



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

**2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE
OUTCOMES QUESTIONNAIRE — PART TWO**

DEPARTMENT OF TREASURY AND FINANCE

PART A – QUESTIONS RELATING TO THE DEPARTMENT

Question 1

The headcount (in terms of full-time equivalents) for CenITex increased by 93 per cent between 2009 and 2010 and by 48 per cent between 2010 and 2011.¹ The annual reports indicate that this is in part due to ‘*contractors converting to VPS*’ and ‘*a greater emphasis on recruiting VPS rather than contract staff*’. Please detail, for 2009-10 and 2010-11:

- the number of contract staff (FTE) employed by CenITex;
- the number of contractors (FTE) who converted to VPS in each year; and
- estimated savings/addition cost resulting from contractors converting to VPS and new recruits being brought in through the VPS rather than as contract staff.

Year	Number of contract staff (FTE)	Number of contractors (FTE) who converted to VPS	Savings/additional cost (2)
2009-10	175	72	\$517,415
2010-11	251	48	\$34,228 (1)

(1) This figure is increased by a further \$1,169,418 if the 2nd year contractor to VPS savings from FY2009-10 are included.

(2) Any savings/additional cost through "new recruits brought in through the VPS rather than as contract staff" (2nd part of (c) above), are not included.

Question 2

The Department’s revenue from the sale of goods and services was 85 per cent more than the budget in 2010-11, which is explained by ‘*the transfer of further operations (of other departments) to both CenITex (for the provision of IT services) and the shared services provider (SSP) (for the provision of library, vehicle fleet management and accommodation facilities management services), with some uncertainties around operational scope during the budget process.*’² Please provide details (quantifying where possible) of the efficiency and service effectiveness gains achieved for the general government sector in 2010-11 by:

- CenITex; and

The realisation of financial benefits up to 30 June 2011 saw CenITex complete initiatives that:

- reduced annual running cost by \$11.8 million (Savings due to in-sourcing of the Unisys contract, contractor to VPS conversions etc.)
- avoided annual cost increases of \$15.6 million (Savings due to improved procurement outcomes - storage, servers etc.)
- avoided one-off spending of \$18.1 million (Savings due to increased sharing of infrastructure e.g. enterprise SQL and Web hosting platforms etc.)

These benefits were generated over a two year period from March '09 to June 2011. All of them have been delivered in this time frame with a relatively even spread.

- the shared services provider.

¹ Department of Treasury and Finance, *Annual Report 2009-10*, September 2010, p.99;

Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.95

² Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.86

The SSP has created efficiencies and service effectiveness gains through various activities including: reducing the total number of full time employees (FTE) performing SSP functions (compared to when they were embedded in departments) thereby enabling departments to reassign staff to other functions; avoiding costs by renegotiating leases resulting in more favourable terms; creating economies of scale and procurement efficiencies; ensuring that individual government agencies do not compete against each other for contracts, procurement and leased accommodation; avoiding costs by reducing floor space required; and centralising and rationalising the whole of Victorian Government vehicle pool and Victorian Government library service.

Question 3

According to the Secretary's Report in 2009-10, '*Our focus remains on increasing DTF's ability to attract and retain the best people, developing the leadership capability across the organisation and improving people management systems and processes.*'³ Can the Department provide information on what initiatives have been implemented to achieve these goals?

To achieve these goals several initiatives were implemented or continued in 2009-10, including:

1. Continued implementation of DTF strategic plan 2008-2011: *Drive culture change by leaders living and modelling constructive behaviours and inspire behaviours in others.*
 - a. Extensive use of diagnostics and coaching to drive increases in leadership effectiveness.
2. Continued implementation of DTF strategic plan 2008-11: *Foster and apply innovative thinking to improve DTF's performance.*
3. Development and implementation of *Culture and Leadership Development Action Plan: 2009-11*
 - a. Continued focus on building a highly constructive culture to attract and retain quality staff;
 - b. identification of and education about DTF specific levers for culture change to be applied at a divisional and group level;
 - c. *Conversations for Performance* training for people managers at all levels;
 - d. development of pilot goal setting workshops to drive increased achievement focus; and
 - e. Organisational Effectiveness Inventory (staff survey).
4. Actions from DTF People and Culture strategies in 2009-10, including:
 - a. preparation for transfer of operational HR responsibilities such as Learning and Development Administration and employee relations case management from outsourced provider to in-house staff;
 - b. revision of suite of people management policies, including redevelopment of recruitment policy, processes, employee value proposition, job advertisements;
 - c. review and improvement of Change Management Toolkit (guidance for managers leading change);
 - d. Assessment of leadership capability and development needs to support Shared Services Provider establishment;
 - e. development of *On-the-Job-Learning* toolkit;
 - f. review of organisational architecture at DTF; and
 - g. support for employee participation in leadership programs including Cranlana Colloquium and Victorian Leadership Development Centre executive development programs.

Question 4

The total output cost for the Financial Reporting output was lower than the target '*due to the internal reallocation of resources for the implementation of the State Resource Information Management*

³ Department of Treasury and Finance, *Annual Report 2009-10*, September 2010, p.13

*System, efficiencies achieved in the production of budget papers and lower than anticipated staff cost.*⁴

Please provide details of what initiatives were put in place to gain:

- (c) efficiencies in the production of budget papers; and

Efficiencies in the production of budget papers were achieved through initiatives including:

- the introduction of an eDraft process which improved the efficiency and resource effort required around development and finalisation of budget related material;
- a reduction in the costs of designing the budget papers; and
- a reduction in the number of hard-copy budget papers printed whilst the on-line availability of these papers was promoted.

- (d) lower than anticipated staff costs?

This was driven from a combination of factors, including the redirection of some financial reporting staff effort to the development and implementation of State Resource Information Management System (SRIMS) and staff vacancies.

Question 5

The targets for the performance measures ‘Output evaluation and price reviews’ and ‘Delivery of output evaluation and price review reports within agreed timeframes’ under the Budget and Financial Policy Advice output were not met due to delays in completing base reviews.⁵

- (a) What were the reasons for the delays?

The Acute Health Base Review was originally scheduled to commence early in the 2011 calendar year. However, due to a number of reasons, including the change of government, the Base Review was endorsed by the new government to commence in the 2011-12 financial year.

The Victoria Police Base Review was delayed for a number of reasons including necessary data collection, consultations associated with the analysis of data, finalisation of the development of final findings and recommendations, and resourcing.

- (b) What was the impact from the delays on the key outcomes of this output?

There was no identifiable impact from the delays with the base reviews finalised in 2011.

Question 6

For each of the following performance measures where there was a significant difference between the expected outcome for 2010-11 (as reported in the 2011-12 Budget Paper No.3, pp.354-69) and the actual outcome (as reported in the *Annual Report 2010-11*, pp.11-24), please:

- (a) give the reasons for the disparities between the expected outcome and the actual outcome; and
- (b) provide information on how each expected outcome in the budget papers was determined?

⁴ Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.14

⁵ Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.11

Performance measure	2010-11 expected outcome	2010-11 actual	Reasons for the disparity between the expected and actual outcomes	How the expected outcome was determined?
Output Evaluation and Price Reviews	3	1	At the time of reporting expected outcomes, DTF considered it would deliver the reviews as planned prior to June 30.	At the time of reporting expected outcomes, DTF considered it would deliver the reviews as planned prior to June 30.
Delivery of Output Evaluation and Price Review Reports within agreed timeframes	100	33	At the time of reporting expected outcomes, DTF considered it would deliver the reviews as planned prior to June 30.	At the time of reporting expected outcomes, DTF considered it would deliver the reviews as planned prior to June 30.
Government Services total output cost	\$74.4m	\$64.7m	The decrease is mainly due to the following: <ul style="list-style-type: none"> • carryover funding of \$1.9 million for the implementation of the Efficient Technology Services; • \$0.7 million for projects completed under budget; • \$0.5 under-spend across various projects due to delays in the recruitment of specialist staff, and • transfer of assets from the Government Accommodation Trust for \$7.0 million, relating to energy and water efficiency projects under the Whole of Government Greener Government Buildings initiative. 	The expected outcome was based on existing plans to achieve the delivery of the output. The estimate for the asset transfer was not available when the expected outcome was calculated.
GBE Performance Monitoring and Financial Risk Management	\$17.6m	\$10.4m	The decrease is due to lower than expected funding requirement for the introduction of the Government underwritten Domestic Building Insurance Scheme. The actual expenditure is \$3.6 million against \$12.2 million budget.	The expected outcome was dependent on the final underwriting shortfall. At year end, the shortfall is lower due to the VMIA continuing to outsource the management of the scheme rather than setting up its own internal function and thus, avoiding the associated costs.

Question 7

The target for the ‘Whole of government contracts renewed within agreed timelines’ performance measure under the Government Services output was not met due to delayed contract executions during the 2010 election caretaker period.⁶ What impact did the delays have?

There was no material impact to government users or to relevant suppliers, resulting from the delays in executing the State Purchase Contracts.

DTF put in place a contingency plan to ensure the uninterrupted supply of goods and services to government users. These contingency arrangements were communicated to all key stakeholders in a timely manner.

⁶ Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.19

Question 8

The target for the performance measure ‘Significant projects completed’ in the Government Services output was not met due to variances in the annual work plan.⁷ Please provide further detail as to what variances arose in the annual work plan and what was the impact of only 8 of the 13 projects being completed?

There was no significant impact arising from the variances to the annual work plan.

The variances to the annual work plan were:

- One project within the Efficient Technology Services (ETS) program was merged with a larger ETS project resulting in the number of reportable projects being reduced by one. The merged project is now fully completed.
- One project was closed as the project’s benefits as identified in the original business case were not expected to be achieved. The action to close the project was approved by the project’s governance board.

Three projects were not completed at 30 June 2011, but two have since completed. The remaining project continues to be monitored as part of the 2011-12 work plan.

Question 9

The administration of the Community Support Fund (CSF) was transferred to the Department of Treasury and Finance from the Department of Planning and Community Development in 2010-11. Appendix 5 of the 2010-11 annual report includes information on the CSF.⁸ Are there any performance indicators in place to evaluate the outcomes of the CSF? If so, please provide details of actual versus target comparison and explain any significant variances.

The legislation governing the CSF prescribes a broad range of purposes for which the Minister responsible for the Fund can make payments.

Funds approved under the legislation are transferred to various departments across government. Generally these funds are used to provide grants to a wide range of community-based organisations and councils, supporting them to build strong and sustainable communities.

A Memorandum of Understanding (MOU) is put in place for all approved funding allocations from the CSF. Each MOU sets out the accountability arrangements for receiving CSF funding, including the particular program objectives, key performance indicators and measures, timelines and associated cash-flows, for the initiative.

Each CSF funded initiative is monitored regularly to ensure that the accountability arrangements set out in the MOU (including performance indicators) are being adhered to. Within this context, MOUs require departments to provide a final report which includes details of achievements against agreed program objectives and a financial acquittal.

Question 10

Please outline the factors that contributed to the Department’s annual report being tabled on 27 October 2011, rather than in a more timely manner.

The Department had lengthy discussions with the Victorian Auditor General's Office on the accounting treatment for a number of transactions.

⁷ Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.19

⁸ Department of Treasury and Finance, *Annual Report 2010-11*, October 2011, p.109

PART B – QUESTIONS RELATING TO THE FINANCIAL REPORT FOR THE STATE

Question 11

The 2010-11 Financial Report for the State reveals that, in the general government sector, investment properties increased from \$26.5 million at 30 June 2010 to \$62.2 million at 30 June 2011.⁹ In comparison, investment properties stood at \$21.1 million at 30 June 2009.¹⁰

- (a) Which departments held the largest holdings of investment properties at 30 June 2011?

The Department of Education and Early Childhood Development (TAFEs), and the Department of Health (Hospitals).

- (b) What was the value of investment properties held by each of these departments at 30 June 2011?

The Department of Education and Early Childhood Development (TAFEs) - \$37 million, and the Department of Health - \$25 million

- (c) What factors led to the significant increase in the balance sheet value of investment properties held by the General Government Sector at 30 June 2011 compared to 30 June 2010?

The increase relates to investment properties (houses) held by Holmesglen TAFE. Previously these investment properties were held in a separate trust that was not consolidated as part of Holmesglen TAFEs reporting.

Holmesglen TAFE management decided to close the trust and incorporate these investment properties into Holmesglen TAFEs statutory accounts, which were then consolidated into the *2010-11 Annual Financial Report*.

- (d) Please provide the value of investment properties in the general government sector as at 31 December 2010, along with commentary on any differences between the growth in investment properties between 1 July and 31 December 2010 compared to between 1 January and 30 June 2011.

The balance of investment properties in the general government sector as at 31 December 2010 was \$30 million. The increase for 30 June 2011 is explained in the answer to Q11(c) above.

Question 12

According to the 2010-11 Financial Report for the State, the written down value of infrastructure systems relating to public safety and environment in the general government sector increased from \$653.4 million at 30 June 2010 to \$1,106.1 million at 30 June 2011, an increase of \$452.7 million or 69 per cent.¹¹

- (a) Please provide a description of the areas where expenditure on infrastructure systems increased in 2010-11 compared to the prior year.

The increase of \$452.7 million was due to the revaluation of the Department of Sustainability and Environment's infrastructure systems assets relating to public safety and environment purposes in accordance with the 5 year revaluation cycle consistent with Financial Reporting Direction 103D as at June 2011.

⁹ Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, pp.50 and 102

¹⁰ Department of Treasury and Finance, *Financial Report for the State of Victoria 2009-10*, September 2010, p.109

¹¹ Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, p.91

- (b) In terms of public safety and environment, please explain what improved outcomes are to be delivered from this increase in capital expenditure.

The increase in the written-down value of infrastructure systems was primarily due to revaluation, rather than an increase in capital expenditure. Therefore, the increase does not have a direct impact on service outcomes.

- (c) Please provide the written down value of infrastructure systems relating to public safety and environment in the general government sector as at 31 December 2010, along with commentary on any differences between the growth in value between 1 July and 31 December 2010 compared to between 1 January and 30 June 2011.

The written down value of infrastructure systems relating to public safety as at 31 December 2010 was \$657.1 million. Growth in infrastructure systems relating to public safety and environment in the first half of 2010-11 was only \$3.7 million, whilst growth in the second half of 2010-11 was \$449.0 million, reflecting operational road networks that were revalued as at 30 June 2011 by the Valuer-General Victoria, in accordance with the revaluation cycle outlined in FRD 103D.

Question 13

In terms of reporting on outcomes, does the Department of Treasury and Finance have any plans to require government departments to report outcomes achieved from asset investments in future?

Asset investments are undertaken to deliver new services, additional services or more efficient/effective services. Currently, the service benefits delivered through the asset investment are reflected in changes to the Budget Paper 3 Performance Measures. DTF will facilitate disclosure of clear linkages between asset initiatives and their intended service delivery outcomes, although this is not expected to be completed in time for the 2012-13 budget.

Question 14

Almost half of the purchases of non-financial assets that occurred in the general government sector during 2010-11 related to the education sector. Purchases for the year in this sector amounted to \$2.4 billion, an increase of \$965.2 million or 69 per cent on the prior year.¹²

- (a) Please provide a breakdown of the non-financial assets purchased during 2010-11 according to the following categories (drawn from note 39 to the AFR):

Category	Non-financial assets purchased during 2010-11 (\$ million)
Preschool and special education	\$175 million
Primary and secondary education	\$1,965 million
Technical and further education	\$326 million
University and other higher education	N/A

- (b) Please describe the outcomes that are expected to flow from this expenditure.

The investments are largely attributable to the Building the Education Revolution, Partnerships Victoria in Schools and the Victorian Schools Plan programs.

- (c) How are these outcomes to be measured in the future?

¹² Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, p.103

Consistent with current practice, output performance is disclosed in Budget Paper Number 3.

Question 15

According to the 2010-11 Financial Report for the State, a 6.9 per cent increase in employee costs within the PNFC sector can be attributed to growth in staff numbers for additional services.¹³ Please provide the following details for the ten organisations within the PNFC sector that experienced the largest growth:

Organisation	Increase in staff numbers (FTE)	Additional services provided	Outcomes expected as a result of the additional services
Melbourne Water Corporation	16.5	Resources needed to deliver the 5 year capital program plan for the period ending 30 June 2013 and also normal operations, filling roles that were previously vacant.	Expected outcomes are timely delivery of the capital program and continuation of normal operations.
Barwon Region Water	30	<p>3 FTE – Recycled Water Planning Resources - the expansion of plans to supply numerous new development areas with Class A recycled water. In addition to investigate aquifer, storage and recovery (ASR) options.</p> <p>5 FTE – Resources to support an expanded capital works investment plan.</p> <p>4 FTE - To assist in managing the planning, construction and connection of new urban developments across the region.</p> <p>2.5 FTE – To expand IT service capability “in-house” for aspects that were historically resourced externally such as web development.</p> <p>3.5 FTE - To engage at a greater level with customers and the wider community in the areas of education and community events. This includes branding and marketing initiatives, water restriction administration along with internal communications.</p> <p>2 FTE – An expansion of in-house capabilities in the organisational development/HR/OHS area to deliver a higher level of service to the organisation in the area of training, cultural change, performance management, OHS monitoring and generalist HR services.</p> <p>3 FTE – To operate newly created infrastructure in water supply and water reclamation networks including the Anglesea Borefield.</p> <p>2 FTE – Strategy development and implementation. A renewed organisation strategic focus, the “Strategic Intent,” required additional resources to administer.</p> <p>1 FTE – The commencement of the project to scope and plan for the replacement of Barwon Water’s billing system.</p> <p>1 FTE – To support expanded</p>	<p>Dual pipe initiatives/potable water savings.</p> <p>Improving transparency and building trust with customers and stakeholders;</p> <p>Potable water savings;</p> <p>Improved servicing of new development customers;</p> <p>Increased in-house capability in a number of areas including IT, OD/HR;</p> <p>Operation of new water and water reclamation infrastructure.</p>

¹³

Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, p.16

		<p>procurement/purchasing activities both in relation to capital and operational programs.</p> <p>3 FTE - Field based maintenance staff. This includes the transition to retirement and transfer of trainee labour (via external agency) to permanent staff.</p> <p>Please Note: The FTE movement as detailed is in comparison to 2008/09 and 2009/10.</p>	
South East Water Limited	14.7	<p>1) Extra Business growth (1 FTE) additional unregulated products and services;</p> <p>2) Additional Customer and Community (7 FTE) mainly due to new Customer Relationship Management Project and recycled water development projects;</p> <p>3) Additional Smart Water Fund (3 FTE) mainly due to increased projects and grants being offered to businesses; and</p> <p>4) Other small variances are immaterial.</p>	<p>Main additional expectations are:</p> <p>1) Work on creating a Customer Relationship Management system to provide better customer service;</p> <p>2) Additional work with developer to install recycled water into new estates within South East Water's boundaries and offer this to our customers; and</p> <p>3) More grants offered to business for water saving solutions within the Smart Water Fund team. Additional benefits should also be realised by greater learnings from research investments, with this to benefit the wider community.</p>
Coliban Region Water Corporation	26	<p>1) Additional employment in Project Delivery/Knowledge Management/Business Systems; and</p> <p>2) Additional resources in the Operations department in preparation for the retirement of some key staff.</p>	<p>1) Decreased reliance on consultants/contractors;</p> <p>2) Development and opportunities for internal staff; and</p> <p>3) Succession planning in relation to key staff who are planning to retire.</p>
Victorian Rail Track	38	<p>Telecommunication Services</p> <p>1) Accounting Management, Support, Contract Management and Billing; and</p> <p>2) Project Management.</p>	<p>1) Future growth in various business activities. Examples: network access charges, additional customer connections, intra-government secure network data services, TAFE broadband and dark Fibre; and</p> <p>2) Delivery of the capital programme. Examples: Unified communications platform, cloud computing and Spotswood data centre construction.</p>
Central Highlands Region Water	9	<p>Information Technology improvements, Country Town Sewerage project, Water Plan, Creation of Business Performance Reporting team.</p>	<p>Finalisation of Disaster Recovery project and increased productivity from the delivery of improved technology, delivery of the Government requested Country Town sewer project by 2013, delivery of the Water Plan and improvement of compliance based reporting KPI's.</p>

Question 16

The 2010-11 Financial Report for the State reveals that the ‘Net debt for the general government sector’ of \$11.8 billion at 30 June 2011 was consistent with revised budget expectations.¹⁴ However, the Committee notes that the revised estimate in the 2011-12 Budget (\$11.9 billion)¹⁵ was significantly higher than the estimate for 2011 in the *2010-11 Victorian Budget Update* (\$11.1 billion).¹⁶

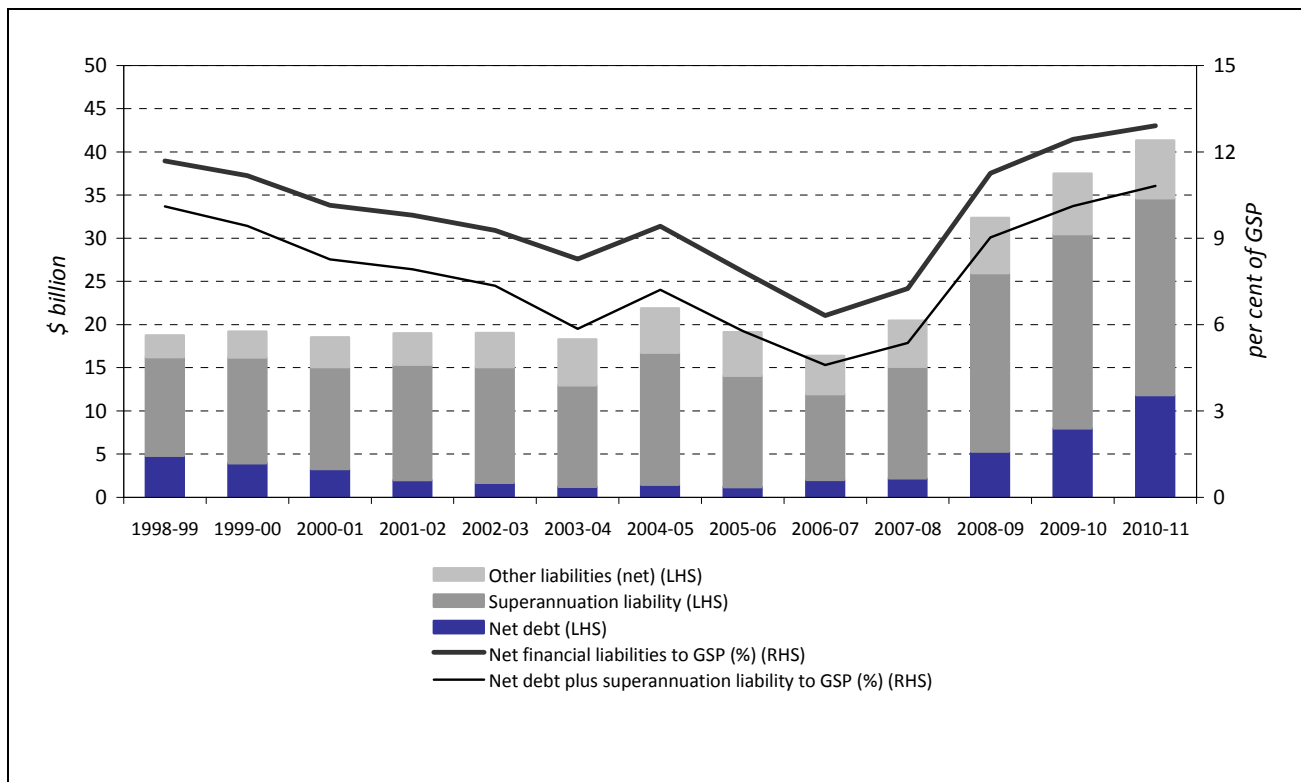
What new drivers emerged after the budget update in December 2010 that led to the subsequent upward revision of the estimate and the actual level of net debt at 30 June 2011 being 0.7 billion or 6.4 per cent higher than had been estimated in December 2010?

The upward revision was a result of higher than originally budgeted investments in non-financial assets and lower than expected cashflows from operating activities.

Question 17

The 2009-10 Financial Report for the State contained a graph showing the trend in general government sector net financial liabilities from 1998-99 to 2009-10 in absolute terms and as a per cent of GSP. This form of presentation has not been retained in the 2010-11 Financial Report.¹⁷

- (a) Please reproduce this graph to incorporate figures for 2010-11.



- (b) Please provide the rationale for not including this graph in the 2010-11 Financial Report.

The removal of the disclosure of the above chart from the *2010-11 Annual Financial Report* reflected Government's effort to enhance the focus of the appraisal of the consolidated financial outcomes for the State of Victoria, including the general government sector. The removal was compensated by the publication on DTF's website of various financial data sets. These data sets enhance the transparency and accessibility to users as they allow the public to download

¹⁴ Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, p.3

¹⁵ Budget Paper No.5, *2011-12 Statement of Finances*, May 2011, p.10

¹⁶ *2010-11 Victorian Budget Update*, December 2010, p.21

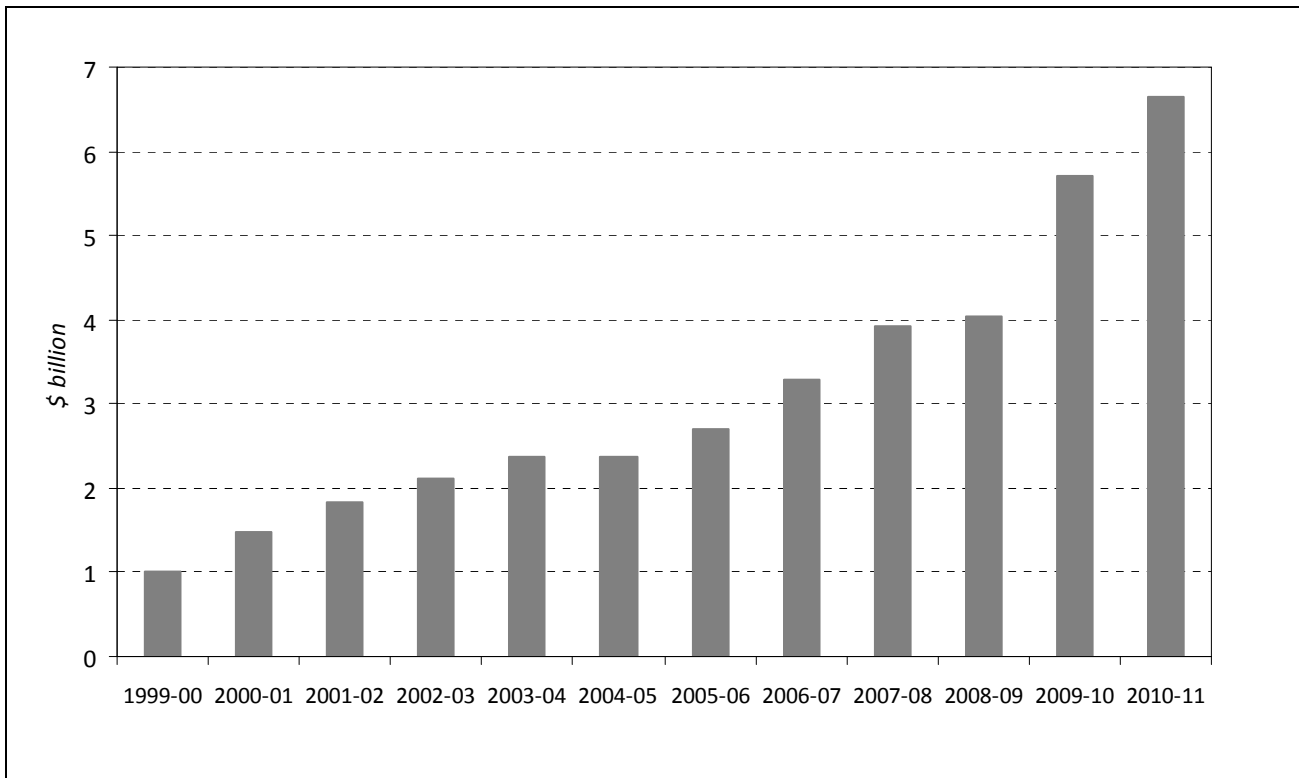
¹⁷ Department of Treasury and Finance, *Financial Report for the State of Victoria 2009-10*, September 2010, pp.3 and 24

historical and current series of financial information and macroeconomic indicators. The financial data sets include net financial liabilities and net infrastructure investments for the general government sector.

Question 18

The 2009-10 Financial Report for the State contained a graph showing the trend in general government sector net infrastructure investment from 1999-00 to 2009-10. This form of presentation has not been retained in the 2010-11 Financial Report.¹⁸

- (a) Please reproduce this graph to incorporate the net infrastructure investment for 2010-11.



- (b) Please provide the rationale for not including this graph in the 2010-11 Financial Report.

The removal of the disclosure of the above chart from the *2010-11 Annual Financial Report* reflected Government's effort to enhance the focus of the appraisal of the consolidated financial outcomes for the State of Victoria, including the general government sector. The removal was compensated by the publication on DTF's website of various financial data sets. These data sets enhance the transparency and accessibility to users as they allow the public to download historical and current series of financial information and macroeconomic indicators. The financial data sets include net financial liabilities and net infrastructure investments for the general government sector.

Question 19

When comparing the information contained in the 'Net result from transactions by sector' chart in the 2010-11 Financial Report for the State (p.14) to the equivalent chart in the 2009-10 Financial Report (p.29), there appears to be a discrepancy between the net result for 2009-10 of the public financial corporations. Whereas the figure for 2009-10 seems to be loss of approximately \$100 million in the 2009-10 Financial Report, the figure for 2009-10 seems to be a loss of approximately \$570 million in

¹⁸ Department of Treasury and Finance, *Financial Report for the State of Victoria 2009-10*, September 2010, pp.4 and 25

the 2010-11 Financial Report.¹⁹ Please provide the figure for the net result from transaction of the public financial corporations for 2009-10 and explain why the figures appear not to agree.

The net result from transactions (net operating balance) of the public financial corporations for 2009-10 was reported in the Financial Report for the State of Victoria 2009-10 as \$114 million deficit. The 2009-10 results of the public financial corporation sector and the Whole of State have since changed as a result of advice recently provided by the Australian Bureau of Statistics regarding the presentation/classification of insurance accounts within the State's operating statement.

Question 20

For the general government sector, for each of the revenue from transactions categories listed in the comprehensive operating statement in the Financial Report for the State, please break the revenue for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than ± 10 per cent between the two six-month amounts:

Revenue from transactions	Revenue 1/7/2010-31/12/2010	Revenue 1/1/2011-30/6/2011	Explanation for any variations greater than ± 10 per cent
	(\$ million)	(\$ million)	
Taxation revenue	6,902.1	7,955.3	Additional income in the second half of the financial year is attributable to land taxes which are levied in the second half of the financial year (Jan to March).
Interest revenue	198.5	221.6	Increase resulting from higher average interest rates on cash and term deposits in the second half of the financial year.
Dividends and income tax equivalent and rate equivalent revenue	316.6	87.4	Dividends are normally received from the Public Non Financial Corporation sector to the general government sector in April and October of each year. In 2010-11 the April dividend payment was reduced as a result of the deferral of interim dividends from the metropolitan water businesses to October/November.
Sales of goods and services	2,910.9	3,033.3	
Grants	11,361.5	11,064.1	
Other revenue	895.1	1,080.4	Variance driven by a number of departments, with the most substantial relating to increased Commonwealth Government revenue in the Health portfolio.

¹⁹ Department of Treasury and Finance, *Financial Report for the State of Victoria 2010-11*, October 2011, p.14 and *Financial Report for the State of Victoria 2009-10*, September 2010, p.29

Question 21

For the general government sector, for each of the expenses from transactions categories listed in the comprehensive operating statement in the Financial Report for the State, please break the expenses for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than ± 10 per cent between the two six-month amounts:

Expenses from transactions	Expenses 1/7/2010-31/12/2010	Expenses 1/1/2011-30/6/2011	Explanation for any variations greater than ± 10 per cent
	(\$ million)	(\$ million)	
Employee expenses	8,046.1	8,328.7	
Superannuation interest expense	469.6	461.9	
Other superannuation	827.2	868.4	
Depreciation	954.1	1,055.9	Related to increases in the asset base mainly the Department of Education and Early Childhood Development, the Department of Health, and the Department of Transport (roads).
Interest expense	463.4	522.2	Increase related to growth in borrowings over the financial year which is used to fund the Government's capital program.
Grants and other transfers	4,122.8	4,424.6	
Other operating expenses	7,219.6	7,744.9	

Question 22

For the general government sector, for each category into which financial assets, non-financial assets and liabilities are broken down in the consolidated balance sheet in the Financial Report for the State, please provide the balances as at 30 June 2010, 31 December 2010 and 30 June 2011 and explain any variations greater than ± 10 per cent from one date to the next:

30 June 2010 and 31 December 2010:

Financial asset, non-financial asset and liability categories	Balance as at 30 June 2010	Balance as at 31 December 2010	Explanation for any variances greater than ± 10 per cent
	(\$ million)	(\$ million)	
Financial assets			
Cash and deposits	3,221.3	2,251.1	Variance was driven by the year-end adjustments to the public account.
Advances paid	278.0	286.3	N/A
Receivables	2,883.6	2,219.3	Decrease was predominately attributable to a decrease in Land Tax Receivables (i.e. Land tax payments received) as land taxes are levied early in the calendar year. This trend is consistent with previous years.

Investments, loans and placements	2,629.0	2,697.8	N/A
Investments accounted for using the equity method	35.1	33.7	N/A
Investments in other sector entities	60,413.2	62,300.4	N/A
Non financial assets			
Inventories	268.4	345.5	Inventories increased by \$77m due to land and works in progress associated with NVIRP (Northern Victoria Irrigation Renewal Project).
Non financial assets held for sale	91.5	70.7	Decrease mainly driven by reduced assets held for sale in Victoria Police of \$5.9m, and the Department of Primary Industries of \$6.1m.
Land, buildings, infrastructure, plant and equipment	89,419.7	90,858.2	N/A
Other non financial assets	771.0	961.9	Increase relates to prepayments by the Department of Health to VMIA (Victorian Managed Insurance Authority) and VWA (Victorian Workcover Authority) for hospital insurance and Workcover premiums of \$115m. In addition Victoria Police incurred prepayments of \$33m to VWA for Workcover premiums.
Liabilities			
Deposits held and advances received	477.0	520.9	N/A
Payables	4,849.0	3,734.0	The changing balances is attributable to the following reasons: Lower accrued expenses as departments incur higher expenditure in the second half of the year. Reduction in accrued grants and transfer payments (non-current) in DTF of \$282m in relation to the devaluation of the SECV (State Electricity Commission of Victoria) Indemnity payable by DTF. Reduction in unearned income of \$110m across the Department of Treasury and Finance, the Department of Education and Early Childhood Development, and the Department of Primary Industries.
Borrowings	13,612.5	14,609.6	N/A
Employee benefits	4,357.9	4,325.6	N/A
Superannuation	22,534.1	21,682.2	N/A
Other provisions	718.0	669.8	N/A

31 December 2010 and 30 June 2011:

Financial asset, non-financial asset and liability categories	Balance as at 31 December 2010	Balance as at 30 June 2011	Explanation for any variances greater than ±10 per cent
	(\$ million)	(\$ million)	
Financial assets			
Cash and deposits	2,251.1	3,667.6	Variance was largely driven by year-end adjustments to the public account. The remainder of the increase related to higher term deposits at call held by a number of departments including the Department of Business and Innovation, the Department of Treasury and Finance, the Department of Education and Early Childhood Development, the Metropolitan Fire Brigade (MFB), and the Country Fire Authority (CFA).
Advances paid	286.3	289.5	N/A
Receivables	2,219.3	3,407.1	Drivers for the higher receivables balance as at 30 June 2011 included: - The impact of the issue of land tax assessment notices in the second half of the year (\$379m). - Grants receivable from the Commonwealth (\$76m). - Higher fines and fee receivables in the Department of Justice (\$140m).
Investments, loans and placements	2,697.8	2,367.8	Reduction in term deposits held by a number of sectors, along with reallocation to cash.
Investments accounted for using the equity method	33.7	35.1	N/A
Investments in other sector entities	62,300.4	65,273.9	N/A
Non financial assets			
Inventories	345.5	273.4	Reduction in works in progress and land held as inventory due to the completion of elements of NVIRP.
Non financial assets held for sale	70.7	73.2	N/A
Land, buildings, infrastructure, plant and equipment	90,858.2	93,935.9	N/A
Other non financial assets	961.9	796.8	Decrease mainly relates to the Department of Sustainability and Environment's prepayments relating to the share of infrastructure assets, and water rights associated with the MDBA (Murray Darling Basin Authority).
Liabilities			
Deposits held and advances received	520.9	426.8	Decrease mainly relates to the back-out of the Legal Services Board deposits held, representing Funds under Management as at 30 June 2011.

Payables	3,734.0	4,929.2	<p>Drivers for the higher payables as at 30 June 2011 included:</p> <ul style="list-style-type: none"> - \$320m increase in the Department of Treasury and Finance's Payables mainly due to an advance received from the Commonwealth for the 2010-11 Victorian floods. - \$76m increase in Department of Transport's payables relating to higher creditor levels reflecting increased investment in public transport and road activities. - \$60m payable for unearned income associated with KENO Licence Fees in the Department of Justice.
Borrowings	14,609.6	17,734.4	The increase in borrowings primarily reflects the need to fund the Government's capital program.
Employee benefits	4,325.6	4,519.9	N/A
Superannuation	21,682.2	22,780.3	N/A
Other provisions	669.8	704.7	N/A

CONTACT DETAILS

Organisation:	Department of Treasury and Finance
Contact Officer:	Karen Frost
Position:	Director Planning and Executive Services
Contact numbers:	Telephone: 03 9651 2932 Fax: 03 9651 2132 E-mail: karen.frost@dtf.vic.gov.au

The completed questionnaire must be returned by no later than COB, Tuesday, 13 December 2011.

Please return the response (including an electronic version) of the questionnaire to:

Valerie Cheong
Executive Officer
Public Accounts and Estimates Committee
Level 3, 55 St Andrews Place
EAST MELBOURNE VIC 3002

Telephone: 03 8682 2867
Fax: 03 8682 2898
Email: paec@parliament.vic.gov.au

For inquiries on this questionnaire, please contact the Executive Officer or:

Christopher Gribbin
Senior Research Officer
03 8682 2865

Ian Claessen
Research Officer
03 8682 2861