



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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

DEPARTMENT OF JUSTICE AND REGULATION

Question 1

The Department has explained that higher-than-budgeted ‘other income’ for 2013-14 is mainly due, amongst others, to changes in the department’s investment strategy.¹ Please provide further details of the investment strategy undertaken by the Department in 2013-14 and 2014-15.

Prior to May 2013, all of Consumer Affairs Victoria (CAV) managed trust funds were held in cash and fixed interest deposits with Treasury Corporation of Victoria. From May 2013, as a result of a change in the investment strategy by CAV, \$410 million relating to the Victorian Property Fund, Residential Tenancies Fund and Domestic Builders Fund was transferred to the Victorian Funds Management Corporation and invested in a mixture of cash, fixed interest, equities (both Australian and International) and property. While the change in strategy resulted in negative returns in the last two months of 2012-13, improved market conditions since then resulted in higher than expected results in 2013-14 and 2014-15.

Question 2

In the cash flow statement of the 2014-15 annual report (p.148):

a. the ‘other receipts’ under ‘receipts’ shows a variance of 273.5%. Please describe what these other receipts are.

‘Other receipts’ had a variance of \$41.3 million (with an actual movement of \$56.4 million versus a budget of \$15.1 million) mainly due to:

- Goods and Services Tax (GST) recovered from the Australian Tax Office with an actual movement of \$23.6 million versus a budget of \$0.
- Dividends received with an actual movement of \$10.1 million versus a budget of \$0.
- Sponsorships, donations and other funding received by the Victoria State Emergency Services Authority with an actual movement of \$7.7 million versus a budget of \$2.9 million.

b. The ‘repayment of finance leases’ under ‘cash flows from financing activities’ shows a variance of 540.9%. Please provide more details on the nature and reasons for this variance.

‘Repayment of finance leases’ had a variance of \$95.2 million (with an actual movement of -\$112.8 million versus a budget of -\$17.6 million) mainly due to:

- The transfer of the County Court finance lease to Court Services Victoria in July 2014, which had an unadjusted actual movement of \$100.9 million as compared to an adjusted budget movement of \$0.
- The actual movements within the Budget Portfolio Outcomes’ cash flow statement were mistakenly left unadjusted for the non-cash movements in relation to the separation of the Courts and other entities under the machinery of government changes that occurred during the

¹ Department of Justice and Regulation, *Response to the Committee’s 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire*, received 6 November 2015, pp.34, 36, 57

2014-15 financial year. However, the budgeted cash flow statement was adjusted for these non-cash movements. This mainly affected the line items ‘owner contributions by state government’ which would have had an adjusted actual movement of \$491.1 million (instead of 631.7 million) and ‘repayment of finance leases’ which would have had an adjusted actual movement of -\$11.9 million (instead of -\$112.8 million).

c. The ‘net borrowings’ under ‘cash flows from financing activities’ shows a variance of 1,756.6%. Please provide more details on the nature and reasons for this variance.

‘Net borrowings’ had a variance of \$198.5 million (with an actual movement of \$187.2 million versus a budget of -\$11.3 million) mainly due to:

- The categorisation of State Administration Unit (SAU) in relation to the Capital Asset Charge (CAC) of \$196 million.
- Movements in the department’s SAU balance that relate to CAC expense have traditionally not been shown in the budgeted cash flow statement as they are eliminated from an accounting point of view as they do not represent a cash movement. However due to the way in which the relevant accounts were categorised in the report used to prepare the actual results, these movements were not eliminated and have caused a significant variance in ‘net borrowings’ with the corresponding movement being netted off within the ‘receipts from government’ line.

d. There is a new item ‘net loans to other parties’. Please explain what these net loans are.

Net loans to other parties’ had a variance of \$1.7 million (with an actual movement of -\$1.7 million versus a budget of \$0) mainly due to:

- An advance provided under section 37 of the *Financial Management Act 1994* to the Metropolitan Fire and Emergency Services Board (MFESB) of \$1.665 million in relation to the Efficient Government Building program run by the Department of Treasury and Finance (DTF). The program is designed to save energy, water and utility costs in government owned buildings. Entities borrow money from DTF to pay for the energy efficiency measures and repay that borrowing over a seven year period. No budget was provided for this advance.