



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2018-19 BUDGET ESTIMATES QUESTIONNAIRE

1. Economic outlook for 2018-19

Question 1 *Impact of the economic outlook on the department/agency*

Budget Paper No.2: Strategy and Outlook contains a chapter on the Economic Context for Victoria over 2018-19, together with growth forecasts of the following key economic variables:

- GSP
- Employment
- Wage prices
- Consumer price index
- Wage index
- Population.

There is also a sensitivity analysis section in Appendix A of *Budget Paper No.2* that gives a further list of outcomes of economic variables that may influence the budgetary position including average weekly earnings, domestic share prices, overseas share prices, property prices, property volumes and interest rates.

- (a) How will the economic context for Victoria over 2018-19 outlined in Chapter 2 of *Budget Paper No.2: Strategy and Outlook* impact on:
- (i) the financial position of the department or agency
 - (ii) services delivered by the department or agency
 - (iii) outcomes for the community.

The Government centrally manages the State's resources through the budget allocation process. Given budgets are prepared on a forward looking basis, expected revenue and expenditure decisions take into account the prevailing macroeconomic conditions in the State of Victoria. As such, it is not expected that the economic context outlined in *Budget Paper No.2* will significantly impact the financial position or services delivered by the department or the outcomes for the community.

- (b) What are the three economic indicators that are most relevant to the department/agency (e.g. population, employment)? What are the implications for the department/agency for any positive or negative variation to the forecast for these published in *Budget Paper No.2: Strategy and Outlook*?

All the key economic indicators are relevant to the department, although population growth most directly impacts the demand for services delivered by the Government. However, given the base funding departments receive to deliver on their outputs, a significant shift in the economic environment would be required for any changes to appear in the departmental outcomes as measured by the performance reporting framework.

- (c) What plans are in place within the department or agency to manage the changing economic conditions that are set out in the budget papers over 2018-19?

Through the annual budget process, the Government explicitly plans for and responds to the economic conditions facing the State, including adapting to challenges and identifying future opportunities.

2. Spending

Question 2 *Lapsing programs or initiatives*

Please identify any programs or initiatives (including asset or output initiatives) that have lapsed in 2017-18 (that is, they will not be continued in 2018-19). For each program or initiative, please indicate the expenditure on this program/initiative in 2017-18. If the program or initiative is to be extended, please identify whether the Department's own sources will be used or name any initiatives in the 2018-19 Budget that replace the lapsing initiative. Please also identify the effect on the community of the lapsing program (*including rescheduling of service provision or commencement of service provision*). If there is no effect, please detail the actions undertaken by the Department to ensure this. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

Program or initiative	Expenditure in 2017-18 (\$ million)	If it is to be extended into 2018-19, how is the program or initiative to be funded?	Effect on the community (<i>including rescheduling of service provision or commencement of service provision</i>) of lapsing programs	Actions taken by the Department to ensure that there is no effect on service delivery resulting from lapsing programs
Asset reform	6.8 (\$3.4 million was carried over from 2016-17)	Funding for asset reform initiatives are considered on a year by year basis.	N/A	N/A
Social Impact Bonds	0.6 (\$0.4 million was carried over from 2016-17)	DTF was allocated funding over a fixed term to complete the market testing and procurement phases for round one of the Social Impact Bonds pilot program. The first Social Impact Bond was successfully launched in December 2017, and the second was launched in February 2018, as part of round one. DHHS is responsible for and is funded to implement the ongoing operation of these Social Impact Bonds from 1 July 2018.	N/A	N/A

Question 3 Variations from prior year

Please explain any variations of more than ± 10 per cent (or greater than \$100 million) between the revised estimate for 2017-18 and the budget for 2018-19 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).

	2017-18 (budget estimate) (\$ million)	2017-18 (revised estimate) (\$ million)	Explanation for any variances greater than $\pm 10\%$ (or greater than \$100 million) 2017-18 budget estimate vs. revised estimate	2018-19 (Budget) (\$ million)	Explanation for any change greater than $\pm 10\%$ (or greater than \$100 million) 2018-19 budget estimate vs. revised estimate
Employee benefits	222.7	222.4	N/A	225.7	N/A
Grants and other transfers	6.0	6.8	N/A	42.6	Primarily grant funding to the Valuer General Victoria to implement the centralised annual land valuations initiative.
Other operating expenses	195.1	221.2	<p>\$9.4m for increased Cenitex expenditure due to service upgrades, development activities and enhancements for the incident response to critical system outages.</p> <p>\$7.6m for Department expenditure on critical ICT system enhancements.</p> <p>The remainder includes increased regulatory activity for the ESC, and SRO's implementation of the Commercial passenger vehicle levy.</p>	196.7	<p>Cessation of:</p> <ul style="list-style-type: none"> • one-off 2017-18 expenditure relating to Cenitex development work; • Critical DTF ICT system enhancements; and • the 2016-17 carryover into 2017-18 for work on Asset reform and Social Impact Bonds.

	2017-18 (budget estimate) (\$ million)	2017-18 (revised estimate) (\$ million)	Explanation for any variances greater than ±10% (or greater than \$100 million) 2017-18 budget estimate vs. revised estimate	2018-19 (Budget) (\$ million)	Explanation for any change greater than ±10% (or greater than \$100 million) 2018-19 budget estimate vs. revised estimate
Major components of 'other operating expenses' (please supply categories):					
Asset provided free of charge	0	0	N/A	0	N/A
Intra government supplies and consumables	8.2	8.3	N/A	8.3	N/A
Purchase of supplies and services	186.2	212.2	Refer above to 'Other operating expenses'	187.6	Refer above to 'Other operating expenses'
Finance expenses and fees	0.7	0.7	N/A	0.7	N/A

- (e) If the Department is unable to provide estimates for the components of 'other operating expenses' in 2018-19, please explain how the amount of 'other operating expenses' listed for 2018-19 in the budget papers was calculated.

N/A

Question 4 Carryover funding for payments for non-financial assets

For the line item 'payments for non-financial assets' for 2018-19 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 2017-18.

No carry over of appropriation has been identified from 2017-18 to 2018-19.

Question 5 Expenditure by government purpose classification

In relation to the break-down of expenses from transactions disaggregated by government purpose classification in the budget papers (if provided in the 2018-19 budget papers – see Table 1.3.5 in the 2017-18 Statement of Finances budget paper, p.29), please provide details of the Department's component of the expenses in each category for 2017-18 and 2018-19. Please explain any variations between the years that are greater than ± 10 per cent or greater than \$100 million between 2017-18 and 2018-19 estimates.

Government purpose classification	2016-17 actual (\$ million)	2017-18 revised estimate (\$ million)	2018-19 Budget (\$ million)	Explanation for any variances greater than $\pm 10\%$ (or greater than \$100 million) between 2017-18 and 2018-19 estimates.
General public services ⁽¹⁾ ⁽³⁾	2032.6	2127.6	2118.3	
Public order and safety	..	..	..
Education	..	..	..
Health	..	..	..
Social security and welfare	..	..	..
Housing and community amenities ⁽²⁾ ⁽³⁾	116.0	150.8	153.6	

Government purpose classification	2016-17 actual (\$ million)	2017-18 revised estimate (\$ million)	2018-19 Budget (\$ million)	Explanation for any variances greater than $\pm 10\%$ (or greater than \$100 million) between 2017-18 and 2018-19 estimates.
Recreation and culture	
Fuel and energy	
Agriculture, forestry, fishing and hunting	
Transport and communications	
Other economic affairs ⁽¹⁾ ⁽³⁾	21.6			
Other purposes	
Not allocated by purpose	

Note: ⁽¹⁾ According to Classification of Functions of Government (COFOG), BP5 2018-19; other economic affairs estimates (for DTF Economic Regulatory Services) are included in General public services; \$26.6m (2017-18) and \$26.2m (2018-19) respectively. General public services includes legislative and executive organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, basic research, research and development – general public services, public debt transactions.

Note: ⁽²⁾ The Department's payments for the First Home Owners' Grant (FHOG) are reported under the Government Purpose Classification (GPC) category of Housing and community amenities. Under the new COFOG, the FHOG will appear in the new category, Social protection.

Note: ⁽³⁾ The table includes controlled and administered functions of the Department.

Detailed changes to Government Finance Statistics (GFS)

Please note for future questionnaires: The Australian system of GFS was revised by the Australian Bureau of Statistics, with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*.

Implementation of the updated GFS manual has resulted in the 'classification of the functions of government' (COFOG) framework replacing the former 'government purpose classification' (GPC) framework, with effect from the 2018-19 financial year for financial reporting under AASB 1049. This change in framework has been implemented in the *2018-19 Budget*.

The key reporting changes from GPC to COFOG are as follows:

- the number of categories has reduced from 12 under GPC to 10 under COFOG;
- the fuel and energy, agriculture, forestry, fishing and hunting categories have been abolished and are now part of the new economic affairs category. The majority of the outputs in other economic affairs also are included in this new category;
- public debt transactions have moved from the other purposes category (i.e. primarily interest expense on borrowings) to general public services category;
- a new environment protection category was created to include functions such as waste management, water waste management, pollution and production of biodiversity and landscape, which were previously classified under housing and community amenities category, as well as national and state parks functions from the recreation and culture category; and
- housing functions such as housing assistance and housing concessions are now part of the social protection category.

The COFOG framework disclosures required under AASB 1049 classify expenses, acquisition of non-financial assets of the public sector and total assets of the general government sector in terms of their purposes. This information is presented to facilitate improved inter-jurisdictional comparison of the financial operations of public sector jurisdictions.

The major COFOG groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved. The major groups are:

General public services: Includes legislative and executive organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, basic research, research and development – general public services, public debt transactions.

Public order and safety: Includes police services, civil and fire protection services, law courts, prisons, research and development.

Economic affairs: Includes general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing, and construction, communication, other industries, research and development.

Environmental protection: Includes waste management, waste water management, pollution abatement, protection of biodiversity and landscape, research and development.

Housing and community amenities: Includes housing and community development, water supply, street lighting, research and development.

Health: Includes medical products, appliances, and equipment, outpatient services, hospital services, mental health institutions, community health services, public health services, research and development.

Recreation, culture and religion: Includes recreational and sporting services, cultural services, broadcasting and publishing services, religious and other community services, research and development.

Education: Includes pre-primary and primary education, secondary education, tertiary education, education not defined by level, subsidiary services to education, research and development.

Social protection: Includes sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion, research and development.

Transport: Includes road transport, bus transport, water transport, railway transport, air transport, multi-mode urban transport, pipeline and other transport, research and development.

3. Expenditure reduction measures

Question 6 *Savings initiatives from past budgets*

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

- (a) how the Department will meet the various savings targets in 2018-19
- (b) the nature of the impact that these actions will have on the delivery of services during 2018-19
- (c) the Department's savings target for 2018-19, with an explanation for any variances between the current target and what was originally published in the budget papers when the initiative was released. If the change in Government affected the implementation of these measures, please provide a more detailed explanation.

Initiative	Actions the Department will take in 2018-19	Impact of these actions on service delivery in 2018-19	Savings target for 2018-19 (\$ million)	Explanation for variances to the original target
Efficiency and expenditure reduction measures in 2015-16 Budget (2015-16 BP3 pp.105-7)	<p>The impact in 2018-19 is a continuing result of actions initiated in 2015-16.</p> <p>As such, the major components of the \$3.6m savings allocated to DTF are as follows:</p> <p>Disbandment of the Construction Code Compliance Unit (CCCU).</p> <p>Reduction in Executive Officers at the time - managed by an overall budget reduction, and DTF oversight of EO movements, retirements and appointments.</p> <p>Improvement in the DTF-operated State Government Car Pool by replacing 6 cylinder vehicles with 4 cylinder vehicles, better managing seasonal demand and more efficient use of car parking.</p>	There is no impact of these actions on service delivery in 2018-19.	3.6	N/A
Savings and efficiencies and expenditure reduction measures in 2016-17 Budget (2016-17 BP3 p.118)		N/A	Nil	N/A

Initiative	Actions the Department will take in 2018-19	Impact of these actions on service delivery in 2018-19	Savings target for 2018-19 (\$ million)	Explanation for variances to the original target
Savings measures in 2017-18 Budget (2017-18 BP3 p.114)	<p>The Department will take the following actions:</p> <ul style="list-style-type: none"> • reduce purchase of supplies and services by finding further efficiency measures such as better use of technology and systems • building in-house capability to reduce expenditure on consultants and contractors. 	There is no impact of these actions on service delivery in 2018-19.	3.28	N/A
Any efficiency and expenditure reduction measures in 2018-19 Budget				N/A

Question 7 Use for funds saved from other programs or initiatives

In relation to any programs or initiatives that have been reprioritised, curtailed or reduced for 2018-19 (including lapsing programs), please identify:

- (a) the amount expected to be spent under the program or initiative during 2018-19 at the time of the 2017-18 Budget
- (b) the amount currently to be spent under the program or initiative during 2018-19
- (c) the use to which the funds freed by this reduction will be put. Please include the name(s) of any program or initiative that will be funded or partially funded.

Program/initiative that has been reprioritised, curtailed or reduced	The amount expected to be spent under the program or initiative during 2018-19:		The use to which the funds will be put
	at the time of the 2017-18 Budget	at the time of the 2018-19 Budget	
Nil			

Note: The Department of Treasury and Finance has no programs or initiatives that have been reprioritised, curtailed or reduced for 2018-19.

- (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 2017-18 and 2018-19. In describing the programs or initiatives, please use the same names that are used in the budget papers where applicable.

N/A

Question 8 Department's share of reprioritisation of existing resources

Please provide the Department's contribution to the whole-of-government amount identified as 'funding from reprioritisation of existing resources' in the 'net impact of the 2018-19 Budget new output initiatives' table.

Amount reprioritised for 2018-19 (\$ million)	Amount reprioritised for 2019-20 (\$ million)	Amount reprioritised for 2020-21 (\$ million)	Amount reprioritised for 2021-22 (\$ million)
Nil	Nil	Nil	Nil

Note: The Department of Treasury and Finance has no new initiatives that have been funded from the reprioritisation of existing resources.

4. Output and asset initiative funding

Question 9 *Development of the Department's budget*

- (a) Please list the factors by which the Department developed its overall budget, in terms of total income from transactions, relating to total income from transactions for 2017-18. Please include explanations for all items.

	Amount		Explanation
	(per cent)	(\$ million)	
Total income from transactions 2017-18	N/A	501.6	
New output initiative funding ¹		20.6	Increase in output appropriation revenue for 2018-19 includes the following initiatives: <ul style="list-style-type: none"> • Implementation of major infrastructure capability and capacity \$0.8m (s29 funded) • Essential Services Commission enhanced regulatory activity \$4.1m • Annual land valuations \$12.9m • Procurement reform \$2.8m
Lapsing or reducing programs		(19.4)	Reduction in appropriation revenue for existing initiatives compared to 2017-18 including Asset reform and West Gate Tunnel projects.
External (e.g. Commonwealth) funding for new initiatives			
Savings and efficiency measures		(3.3)	Allocated savings
Inflation adjustment			
Output resource allocation reviews			
Base reviews			

¹ This is the 2018-19 total from the Department's 'output initiatives' table plus the Department's share of any whole-of-government initiatives released in Budget Paper No.3.

	Amount		Explanation
	(per cent)	(\$ million)	
Other (please specify)		40.8	Increase of Capital Asset Charge due to higher land and property revaluations
		2.7	State Revenue Office administration of Commercial Passenger Vehicle Levy
		15.1	Higher Cenitex revenue due to increased project work
		15.4	Net increase contributing to the grant to the Valuer General (DELWP) to deliver annual land valuations
Total income from transactions 2018-19	N/A	573.5	

- (b) If this is not the way the Department developed its overall budget, please provide a description of the process that was followed.

N/A

5. Public private partnership expenditure

Question 10 *PPP expenditure on operating statement*

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 all PPP projects in 2018-19 or across the forward estimates period, please identify:

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

The Department of Treasury and Finance is not a contracting department for any Public Private Partnership projects.

Question 11 *Schools-related PPP projects (Department of Education and Training only)*

Currently, there are two PPP projects relating to school construction: *New Schools PPP – Tranche 1* and *New Schools PPP – Tranche 2*. Tranche 1 was commissioned during 2016-17 and Tranche 2 is still in procurement.

- (a) Please advise:
 - (i) the most recent public sector comparator for the two tranches of the *New Schools PPP* project
 - (ii) what were the nature and extent of scope changes made to the project since the most recent public sector comparators were estimated.
- (b) Apart from these two projects, please advise what plans there are to open new schools in Victoria over the forward estimates period:
 - (i) through PPP arrangements
 - (ii) through direct asset investment.
- (c) Please advise which new schools are planned:
 - (i) in growth areas
 - (ii) in other areas.
- (d) Please advise the amount of total expenditure on new schools provided through PPPs and those provided through direct investment (including both capital and operating) anticipated:
 - (i) in each year of the forward estimates period
 - (ii) in present value terms for the whole of the project life.

Expected investment expenditure over the forward estimates period	2018-19	2019-20	2020-21	2021-22
New schools expected to be provided through PPP procurement				
New schools expected to be provided through direct asset investment				

Present value of expected expenditure over the whole of the project life	(\$ million, 2018-19 values)
New schools expected to be provided through PPP procurement	
New schools expected to be provided through direct asset investment	

- (e) Please describe how operating schools are managed, highlighting differences (such as the maintenance of school buildings) between operating schools provided through PPP arrangements and schools procured through direct investment.
- (f) Please describe the planning process for new schools that are to be developed, including
- (i) the use of population projections and other data analysis undertaken by either the department or external contractors or consultants.
 - (ii) the involvement of education agencies such as the Victorian Schools Building Authority
 - (iii) the involvement of other Victorian Government departments and agencies e.g. the Department of Treasury and Finance
 - (iv) community engagement activities.

6. Revenue

Question 12 *Revenue raising initiatives*

In relation to 2018-19, please outline any new revenue-raising initiatives released in the 2018-19 Budget. For each initiative, please explain:

- (a) the reasons for the initiative
- (b) the assumptions underlying the reasons
- (c) 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)
- (d) any performance measures or targets altered as a result of the initiative
- (e) the anticipated total value of revenue gained/foregone as a result of the initiative.

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	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Nil	Nil	Nil	Nil	Nil	Nil

Question 13 *Changes to existing revenue initiatives*

In relation to 2018-19, please outline any other major changes to existing revenue initiatives. For each change, please explain:

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

Where possible, please use names for programs or initiatives that are used in the budget papers.

Initiative	Change	Reasons for the change	Underlying assumptions	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Payroll tax rate for regional businesses	Reduce payroll tax rate to 2.425 per cent for regional businesses	This initiative will encourage greater business investment and employment in regional Victoria.	Provides further support to regional businesses.	N/A	N/A	\$167m revenue foregone over 4 years.

Question 14 *New or changed tax expenditures/concession/subsidy initiative*

In relation to 2018-19, 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) 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)
- (d) any performance measures or targets altered as a result of the initiative/change
- (e) 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	Impact of changes on service delivery	Performance measures or targets altered	Anticipated total value of revenue gained/foregone
Expand the young farmer land transfer duty exemption threshold to \$600,000	This will further encourage young farmers to enter and stay in the industry.	Aligns the exemption threshold with the first home buyer threshold.	N/A	N/A	\$2m revenue foregone over 4 years
Exempt defence force personnel from the first home buyer stamp duty exemption/concession residence requirement	Recognise the occupational requirements of Defence Force personnel, who may be required to relocate at short notice.	Some Defence Force personnel have had difficulty in satisfying the first home buyer duty exemption/concession residence requirement due to Defence Force deployment.	N/A	N/A	\$5.6m revenue foregone over 4 years

Question 15 *Growth in income categories*

For the Department's income categories (as they appear in the Department's operating statement in the Statement of Finances budget paper), please provide a description of the income category, an explanation for any items that have a variance of greater than ± 10 per cent or \$100 million between the revised estimate for 2017-18 and the budget for 2018-19.

Income category	Description of income category	Revised estimate for 2017-18 (\$ million)	Estimate for 2018-19 (\$ million)	Explanation
Output Appropriation		302.8	349.2	<p>The increase of \$46.4m in output appropriation revenue for 2018-19 compared to 2017-18 revised is comprised of funding for:</p> <p>New initiatives +\$19.8m:</p> <ul style="list-style-type: none"> • Essential Services Commission enhanced regulatory activity \$4.1m; • Annual land valuations \$12.9m; and • Procurement reform \$2.8m. <p>Specific purpose increases +\$56.2m</p> <ul style="list-style-type: none"> • Capital Assets Charge, due to the increase in the Department's land and building valuation \$40.8m; and • Net increase contributing to the grant to the Valuer General (DELWP) to deliver annual land valuations \$15.4m. <p>Offset by</p> <p>2017-18 Treasurer's Advances of \$7.1m for:</p> <ul style="list-style-type: none"> • Western Roads Upgrade \$2.3m; • ESC regulatory activity \$3.3m; • SRO annual land valuations \$1m; • Social Impact Bonds \$0.5m. <p>Lower 2018-19 funding of \$21.3m for:</p> <ul style="list-style-type: none"> • West Gate Tunnel project -\$11.6m • Asset reform -\$3.4m • Depreciation adjustments & other -\$6.4m <p>Savings, increased between years of -\$1.1m</p>
Interest		1.1	1.1	
Sales of goods and services		182.0	188.3	

Income category	Description of income category	Revised estimate for 2017-18 (\$ million)	Estimate for 2018-19 (\$ million)	Explanation
Grants		1.3	2.9	In 2017-18 ERSC approved three years of grant funding to DTF from the Premier's Jobs and Investment Fund for 'Buying for Victoria'. The increase in 2018-19 reflects a full year of the program works.
Other income		31.4	32.2	

Question 16 Commonwealth – State relations

What impact have developments at the Commonwealth level had on the Department's component of the 2018-19 State Budget?

GST Receipts

The Commonwealth Grants Commission's report, released on 5 April 2018, recommended Victoria's assessed relativity for 2018-19 should increase to 0.99 (from 0.93 in 2017-18). The increase is largely due to strong population growth, and the related need for greater investment in infrastructure, and a continued smaller share of Commonwealth grants. As a result, Victoria's share of the GST pool increased from 24.0 per cent in 2017-18 to 25.6 per cent in 2018-19.

7. Performance measures

Question 17 *New performance measures*

For each quality, quantity or timeliness performance measure newly introduced in the 2018-19 Budget, please attach any supporting documentation the Department has produced in developing the measure, such as:

- (a) a description of the measure, including the data that support it, assumptions made, and how the data are collected and transformed
- (b) if the measure is a ratio (including a percentage), please include a description of the numerator and denominator series that provide the ratio
- (c) how the measure evaluates the performance of the Department or the task faced by the Department
- (d) the process the Department employed to set a target or anticipated result for this measure
- (e) a description of what constitutes good performance and how the performance measure indicates this
- (f) any shortcomings of the measure
- (g) how the department intends to estimate the 'expected outcome' of the measure at the time of the 2018-19 Budget
- (h) how the department intends to evaluate the effectiveness of the measure in the future.

Performance measure	Cost to collect \$100 of tax revenue raised is less than the average of State and Territory Revenue Offices.
Objective	Optimise Victoria's fiscal resources
Output	Revenue Management and Administrative Services to Government
Type of Measure	Quantity
Unit of Measure	Achieved / not achieved
2018-19 target	Achieved
Description of measure	Measure reflects the relative efficiency of processes for the collection of revenue compared with other jurisdictions.
Target Rationale	To benchmark revenue collection efficiency.
Mechanism for measuring performance	Output budget reports, revenue reports. The measure is worked out as follows: (State Revenue Office (SRO) total output budget)/(total revenue administered x 100) compared to the average of the same calculation for each State and Territory Revenue Office.
Frequency of measurement	Annual comparison.
What constitutes good performance?	SRO cost is less than the average of the Australian Revenue Offices' cost.
Comments	New performance measure for 2018-19 to reflect the efficiency of processes for the collection of revenue.

Performance measure	Business processes maintained to retain ISO 9001 (Quality Management Systems) Certification
Objective	Optimise Victoria's fiscal resources
Output	Revenue Management and Administrative Services to Government
Type of Measure	Quality
Unit of Measure	Per cent
2018-19 target	100
Description of measure	The SRO maintains and continuously improves processes to meet requirements of ISO 9001.
Target Rationale	The process of being certified requires SRO to achieve, maintain and continuously improve its processes. ISO 9001 sets out the criteria for a quality management system and is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement.
Mechanism for measuring performance	Independent process audits
Frequency of measurement	Every nine months
What constitutes good performance?	To maintain certification by adhering to standard requirements
Comments	This performance measure replaces the 2017-18 performance measure 'Maintain ISO 9001 (Quality Management Systems) and ISO/IEC 20000 1:2005 (IT Service management) Certification'. The processes supporting the ISO/IEC 20000 1:2005 standard have matured and been embedded into every day operations and relevant policies and procedures. As a result, the effort and cost of maintaining formal compliance with this standard no longer provides benefits or value for money.

Performance measure	Number of HVHR project assurance plans in place
Objective	Improve how Government manages its balance sheet, commercial activities and public sector infrastructure
Output	Commercial and Infrastructure Advice
Type of Measure	Quantity
Unit of Measure	Number
2018-19 target	15
Description of measure	The number of Project Assurance Plans developed to provide tailored assurance by DTF for High Value or High Risk (HVHR) projects. This measure reflects the project assurance workload of the branch.
Target Rationale	The measure represents the estimated number of HVHR projects that will require Project Assurance Plans. The prediction is informed by historical numbers of HVHR projects.
Mechanism for measuring performance	Project Assurance Plans approved by the Treasurer.
Frequency of measurement	Quarterly. However, most plans are expected to be developed in the quarter following delivery of the State Budget.

Performance measure	Number of HVHR project assurance plans in place
What constitutes good performance?	All HVHR projects have Project Assurance Plans established, which are being implemented.
Comments	New performance measure for 2018-19 to better reflect the work of the output.

Performance measure	Credit agencies agree that the presentation and information provided support annual assessment
Objective	Improve how Government manages its balance sheet, commercial activities and public sector infrastructure
Output	Commercial and Infrastructure Advice
Type of Measure	Quality
Unit of Measure	Per cent
2018-19 target	70
Description of measure	The measure seeks to assess the Credit Rating agencies satisfaction with the management presentation, in particular the content, the delivery and timeliness of any follow up queries as well as the ongoing management of the relationship with the Credit Rating agencies.
Target Rationale	70 per cent equates to a good presentation. The numerator will be the score that will be given by Credit Rating agencies based on the Likert Scale from 1 (denotes Poor) to 5 (denotes excellent) . The denominator will be the highest score in the Likert Scale (which is a 5). In the past DTF have received very good verbal reviews from Credit Rating agencies subsequent to management presentations.
Mechanism for measuring performance	A questionnaire based on a Likert scale will be provided to both Standard and Poor's and Moody's at the end of each management presentation and the score will be the average of the two results.
Frequency of measurement	Annually. Management presentations to Credit Rating agencies are made once every year after the annual budget.
What constitutes good performance?	Good performance denotes the presentation was comprehensive, timely and all queries were answered to the satisfaction of Credit Rating agencies.
Comments	This performance measure replaces the 2017-18 performance measure 'Coordinate and produce presentations for the annual review meetings with credit rating agencies' to more accurately reflect the quality of information provided for credit rating assessment. Being a qualitative measure the scores that will be provided by Credit Rating agencies will be subjective. The Department will consult with the Credit Rating agencies and evaluate the effectiveness of the measure.

Performance measure	Senior Responsible Owner agrees Gateway review was beneficial and would impact positively on project outcomes
Objective	Improve how Government manages its balance sheet, commercial activities and public sector infrastructure
Output	Commercial and Infrastructure Advice
Type of Measure	Quality

Performance measure	Senior Responsible Owner agrees Gateway review was beneficial and would impact positively on project outcomes
Unit of Measure	Per cent
2018-19 target	90
Description of measure	The percentage of Senior Responsible Owner feedback forms received by DTF from Senior Responsible Owners indicating that they either agree or strongly agree that the Gateway review process was beneficial and impacted positively on project outcomes.
Target Rationale	The measure is considered to be a reasonable level of satisfaction by Senior Responsible Owners. The extent of how beneficial a review is, and how positively it impacts upon a project often depends upon factors outside the control of the Gateway Review Process (e.g. project / documentation readiness, requested review timing etc.). This target makes a small allowance for such external factors.
Mechanism for measuring performance	A feedback form based on a Likert scale will be provided to Senior Responsible Owners at the end of each Gateway Review.
Frequency of measurement	Quarterly
What constitutes good performance?	Attainment of an agreed Senior Responsible Owner satisfaction rating of 90%.
Comments	New performance measure for 2018-19 to better reflect the quality of work against the output. Previously, performance has been measured through the analysis of Gateway review volumes across the period in comparison to historic figures. The new measure relating to Senior Responsible Owner satisfaction more appropriately measures the quality of the work rather than the quantity.

8. Staffing matters

Question 18 *FTE by employment category*

- (a) Please fully complete the table below, providing actual FTE staff numbers at 30 June 2017 and estimates of FTE staff numbers (broken down by the categories listed below) at 30 June 2018 and 30 June 2019 for the Department. Please provide figures consolidated on the same basis (that is, including the same entities) as is reported in the Department's most recent annual report.

DTF, SRO and ESC

Grade	30 June 2017 (Actual FTE number)	30 June 2018 (Expected FTE number)	30 June 2019 (Forecast FTE number)
Secretary	1.00	1.00	1.00
EO-1	6.00	5.00	5.00
EO-2	22.00	23.30	23.30
EO-3	52.26	62.09	63.39
VPS Grade 7 (STS)	12.7	13.5	13.5
VPS Grade 6	216.76	216.96	217.86
VPS Grade 5	270.87	288.85	290.12
VPS Grade 4	263.20	255.84	257.36
VPS Grade 3	284.75	271.13	272.55
VPS Grade 2	78.78	80.90	81.78
VPS Grade 1	0.00	1.00	1.00
Government Teaching Service			
Health services			
Police			
Allied health professionals			
Child protection			
Disability development and support			
Custodial officers			
Other (Please specify)	31.14	26.27	26.47
Total	1239.46	1245.84	1253.33

(b) Please list the entities that contribute to the table above

DTF, SRO and ESC

Cenitex

Grade	30 June 2017 (Actual FTE number)	30 June 2018 (Expected FTE number)	30 June 2019 (Forecast FTE number)
Secretary			
EO-1			
EO-2	3	3	3
EO-3	1.60	1.60	1.60
VPS Grade 7 (STS)	24.00	28.60	28.60
VPS Grade 6	131.70	148.60	148.60
VPS Grade 5	151.00	154.70	154.70
VPS Grade 4	80.60	86.60	86.60
VPS Grade 3	85.24	105.99	105.99
VPS Grade 2	6.00	1.00	1.00
VPS Grade 1			
Government Teaching Service			
Health services			
Police			
Allied health professionals			
Child protection			
Disability development and support			
Custodial officers			
Other (Please specify)			
Total	483.14	530.09	530.09

Question 19 Ongoing, fixed term or casual staff

- a) Please break down the actual staff numbers in your department as at 30 June 2017 and the estimates as at 30 June 2018 and 2019 according to the number of staff that are ongoing, fixed-term or casual.

DTF, SRO and ESC

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Ongoing	1090.53	1143	1121.98	1176	1183.77	1238
Fixed-term	148.94	153	123.40	127	69.1	75
Casual	0.00	0	0.47	1	0.47	1
Total	1239.46	1296	1245.84	1304	1253.33	1314

Cenitex

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Ongoing	449.94	454	494.49	499	494.49	499
Fixed-term	33.20	34	35.60	36	35.60	36
Casual	0	0	0	0	0	0
Total	483.10	488	530.09	535	530.09	535

- b) Please break down the actual staff numbers in your department as at 30 June 2017 and the estimates as at 30 June 2018 and 2019 according to gender and indicate if the Department has employees identifying as indigenous or having a disability.

DTF, SRO and ESC

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Male	640.99	650	656.87	667	661.34	675
Female	598.47	646	588.97	637	591.99	639
Self-defined	0.00	0	0.00	0	0.00	0
Total	1239.46	1296	1245.84	1304	1253.33	1314

Cenitex

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Male	383.20	384	419.60	420	419.60	420
Female	99.94	104	110.49	115	110.49	115
Self-defined	0	0	0	0	0	0
Total	483.10	488	530.09	535	530.09	535

DTF, SRO and ESC

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
People who identify as having a disability *	21.2	22	21.2	22	30	34
People who identify as having indigenous status	5.9	6	4.5	5	8.5	9

* The data applicable to DTF in this response has been sourced from the 2017 People Matter survey rather than from DTF's payroll data. DTF considers that the People Matter survey data is more accurate due to its currency as well as the fact that it is collected anonymously. DTF has projected likely increases to the number of staff who identify as having a disability based on implementation of DTF's *Diversity and Inclusion Action Plan 2016-2018* and *Diversity and Inclusion Framework 2018-2020*.

Cenitex

	30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
People who identify as having a disability	1	1	1	1	2	2
People who identify as having indigenous status	0	0	0	0	0	0

Question 20 *Use of consultants, contractors and labour hire*

- (a) What are the main gaps in the department's capability and capacity identified in 2017-18, 2018-19 and 2019-20?

In 2017-18 the Department identified a need to continue to build capability in policy development and advice. This capability area has been addressed through focussed training, and it will remain a priority area for 2018-19 and 2019-20.

In its People Strategy 2018-20 and People Matter Action Plan 2018-19, the Department has identified the following further areas for capability uplift: leadership, wellbeing and diversity and inclusion. In regard to leadership capability, specific areas of focus will be flexible work practices, change management, career development and learning and development.

Throughout 2018-19 and 2019-20, the Department will further address its capability gaps through the development of a leadership program, a new capability framework and a workforce planning framework. A recent internal audit of capability outlines significant progress by the Department against the findings of a review undertaken in 2015.

In articulating its capability focus, the Department has aligned to whole of VPS priorities, including those set by the Victorian Leadership Academy, the VPS Mental Health and Wellbeing Charter, the Barring Djinang Aboriginal Employment Strategy, the Victorian Disability Plan 'Absolutely Everyone', the Victorian Gender Equality Strategy, the Victorian Multicultural Statement and the public sector Veterans Employment Strategy.

- (b) How does the department define the terms 'contractor', 'consultant' and 'labour hire'?

Contractor* – is an individual or organisation that is formally engaged to provide works or services for or on behalf of an entity. Contractors represent engagements to assist the department in carrying out its defined activities or core operational functions. This definition does not apply to casual, fixed-term or temporary employees directly employed by the entity.

Consultant* – is a particular type of contractor that is engaged primarily to perform a discrete task for an entity that facilitates decision making through:

- provision of expert analysis and advice; and/or
- development of a written report or other intellectual output.

Labour hire - includes expenses relating to any individual or organisation (other than a consultant) who is engaged to undertake work that would or could be regarded as normally undertaken by an employee, but internal expertise is not available.

* Derived from FRD 22H

- (c) What are the key drivers for the use of consultants, contractors and labour hire in the department in 2017-18, 2018-19 and 2019-20?

Consultants are mainly engaged for the provision of specialist expert commercial, legal and transaction advice on specific major projects such as the Port of Melbourne lease and West Gate Tunnel project. Contractors and labour hire are mainly used where varying project requirements or legislative changes necessitate the use of contractors to meet tight delivery timeframes and the need for specific short term resourcing or expertise.

- (d) Please provide a table of consultancy expenditure for contracts over \$10,000 from 1 July 2017 to 31 March 2018, as set out below:

As has been the reporting practice in previous years, an approved version of requested information will be available to Parliament under the *Other information on request* section of the Department's annual report. This information about consultancies and contractors will include:

- consultants/contractors engaged
- services provided
- expenditure committed to for each engagement.

- (e) Please provide a table of contractor expenditure from 1 July 2017 to 31 March 2018 as set out below:

As has been the reporting practice in previous years, an approved version of requested information will be available to Parliament under the *Other information on request* section of the Department's annual report. This information about consultancies and contractors will include:

- consultants/contractors engaged
- services provided
- expenditure committed to for each engagement.

- (f) What guidance material and advice does the department utilise in making a decision to use a consultant, contractor or labour hire? How could this guidance and advice be improved to support the decision making of the department?

When considering engaging a consultant, contractor or labour hire, DTF refers to the VPSC website - in particular the following pages:

- <https://vpsc.vic.gov.au/html-resources/guidance-for-managers-engaging-contractors-and-consultants/>
- <https://vpsc.vic.gov.au/workforce-capability-leadership-and-management/workforce-capability/external-capability-things-consider-using-contractors/>
- <https://vpsc.vic.gov.au/html-resources/guidance-for-integrity-in-engaging-contractors/>

The Department also observes the rules of the Staffing Services SPC, found on the VGPB website (vgpb.vic.gov.au).

- (g) What are the benefits of the use of consultants, contractors and labour hire in delivering outcomes for the department? What impact did contractors, consultants and labour hire have on the capability and capacity of the department in 2017-18?

The use of consultants and contractors has achieved the following objectives for DTF:

- acquisition of specialist expertise and advice to inform decision making (for example in relation to the establishment of significant State infrastructure projects requiring highly specialised experience)
- resourcing short term or temporary requirements in instances where the hiring of permanent staff would not be appropriate

In these cases, the impact has generally been to build the capability of DTF internal staff (where specialist expertise has been sought) and to achieve project objectives where short term resources have been required that cannot be filled with permanent staff.

- (h) What risks have been identified in relation to the use of consultants, contractors and labour hire? How are these risks managed?

The key risks relating to the use of contractors and consultants relate to:

- reliance on such engagements where internal resources could be redirected, or
- long term capabilities can be built to deliver the services from within existing resources.

The key mitigation strategies for avoiding these risks include:

- all consultant engagements greater than \$10 000 require Secretary approval prior to engagement
- all procurement planning and approval documentation for staffing services/ contractors require consultation with DTF HR
- contractor engagements may not exceed a maximum term of 12 months
- the DTF website provides guidance for procuring managers

The Procurement Resource Unit within DTF provides advice to all procuring teams and managers.

- (i) How is labour hire reported by the department with reference to the Department of Treasury and Finance’s guidance note on FRD 22H?

Labor hire is included as contractors in terms of the disclosure requirements of FRD 22H which requires contractors to be reported as “Additional information available on request”.

- (j) Please advise, for the entities reported in the Department’s most recent annual report:

- (i) the amount spent by the Department on labour hire staff during 2016-17 and amounts expected to be spent during 2017-18 and 2018-19.

Expenditure on labour hire staff	2016-17 (\$ million)	2017-18 (\$ million)	2018-19 (\$ million)
Expenditure on labour hire	7.6	9.3	8.7

Note: Data includes DTF and SRO.

- (ii) the amount of labour hire staff (FTE and headcount) used by the Department on the last working day of 2016-17, and the numbers expected on the last working days of 2017-18 and 2018-19

30 June 2017 actual		30 June 2018 expected		30 June 2019 forecast	
(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
43.5	46.0	59.7	62.0	56.2	60.0

Note: Data includes DTF and SRO.

9. Enterprise Bargaining Agreements

Question 21 *EBAs anticipated to be completed during 2018-19*

- (a) Please list EBAs that are expected to be completed during the year that affect the Department, along with an estimate of the proportion of your Department's workforce (EFT) covered by the EBA.

Name of EBA under negotiation	Proportion of Department's EFT covered
Nil	N/A

Note: The above response considers EBAs expected to be completed during 2018-19 that affect the Department only and does not include EBAs that affect the Department's portfolio agencies during 2018-19.

- (b) Please describe the effect the EBAs listed above have had on estimates of 2018-19 employee benefits.

N/A

10. Government actions to combat homelessness (Questions for the Department of Health and Human Services only)

Question 22 Cost and sources of funds

- (a) *Victoria's Homelessness and Rough Sleeping Action Plan* contains a series of spending initiatives and programs to prevent homelessness and rough sleeping. This is in addition to a series of output and asset initiatives announced in the 2017-18 Budget for housing support for Victorians in need and people affected by family violence, as well as the Towards Home package announced in January 2017.

Please complete the table below as it relates to people at risk of homelessness, rough sleepers and people fleeing family violence.

Date of announcement	Initiative/output program		Amount allocated	Length of program or initiative	Amount spent (at March 31 2017)	Anticipated expenditure for 2018-19	Details of the asset initiative/output program
2017-18 Budget	Whole of Government Homes for Victorians initiative - Victorians in Need	<i>Rooming house upgrades</i>	\$20 million	2017-18			
		<i>Victorian property fund</i>	\$12 million	2017-18 to 2020-2021			
	Whole of Government Homes for Victorians initiative – Increasing and renewing social housing stock	<i>Financial backing for the community housing sector</i>	\$2.0 million	2016-17			
		<i>Increasing the capacity of the community housing sector</i>	\$3.0 million	2016-17			

Date of announcement	Initiative/output program		Amount allocated	Length of program or initiative	Amount spent (at March 31 2017)	Anticipated expenditure for 2018-19	Details of the asset initiative/output program
	Whole of Government Family Violence initiative – Housing support for family violence victims	Head leasing	\$2.0 million	2017-18			
		Improved crisis accommodation response	\$83.1 million	2017-18 to 2020-21			
		Long term housing	\$48 million	2017-18			
January 2017	Towards Home package		\$9.8 million	January 2017 to January 2019			
January 2018 Victoria's Homelessness and Rough Sleeping Action Plan	Package to prevent homelessness		\$109 million				
	Investment to increase the supply of social housing		\$120 million				
	Family Violence Housing Blitz		\$152 million				
	Private rental brokerage to assist people maintain long term accommodation in the private rental market		\$33.2 million				
Other (please specify)							

Question 23 Measuring the impact of Victoria's Homelessness and Rough Sleeping Action Plan

- (a) In relation to *Victoria's Homelessness and Rough Sleeping Action Plan* and other spending initiatives announced by the Government related to homelessness, please advise of any
 - (i) targets associated with the programs
 - (ii) relevant data intended for regular publication (such as in the department's annual report)
 - (iii) performance measures developed to assess the programs' effectiveness.

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

Question 24 *Alterations to previous estimates for 2018-19*

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 ± 10 per cent (or greater than \$100 million) between the estimates for 2018-19 published in the 2017-18 budget papers, and the budget forecasts for 2018-19 shown in the 2018-19 budget papers.

Line item	Reason for variation
Operating Statement	
Taxation revenue	<p>The increase is mainly driven by:</p> <ul style="list-style-type: none"> An increase in land tax revenue due to the biennial land revaluation currently underway. This latest revaluation cycle covers the period from 1 January 2016 to 31 December 2017. The most recent valuation data from the Valuer General of Victoria suggests the strength in the property market over this period will translate into increases in the value of residential, commercial and industrial land; and An increase in the land transfer duty forecast based on higher 2017-18 collections. Increasing activity in the commercial sector is supporting land transfer duty in 2017-18, with growth in duty from non-residential sources (commercial, industrial and primary production) accelerating between July and December 2017.
Dividends, income tax equivalent and rate equivalent revenue	<p>The increase is mainly driven by forecast dividends from the Victorian Managed Insurance Authority which have been deferred from 2017-18 to 2018-19.</p> <p>Dividends are based on the forecast financial performance and equity positions of the Public Financial Corporation sector (PFC) and Public Non-Financial Corporation (PNFC) sector entities.</p>
Grant revenue	<p>The increase is mainly driven by:</p> <ul style="list-style-type: none"> A higher assessed GST relativity for 2018-19. In large part, this reflects continued strong population growth relative to other states, which has increased the need for significant additional investment in infrastructure and service delivery; and Additional specific purpose grants from the Commonwealth Government for the education sector, and to the health sector as part of the National Health Reform agreement.

Line item	Reason for variation
Employee expenses	<p>The increase is driven by:</p> <ul style="list-style-type: none"> • Initiatives in the <i>2018-19 Budget</i> and the <i>2017-18 Budget Update</i> that support providing services for Victoria's growing population, including teachers and education workers to deliver the Government's Education State commitment, public health and community services workers for increased acute and mental health services, and police and corrections officers to deliver the Government's community safety agenda; and • Adjustments in the <i>2017-18 Budget Update</i> to reflect Commonwealth revenue received through the Quality School and Skilling Australians measures in the <i>2017-18 Commonwealth Budget</i>.
Other superannuation	<p>The increase is primarily driven by:</p> <ul style="list-style-type: none"> • A reduction in the bond yields that underlie the key superannuation valuation assumptions between 31 March 2017 (the basis for the <i>2017-18 Budget</i> estimates) and 31 March 2018 (the basis for the 2018-19 Budget estimates). Given that defined benefit service cost is calculated as a present value, the reduction in bond yields has increased the service cost that is reported under Australian Accounting Standard AASB 119 Employee Benefits; and • An increase in employer contributions to defined contribution funds. These contributions are expected to increase in line with the employee expense increase discussed above.
Depreciation	<p>The decrease is primarily driven by asset revaluations in 2017-18 no longer expected as the threshold required for a managerial revaluation is now considered unlikely to be achieved in 2017-18.</p>
Other operating expenses	<p>The increase is primarily driven by:</p> <ul style="list-style-type: none"> • Increases in purchases of services relating to increased service delivery in the education, health and community safety sectors; and • Additional funding for the transport sector, including for the Metropolitan train and tram franchise agreements, and road maintenance.
Net gain / (loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	<p>The 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 PNFC and PFC sectors, mainly reflecting expected operating results and expected revaluations in these sectors during 2018-19.</p>

Line item	Reason for variation
Balance Sheet	
Cash and Deposits	<p>The decrease in the budgeted cash and deposits balance is largely driven by:</p> <ul style="list-style-type: none"> • Transfers between short-term and longer-term investments to manage the State's liquidity position; and • Changes to the investment profile of the Social Housing Growth Fund, which forms part of Housing Strategy Initiatives.
Advances Paid	<p>The increase in advances paid is largely driven by payments for transport related projects that were not yet contracted for or reprioritised as at the <i>2017-18 Budget</i>.</p>
Receivables	<p>The decrease in the receivables balance is primarily due to the elimination of the deferred taxation receivables from the State Electricity Commission of Victoria (SECV) upon the sale of Victoria's share of Snowy Hydro Limited to the Commonwealth. This is partially offset by a higher taxation receivable opening balance in 2017-18 as included in the <i>2016-17 Annual Financial Report (AFR)</i>.</p>
Investments, loans and placements	<p>The increase in investments, loans and placements is due to the following factors:</p> <ul style="list-style-type: none"> • Transfers between short-term and longer-term investments to manage the State's liquidity position; and • Changes to the investment profile of the Social Housing Growth Fund, which forms part of Housing Strategy Initiatives.
Investments in other sector entities	<p>The balance in the 'Investment in other sectors' line principally reflects the general government sectors' investment in government-owned corporations.</p> <p>The increase is primarily driven by an increase in budgeted performance of the public financial sector, upward asset revaluations in the PNFC sector and significant contributions to the PNFC sector, mainly in relation to rail projects by VicTrack. The increase is partially offset by a reduction in the State's investment in PNFC's; resulting from asset recycling including the sale of Snowy Hydro to the Commonwealth.</p>
Non-financial assets held for sale	<p>The increase in non-financial assets held for sale primarily reflects a reclassification of properties which are expected to be sold in 2018-19 and 2019-20.</p>

Line item	Reason for variation
Land, building, infrastructure, plant and equipment	<p>The increase is mainly driven by stronger than anticipated revaluation increments recorded in the AFR.</p> <p>Also contributing to the increase are multiple new asset initiatives announced as part of the 2018-19 Budget, mainly in the education, transport and health portfolios, and updates to asset revaluation estimates based on the latest Valuer-General advice.</p> <p>The increase is partially offset by asset revaluations in 2017-18 no longer expected as the threshold required for a managerial revaluation is now considered unlikely to be achieved in 2017-18 (in line with Financial Reporting Direction FRD103F).</p>
Other non-financial assets	<p>Other non-financial assets include intangibles, investment properties, biological assets and prepayments. The increase is primarily due to:</p> <ul style="list-style-type: none"> • State capital contributions to major projects; and • the reclassification of some building assets at the Victorian Eye and Ear Hospital premises to investment properties.
Borrowings	<p>The decrease in borrowings primarily reflects the receipt of proceeds from the expected sale of Victoria's share of Snowy Hydro Limited to the Commonwealth.</p>
Payables	<p>The increase in payables is primarily driven by:</p> <ul style="list-style-type: none"> • changes in the expected timing of certain capital payments; • the recognition of accruals arising from the roll-out of the National Disability Insurance Scheme; and • balances from commercialising land titles and registry functions of Land Use Victoria.
Superannuation	<p>The key driver for the reduction in the liability at 30 June 2019 between the <i>2017-18 Budget</i> and the 2018-19 Budget is a re-measurement gain arising from the impact of variations between actual and expected membership movements.</p>
Other provisions	<p>The increase in other provisions is primarily driven by this balance being higher than expected in the AFR.</p>

Question 25 Changing estimates of PPP and other investment

In regard to the figure in the 2018-19 budget papers for 'PPP and other investment' (if provided) (see 2017-18 State Capital Program budget paper, p.19), please provide a revised estimate for this figure for 2017-18 and an explanation for the changes between last year's estimates and those for 2018-19:

	2017-18 (\$ million)	2018-19 (\$ million)	2019-20 (\$ million)	2020-21 (\$ million)	2021-22 (\$ million)
2017-18 budget papers	4,196.5	4,925.6	5,518.3	4,557.1	N/A
2018-19 budget papers	7,357.7	5,643.9	5,563.4	5,050.4	2,259.5
Explanation	<p>The West Gate Tunnel Project cash flows have been updated to reflect the construction profile as contracted in December 2017. This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2017-2018 to 2021-22. The profile of construction payments to the contractor may vary over the Project construction period in line with any future changes to the construction program, noting that consistent with other PPP projects the total construction payment for the project is fixed.</p> <p>The Western Roads Upgrade contract was executed in December 2017, therefore cash flows relating to this project were updated to reflect the construction profile of the successful consortium (replacing the business case construction profile). This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2017-18 to 2021-22.</p> <p>The Metro Tunnel - Tunnel & Stations contract was executed in December 2017, therefore cash flows relating to this project were updated to reflect the construction profile of the successful consortium (replacing the business case construction profile). This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2017-18 to 2021-22.</p> <p>The Suburban Roads Upgrade project is funded in the 2018-19 Budget, resulting in variances in the 'PPP infrastructure investment and other' figures from 2020-21 to 2021-22.</p> <p>The expected divestment of Victoria's share of Snowy Hydro Limited has been included in the 2018-19 Budget in 'PPP and other investment in the 2017-18 financial year.</p> <p>The contribution from Victorian Transport Fund related transactions, included in 'other' to reflect the infrastructure investment facilitated by the Government is larger in the 2018-19 Budget, in-line with the acceleration in project delivery .</p>				

Question 26 Other grants for specific purposes

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 2018-19, please provide details of the grants which have been included in the line item.

DTF response

Tables 4.7, 4.9 and 4.12 in the 2018-19 Budget, BP5, Chapter 4, incorporates 'Other' payments, including:

Table 4.7

Grants	\$m	Comments
Home and Community Care Assessment and other minor payments	39	The majority of funding relates to the Home and Community Care Assessment program.
Total	39	

Table 4.9

Grants	\$m	Comments
GMW Connections Project and Water Reform in the Murray Darling Basin	17	Majority of funding relates to funds for the Goulburn-Murray Water Connections Project and Water Reform in the Murray-Darling Basin.
Water Infrastructure Development Fund	24	Funding for the detailed planning necessary to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge under agreement with the Commonwealth.
Total	41	

Table 4.12

Grants	\$m	Comments
Hospitals	1 195	Majority comprises Commonwealth funding to hospitals under the Pharmaceutical Benefits Scheme (PBS). Under the PBS, the Commonwealth Government subsidises the cost of drugs listed on the PBS.
Other general purpose grants	644	Includes several projected general purpose grants, including expected payments under the Regional Rail Revival program.
Total	1 839	

Question 27 Changes in general purpose grants estimates

- (a) Please give reasons for the changes in general purpose grants estimates from the 2017-18 Budget, including those over the forward estimates.

	2018-19 (\$ million)	2019-20 (\$ million)	2020-21 (\$ million)
2017-18 estimates (2017-18 BP5 p.22)	16,142	17,036	18,001
2018-19 estimates (2018-19 budget papers)	16,881	17,470	18,112
Explanation for variances	The Commonwealth Grants Commission's report, released on 5 April 2018, recommended Victoria's assessed relativity should increase from 0.93 in 2017-18 to 0.99 in 2018-19. The increase is largely due to strong population growth, and the related need for greater investment in infrastructure and a continued smaller share of Commonwealth grants. As a result, Victoria's share of the GST pool increased from 24.0 per cent in 2017-18 to 25.6 per cent in 2018-19.	The Commonwealth Grants Commission's report, released on 5 April 2018 recommended Victoria's assessed relativity should increase from 0.93 in 2017-18 to 0.99 in 2018-19. Beyond 2018-19, interstate royalty revenues are expected to decline in line with the subdued outlook for iron ore and coal prices. This is expected to increase Victoria's assessed fiscal capacity relative to other states, decreasing Victoria's share of the GST.	The Commonwealth Grants Commission's report, released on 5 April 2018 recommended Victoria's assessed relativity should increase from 0.93 in 2017-18 to 0.99 in 2018-19. Beyond 2018-19, interstate royalty revenues are expected to decline in line with the subdued outlook for iron ore and coal prices. This is expected to increase Victoria's assessed fiscal capacity relative to other states, decreasing Victoria's share of the GST.

(b) What has been the impact of these changes to Victoria for 2018-19 and beyond?

Between the 2017-18 Budget and the 2018-19 Budget, the total change in forecast GST revenue over the period 2018-19 to 2020-21 was an upgrade of \$1 284 million.

(c) Please detail any actions that the State Government has taken in response to expected changes in the value of general purpose grants in 2018-19 and the forward estimates period.

The increase in forecast revenue has been incorporated into the revenue forward estimates. Additional GST revenue is used to fund additional service delivery to Victoria's growing population.

Question 28 *Equity funding from the Commonwealth*

Does the Government expect to receive equity funding as an alternative to traditional grants payments made by the Commonwealth for transport or other projects over 2018-19 and the forwards estimates? If so, which projects will receive this funding and how much?

The Commonwealth Government recently announced an investment commitment of up to \$5 billion for the Airport Rail Link. The Victorian Government is working with the Commonwealth Government to progress planning for this project. It is not clear what the nature of the Commonwealth's commitment is, so the possible equity commitment has not been reflected in the 2018-19 Victorian Budget.

Victoria has recently signed a bilateral agreement in relation to the Inland Rail project. Funding to Victoria is yet to be fully determined.

Question 29 *Net debt by PNFC/PFC entity*

In relation to the net debt projections for the non-financial public sector for 2018-19 and over the forward estimates to 2021-22 (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 2018 \$m	Net debt, 30 June 2019 \$m	Net debt, 30 June 2020 \$m	Net debt, 30 June 2021 \$m	Net debt, 30 June 2022 \$m
General Government Sector	19 625.1	24 338.7	28 022.9	29 826.9	31 366.3
Melbourne Water	8 110.5	8 234.1	8 335.0	8 283.6	8 278.1
City West Water	1 208.5	1 315.6	1 392.3	1 463.0	1 520.0
South East Water	1 619.8	1 835.1	2 013.8	2 145.3	2 221.3
Yarra Valley Water	2 514.3	2 790.7	2 962.7	3 149.6	3 266.6
Barwon Region Water	607.9	608.3	608.6	602.1	581.7
Goulburn Murray Rural Water	(137.6)	(0.6)	114.9	140.6	156.0
Grampians Wimmera Mallee Water	136.1	165.2	161.7	158.0	149.6

GGS/PNFC entity	Net debt, 30 June 2018 \$m	Net debt, 30 June 2019 \$m	Net debt, 30 June 2020 \$m	Net debt, 30 June 2021 \$m	Net debt, 30 June 2022 \$m
Coliban Region Water	447.1	439.4	430.3	420.0	407.3
Western Region Water	256.1	306.8	359.4	420.0	482.4
Central Gippsland Regional Water	283.4	293.0	311.4	324.6	326.3
Development Victoria	364.2	616.6	871.9	685.6	729.0
VicTrack	397.2	206.0	46.3	(0.3)	(12.9)
Other PNFC entities	(839.7)	(474.0)	(377.0)	(227.7)	(121.4)
Total PNFC Sector	14 967.7	16 336.3	17 231.2	17 564.5	17 984.2

Question 30 *Reasons for changes to borrowings / net debt estimates*

What specific factors or assumptions (for example, new or changed major asset or output initiatives) have led to changes to the estimates of borrowings and net debt as at 30 June 2017 and the forward estimates between the 2017-18 Budget and the 2018-19 Budget?

As outlined as part of the 2018-19 Budget, the general government sector's net debt at June 2017 was \$15.8 billion, or 3.9 per cent of gross state product (GSP). The net debt outcome was \$2.4 billion lower than the revised 2016-17 estimate published in the 2017-18 Budget reflecting differences in the timing of activity across the major departments.

Nominal net debt is expected to increase by \$0.9 billion at June 2021 compared with the 2017-18 Budget. As a proportion of the economy, net debt is expected to remain at 6.0 per cent.

The increase in net debt is primarily due to the increase in infrastructure investment as outlined in the 2017-18 Budget Update and 2018-19 Budget.

The decrease in estimated net debt in 2017-18 recognises the additional impacts since the 2017-18 Budget from asset recycling including the sale of Snowy Hydro to the Commonwealth.

The movements in borrowings are highly correlated with the movements to net debt.

Question 31 *Investments in financial assets for policy purposes*

Please disaggregate the item 'net cash flows from investments in financial assets for policy purposes' (on GGS cash flow statement) showing:

- (a) Net cash flows (other than capital repayments²) between entities
- (b) Capital repayments received from entities outside the general government sector

Department/entity	Reason for cash flow (including any related projects or entities)	Expected net cash flow 2018-19 (\$ million)
Cash flows other than capital repayments		
DELWP	DELWP forecast receipt of funds from Melbourne Water under the back-to-back finance lease arrangement between Melbourne Water, DELWP, and Aquasure associated with the Victorian Desalination Plant.	77
DTF	Repayment of advances to the Victorian Transport Fund by the Port Lessor Pty Ltd for application towards transport projects, mainly including the Level Crossing Removal Program.	1,787
DHHS	Capital contribution to the Director of Housing to assist in the funding of the redevelopment of public housing estate program which involves the redevelopment of public housing properties, new social housing dwellings and private properties.	(58)
DHHS	Capital contributions to the Melbourne Olympic Parks Trust and the State Sports Centre Trust, mainly reflecting new budget decisions, such as Melbourne Park Redevelopment Stage 2 and Melbourne Park Redevelopment Stage 3, and the the 2018-19 budget decision for State Netball and Hockey Centre Redevelopment and State Sport Centres Trust Capital Funding.	(159)
DELWP	Capital contributions to Goulburn-Murray Water related to the Goulburn-Murray Water Connections project.	(102)
Other	A number of items across various entities.	(52)
Capital repayments		
DTF	State Electricity Commission of Victoria	210
Other (DTF)	A number of capital repayments across various Water Corporations.	85
Total (to equal net cash flows from investments in financial assets for policy purposes in GGS cash flow statement)		1,624

² Defined in Department of Treasury and Finance, *Corporate Planning and Performance Reporting Requirements: Government Business Enterprises* (2009), s.7.2.1, p.14

- (c) Please provide a list of major projects that contribute to net cash flows from investments in financial assets for policy purposes for the State of Victoria, including anticipated inflows and outflows for 2018-19.

Project	Expected cash inflow	Expected cash outflow	Expected net cash flow
Payment for various transport related projects.	0	161	161
Total	0	161	161

11. Corporate planning and performance reporting

Question 32 *Performance measurement and reporting requirements review*

The Committee was informed in the *Government Responses to the Recommendations of the PAEC's Report in the 2016-17 Budget Estimates* that 'the Department of Treasury and Finance is undertaking a holistic review of performance measurement and reporting requirements. This review will result in extensive modifications to the Performance Management Framework and performance measurement in the State Budget, rolling out from Budget 2018-19'.

- (a) What are the recommendations of this review?
- (b) As a result of the review, what modifications have been made to
 - (i) the performance management framework?
 - (ii) reporting of performance measurement by departments and agencies in the State Budget?
- (c) What is the timeframe for the full rollout of the review?

The DTF review of performance measurement and reporting requirements continues, with recommendations and changes being made iteratively, in line with Government priorities.

The PMF requirements for departmental strategic and corporate planning were updated in 2017, leading to the publication of plans each year.

While revised requirements are not yet reflected in the Performance Management Framework, DTF and the Department of Premier and Cabinet are working with departments to better link current programs and outputs to outcomes and outcome indicators. This will assist future performance measurement and reporting by providing more meaningful performance insights.

There is also a continued focus on implementing existing frameworks, with the Government emphasising the importance of improving measurement in business cases submitted for consideration in the 2018-19 budget.