



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2013-14 AND 2014-15 FINANCIAL AND PERFORMANCE OUTCOMES – ENTITY-SPECIFIC QUESTIONNAIRE

DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES

Question 1

Regarding the discontinued *Melbourne Rail Link* project:

- a. Please advise the total amount (output and asset expenditure) spent in 2013-14 and 2014-15, including on support and planning projects.

	Estimated expenditure, 2013-14 (at the time of the 2013-14 Budget) (\$ million)	Actual expenditure 2013-14 (\$ million)	Estimated expenditure, 2014-15 (at the time of the 2014-15 Budget) (\$ million)	Actual expenditure 2014-15 (\$ million)
Output expenditure	0.000	0.020	0.000	0.103
Asset expenditure	0.000	2.430	40.000	11.288
Other expenditure	0.000	0.000	0.000	0.000

- b. Please describe what was achieved, received or created for this expenditure.

The expenditure incurred for the Melbourne Rail Link Project (MRLP) achieved the following outcomes:

- i. project development including design work;
- ii. transport modelling;
- iii. further development of the Business Case; and
- iv. mobilisation of staff and advisors.

- c. How much of the product of this expenditure can be repurposed for the replacement Melbourne Metro Rail Project?

During 2014-15 the Moving Victoria - Rail Office (MVRO) commenced mobilisation. This included commencing recruitment, procuring key advisors (technical and commercial) and further preparation of the Business Case for the Melbourne Rail Link Project.

Key activities that transitioned from the MRLP to the MVRO included:

- organisation: the Moving Victoria - Rail Office was renamed the Melbourne Metro Rail Authority.
- recruited staff transitioned to work on the Melbourne Metro Rail Project, as a result recruitment and mobilisation costs were not re-incurred.
- key advisors - technical and commercial - were able to be transitioned to the Melbourne Metro Rail Project and as a result procurement costs were not re-incurred.

work undertaken (research, collection of data, developing baseline modelling) on preparation of the MRLP Business Case was able to be adapted for the Melbourne Metro Rail Project.

Question 2

The \$18.0 million *Darebin Creek Bike Trail* project (to connect two bike paths with a bridge over the Yarra) was released as part of the 2013-14 Budget. Expenditure on the project was \$0.15 million in 2012-13¹ and \$7.6 million (due to ‘project acceleration’) in 2013-14.² The project’s latest expected completion date was ‘qtr 2 2015-16’ (i.e. Oct-Dec 2015).³ The project was not included in the 2015-16 BPs, as ‘the remaining components of the project have been transferred from capital to output funding’ (BP4 p.22). Please advise:

- a. what progress was made during 2014-15, including both physical and planning works

During 2014-15, the contract for Darebin Creek Bike Trail was awarded and works commenced for Stage 1. Complex negotiations with regard to land acquisition were also being undertaken, with multiple stakeholders during 2014-15 for Stage 2 as compulsory acquisition was not possible.

- b. how much output funding was spent on the project during 2014-15

During 2014-15, \$4.980 million was spent as output funding.

- c. how much capital funding was spent on the project during 2014-15

During 2014-15, no capital funding was spent.

- d. the latest expected practical completion date

The latest expected practical completion date is Q2 2016-17.

- e. why the project was changed from capital to output funding.

Funding for the Darebin Creek Bike Trail project was initially approved as capital funding. As the work is not on an arterial road controlled by VicRoads, the expenditure does not meet the asset recognition criteria in clause 7 (a) of *AASB116 Property Plant and Equipment* relating to the future economic benefits flowing to the entity. As such, the funding has been reclassified from capital to operating, with VicRoads delivering the projects on behalf of the local council.

¹ Department of Treasury and Finance, *Budget Paper No.4: 2013-14 State Capital Program* (2013), p.40

² Department of Economic Development, Jobs, Transport and Resources, *Response to the Committee’s 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire*, received 13 November 2015, p.22

³ Department of Treasury and Finance, *Budget Paper No.4: 2014-15 State Capital Program* (2014), p.50

Question 3

The Department notes in its response to the Committee's general questionnaire that the TEI for three projects (High capacity signalling; Accessible Public Transport in Victoria: Disability Discrimination Act (1992); and Regional rolling stock) was changed for reasons that related to timing. Please provide further details on how the timing of the works affected the total estimated investment of the projects over their entire procurement.

Project	TEI in the 2013-14 or 2014-15 budget papers (\$ million)	Total actual investment (\$ million)	Explanation for any variances greater than ± 10 per cent or \$100 million
High capacity signalling (metro various)	4.5	2.6	The TEI for this project has not changed. The project is not completed as at 2014-15. The remaining budget of \$1.9m relates to the expenditure for business case development, which is expected to be spent in 2015-16.
Accessible Public Transport in Victoria: <i>Disability Discrimination Act (1992) (Cth)</i> compliance (statewide)	20.0	17.4	The TEI for this project has not changed. The project is not completed as at 2014-15. The remaining budget of \$2.6m is expected to be spent in 2015-16.
Regional rolling stock (non-metro various)	315.2	275.6	The TEI for this project has not changed. This project has reached practical completion in 2014-15 and the remaining budget of \$39.6m relates to expenditure for infrastructure program of works (stabling requirements Traralgon, Geelong, Bendigo and Ballarat).

Question 4

The Department has explained that the variance for the expected TEI and the total actual investment for the *Port of Hastings Development* project is a result of 'relevant remaining components of the project have been transferred from capital to output funding'.⁴ Please indicate:

- a. what aspects of the project were expected to contribute to asset investment

Asset funding of \$110 million was allocated towards the Port of Hastings Development project in the 2013-14 State Budget to progress the development of a new container port. While this work progressed, all project expenditure contributed to an asset investment.

⁴ Department of Economic Development, Jobs, Transport and Resources, *Response to the Committee's 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire*, received 13 November 2015, p.42

- b. how this change from capital to output funding affected departmental operational expenditure

The transfer from capital to output funding impacted the Department's operational expenditure by providing an additional \$9.77 million across Grants and other transfers, Employee Expenses and Other operating expenses.

- c. how this change affected purchases of non-financial assets for the Department.

The transfer from capital to output funding did not impact the Department's purchases of non-financial assets.

Question 5

The 2013-14 and 2014-15 budget papers⁵ indicate that the *Port of Hastings Development* is one of the major projects contributing to net cash flows from investments in financial assets for policy purposes for the general government sector. However, the Department indicated to the Committee that no projects contributed to cash flows from investments in financial assets for policy purposes for the Department (see 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire, p.46). Please explain:

- a. why the Port of Hastings Development did not contribute to net cash flows from investments in financial assets for policy purposes for the general government sector

The Port of Hastings Development is one of the major projects contributing to net cash flows from investments in financial assets for policy purposes for the general government sector for the State. However, it does not contribute to the Department's controlled net cash flows from investments in financial assets for policy purposes within the cash flows statement (see Budget Paper No. 5 Statement of Finance, p.150 for 2013-14 and p. 133 for 2014-15), for which the response to the Committee (see 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire, p.46) was interpreted to be requesting.

- b. what line items in the Department's finances show the finding that flowed to the Port of Hastings Development Authority for this project.

The flow of funding to the Port of Hastings Development Authority for this project is shown in the item 'Net cash flows from/(used in) financing activities', within the Department's controlled entities' cash flow statement.

⁵ Department of Treasury and Finance, *Budget Paper No.4: 2013-14 State Capital Program* (2013), p.12; Department of Treasury and Finance, *Budget Paper No.4: 2014-15 State Capital Program* (2014), p.16