57</b>	<b>77.77</b>

<b>SRO</b>	<b>30 June 2014</b> <b>(Actual FTE number)</b>	<b>30 June 2015</b> <b>(Expected FTE number)</b>	<b>30 June 2016</b> <b>(Forecast FTE number)</b>
Ongoing	453.74	447.93	470
Fixed-term	7.6	39.86	13
Casual	n/a	n/a	n/a
<b>Total</b>	<b>461.34</b>	<b>487.79</b>	<b>483</b>

**Question 26**

Please detail the actual amount that the Department spent on contractors and consultants in 2013-14 and the estimated expenditure in 2014-15 and 2015-16 (for a definition on the difference between consultants and contractors, see FRD 22E – Standard Disclosures in the Report of Operations). Please provide figures on the same basis of consolidation for the Department as used in the budget papers.

	<b>2013-14 Actual</b> (\$ million)	<b>2014-15 Expected</b> (\$ million)	<b>2015-16 Forecast</b> (\$ million)
Consultants	3.60	3.80	4.55
Contractors	38.07	53.49	39.70

## 10. Previous recommendations

### Question 27

For each recommendation in the Committee's *Report on the 2014-15 Budget Estimates – Part Two* that relates to an area relevant to your department or one of its portfolio agencies, please indicate:

- (a) whether or not the action specified in the recommendation has been implemented
- (b) if so, how it has been implemented and what publicly available information (if any) demonstrates the implementation of the recommendation
- (c) if not, why the recommendation has not been implemented, or the intended date of implementation.

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
1	The Government should investigate the potential benefits of tabling the Victorian budget after the Commonwealth budget.	The timing of the Victorian budget is currently under review.				
2	The Department of Treasury and Finance continue the practice of separately reporting purchases of non-financial assets and sales of non-financial assets for all sectors in the Annual Financial Report.	Yes	The Department of Treasury and Finance will continue the practice of separately reporting purchases of non-financial assets and sales of non-financial assets for all sectors in the Annual Financial Report.	The next Annual Financial Report due for release in October 2015 will demonstrate implementation.		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
3	The Department of Treasury and Finance publish historical figures for public private partnership infrastructure investment.	Yes	The Department of Treasury and Finance will publish the value of private construction activity for PPP projects, noting that these figures represent the expected fixed construction costs that Government contracts for those PPP projects. Actual construction costs may differ and are not reported by the Government due to PPP projects being delivered by private sector contractors.	Chart 4.2 in Budget Paper No. 2 sets out Government infrastructure investment and includes estimated cash flows for Partnerships Victoria projects.		
4	In estimating, publishing and discussing government infrastructure investment figures, the Department of Treasury and Finance build on existing disclosure by quantifying, to the extent compatible with protecting the State's financial interests, all components of government infrastructure investment for each year of the forward estimates period after the budget year.	Yes	The required information was included in the 2015-16 Budget Papers	Budget Paper No. 4, <i>State Capital Program</i> in chapter 1		

Recommendation		Has the action specified in the recommendation been implemented?	If yes:		If no:	
			How has it been implemented?	What publicly available information, if any, shows the implementation?	Why not?	When is the intended date of implementation?
5	<p>The Department of Treasury and Finance include the definitions of the following terms from its website in Budget Paper No.4 (State Capital Program):</p> <p>(a) 'government infrastructure investment'; and</p> <p>(b) 'PPP infrastructure investment'.</p>	Yes	The required information was included in the 2015-16 Budget Papers	Budget Paper No. 4, <i>State Capital Program</i> , page 119		
6	The Department of Treasury and Finance continue to refine the definitions in Budget Paper No.4 (State Capital Program) to ensure that terms which are used interchangeably are not defined differently.	Yes	The required information was included in the 2015-16 Budget Papers	Budget Paper No. 4, <i>State Capital Program</i> , page 119		

## Whole-of-government questions (Department of Treasury and Finance only)

### Question 1

- (a) Please detail the economic forecasts which had the most significant impact on framing the 2015-16 Budget, detailing for each the major revenue and expenditure items in the budget that have been affected.

The following response relates to revenue items in the budget.

Economic forecast	Affected items in the budget
Gross State Product (GSP)	All taxes are influenced by GSP
State final demand	Insurance taxes
Household consumption	Gambling taxes; GST (national consumption)
Employment Growth	Payroll tax, gambling taxes
Consumer Price Index	GST, motor vehicle taxes, gambling and insurance taxes.
Wages Growth	Payroll tax, land transfer duty and gambling taxes
Housing prices	Land transfer duty
Interest rates	Land transfer duty
Population	All taxes are influenced by population

Note that Budget Paper No. 2 Appendix A, *Sensitivity Analysis Table* provides sensitivity analysis of major budget targets (net result from transactions and net debt) to small variations in macroeconomic variables.

- (b) Please indicate what mechanisms have been put in place to assess the accuracy of the Department of Treasury and Finance's previous economic forecasts compared to actual results and any changes to the methodology that have been made in response.

DTF has a well-developed risk management process in relation to its forecasts. There are four strands:

1. Accuracy of forecasts is a key output deliverable; macroeconomic (GSP and employment growth within one percentage point of actual) and revenue (forecast aggregate own source tax revenue to be within five percent of actual) targets are



output reporting requirements that ensure comparison between actuals and forecasts. All forecasts for the main macroeconomic variables as well as revenue are reported in the on-line database and are available for public scrutiny;

2. DTF forecasting methodologies are scrutinised by the Victorian Auditor-General as part of the process of providing an independent assurance report published in Budget Paper 5 *Statement of Finances*;
3. DTF undertakes its own annual schedule of internal audit of activities. In recent years audits have been undertaken on Economic forecasting and modelling (2012-13) and Land Transfer Duty forecasting and modelling (2013-14). In addition DTF subscribes to ISO (International Organization for Standardization) accreditation which also undertakes regular reviews of forecasting methodologies and associated processes.
4. DTF utilises best practice in undertaking its forecasts. This includes continual reviews of methodologies updating and refreshment of econometric tools that support forecasts (at least twice a year after budget and budget updates). Models are compared to best practice. The general outline is described and published as part of the on-line database.

- (c) Please provide details of any other methods the Department employs to ensure that the economic forecasts used in preparing the budget are appropriate.

Methodologies employed include guidance from economic theory and econometric modelling where appropriate, review of forward indicators, consideration of market conditions and commentary including intelligence gathered through business liaison, consideration of contemporaneous developments, attention to risk and other mitigating circumstances and all forecasts are subject to review by ascending levels of scrutiny within the Department. Comparisons are always made with other public forecasts made by the Commonwealth Treasury, the Reserve Bank of Australia, other state and territory treasuries and private sector forecasters (primarily banks) to affirm storylines and may lead to modification of forecasts.

## **Question 2**

- (a) Please explain the methodology used to quantify the 'adjustments' line item in the 'Net impact of the 2015-16 new output initiatives' table in the 2015-16 Strategy and Outlook budget paper (p.58) and list the components of the line item. If the line item is not disaggregated from reprioritisation in the 2015-16 budget papers, please also disaggregate the line item for each year of the forward estimates period.

The adjustments line item primarily relates to the net impact of the creation and release of *decisions made but not yet allocated* contingencies that are associated with new output policy for the *2015-16 Budget*.

- (b) Please describe the methodology used to quantify the line item 'contingencies not allocated to departments' in Note 12(b) to the general government sector comprehensive operating statement in the Statement of Finances budget paper (p.35), and list any identified components.

This item comprises two types of contingencies:

1. Contingencies for *decisions made but not yet allocated* reflects existing government

policy decisions for which funding has yet to be allocated to departments, and includes:

- provisions for election commitments to be funded in future budgets;
  - provisions not yet allocated to meet additional price and demand growth for health, disability and education; and
  - a provision for estimated additional depreciation costs associated with the unallocated capital contingency.
2. A contingency for *funding not allocated to specific purposes* is also set aside for future government policy decisions and commitments.

A decomposition of general government output contingencies is provided at Note 12(c) in Chapter 1 of Budget Paper No. 5.

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Decisions made but not yet allocated	417.6	1 336.3	2 423.6	3 493.5
Funding not allocated to specific purposes	100.0	300.0	500.0	700.0
<b>Total general government output contingencies</b>	<b>517.6</b>	<b>1 636.3</b>	<b>2 923.6</b>	<b>4 193.5</b>

- (c) Please explain the different factors taken into account in calculating adjustments (as described in part (a) above) compared to the ‘contingencies not allocated to departments’ (as described in part (b) above).

The ‘adjustments’ line item (as described in part (a) above) refers mainly to the movements in and out of *decisions made but not yet allocated* that relate to new output policy decisions for the *2015-16 Budget*. The *decisions made but not yet allocated* line item (as described in part (b) above) relates to current stock of contingency for the items described above.

### Question 3

- (a) Please describe the methodology used to quantify any unallocated capital provisions shown in the ‘Application of cash resources for the general government sector’ table in the 2015-16 Strategy and Outlook budget paper (p.59) and list the components of the line item.

The level of the unallocated capital provision is determined by Government and reflects a prudent provision for future government asset investment decisions.

- (b) Please describe the methodology used to quantify the line item ‘contingencies not allocated to departments’ in Note 20(b) to the general government sector cash flow statement in the Statement of Finances budget paper (p.40), and list any identified components.

This item comprises two types of contingencies:

1. contingencies for government policy **decisions made but not yet allocated**, which includes provisions for election commitments to be funded in future budgets and asset

policy decisions for which funding has yet to be allocated to departments; and

2. **funding not allocated to specific purposes** which is an unallocated provision available for future government asset investment decisions. This unallocated capital provision is further discussed in the response to Question 3 (a).

A decomposition of general government asset contingencies not allocated to departments is provided at Note 20(c) in Chapter 1 of Budget Paper No. 5.

	<i>2015-16 budget</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>	<i>2018-19 estimate</i>
Decisions made but not yet allocated	478.1	1 532.4	2 170.8	2 467.8
Funding not allocated to specific purposes	..	500.0	1 000.0	1 450.0
<b>Total general government asset contingencies</b>	<b>478.1</b>	<b>2 032.4</b>	<b>3 170.8</b>	<b>3 917.8</b>

- (c) Please explain the different factors taken into account in calculating the unallocated capital provisions (as described in part (a) above) compared to the contingencies not allocated to departments (as described in part (b) above).

The unallocated capital provision (as described in part (a) above) is a component of the contingencies not allocated to departments line item in (as described in part (b) above).

The additional component contained within the contingencies not allocated to departments figure is the provision for 'decisions made but not yet allocated,' which relates to provisions for election commitments to be funded in future budgets and asset policy decisions for which the funding has yet to be allocated to departments.

**Question 4**

In relation to the estimated financial statements for the general government sector (estimated operating statement and estimated balance sheet), please explain any variations of more than  $\pm 10$  per cent (or greater than \$100 million) between the estimates for 2015-16 published in the 2014-15 budget papers, and the budget forecasts for 2015-16 shown in the 2015-16 budget papers.

Line item	Reason for variation
OS – Taxation Revenue	<p>Estimated taxation revenue has increased by \$179.1 million (1 per cent) since the <i>2014-15 Budget</i>, with the main increases driven by:</p> <ul style="list-style-type: none"> <li>• Land transfer duty (\$320.8 million) due to the property market being stronger than originally forecast; and</li> <li>• Offset by lower revenue collection for Land tax (\$96.7 million) and Motor vehicle taxes (\$25.3 million). Land tax is expected to be lower due to the 2014 revaluation cycle being weaker than forecast, while Motor vehicle taxes are lower than expected due to fewer than expected vehicle purchases thus reducing both stamp duty collections and vehicle registrations.</li> </ul>
OS – Dividends and Income Tax Equivalentents (ITEs)	<p>Estimated dividends and ITEs revenue has increased by \$233.6 million (26 per cent) since the <i>2014-15 Budget</i>, primarily driven by an:</p> <ul style="list-style-type: none"> <li>• increase in estimated Public Financial Corporation dividends from Transport Accident Commission and Victorian Managed Insurance Agency; and</li> <li>• increase in estimated Public Non-Financial Corporation dividends from Metropolitan water entities.</li> </ul>

Line item	Reason for variation
OS – Other Revenue	<p>Other revenue has increased by \$113.5 million (6 per cent) since the <i>2014-15 Budget</i>, primarily driven by:</p> <ul style="list-style-type: none"> <li>• an increase in other assets received free of charge (\$54.9 million) reflecting recognition of Public Transport Victoria’s use of myki ticketing assets owned by VicTrack;</li> <li>• an increase in revised estimates for donations (\$37 million) and third party revenue (\$38 million) from hospitals, nursing homes, ambulance and other health agencies; and</li> <li>• partially offset by a decrease in estimated fines revenue (\$26.3 million).</li> </ul>
OS – Employee Expenses	<p>Estimated employee expenses have increased by \$478.0 million (2 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is primarily due to new budget decisions to increase the health workforce to meet growth in demand for hospital services across the State.</p>
OS – Net Interest Superannuation Expense	<p>Net interest superannuation expense has decreased by \$125 million (12 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is primarily due to a significant reduction in the bond yields that underlie the key superannuation valuation assumptions. For example, the discount rate has fallen from 4.7 per cent at 31 March 2014 (the basis for the <i>2014-15 Budget</i>) to 2.7 per cent at 31 March 2015 (the basis for the <i>2015-16 Budget</i>).</p>
OS – Other Superannuation	<p>Other superannuation expense has increased by \$205 million (11 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is due to a \$155 million increase in the defined benefit service cost as a result of the reduction in the discount rate noted above (service cost represents the present value of employer financed benefits that accrue during the year and so a lower discount rate increases this cost). Employer contributions to defined contribution plans also increased by approximately \$50 million.</p>

Line item	Reason for variation
OS – Other Operating Expenses	<p>Other operating expenses have increased by \$1,644.3 million (10 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is primarily driven by:</p> <ul style="list-style-type: none"> <li>• an increase relating to additional services in Hospitals to meet growth in demand;</li> <li>• funding for the Social and Community Services Equal Remuneration Order;</li> <li>• delay in the transfer of Home and Community Care to the Commonwealth;</li> <li>• revised expenditure for TAFEs; and</li> <li>• payments for the Goulburn-Murray Water project that were previously classified as grant expenses.</li> </ul>
OS – Grants and Transfers	<p>Grants and transfers has increased by \$176.2 million (2 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is primarily driven by new budget decisions including:</p> <ul style="list-style-type: none"> <li>• Funding for non-government schools, out of home care and the continuation of the Victorian Responsible Gambling Foundation;</li> <li>• Local government funding for the Interface Councils Infrastructure Grant Fund; and</li> <li>• Capital funding for building and upgrading catholic and independent schools.</li> </ul>
OS – Net Gain/ (Loss) on Financial Assets or Liabilities at Fair Value	<p>The net gain on financial assets and liabilities has increased by \$902 million (20 per cent) since the <i>2014-15 Budget</i>.</p> <p>This mainly reflects the expected receipt of additional proceeds from entering into a medium-term lease over the operations of the Port of Melbourne.</p>
OS – Changes in non-financial assets revaluation surplus	<p>Changes in the non-financial assets revaluation surplus has increased by \$139.3 million (23.0 per cent) since the <i>2014-15 Budget</i>.</p> <p>This is primarily driven by an increase in expected revaluations of assets in the Education and Health sectors.</p>

<b>Line item</b>	<b>Reason for variation</b>
OS – Re-measurement of superannuation defined benefit plans	<p>Re-measurement of superannuation defined benefits has increased by \$453 million since the <i>2014-15 Budget</i>.</p> <p>The gain for 2015-16 that was estimated in the <i>2014-15 Budget</i> only related to the expected return on superannuation assets that was in excess of interest income. The large loss that has subsequently arisen in 2015-16 is due to a large reduction in the bond yields that underlie the superannuation valuation assumptions between 30 June 2014 and 31 March 2015; partially offset by better than expected investment returns on superannuation assets. In particular, the superannuation discount rate decreased from 4.1 per cent at 30 June 2014 to 2.7 per cent at 31 March 2015.</p>
OS – Net Gain/ (Loss) on equity investments in other sectors	<p>The \$437.3 million change in the 'net gain/(loss) on equity investments' in the general government sector primarily reflects forecast movements in the net asset positions of entities in the public non-financial corporation and public financial corporation sectors, mainly reflecting valuation, performance and equity movements.</p>
BS – Cash and deposits	<p>Estimates for cash and deposits have increased by \$562.4 million (12 per cent) since the <i>2014-15 Budget</i>. This is mainly attributable to changes in the investment mix, increasing short-term deposits.</p>
BS – Receivables	<p>Estimates for receivables have increased by \$196.3 million (4 per cent) since the <i>2014-15 Budget</i>. This is primarily driven by an increase in tax receivables, including the new casino licencing arrangements.</p>
BS – Investments, loans and placements	<p>There has been a reduction in the estimates for investments, loans and placements of \$327.7 million (9 per cent) since the <i>2014-15 Budget</i>. This is largely attributable to changes in the investment mix, decreasing term deposits with TCV and increasing short-term deposits or at call deposits.</p>
BS – Investments accounted for using the equity method	<p>Estimates for investments accounted for using the equity method have decreased by \$5.3 million. The variance does not represent a material item.</p>

<b>Line item</b>	<b>Reason for variation</b>
BS – Investments in other sector entities	Estimates for investments in other sector entities have increased by \$771.1 million (1 per cent) since the <i>2014-15 Budget</i> . This is mainly attributable to expected increases in the net worth of the PNFC sector.
BS – Inventories	Estimates for inventories have decreased by \$20.9 million (12 per cent) in the <i>2015-16 Budget</i> . The variance does not represent a material item.
BS – Non financial assets held for sale	Estimates for non-financial assets held for sale have increased by \$20.1 million (19 per cent) since the <i>2014-15 Budget</i> . This is largely attributable to updates in the education sector to better reflect the nature of the asset base.
BS – Land, buildings, infrastructure, plant and equipment	Estimates for land, buildings, infrastructure, plant and equipment have increased by \$2.5 billion (2 per cent) since the <i>2014-15 Budget</i> . The main drivers for this increase include asset revaluations in the education, transport and health sectors; and new capital funding decisions included in the <i>2015-16 Budget</i> for schools and other portfolios.
BS – Other non-financial assets	Estimates for other non-financial assets have increased by \$274.6 million (31 per cent) since the <i>2014-15 Budget</i> . The variance is primarily driven by increases in intangible assets and prepayments.
BS – Payables	Estimates for payables have increased by \$750.9 million since the <i>2014-15 Budget</i> (16 per cent). This is primarily attributable to unearned income mainly relating to the new casino licencing arrangements.
BS – Borrowings	Estimates for borrowings have decreased by \$1.3 billion (4 per cent) since the <i>2014-15 Budget</i> . This is due primarily to lower than earlier expected net investment in fixed assets.



<b>Line item</b>	<b>Reason for variation</b>
BS – Superannuation	The re-measurement of superannuation defined benefits for 2015-16 has moved from a gain of around \$960 million in the <i>2014-15 Budget</i> to a loss of \$4.3 billion in the 2015-16 Budget. The gain for 2015-16 that was estimated in the <i>2014-15 Budget</i> only related to the expected return on superannuation assets that was in excess of interest income. The large loss that has subsequently arisen in 2015-16 is due to a large reduction in the bond yields that underlie the superannuation valuation assumptions between 30 June 2014 and 31 March 2015; partially offset by better than expected investment returns on superannuation assets. In particular, the superannuation discount rate decreased from 4.1 per cent at 30 June 2014 to 2.7 per cent at 31 March 2015.
BS – Accumulated Surplus/(deficit)	Estimates for the accumulated surplus have moved by \$7.9 billion (14 per cent) since the <i>2014-15 Budget</i> . This is primarily driven by the adjustments to the unfunded superannuation liability due to the previously mentioned changes in bond yields.
BS - Reserves	Estimates for reserves have moved by \$5.4 billion (6 per cent) since the <i>2014-15 Budget</i> . The main drivers are movements in line with the asset revaluation cycle for roads and for the Department of Environment, Land, Water and Planning, and an accounting policy change relating to the valuation of school building assets.

**Question 5**

(a) What new features have been incorporated in the budget papers for 2015-16 and why?

The 2015-16 Budget Papers are structured in a similar manner to the 2014-15 papers. There are no significant changes to the suite of core budget papers.

There were four Budget Information Papers included with the suite of budget papers for 2015-16:

- Getting On With It;
- Rural and Regional;
- Suburban Growth; and
- Putting People First.

A video providing an overview of the key initiatives from the 2015-16 Budget has been published online.

(b) What previous features have been modified or discontinued and why?

Not applicable

**Question 6**

Please disaggregate the line item 'other purposes' in the 'Expenses by government purpose classification' note to the general government sector comprehensive operating statement (Statement of Finances budget paper, p.34) into 'other purposes' and 'not allocated by purpose', as is done for asset investment.

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Other purposes	2370.7	2470.7	2496.7	2481.1
Not allocated by purpose	-500.4	-58.0	-24.7	-1.5

Notes:

- Other purposes is made up of mainly public debt transactions and superannuation in accordance with ABS Government Purpose Classification definitions.
- The 'not allocated by purposes' category wholly consists of estimated departmental underspend.

**Question 7**

In relation to the 'Reconciliation of Estimates to the 2014-15 Budget' (*Victorian Pre-Election Budget Update*, p.15) and the 'Reconciliation of Estimates to the 2014 Pre-Election Budget Update' (*2014-15 Victorian Budget Update*, p.20), please disaggregate the line 'other administrative variations' in the expenses from transactions section into 'contingency offset for new policy' and 'other administrative variations' (as is shown in the 'Reconciliation of Estimates' table in the Strategy and Outlook budget paper at budget time):

## (a) 2014 Victorian Pre-Election Budget Update\*

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Contingency offset for new policy	19.4	-43.1	-102.4	-263.6
Other administrative variations	-126.8	-42.4	34.1	133.1

## (b) 2014-15 Victorian Budget Update\*

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Contingency offset for new policy	0.0	-55.9	-63.6	36.2
Other administrative variations	-55.4	-22.0	-12.0	-50.4

\* Note that prior to the *2015-16 Budget*, movements to funding provisions for health reform, schools and NDIS were classified under "other administrative variations". The *2015-16 Budget* incorporates these movements within *Output policy decision variations* to allow better alignment between the *Reconciliation of estimates to 2014-15 Budget Update* table in Budget Paper No. 2 and output contingencies listed under Note 12(c) of Budget Paper No. 5.

**Question 8**

In regard to the figure in the budget papers for ‘PPP infrastructure investment and other’ (State Capital Program budget paper, p.12) and the equivalent figures provided to the Committee in response to the 2014-15 Budget Estimates Questionnaire, please provide a revised estimate for this figure for 2014-15 and an explanation for the changes between last year’s estimates and this year’s:

	<b>2014-15 (\$ million)</b>	<b>2015-16 (\$ million)</b>	<b>2016-17 (\$ million)</b>	<b>2017-18 (\$ million)</b>	<b>2018-19 (\$ million)</b>
Provided last year	1,854	Not for publication # see note below	968	808	n/a
2015-16 budget papers	( 213.1)	7,472.0	765.6	421.6	142.6
Explanation	<p>The 2014-15 reduction primarily reflects the Government’s decision to not proceed with the East West Link and Cranbourne-Pakenham Rail Corridor projects and adjustments associated with the medium-term lease of the Port of Melbourne Corporation.</p> <p>The 2016-17 and 2017-18 reductions are mainly due to reduced finance leases associated with the Cranbourne-Pakenham Rail Corridor project.</p> <p># Budget Paper No. 4 <i>State Capital Program</i> for 2014-15 did not publish ‘PPP infrastructure investment and other’ figures beyond the 2014-15 budget year. Unpublished figures for 2016-17 and 2017-18 were provided to PAEC on request. The 2015-16 number was not provided to PAEC for reasons relating to commercial sensitivity regarding the Port of Melbourne.</p> <p>Figures for 2015-16 and forward years were published in Budget Paper No. 4 <i>State Capital Program</i> for 2015-16. The 2014-15 figure shown above was not published in this publication but is provided for PAEC in this questionnaire.</p>				

**Question 9**

For each of the following line items in the general government sector comprehensive operating statement (or its notes) in the 2015-16 Budget, please quantify the amount of the line item that is received from or provided to the PNFC sector or PFC sector. Please also identify any other line items in the revenue from transactions or expenses from transactions or their notes in which more than \$100 million flows from the general government sector to the PNFC or PFC sector or vice versa.

## (a) revenue from transactions

Line item	Amount coming from PNFC sector (\$ million)				Amount coming from the PFC sector (\$ million)			
	2015- 16	2016- 17	2017- 18	2018- 19	2015- 16	2016- 17	2017- 18	2018- 19
Taxation revenue	243.8	209.8	212.1	230.4	18.8	19.2	19.6	20.1
Interest revenue	472.8	468.8	465	460.5	111.4	121.9	134.1	134.2
Dividends	215.6	195.6	182.7	216.6	619.5	522.2	530.7	343.9
Income tax equivalent and local government rate equivalent revenue	150.6	125.9	162.2	186.5	207.5	238.1	252.1	236.3
Grants	5.3	2.3	2.3	2.3				
Sales of goods and services – inter-sector capital assets charge	1751.8	1901.6	1949.2	1971.2				
Sales of goods and services – provision of services	303.7	228.9	194.2	195.6	341.1	341.0	342.8	348.3
Total revenue from transactions	3143.6	3132.9	3167.7	3263.1	1298.3	1242.4	1279.3	1082.8
Other line items with >\$100 million coming from the PNFC or PFC sector (please specify)								

## (b) expenses from transactions

Line item	Amount going to PNFC sector (\$ million)				Amount going to the PFC sector (\$ million)			
	2015-16	2016-17	2017-18	2018-19	2015-16	2016-17	2017-18	2018-19
Interest expense					1237.6	1117.2	1144.4	1102.2
Grants and other transfers	2943.0	3041.7	3107.0	3110.8				
Other operating expenses – purchase of supplies and consumables	0.2	0.3	0.3	0.2				
Other operating expenses – purchase of services	348.1	294.2	193.6	100.8	490.2	520.5	552.3	585.3
Total expenses from transactions	3291.3	3336.2	3300.9	3211.8	1727.8	1637.7	1696.7	1687.5
Other line items with >\$100 million going to the PNFC or PFC sector (please specify)								

### Question 10

In the tables relating to grants for specific purposes in the Statement of Finances budget paper, if any line item labelled 'other' has a value exceeding \$10 million in 2015-16, please provide details of the grants which have been included in the line item.

Table 4.10: Environmental services:	2015-16 Budget (\$m)	Commentary
Murray Darling Basin Environmental Works and Measures	13.0	To develop a water delivery network to match the changing needs and to support various opportunities for irrigated agriculture across Northern Victoria.

Table 4.11: Health services	2015-16 Budget (\$m)	Commentary
Adult Public Dental Services	49.6	Grants provide funding for public dental services to Victorians on public dental waiting lists.

<b>Table 4.12: Infrastructure services</b>	<b>2015-16 Budget (\$m)</b>	<b>Commentary</b>
AusLink Program - Rail Projects	19.0	<p>Funding for two projects - Commonwealth grants based on project cash flows:</p> <p>(a) \$4 million for the Ballarat Freight Hub (Stage 1). The funding will help with the development of core infrastructure for the Freight Hub, including access, site preparation and services.</p> <p>(b) \$15 million for the Melbourne Metropolitan Intermodal System. The project will increase freight distribution efficiency across Melbourne by improving rail links to the Port of Melbourne.</p>
Victorian East West Link project	300.0	Commonwealth funding for the former East-West Link project.
Nation Building Program (Capital) NP - New Construction	16.0	Funding for Tullamarine Freeway widening to Melbourne Airport.

<b>Table 4.13: Contingent &amp; other services</b>	<b>2015-16 Budget (\$m)</b>	<b>Commentary</b>
Highly Specialised Drugs Program & Pharmaceutical Benefits Scheme (PBS)	598.0	Relates mainly to Commonwealth grants received directly by health agencies.
Catchment Management Authorities	19.8	Funding allocation to Victoria's 10 Catchment Management Authorities for developing and co-ordinating the implementation of the Regional Catchment Strategy (RCS). The RCS is the primary integrated planning framework for land, water and biodiversity management in each of the 10 catchment management regions of Victoria.

<b>Table 4.13: Contingent &amp; other services</b>	<b>2015-16 Budget (\$m)</b>	<b>Commentary</b>
Commonwealth asset recycling revenue	145.0	Reflects incentive payments anticipated to be received from the Commonwealth for Victoria's asset sales program.
Tax Compensation Payments	25.0	Compensation for Commonwealth taxes paid by Snowy Hydro Limited in proportion to Victoria's partial ownership (29 per cent).
Redevelopment of the Victorian Royal Eye and Ear Hospital and the Health and Hospital Fund	60.0	Reflects funding for the redevelopment of the Victorian Royal Eye and Ear Hospital and the Health and Hospital Fund.

### **Question 11**

What has been the impact of any changes to Victoria's share of the GST pool for 2015-16 and beyond? Please detail any actions that the State Government has taken in response to expected changes in the value of general purpose grants in 2015-16 and the forward estimates period.

Changes to Victoria's share of the GST national pool are driven by changes to relativities and population. In its 2015 Methodology Review, the Commonwealth Grants Commission (CGC) recommended an assessed 2015-16 GST relativity for Victoria of 0.89254, which was higher than the forecast of 0.87431 implied in the *2014-15 Budget Update*.

This was driven by a higher than expected per capita relativity in 2013-14 and upward revisions to the both the 2011-12 and 2012-13 per capita relativities. The change to the forward estimates for relativities takes into account supporting information published by the CGC.

Changes to Victoria's population share have also impacted positively on general purpose grants, with Commonwealth estimates for Victoria's population share being slightly higher than previously expected.

The changes to Victoria's share of the national GST pool can be expected to increase general purpose grants in 2015-16 by over \$200 million. However, between 2016-17 and 2018-19, Victoria's share of the national GST pool will decrease compared to previous estimates, due mostly to lower iron ore prices increasing Western Australia's share of the national GST pool.



**Question 12**

In relation to the net debt projections for the non-financial public sector for 2015-16 and over the forward estimates to 2018-19 (as published in the Statement of Finances budget paper), please provide a break-down of the spread of net debt between the general government sector (GGS) and each of the main public non-financial corporations (PNFCs) concerned.

GGS/PNFC entity	Net debt, 30 June 2015	Net debt, 30 June 2016	Net debt, 30 June 2017	Net debt, 30 June 2018	Net debt, 30 June 2019
Melbourne Water Corporation	(8,223.9)	(8,299.4)	(8,315.7)	(8,491.0)	(8,608.4)
Yarra Valley Water Corporation	(2,079.8)	(2,314.7)	(2,496.8)	(2,648.1)	(2,859.5)
South East Water Corporation	(1,317.8)	(1,386.2)	(1,419.5)	(1,440.2)	(1,442.0)
City West Water Corporation	(1,091.6)	(1,158.2)	(1,208.3)	(1,258.4)	(1,382.9)
Victorian Rail Track	(735.2)	(647.2)	(556.7)	(371.9)	(351.7)
Barwon Region Water Corporation	(578.3)	(608.4)	(604.5)	(578.5)	(588.8)
Coliban Region Water Corporation	(468.9)	(476.0)	(458.6)	(441.9)	(419.5)
Urban Renewal Authority Victoria (Places Victoria)	(275.5)	(302.4)	(287.4)	(256.1)	(255.6)

**Question 13**

What factors or assumptions have led to changes to the estimates of borrowings and net debt as at 30 June 2015 and the forward estimates between the 2014-15 Budget and the 2015-16 Budget?

The *2015-16 Budget* estimate for net debt at June 2018 is broadly in line with the *2014-15 Budget* estimate (\$75 million lower). However, the *2015-16 Budget* estimate for June 2015 is around \$2.1 billion lower than the *2014-15 Budget*.

The altered profile for net debt (i.e. \$2.1 billion lower net debt by June 2015) largely reflects updated cash flow profiles for capital investment and the impact of the Government's priorities and profile for new policy initiatives.