DTF 2017-18 BEQ response rcvd 08052017

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2017-18 BUDGET ESTIMATES QUESTIONNAIRE

1. Strategic priorities

Question 1

(a) What are the Department's key strategic priorities underpinning its budget for 2017-18 and over the forward estimates to 2020-21?

Optimise Victoria's fiscal resources[1]

The Department of Treasury and Finance has a central role in providing high quality advice to Government on sustainable financial, resource and performance management policy and other key policy priorities; oversighting related frameworks; as well as leading the production of the State budget papers and reports of both financial and non-financial performance in the Victorian public sector.

The Budget and Financial Advice output contributes to this objective by providing strategic, timely and comprehensive analysis and information to government to support decision-making and reporting.

The Revenue Management Services to Government output contributes to this objective by providing revenue management and administration services across the various state-based taxes for the benefit of all Victorians.

Strengthen Victoria's economic performance[2]

The Department of Treasury and Finance provides Government with advice on key economic and financial strategies and the implications of broader Government policies to increase Victoria's productivity, competitiveness and equity across the Victorian economy.

The Economic and Policy Advice output contributes to this objective by providing strategic, timely and comprehensive analysis and information to government to support decision-making and reporting.

The Economic Regulatory Services output contributes to this objective by providing economic regulation of utilities and other specified markets in Victoria to protect the long-term interests of Victorian consumers with regard to price, quality and reliability of essential services.

Improve how Government manages its balance sheet, commercial activities and public sector infrastructure[3]

The Department of Treasury and Finance develops and applies prudent financial and commercial principles and practices to influence and help deliver Government policies focussed on oversighting the State's balance sheet, major infrastructure and government business enterprises (public non-financial corporations (PNFC) sector and public financial corporations (PFC) sector).

The Commercial and Infrastructure Advice output contributes to this objective by providing strategic, timely and comprehensive analysis and information to government to support decision-making and reporting.

Deliver efficient whole of government common services[4]

The Department of Treasury and Finance assists government agencies by delivering integrated and client-centred common services that achieve value for the Victorian public sector.

The Services to Government output contributes to this objective by delivering whole of government services, policies and initiatives in areas including procurement, fleet and accommodation.

(1) This objective has been updated from 'Sound financial management of Victoria's fiscal resources' to be more clearly outcomes focussed and aligned with Government service delivery priorities for the Department.

(2) This objective has been updated from 'Guide government actions to increase Victoria's productivity and competitiveness' to be more clearly outcomes focussed and aligned with Government service delivery priorities for the Department.

(3) This objective has been updated from 'Drive improvements in public sector commercial and asset management and the delivery of infrastructure' to be more clearly outcomes focussed and aligned with Government service delivery priorities for the Department.

(4) This objective has been updated from 'Deliver efficient whole of government common services to the Victorian public sector' for increased clarity and conciseness.

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

The Department of Treasury and Finance's objectives are largely unchanged in principle, however their articulation has been improved in order to more accurately describe the work of the Department and to meet the requirements of the Performance Management Framework.

(c) What are the impacts of any differences in the Department's strategic priorities between 2016-17 and 2017-18 on funding and resource allocation in the 2017-18 Budget?

Refinements to the Department of Treasury and Finance's objectives are not expected to impact funding and resource allocation in the 2017-18 Budget.

(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 2016-17 and 2017-18. In describing the programs or initiatives, please use the same names as are used in the budget papers where applicable.

N/A

Question 2

Please identify any programs or initiatives (including asset or output initiatives) that have lapsed in 2016-17 (that is, they will not be continued in 2017-18). For each program or initiative, please indicate the expenditure on this program/initiative in 2016-17. 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 2017-18 Budget that replace the lapsing initiative. Please also identify the effect on the community of the lapsing (*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 that there is no effect. 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 2016-17 ($ million)**	**If it is to be extended into 2017-18, how is the program or initiative to be funded?**	**Effect on the community (*including rescheduling of service provision or commencement of service provision*) of lapsing or actions taken by the Department to ensure there is no effect**
Back to Work Scheme	39.0	The broader Back to Work Scheme closed to new applications on 18 July 2016 but the second instalment of payments will be paid if the applicants remain eligible under the Scheme. The Scheme remains open for displaced dairy workers and retrenched automotive workers. In the 2016-17 Budget Update, the Scheme was expanded to businesses that employ workers in the Latrobe Valley. The Scheme will close to new applications on 30 June 2017.	The Back to Work Scheme was a fixed two year Scheme and has met its objective of supporting the creation of jobs and reimbursing training costs for new employees.

Question 3

The new *Performance Management Framework* (March 2016) provides guidance for planning requirements for the Department.

(a) Please provide a copy of the Department's corporate (four-year) plan as described in *Performance Management Framework for Victorian Government Departments* (March 2016) pp.8-9. Please note that plans that are not made public by the Department will not be published on the PAEC's website. If the Department does not supply a corporate plan, please explain why.

A copy of the Department of Treasury and Finance Corporate Plan 2016-20 is attached. The plan is available to all DTF staff on its intranet. However, it is not published on the Department's public website.

(b) Regarding long-term planning for the Department (described in *Performance Management Framework for Victorian Government Departments* p.10), please describe:

(i) the long-term planning horizon used for the Department's long-term plans, and why this horizon was chosen;

Although the Department does not produce a formal long-term plan, the Department does engage in long-term planning. For example, the department engages in:

- researching the external environment through environmental scans, risk assessments, examining long term economic trends, tracking population changes, and developing demand modelling, and
- developing internal capability for building long term strategies to support policy development (e.g. long term forecast modelling).

(ii) significant risks and challenges identified by the Department for service delivery over the planning horizon;

See b(i).

(iii) strategies considered by the Department to deal with these identified risks and challenges.

See b(i).

2. Spending

Question 4

Please explain any variations of more than ±10 per cent (or greater than $100 million) between the revised estimate for 2016-17 and the budget for 2017-18 for the following line items in the Department's operating statement in the Statement of Finances budget paper:

(c) 'employee benefits'

(d) 'grants and other transfers'

(e) 'other operating expenses' in aggregate

(f) the major components of 'other operating expenses' for your department (please supply categories as appropriate).

	2016-17 (revised estimate) ($ million)	**2017-18 (Budget) ($ million)**	**Explanation for any variances greater than ±10% (or greater than $100 million)**
Employee benefits	212.1	222.7	Not applicable
Grants and other transfers	5.7	6.0	Not applicable
Other operating expenses	213.9	195.1	Not applicable
Major components of 'other operating expenses' (please supply categories):			
Asset provided free of charge	0	0	Not applicable
Intra government supplies and consumables	8.6	8.2	Not applicable
Purchase of supplies and services	204.6	186.2	Not applicable
Finance expenses and fees	0.7	0.7	Not applicable

(g) If the Department is unable to provide estimates for the components of 'other operating expenses' in 2017-18, please explain how the amount of 'other operating expenses' listed for 2017-18 in the budget papers was calculated.

Not applicable

Question 5

For the line item 'payments for non-financial assets' for 2017-18 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 2016-17.

No carry over funding has been identified from 2016-17 to 2017-18.

Question 6

In relation to the break-down of expenses from transactions disaggregated by government purpose classification in the budget papers (if provided in the 2017-18 budget papers – see Note 12(a) to the general government sector consolidated operating statement the 2016-17 Statement of Finances budget paper, p.32), please provide details of the Department's component of the expenses in each category for 2016-17 and 2017-18. Please explain any variations between the years that are greater than ±10 per cent or greater than $100 million between 2016-17 and 2017-18 estimates.

Government purpose classification	2015-16 actual ($ million)	2016-17 revised estimate ($ million)	2017-18 Budget ($ million)	Explanation for any variances greater than ±10% (or greater than $100 million) between 2016-17 and 2017-18 estimates.
General public services	2,302.2	2,113.2	2,149.0	
Public order and safety	..	..	..	
Education	..	..	..	
Health	..	..	..	
Social security and welfare	..	..	..	
Housing and community amenities	..	119.5	125.9	
Recreation and culture	..	..	..	
Fuel and energy	..	..	..	
Agriculture, forestry, fishing and hunting	..	..	..	
Transport and communications	..	..	..	
Other economic affairs	18.3	23.8	22.6	
Other purposes	..	..	..	

3. Expenditure reduction measures

Question 7

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

(a) what actions the Department will take in 2017-18 to meet the various savings targets

(b) any impact that these actions will have on the delivery of services during 2017-18

(c) the Department's savings target for 2017-18, 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 2017-18	Impact of these actions on service delivery in 2017-18	Savings target for 2017-18 ($ million)	Explanation for variances to the original target
Efficiency and expenditure reduction measures in the 2014-15 Budget (2014-15 BP3 p.79)	Better Services Initiative	Not applicable	9.00	The Department is expected to achieve this target.
Efficiency and expenditure reduction measures in the 2015-16 Budget (2015-16 BP3 pp.105-7)	LFS savings on travel, labour hire, hardcopy reports and reduce number of executive officers.	See footnote below	1.06	The Department is expected to achieve this target.
	Disbandment of the Construction Code Compliance Unit	See footnote below	2.10	The Department has achieved this target.
Savings and efficiencies and expenditure reduction measures in the 2016-17 Budget (2016-17 BP3 p.118)	LFS Savings on advertising, VicFleet (motor vehicles expenses), electronic purchasing and communications.	See footnote below	0.522	The Department is expected to achieve this target.

Initiative	Actions the Department will take in 2017-18	Impact of these actions on service delivery in 2017-18	Savings target for 2017-18 ($ million)	Explanation for variances to the original target
Any efficiency and expenditure reduction measures in the 2017-18 Budget	The 2017-18 Budget announced a Whole of Government efficiencies initiative. Allocation to the department will be formalised over the coming months. These allocations will be applied to appropriate areas, ensuring that there is no impact on service delivery.			

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

Question 8

In relation to any programs or initiatives that have been reprioritised, curtailed or reduced for 2017-18 (including lapsing programs), please identify:

(h) the amount expected to be spent under the program or initiative during 2017-18 at the time of the 2016-17 Budget

(i) the amount currently to be spent under the program or initiative during 2017-18

(j) 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 2017-18:		The use to which the funds will be put
	at the time of the 2016-17 Budget	at the time of the 2017-18 Budget	
Nil			

* The Department of Treasury and Finance has no programs or initiatives that have been reprioritised, curtailed or reduced for 2017-18.

Question 9

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 2017-18 Budget new output initiatives' table.

Amount reprioritised for 2017-18 ($ million)	Amount reprioritised for 2018-19 ($ million)	Amount reprioritised for 2019-20 ($ million)	Amount reprioritised for 2020-21 ($ million)
Nil	Nil	Nil	Nil

4. Output and asset initiative funding

Question 10

(a) Please identify the guidance documentation reference that describes the setting of the Departmental budget (previously BFMG-05 and BFMG-06).

Performance Management Framework (PMF) Chapter 4 'Budget Process' and Attachment 8 'Methodology for output costing'

(b) 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 2016-17. Please include explanations for all items.

	Amount		Explanation
	(per cent)	**($ million)**	
Total income from transactions 2016-17	N/A	454.2	
New output initiative funding		33.5	Increase in the output appropriation revenue for 2017-18 includes the following initiatives: • Asset Reform $1.5m • Enhanced payroll tax compliance $1.4m • Building repairs and maintenance at Mission to Seafarers site $1.0m* • Office of Projects Victoria $2.5m • Westgate Tunnel $21.6m • Housing Affordability initiatives $3.6m • Extension to tax compliance $2.0m.
Savings and efficiency measures		-0.1	General Efficiency Dividend and Labor Financial Statement savings
Inflation adjustment			

	Amount		Explanation
Output resource allocation reviews			
Base reviews			
Other (please specify)		9.9 12.4 -8.3	CenITex revenue increased due to workplace growth (volume driven) with new services, new customers and new projects. Increased appropriation revenue for amortisation/depreciation expense is largely driven by the biennial purchase of municipal land valuations, with 2017-18 being the year with greater amortisation. These increases are offset by the reduction in appropriation for existing initiatives compared to 2016-17. These are mainly related to tax compliance activities, economic regulatory services and the medium-term lease of Port of Melbourne.
Total income from transactions 2017-18	N/A	501.6	

*Appropriation received by DTF (also refer Q18)

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

N/A

Question 11

In relation to the asset initiatives released in the 2017-18 Budget for the Department (as detailed in the Service Delivery budget paper), please quantify the amount of funding for those initiatives that is expected to come from the Department's own sources (such as depreciation, applied appropriations which have not been spent or other sources) and the amount of new funding provided specifically for these initiatives in this budget.

	2016-17 ($ million)	**2017-18 ($ million)**	**2018-19 ($ million)**	**2019-20 ($ million)**	**2020-21 ($ million)**	**TEI ($ million)**
Funding from the Department's own sources	39.5	23.8	48.7	18.9	44.9	175.8
New funding specifically for these initiatives in 2017-18 Budget	..	..	..	..	..	..
Total asset initiatives (as in Service Delivery budget paper)	39.5	23.8	48.7	18.9	44.9	175.8

Note: The Greener Government Buildings 2017-18 initiative is a whole of government initiative to be funded from the Sustainability Fund (refer Budget Paper No. 3 *Service Delivery*, page 107).

Question 12

(a) Please quantify the Department's balance of applied appropriations unspent as at 30 June 2016 (as defined in the notes to Section 8.2.1 of the 2015-16 Financial Report for the State), along with estimates for the equivalent figures as at 30 June 2017 and 2018.

	2016 ($ million)	**2017 ($ million)**	**2018 ($ million)**
Applied appropriations unspent as at 30 June	41.46	41.46	41.46

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

The Department has no plans to utilise these amounts.

5. Public private partnership expenditure

Question 13

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 2017-18 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 partner department in any Public Private Partnerships.

Line item	2016-17 revised ($ million)	2017-18 ($ million)	2018-19 ($ million)	2019-20 ($ million)	2020-21 ($ million)	Explanation
PPPs under construction (including in planning)						
..	..	..	..	..	..	
PPPs in operation						
..	..	..	..	..	..	

6. Revenue

Question 14

Please disaggregate the Parliamentary Authority for the Department for 2017-18 as in the table below.

	Provision of outputs ($ million)	Additions to the net asset base ($ million)	Payments made on behalf of the State ($ million)	Total ($ million)
Annual appropriations	286.9 (b)	52.6 (b)	7,401.3 (b)	7,740.8 (a)
Receipts credited to appropriations	8.5 (b)	(b)	(b)	8.5 (a)
Unapplied previous years appropriation	(b)	(b)	(b)	(a)
Accumulated surplus – previously applied appropriation				(a)
Gross annual appropriation (sum of previous 4 rows)	295.4	52.6	7,401.3	7,749.3 (a)
Special appropriations			2,276.3	2,276.3 (a)
Trust funds				3,473.9 (a)
Total parliamentary authority (sum of previous 3 rows)	295.4	52.6	9,677.6	13,499.5 (a)

(a) available in the 'Parliamentary authority for resources' table for the Department in Budget Paper No.3.

(b) available in Appendix A of Budget Paper No.5.

Question 15

In relation to 2017-18, please outline any new revenue-raising initiatives released in the 2017-18 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
Aligning motor vehicle duty rates	Brings Victoria into line with other states in not differentiating between the motor vehicle duty rate that is applied to new and used vehicles.	Rates of motor vehicle duty on new and used cars provided by other jurisdictions.	N/A	N/A	$391.4m over four years
Introduce a Vacant Residential Property Tax	Intended to encourage owners to make their property available for purchase or rent.	Data sources indicate that there are properties left vacant that could be better utilised. Various groups, including the Real Estate Institute of Victoria, the Property Council of Australia and the Tax Institute have been consulted.	N/A	N/A	$80m over four years.

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
Billboard advertising revenue along freeway corridors	VicRoads to identify new opportunities for advertising along reserves	Selection of sites along freeway corridors will take into consideration road safety requirements and urban planning.	N/A	N/A	$8m over four years
Retarget the off-the-plan stamp duty concession	Aims to retarget the concession away from investors towards owner occupiers, and aligns with the Government's goal of supporting first home buyers.	Off-the-plan concession data	N/A	N/A	$841m over four years.
Removing the exemption for certain transfers of property between spouses	The change will fix a loophole in Victoria's land transfer duty system that allows couples to transfer land and property to one another duty free to minimise their other tax liabilities. These changes will bring Victoria's policy on property transfers in line with NSW, QLD and WA which all levy duty on transfers between spouses.	The *Duties Act 2000* and legislation of other jurisdictions.	N/A	N/A	$80m over four years.

Question 16

In relation to 2017-18, 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 as are used in the budget papers.

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
Bring forward increases in the payroll tax-free threshold	Bring forward benefits to a significant number of businesses.	Payroll tax unit record data from SRO.	N/A	N/A	$48m revenue foregone.

Question 17

In relation to 2017-18, 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
Abolish insurance duty on agricultural products	To reduce insurance costs for damage to agricultural products for farmers and primary producers.	Insurers are liable for insurance duty on general insurance at 10 per cent of the premium.	N/A	N/A	$16m revenue foregone.
Removing the exemption for certain transfers of property between spouses	The change will fix a loophole in Victoria's land transfer duty system that allows couples to transfer land and property to one another duty free to minimise their other tax liabilities. These changes will bring Victoria's policy on property transfers in line with NSW, QLD and WA which all levy duty on transfers between spouses.	The *Duties Act 2000* and legislation of other jurisdictions.	N/A	N/A	$80m over four years additional revenue.
Retarget the off-the-plan stamp duty concession	Aims to retarget the concession away from investors towards owner occupiers, and aligns with the Government's goal of supporting first home buyers.	Off-the-plan concession data	N/A	N/A	$841m over four years additional revenue.

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
Abolish stamp duty for first home purchasers valued up to $600,000, with a concession applying for purchases valued between $600,000 and $750,000	Financial relief for first home buyers, improving their ability to enter the housing market.	Stamp duty unit record data from SRO	N/A	N/A	$831m over four years revenue foregone.
Reduce the payroll tax rate applicable to regional businesses	Support regional employers and encourage regional employment.	Payroll tax unit record data from SRO	N/A	N/A	$173m over four years revenue foregone.

Question 18

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 2016-17 and the budget for 2017-18.

Income category	Description of income category	Revised estimate for 2016-17 ($ million)	Estimate for 2017-18 ($ million)	Explanation
Output appropriation		289	295	N/A
Interest		1	1	N/A
Sale of goods and Services		178	173	N/A
Grants		2	0	The grant received in 2016-17 is for building repairs and maintenance works at the Mission to Seafarers site.*
Other Income		28	31	The increase in 2017-18 relates to higher retained rental income to fund capital expenditure on government owned buildings.

*Grant transfer from DEDJTR (also refer Q10).

Question 19

What impact have developments at the Commonwealth level had on the Department's component of the 2017-18 State Budget?

There have not been any recent developments at the Commonwealth level.

7. Performance measures

Question 20

For each quality, quantity or timeliness performance measure newly introduced in the 2017-18 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 2017-18 Budget

(h) how the department intends to evaluate the effectiveness of the measure in the future.

New performance measure	**Unit of measure**	**2017-18 target**	**Output**	**Supporting documentation**
Objections received to assessments issued as a result of compliance projects	Per cent	<4	Revenue Management and Administrative Services to Government	This new performance measure reflects Government priorities regarding performance expectations the State Revenue Office has in regards to service delivery to customers. The target for this measure was set through consultation with the State Revenue Office.
High level engagement with non-Victorian Public Service stakeholder groups that contributes to public policy debate	Number	20	Economic and Policy Advice	This new performance measure reflects Government priorities regarding the Office of Better Regulation's commitment to develop a quality measure in response to PAEC's 2016-17 review of performance measures proposed for discontinuation.

New performance measure	Unit of measure	2017-18 target	Output	Supporting documentation
Conduct biannual surveys to assess the impact of changes to Victorian regulations on business	Number	2	Economic and Policy Advice	The Office of Better Regulation committed to finding a new quality measure in July 2016 as part of the performance statement review process. This new measure reflects the Office of Better Regulation's commitment to developing a quality measure in response to PAEC's review of performance measures proposed for discontinuation.

Question 21

(a) **Department of Economic Development, Jobs, Transport and Resources only**

Performance measure: 'Major sporting and cultural events facilitated'

(i) Please list the number of sporting and cultural events facilitated by the department over the last five years.

(ii) What were the facilitation costs of each of these events?

(b) **Department of Health and Human Services only**

Performance measure: 'Number of households assisted with long-term social housing (public, Aboriginal, and community long-term tenancies at the end of the year)'.

(i) How will the transfer of properties from the Director of Housing to Aboriginal Housing Victoria affect both agencies?

(ii) How will this transfer be treated in the DHHS and State budgets?

(iii) What is the intended social outcome?

(iv) Will a dedicated performance measure be created to monitor the impact of this transfer on levels of Aboriginal public housing assistance?

(c) **Department of Justice and Regulation only**

Performance measures: 'Infringement notices processed'

(i) Please provide an update of the fines reform program.

(ii) Is the tender process for the new infringements ICT system now complete?

(iii) When does the Department anticipate the new ICT system to be fully implemented?

(d) **Department of Environment, Land, Water and Planning only**

Performance Measure: 'Property transfers, discharge of mortgages and registration of new mortgages'

(i) How do improvements in the property market affect the Department's Electronic conveyancing and Landata services?

(ii) Does the Department monitor movements in the property market?

(iii) Does the Department use forecasts for the property market as a tool to plan the workload and activity for the Electronic conveyancing and Landata services area?

(e) **Department of Education and Training only**

Performance measures: All performance measures within the Higher Education and Skills output:

(i) When does the Department anticipate the impact of past policy changes to the VET Sector (such as tightened eligibility for subsidised training and foundation courses, and reduction in subsidies) will be reflected in improving performance measurement levels in VET sector enrolments and participation and satisfaction with training and improved employment status by VET completers?

(f) **Department of Premier and Cabinet only**

Performance measure 'Timely delivery of State events and functions'

(i) Please list the number state events and functions the department has undertaken over the last five years.

(ii) Is there a regular calendar of state events and functions the Department delivers each year?

(iii) What were the costs of each of these events?

(g) **Department of Treasury and Finance only**

Performance measure 'Develop and implement policies, procedures and training to govern and build capability to deliver infrastructure investment'

(i) Please break down the target for this performance measure (45) in terms of policies implemented, procedures developed and training undertaken.

(ii) Please give the actual number of each of the policies, procedures and training undertaken to govern and build capability to deliver infrastructure investment for the last three years.

DTF response:

	2014-15		**2015-16**		**2016-17**	
	Estimated	**Actual**	**Estimated**	**Actual**	**Estimated**	**Actual***
Policies implemented:	26	35	22	33	22	14
Procedures developed:**	-	-	-	-	-	-
Training undertaken:	19	34	23	39	23	49
Total***	45	69	45	72	45	63

* 4th quarter estimated.
** 'Procedures developed' are encompassed within the 'policies implemented' and 'training undertaken' components.
*** excludes Gateway.

8. Staffing matters

Question 22

(a) Please fully complete the table below, providing actual FTE staff numbers at 30 June 2016 and estimates of FTE staff numbers (broken down by the categories listed below) at 30 June 2017 and 30 June 2018 for the Department. Please provide figures consolidated on the same basis (that is, including the same entities) as the employee benefits expenditure for the Department in the budget papers.

DTF, SRO and ESC

Grade	30 June 2016 (Actual FTE number)	30 June 2017 (Expected FTE number)	30 June 2018 (Forecast FTE number)
Secretary	1	1	1
EO-1	3	6	6
EO-2	18	21	21
EO-3	47.4	51.33	51.33
VPS Grade 7 (STS)	9.7	10.7	10.7
VPS Grade 6(a)	191.74	212.26	212.26
VPS Grade 5	252.30	275.21	275.21
VPS Grade 4	221.31	265.43	265.43
VPS Grade 3	258.69	286.19	286.19
VPS Grade 2	61.46	84.38	84.38
VPS Grade 1	..	0.8	0.8
Government Teaching Service	..	..	..
Health services	..	..	..
Police	..	..	..
Allied health professionals	..	..	..
Child protection	..	..	..
Disability development and support	..	..	..
Custodial officers	..	..	..
Other (Please specify)	29.03	27.20	27.20
Total	1093.63	1241.50*	1241.50

* The additional 147.87 from 30 June 2016 to 30 June 2017 comprises of 66 FTE for DTF, 64.19 for SRO and 17.68 for ESC.

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

DTF, SRO, and ESC.

CenITex

Grade	**30 June 2016** **(Actual FTE number)**	**30 June 2017** **(Expected FTE number)**	**30 June 2018** **(Forecast FTE number)**
Secretary			
EO-1			
EO-2	4	3.6	3.6
EO-3	1	1	1
VPS Grade 7 (STS)	21.4	21.8	21.8
VPS Grade 6	132.13	135.9	212.26
VPS Grade 5	144.4	144	275.21
VPS Grade 4	69.7	75.6	265.43
VPS Grade 3	93.52	92.65	286.19
VPS Grade 2	2	7	84.38
VPS Grade 1	..	..	..
Government Teaching Service	..	..	..
Health services	..	..	..
Police	..	..	..
Allied health professionals	..	..	..
Child protection	..	..	..
Disability development and support	..	..	..
Custodial officers	..	..	..
Other (Legal Officers)	..	..	..
Total	468.15	481.55	481.55

Question 23

Please break down the actual staff numbers in your department as at 30 June 2016 and the estimates as at 30 June 2017 and 2018 according to the number of staff that are ongoing, fixed-term or casual.

DTF, SRO and ESC

	30 June 2016 actual		30 June 2017 expected		30 June 2018 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Ongoing	1016.14	1057	1065.16	1119	1065.16	1119
Fixed-term	77.49	88	176.34	184	176.34	184
Casual	..	..	..	..	..	..
Total	1093.63	1145	1241.50	1303	1241.50	1303

CenITex

	30 June 2016 actual		30 June 2017 expected		30 June 2018 forecast	
	(FTE number)	(head count)	(FTE number)	(head count)	(FTE number)	(head count)
Ongoing	449.15	454	450.34	455	450.34	455
Fixed-term	19	19	31.21	32	31.21	32
Casual	0	0	0	0	0	0
Total	468.15	473	481.55	487	481.55	487

Question 24

(a) Please describe how the Department identifies skills areas it is deficient in.

DTF's corporate planning processes identify the capabilities the Department requires to deliver its priorities, and strategies to develop these capabilities.

Supporting the Corporate Plan is a strategic approach to people and capability development that includes: a capability framework, a leadership development framework, a culture framework, a performance management system, learning and development programs (both internal and external), a People Matter Survey Action Plan, and a strategic approach to internal rotations and recruitment.

The DTF Board determines the leadership and technical skills that are a priority area of focus across the Department. A thorough capability review was undertaken in 2015 to position the Department to meet current and emerging priorities in an increasingly complex environment. Following the review, a series of short and medium term initiatives were implemented to better align DTF's capability and resources. The Board periodically reviews the effectiveness of capability enhancement initiatives and sets new priorities.

In addition, DTF people managers review on an ongoing basis the skills required within their teams, and the actual skills and experience of their teams. These assessments inform the learning and development plans for individual staff, recruitment of new staff, and the movement of people within DTF (the Department has a formal job rotation program).

(b) Please provide a list of any identified areas of skills shortages for the Department.

The Department regularly sets priority areas of focus for both technical and leadership development. The DTF Culture Framework is underpinned by a commitment to learning and continuous improvement.

The Department has prioritised a commitment to building on its strengths in policy and investing in its people through the 'DTF Capability Project'. The specific area of focus is ensuring that advice and options are developed and presented in a way that is responsive, informed and compelling. In 2017, the Department is undertaking a significant corporate investment in this area which will ensure that DTF's cultural priority of 'improvement through ongoing learning' is achieved.

(c) What actions is the Department taking in order to address identified areas of skills shortages?

The Department has established a 'DTF Capability Project' in 2017 and engaged expertise to assist in this Project. The Project will focus on developing technical and leadership skills that will enhance the development and presentation of advice. Stage one of this program will occur in 2016-17; further roll out of the capability development will occur in 2017-18.

In addition to this Corporate focus, any skill deficiencies identified by managers are addressed through professional development and training, staff rotations and recruitment.

(d) Please advise how much the Department has spent on labour recruitment firms, including payment to employees.

DTF, SRO and ESC

2015-16 Financial Year	**($)**
On hire arrangements	8,031,763
Job searches assignments	424,185
	8,455,948

CenITex

2015-16 Financial Year	**($)**
On hire arrangements	4,984,376
Job searches assignments	326,983
	5,311,359

9. Managing Telecommunications Usage and Expenditure (follow-up of VAGO report, 2014)

Question 25

Expenditure on telecommunications

(e) Please provide details of telecommunications estimates and actual expenditure for each of the years as presented in the following table:

DTF, SRO AND ESC ACTUALS					
Year	Data ($)	Fixed Voice ($)	Mobile ($)	Internet ($)	Unified Communications ($)
2014-15	894,164	405,204	191,311	175,220	55,298
2015-16	906,945	402,913	205,541	201,148	66,569
2016-17	847,492	407,517	280,310	188,100	72,506

DTF Actuals for 2016-17 are Actuals to Feb-17 and estimates only from March to June 2017.

DTF, SRO AND ESC ESTIMATES					
Year	Data ($)	Fixed Voice ($)	Mobile ($)	Internet ($)	Unified Communications ($)
2014-15	1,193,059	399,084	187,948	229,761	53,171
2015-16	863,357	380,124	207,267	192,506	54,725
2016-17	944,226	396,660	272,948	204,230	72,506

CENITEX ACTUALS					
Year	Data ($)	Fixed Voice ($)	Mobile ($)	Internet ($)	Unified Communications ($)
2014-15	12,582,446	251,574	97,254	748,522	
2015-16	11,829,885	275,006	94,942	855,215	
2016-17 (to March 2017 only)	9,030,453	225,099	86,906	659,811	

CenITex Actual for 2016-17 is only up to March 2017.

CENITEX ESTIMATES					
Year	Data ($)	Fixed Voice ($)	Mobile ($)	Internet ($)	Unified Communications ($)
2014-15	13,883,929	379,200	142,124	1,002,020	
2015-16	12,427,458	283,636	116,200	958,520	
2016-17	12,560,269	288,000	109,200	868,354	

Question 26

Monitoring and review (DTF only)

(a) Please describe the management framework in place to ensure a consistent approach to the usage and control of telecommunications expenditure across the department.

The Department utilises the Victorian Government's Telecommunication Purchasing and Management Strategy (TPAMS), including Victorian Office Telephony Services (VOTS) for the provision of telephony and related facilities management services. The VOTS contract sets a formal structure around expenditure for the delivery of switchboard, telephone numbering management and Voice over Internet Protocol (VOIP) equipment.

Under TPAMS the Department purchases:

- data carriage services as part of the VOTS delivery. This covers call charges over the fixed line network.
- mobile phone voice and associated mobile data services.

These contracts will remain in place until they are replaced by new contracts under the TPAMS2025 arrangements.

DTF also has a specialist telephony officer to oversee telecommunications management.

(b) What processes are in place to assist the department in its monitoring of fixed voice and mobile usage and expenditure across the department/agency?

The Department has a number of processes in place to assist with the monitoring of telecommunications usage and expenditure, including:

- review of reports from the service provider on the usage of fixed voice;
- regular review of data usage during the course of a billing period using the online tools provided by the service provider;
- review of service provider master invoices to validate that the services supplied are being used and remain required;
- authorisation and validation of fixed voice and mobile phone invoicing by the relevant Departmental cost centre;

staff on-boarding and off-boarding processes to ensure that telecommunications are allocated accurately across the Department.

(c) Which specific aspects/factors of use are monitored?

Data on usage on a per user basis (fixed voice, mobile calls, mobile data) and appropriateness of plans associated with that user.

(d) Does the department/agency use electronic information systems/programs to monitor trends and identify anomalies in telecommunications expenditure?

Yes. The Department uses online tools provided by the service provider to monitor voice and data usage trends and to identify anomalies.

(e) Please describe the reporting regime in place to oversight fixed voice and mobile usage and expenditure across the department/agency.

Fixed voice and mobile costs are allocated to relevant cost centres for review by the appropriate financial delegate. These costs are reported on a monthly basis to cost centre managers as part of standard financial reports.

A significant majority of the Department's mobile users have been moved to fixed price unlimited mobile plans (calls) which provide 1 GB of data per plan (which is pooled for all mobile users to access). DTF reviews the usage and expenditure for the remaining users who are not on these plans to ascertain if any plan changes are appropriate.

(f) How does the department/agency verify the accuracy of all its fixed voice and mobile telecommunications invoices? What validation processes are in place at a local level to verify accuracy of usage and costs?

The move to fixed price unlimited plans for most mobile users negates for most the need to verify usage.

Each cost centre owner is able to request a report which details mobile phone use within that cost centre and can be reviewed at the individual mobile service level.

In the case of fixed voice calls, usage patterns are relatively stable and regularly monitored for anomalies.

(g) Has the department/agency undertaken any reviews of telecommunications usage and expenditure across the organisation in recent years? How have these reviews been used to improve practices?

The move to fixed price, unlimited call mobile plans has been the result of ongoing reviews of usage patterns and trial programs.

The Department continues to review its telecommunications usage and expenditure, particularly in light of the increase in flexible and remote work arrangements. As part of its ICT Strategy review, DTF is also considering the criteria for allocation of phone devices (fixed and mobile) according to a 'one device' principle.

Question 27

Mobile phones (DTF only)

(a) Does the department/agency have a policy or guidelines in place for the allocation and use of mobile phones, including their use when overseas?

The purchase of mobile phones (and therefore allocation) is currently determined by the relevant business unit. Use of mobile phones is governed by Departmental policies and guidelines which are available for all staff on the Department's intranet site:

- *Acceptable use of DTF Information and Communications Technology (ICT)* Policy - provides direction and advice on the acceptable use of ICT, including mobile phone use.
- *Telephony Services: guide to telephone services at DTF* – provides staff with a complete guide to using all telephony services, including mobile phones and guidelines for travelling overseas.

Travelling overseas with an electronic device guidelines - provides detailed guidance on the steps to take before, during and after travel to ensure the security of electronic devices and the information they hold.

By default, international roaming is not included on mobile plans. DTF's specialist telephony officer advises on appropriate roaming options, international data plans and on ways to avoid excess data charges.

(b) Are User guidelines provided to staff in possession of an agency mobile and are the terms and conditions of use formally agreed to by staff members?

The *Acceptable use of DTF Information and Communications Technology (ICT)* Policy applies to all staff in the Department. Staff are made aware of the policy through the induction process and the policy is available on the Department's intranet site. All staff are deemed to accept and adhere to the *Acceptable use of DTF Information and Communications Technology (ICT)* Policy when logging onto the network.

(c) How does the department establish limits or thresholds for allowable personal use of mobile phones provided to staff?

The Department's Acceptable use of DTF Information and Communications Technology (ICT) Policy permits fair personal use of Departmental owned ICT, including computers, fixed phones, laptops and mobile devices for calls and data.

With the move to fixed price, unlimited call plans, the Department's previous threshold of $15.00 for private use (calls) per month is no longer necessary.

(d) What timeframes have been established by the department for cost recovery for personal use of mobile phones?

N/A

Question 28

Identifying cost savings (DTF only)

(a) How does the department/agency ensure that any cost savings available through whole-of-government agreements are taken advantage of promptly?

The Department is currently reviewing the new plan offerings available under the TPAMS2025 agreements and is in active discussions with relevant service providers. The Department is close to finalising its mobile agreement under TPAMS2025.

The Department is also reviewing its ICT Strategy and Workforce Strategy.

At this stage overall cost savings are not able to be determined until these strategies have been put in place and the review of new plan offerings under TPAMS2025 is complete.

(b) Please provide details of variations/changes made to the department's telecommunications arrangements to take advantage of savings available under the new TPAMS20125 agreements.

At this stage no significant variations are envisaged for the Department's telecommunications arrangements. This may change when the Department finalises its relevant strategies.

(c) How does the department/agency monitor data usage to identify potential savings available in data plans?

The Department uses online service provider tools to monitor data usage. The Department uses this reporting to monitor usage trends that inform relevant strategies.

(d) What processes are in place to enable the department/agency to identify and cancel any fixed voice and/or mobile services which are not being fully utilised?

Business units are responsible for the allocation and monitoring of individual mobile phones. In cases where a phone is under-utilised, the phone is reallocated by the business unit to a more appropriate staff member (unless it is no longer required at all).

Detailed phone usage reports are available from the specialist telephony officer for all cost centre managers.

To inform this process, the Department has linked the Government Identity Provisioning System (GIPS) into the process for removal of redundant phone services. When an employee is off-boarded in GIPS, telecommunications and business unit staff are notified. Any services associated with the user, be they fixed line, mobile phone or mobile device, are either removed or re-allocated to another staff member depending on the requirements of the business area.

(e) Has the department/agency undertaken action to remove redundant landlines and replace inefficient analogue lines with ISDN lines?

The Department has a small number of analogue lines which are used for (i) conference call devices as they provide better quality of service, and (ii) fax machines. Following recent changes to the Department's network, the Department has requested a test VOIP conference phone for evaluation.

The Department has significantly reduced the number of fax machines, and will continue to do so as the requirement for those machines decreases. With each decommission, the corresponding analogue line is removed.

(f) Does the department/agency set savings targets for telecommunications expenditure?

The Department has not set savings targets up to this time.

The Department is focussing on setting the strategies that will achieve the best value for money telephony solution, providing the most appropriate and effective tools for a flexible workforce.

(g) Has the department/agency quantified savings made on telecommunications expenditure over the past 3 years?

The Department has not undertaken a review of savings achieved with changes to telephony arrangements in recent years. Detailed telephony expenditure, estimated and actual, is contained in the answer to question 25.

10. Implementation of the Government Risk Management Framework

Question 29

Questions for all Departments/agencies

(a) Does the department/agency have a Risk Management Framework (RMF) in place?

Yes

(b) Does the department's RMF comply with the minimum requirements articulated in the *Victorian Government Risk Management Framework* (released in May 2015)?

Yes

(c) How does the framework link to the department's strategic plan/strategic objectives?

The Department of Treasury and Finance Corporate Plan is developed cognisant of the Department's risk management framework, and each of the key initiatives developed is assessed in relation to the seven strategic risks for the Department.

(d) In relation to the department's budget across the forward estimates period, how are risks identified across the department/agency?

Risks are identified across the department through implementation of DTF's Risk Managament Policy and Framework, which is consistent with the Standing Directions of the Minister for Finance. Each year, the Department's risk profile is updated and approved by the DTF Board. Regular engagement at executive level on risk is undertaken and regular advice is provided to the DTF Board and Audit and Risk Committee. The minimum requirement is an update on the departmental strategic risks. Where relevant, interagency risks and operational risks are also identified, documented and updated as required by the Framework. In relation to the Department's budget, there are relevant operational internal financial management risks that are captured in the risk register and updated on a regular basis.

(e) How are risk treatments/risk mitigation strategies developed?

Each quarter the Department's directors are consulted in relation to (i) updating existing risk assessments and (ii) new or emerging risks. Where the assessment of a risk identifies that the controls are not sufficient for an acceptable level of risk, a treatment plan is negotiated with the risk owner and documented by the Corporate Delivery Services group.

(f) What processes are in place for identifying and managing interagency and/or state wide risks?

Interagency risks are identified and captured in the Department's risk register. Risk owners report on the management of these risks in the same manner as all other risks. DTF also chairs the Whole Of Victorian Government State-Significant Risks Interdepartmental Committee and reports to the Minister for Finance (see response to question 30(d)).

(g) Has the Department developed risk performance indicators? If so, how are they used by the organisation?

The Department of Treasury and Finance is in the process of developing key risk indicators for many of its risks. Reporting of all aspects of risk management is provided to the Audit and Risk Committee on a quarterly basis.

(h) What actions have been taken to improve the risk capability of employees within the department? How are employees made aware of risk management? Please advise the extent of risk management training provided to employees?

Over the last three years, the Department of Treasury and Finance has focused on improving its risk management framework and practices guided by its internal auditors. Part of this improvement work has been to emphasise a face-to-face approach with risk owners across the department, also involving their key delegates. This approach is intended to provide tailored training and support. The Department is augmenting this approach over time with more formal training and forums.

(i) What use has the department made of services available through the VMIA to improve risk management (i.e. VMIA training sessions and seminars)?

The VMIA conducted a risk stocktake with the Department of Treasury and Finance in the latter part of 2015 and early 2016. The output of this stocktake has provided the Department with valuable information which has been used for continuous improvement of its framework. Over the past few years, the Department has used the services of the VMIA for face-to-face information and update sessions for risk owners. The Department has also participated in risk management forums and training hosted by VMIA.

Question 30

Questions for Department of Treasury and Finance only

(a) Please describe the revised attestation requirements for Risk Management across the VPS. When did the new requirements come into effect?

For the 2016-17 compliance year, in accordance with the 2003 Standing Directions of the Minister for Finance, agencies are required to provide a separate attestation in their annual report that the agency has complied with the mandatory requirements of the Victorian Government Risk Management Framework (VGRMF).

For the 2017-18 compliance year, in accordance with the 2016 Standing Directions of the Minister for Finance, attestation for risk management will form part of a broader annual report attestation that includes other requirements of the Standing Directions, i.e. a separate attestation for risk management will no longer be undertaken.

There is no change to the risk management requirements of the VGRMF.

(b) What is the role of DTF and the VMIA in the revised attestation process?

Agencies will report compliance deficiencies to their portfolio department as part of an annual compliance report, and the portfolio department provides an overall portfolio compliance summary to DTF.

If a compliance deficiency is considered material by an agency (e.g. no risk management processes in place) it must be reported as part of a financial management compliance attestation included within the agency's annual report.

It is expected portfolio departments will brief portfolio ministers on material compliance deficiencies reported by portfolio agencies.

DTF will monitor information on agency compliance risks provided by each portfolio department. This will assist DTF in identifying areas for further guidance and support to Portfolio Departments and their Agencies.

There is no change with regards to the role of the VMIA. The VMIA will continue to support agencies in meeting their risk management requirements through a range of risk management services including the provision of advice and practice guides.

(c) What actions have been taken by DTF to improve the identification and management of interagency and state wide risks across the VPS?

DTF, in conjunction with the VMIA, has developed a range of tools and resources that are available on the VMIA website to assist agencies in the implementation of the VGRMF, including on-line risk management tools, templates and guides including a specific practice note for interagency and state significant risk.

The VMIA has also undertaken a number of programs, including:

- a VGRMF forum in 2015 and an Inter-agency risk management forum in 2016
- education and training programs to provide support to meet the mandatory requirements which included a series of collaboration master classes
- workshops that assist clients in identifying and managing interagency risk
- discussions undertaken with departments to facilitate assessment of current risk practices including identification and management of interagency and state significant risks.

(d) Does the *Whole-of-Victorian Government Statewide Risks Interdepartmental Committee* still operate? If so, what is this Committee's terms of reference? What is its membership? How often does it meet? If not, when was the Committee disbanded and why was it disbanded? What has the Committee been replaced with?

The Whole Of Victorian Government State-Significant Risks Interdepartmental Committee (Risk IDC) operates under terms of reference established by the Minister for Finance in May 2015. In summary, the terms of reference describes the Risk IDC's role across three areas as part of the devolved model of risk management, namely:

- supporting the identification of major interagency and state significant risks
- promoting effective interagency information sharing on risk management
- advising Government on the development, operation and effectiveness of the Victorian government risk management framework.

Risk IDC membership is drawn from the eight major government departments (including Victoria Police) and the Victorian Managed Insurance Authority. The Risk IDC is chaired by the Deputy Secretary Economic in DTF, and membership comprises a combination of senior policy managers and risk practitioners.

In 2016, the Risk IDC met four times, most recently on 24 November 2016.

Question 31

Questions for Victorian Managed Insurance Authority (VMIA) only

(a) What activities have been undertaken by the VMIA since the release of the revised *Victorian Government Risk Management Framework* in May 2015 to support agencies in improving their risk management practices?

Since 2015, VMIA has supported agencies to improve their risk management practices by providing:

- on-line risk management tools, templates and guides
- risk management education and training programs
- risk management forums
- international expert workshops
- risk identification workshops
- risk management advice and support
- stocktakes – risk management and insurance (for Departments).

(b) How does the VMIA identify agencies requiring extra support with their risk management capability?

VMIA identifies agencies requiring extra risk management support through a combination of qualitative and quantitative information from:

- risk maturity assessments
- risk workshops
- stocktakes – risk management and insurance (for Departments)
- environmental scanning insights
- claims information
- engagement with clients
- communities of practice
- industry expert networks.

(c) How does the VMIA evaluate the performance of its risk management client agency support programs and activities?

VMIA's risk management program performance is evaluated through:

- Kirkpatrick level 3 evaluation for education and training programs
- workshop and facilitated session evaluations
- annual client satisfaction survey results
- monitoring claims experience.

(d) What types of risks do departments find most complex to manage?

In VMIA's experience, the following are types of risks Departments find complex to manage:

- complex interagency risks, such as the prevention of family violence
- ageing infrastructure and population growth, which are amplified when they are interconnected
- whole of government risks, such as cyber security and cybercrime.

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

Question 1

(a) Please detail the economic forecasts which had the most significant impact on framing the 2017-18 Budget, detailing for each the major revenue and expenditure items in the budget that have been affected.

Economic forecast	**Affected items in the budget**
GSP	*Revenue* - Sale of goods and services - Taxes on insurance - Land transfer duty *Expenses* Purchase of supplies and services
Employment	*Revenue* - Payroll tax - Dividends and income tax equivalent and rate equivalent revenue
Wage Price Index	*Revenue* - Payroll tax - Dividends and income tax equivalent and rate equivalent revenue
Consumer prices	*Revenue* - Sale of goods and services - Total motor vehicle taxes - Taxes on insurance - Land transfer duty - Interest revenue - Dividends and income tax equivalent and rate equivalent revenue fines and regulatory fees *Expenses* - Purchase of supplies and services
Property prices (unpublished)	*Revenue* - Land tax - Land transfer duty
Property volumes (unpublished)	*Revenue* - Land transfer duty
Interest rates (unpublished)	*Revenue* - Dividends, income tax equivalent and rate equivalent revenue, and Interest revenue *Expenses* - Superannuation (based on interest rate estimates from the latest actuarial data adjusted to the relevant forecast period) - Borrowing costs

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

DTF periodically undertakes evaluation of the performance of its forecast models. During this regular review process, performance is assessed by comparing actual results against forecasts. Models may be superseded by new improved models with potentially increased forecasting accuracy.

It is important to note that the ABS often significantly revises economic variables. Large revisions complicate the process of comparing forecasts with actual results. For example, the ABS significantly revised the 2013-14 outcome of gross state product growth on more than one occasion. The outcome was originally published as 1.7 per cent; a year later, this was revised down to 1.0 per cent; and last year revised down further to 0.8 per cent.

Nevertheless, the forecasting methodology is reviewed before each forecasting round ahead of the budget and budget update with new parameters calculated from the latest available data and/or new model specifications. Differences between forecasts and recent actual results are calculated and analysed as part of this process.

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

Methodology includes review of forward indicators, consideration of market conditions and commentary from intelligence gathered through business liaison. Comparisons are always made with other public forecasts made by the Commonwealth Treasury, the Reserve Bank of Australia, other state and territory treasuries and private sector forecasters (primarily banks and consulting firms).

DTF's economic forecasting approach is subject to periodic review as part of the Department's internal audit program and ISO certification processes. DTF publishes on its website a detailed guidance note that outlines the method for creating forecasts of the main macroeconomic indicators.

Each year, the budget estimates are also subject to review by the Victorian Auditor-General's Office (VAGO) as part of their independent audit assurance report on the estimated financial statements for the Victorian general government sector. VAGO reviews the economic forecasts for internal consistency and reasonableness; this includes checking that the economic forecasts created during the budget process appropriately flow through to the tax revenue forecasts.

Question 2

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 2017-18 published in the 2016-17 budget papers, and the budget forecasts for 2017-18 shown in the 2017-18 budget papers.

Line item	Reason for variation
Operating Statement	
Taxation revenue	The revenue variation between the 2016-17 and the 2017-18 Budgets for the 2017-18 Budget year is largely driven by the Victorian economy growing more strongly than expected. In particular, population growth has been stronger than anticipated, which has supported economic growth and a stronger performance in the labour market. The strength in the labour market has driven upgrades to payroll tax revenue forecasts. Strong population growth combined with the low interest rate environment has led to stronger than expected revenue from property related taxes. In addition, there have been several revenue initiatives as outlined in BP3 of the budget papers (p. 111) that have increased revenue.
Dividends, income tax equivalent and rate equivalent revenue	The difference in estimates between the 2016-17 and the 2017-18 Budgets for dividends, income tax equivalent and rate equivalent revenue reflects the revision of expected PFC and PNFC entity payments as reflected in the tables presented on page 26 of the 2016-17 Budget Paper No.5 and pages 20-21 of the 2017-18 Budget Paper No. 5.
Sales of goods and services	The increase is driven by the rise in the provision of services which relates to: • Other fee revenue variances to hospital estimates relating to private practice fees, car parking fees and commercial income. • The NSW contribution for works conducted by Victoria for the Echuca- Moama bridge.
Grant revenue	The increase is driven by: • Additional GST grants from the Commonwealth as a result of stronger growth in Victoria's population share and an increase in Victoria's GST relativity. • Rephasing of specific purpose grants from the Commonwealth Government relating to the Goulburn-Murray Water Connections Project from 2016-17 to 2017-18, additional grants for disability services, and grants relating to the National Health Reform agreement. • Additional grants from the TAC.
Other revenue	The increase is driven by: • Additional miscellaneous revenue primarily driven by the revisions to hospital estimates for research salary recoveries.

Line item	Reason for variation
Employee expenses	The increase is driven by: • Additional service delivery in the health sector, including new funding decisions for unavoidable hospital demand and elective surgery. • New funding decisions to increase service delivery in the community safety sector and family violence. Growth in employee expenses also reflects increases in public sector wages in line with the Government's wages policy.
Grant expense	The increase is driven by: • Additional Commonwealth Government grant expense relating to the State's contribution to the National Disability Insurance Authority. • Additional Local Government grants, including new funding for the Regional Jobs and Infrastructure Fund, and the expected impact of flood claims. • Funding decisions for housing, including funding to address homelessness. • Additional grants to V/Line for service upgrades. • Taxi licence rideshare reforms, including payments to licence holders, the hardship fund, disability accessibility services and refund of 2016-17 licences.
Other operating expenses	The increase is driven by: • Additional other operating supplies and consumables relating to increased service delivery in the education and health sectors. • A new funding decision for the Better Roads for more communities pavement resurfacing and rehabilitation.
Net gain / (loss) on disposal of non-financial assets	The amount included in this item represents the most current projected outcomes from the disposal of a variety of assets during this financial period.
Other gains / (losses) from other economic flows	The variance is primarily driven by an increase in doubtful debts relating to receivables forecast from hospitals.
Changes in non-financial assets revaluation surplus	The variance is driven by an update to the Valuer-General land indices, resulting in VicRoads now expecting to undertake a managerial revaluation in 2016-17, rather than 2017-18, for all its land holdings. The decrease is also driven by a change in forecast DET revaluations based on revised asset balances in line with the FRD 103 schedule.
Net gain / (loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	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 public non-financial corporation and public financial corporation sectors, mainly reflecting expected operating results in these sectors.

<table>
<tr><th>Line item</th><th>Reason for variation</th></tr>
<tr><td>Balance Sheet</td><td></td></tr>
<tr><td>Cash and deposits</td><td>The increase in the budgeted cash balance is largely driven by:
Cash held in the Victorian Social Housing Growth Fund as part of the Housing Strategy; and
a higher cash balance associated with the revised timing of the Goulburn-Murray Water Connections Project.</td></tr>
<tr><td>Advances paid</td><td>The increase in advances paid reflects the final outcome of the Port transaction and the financing structure associated with the progressive application of the proceeds to transport projects.</td></tr>
<tr><td>Receivables</td><td>The increase in the receivables balance is due to the closing balance of the 2015-16 Financial Report (AFR) receivables reported being $326 million higher than the 2015-16 Revised Budget.</td></tr>
<tr><td>Investments, loans and placements</td><td>The decrease in investments loans and placements is due to the following factors:
The balances of investments, loans and placements, and cash and deposits depends on the investment preference of the departments and agencies. The variance is primarily driven by the transfer of funds between funds at call (classified as cash and deposits) and term deposits (classified as investments); and
DJR (Victorian Property Fund) contribution to the Housing Strategy.</td></tr>
<tr><td>Investments in other sector entities</td><td>The balance in the 'Investment in other sectors' line principally reflects the general government sector investment in government-owned corporations. The variance between budgets primarily reflects differences between estimated and actual asset revaluations in the public non-financial corporation sector and significant contributions to that sector, mainly in relation to rail projects by VicTrack.</td></tr>
<tr><td>Land, buildings, infrastructure, plant and equipment</td><td>The increase is mainly driven by stronger than anticipated revaluation increments that are recorded in the 2015-16 annual report. The higher revaluations were largely related to assets held by the Department of Education, crown land and roads.

Significant new or rephased asset investments contributing to the increase are:
Level Crossing Removal Program;
Western Suburbs Roads Package; and
High Capacity Metro Trains.</td></tr>
</table>

Line item	Reason for variation
Other non-financial assets	Other non-financial assets includes intangibles, investment properties, biological assets and prepayments. This increase in 17-18 is primarily driven by: • recognition of the State contribution to the West Gate Tunnel Project; and • replacement of hospital clinical systems.
Deposits held and advances received	The increase in the deposits held and advances received reflects the final outcome of the Port transaction and the financing structure associated with the progressive application of the proceeds to transport projects.
Payables	The balance in payables is volatile and is impacted by timing influenced by the operations of government entities.
Borrowings	The increase in borrowing primarily reflects funding decisions for the Government's infrastructure program.
Employee benefits	The increase in employee benefits reflects the employment of more staff to increase service delivery in health, education and community safety and approved enterprise bargaining agreements, allowing for future movements and expected wage growth in line with wages policy.
Superannuation	The decrease in the superannuation liability is primarily attributable to an increase in the Commonwealth bond yields that underlies the key superannuation valuation assumptions. The superannuation discount rate increased from 2.9 per cent at 31 March 2016 to 3.1 per cent at 31 March 2017. The liability is further reduced by higher than expected investment returns on superannuation assets since 31 March 2016 as the liability recorded is net of plan assets.
Other provisions	Other provisions reflects the settlement profile of previous provisions now settled such as the Fiskville remediation provision.
Reserves	Increases in reserves reflects the increase in the opening balance from the *2015-16 Financial Report* (AFR) and the higher revaluation increments covered under the explanation for increase in Land, buildings, infrastructure, plant and equipment.

Question 3

(a) What new features have been incorporated in the budget papers for 2017-18 and why?

• BP5 chapter 1 / BP5 Appendix B: Streamlined form and content of the Estimated Financial Statements (EFS) for the general government sector and financial report for the March quarter 2017. Streamlining of the EFS improves its clarity to users, and better reflects the State's financial operations, position and its performance. It brings Victorian financial reporting to the

forefront of contemporary public sector reporting practice.

- BP2 Appendix A: The methodology in the sensitivity analysis appendix of BP2 has been revised. The new approach quantifies the key risks described in Budget Paper No. 2, Chapter 2 and presents analysis describing how these risks might affect State economic parameters, and estimates the projected fiscal impact.

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

There are no substantial modifications or discontinuations to the core 2017-18 Budget papers.

Question 4

Please disaggregate the line item 'other purposes' in the 'Expenses by government purpose classification' note to the general government sector comprehensive operating statement (Statement of Finances budget paper, p.32) into 'other purposes' and 'not allocated by purpose', as is done for asset investment.

	2017-18	2018-19	2019-20	2020-21
Other purposes				
Not allocated by purpose				

DTF response:

The following table shows the disaggregation between other purposes and not allocated by purposes, as included in the 2017-18 Budget Paper 5 (note 1.3.5, page 29).

Total expenses by government purpose and by portfolio department

Expenses by government purpose classification [(a)] **($ million)**

	2017-18 budget	*2018-19 estimate*	*2019-20 estimate*	*2020-21 estimate*
Expenses				
General public services	2 290	2 049	2 049	1 891
Public order and safety	7 403	7 654	7 937	8 163
Education	15 392	15 544	15 546	16 044
Health	18 153	18 456	19 478	20 691
Social security and welfare [(b)]	4 905	5 623	5 691	5 770
Housing and community amenities	3 440	3 271	3 161	2 968
Recreation and culture	775	735	665	654
Fuel and energy	303	230	136	91
Agriculture, forestry, fishing, and hunting	475	450	370	364
Transport and communications	7 443	7 239	7 455	7 721
Other economic affairs	1 047	758	462	364
Other purposes	1 197	1 251	1 286	1 389
Not allocated by purpose [(c)]	(570)	1 289	1 307	1 331
Total expenses by government purpose classification	**62 252**	**64 549**	**65 542**	**67 441**

Source: Department of Treasury and Finance

Notes:
(a) Note 3.6 of the 2015-16 Financial Report *for the State of Victoria provides definitions and descriptions of government purpose classifications.*
(b) The State's contribution to the NDIS transition is expected to increase over the next four years as more clients transition into the scheme.
(c) Mainly comprising provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Question 5

Please reconcile the revenue and output expenditure estimates from the 2016-17 Budget and the 2017-18 Budget as in the following table:

$ million

	2017-18	2018-19	2019-20
Revenue estimates in the 2016-17 Budget	**61 009**	**62 604**	**64 618**
Economic/demographic variations			
Taxation	525	626	666
Investment income	(204)	(259)	(141)
Policy decision variations			
Revenue policy decisions	(41)	39	152
Revenue associated with output policy decisions	431	455	750
Commonwealth grant variations			
General purpose grants	135	372	502
Specific purpose grants	496	1 956	196
Administrative variations			
Other	1 053	732	1 204
Total variations in revenue	**2 396**	**3 920**	**3 329**
Revenue estimates in 2017-18 Budget	**63 405**	**66 524**	**67 947**

$ million

	2017-18	2018-19	2019-20
Output expenses estimated in the 2016-17 Budget	**59 212**	**60 522**	**62 147**
Policy decision variations			
Output policy decisions	3 342	2 856	2 466
Reprioritisation of existing resources	(403)	(359)	(289)
Savings	(197)	(346)	(353)
Commonwealth grant variations			
Specific purpose grants	253	1 067	691
Administrative variations			
Contingency offset for new policy	(200)	(200)	(200)
Other	244	1 009	1 080
Total variations in output expenses	**3 040**	**4 027**	**3 395**
Output expenses estimated in the 2017-18 Budget	**62 252**	**64 549**	**65 542**

Question 6

In regard to the figure in the 2017-18 budget papers for 'PPP and other investment' (if provided) (see 2016-17 State Capital Program budget paper, p.15), please provide a revised estimate for this figure for 2016-17 and an explanation for the changes between last year's estimates and those for 2017-18:

	2016-17 ($ million)	**2017-18 ($ million)**	**2018-19 ($ million)**	**2019-20 ($ million)**	**2020-21 ($ million)**
2016-17 budget papers	1,134.7	2,962.5	2,953.4	3,469.7	na
2017-18 budget papers	2,576.8	4,196.5	4,925.6	5,518.3	4,557.1
Explanation	• The High Capacity Metro Trains contract was executed in November 2016, therefore cash flows relating to this project were updated to reflect the construction profile of the successful consortium (replacing the Public Sector Comparator construction profile). This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2016-17 to 2020-21; • The West Gate Tunnel Project cash flows have been updated to reflect the construction profile as contracted between Transurban and the contractor in March 2017. This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2017-2018 to 2020-21; • The state contribution for the West Gate Tunnel Project has been included in 'PPP and other investment' due to a change in the accounting treatment of the project in the 2017-18 Budget. This impact flows through the budget and forward estimates; and • The Western Suburbs Roads Package was approved after the 2016-17 Budget, therefore cash flows have been added to reflect the anticipated construction profile. This has resulted in variances in the 'PPP infrastructure investment and other' figures from 2017-2018 to 2020-21.				

Question 7

Also in relation to 'PPP infrastructure investment and other', please:

(a) please describe the model used in estimating the figure

As accounting treatment for PPPs is different to traditionally procured infrastructure projects, DTF has developed a method to approximate the annual project capital investment cash flows for PPPs. For projects in the procurement phase, the Public Sector Comparator construction cash flows from the Business Case are used. For projects in the construction phase, the private sector's cash flows contained in the contracted financial model are used.

In accounting for private sector investment, the model excludes all public sector direct capital investment to the project such as any State capital contribution (excluding the West Gate Tunnel project) or project development expenditure incurred by the State, as these numbers are recognised in the broader infrastructure investment line.

(b) please also advise how this figure was estimated, including:

(i) what the sources for the estimation were

For PPPs announced or in procurement – annual capital expenditure cash flows are taken from the approved business case.

For PPPs in the construction phase – annual capital expenditure cash flows are taken from the successful consortium's financial model.

(ii) what major components make up the figure

The most significant component of the PPP infrastructure investment figure is the project development, design and construction expenditure. This includes the estimated private sector-financed capital expenditure for each relevant PPP project, excluding capitalised interest, State Contribution amounts and any State costs incurred.

The 'other' component of the figure includes adjustments to reflect the infrastructure investment facilitated by the Government. This includes Victorian Transport Fund related transactions and an adjustment for the infrastructure investment relating to the state contribution for the West Gate Tunnel Project.

(iii) what assumptions are inherent in the estimation

The Public Sector Comparator construction profile provides the best estimate of cash flows prior to contract execution.

From contract execution, the private sector's estimates contained in the contracted financial model present the best estimate. As all delivery and whole-of-life risks are transferred to the private sector, the contracted financial model does not get updated for actual cash flows, as the State is only obliged to pay the contracted Quarterly Service Payment amounts (except where there is an agreed contractual variation).

(iv) what projects are included (without disaggregating the figures)

Relevant PPP projects include the Bendigo Hospital, Ravenhall Prison, CityLink-Tulla Widening, New Schools PPP, High Capacity Metro Trains, West Gate Tunnel Project, the PPP component of the Metro Tunnel and Western Suburbs Roads Package.

(c) please advise how the Department intends to evaluate the estimate against actual future results

With respect to the PPP estimates, the cash flows of the successful consortium will always differ from the State's Public Sector Comparator capital expenditure profiles. The quantum of the annual variances will be known at financial close, with the actual contractual cost approved by Cabinet and adjustments made to the Budget.

Following Financial Close, under the PPP contract the consortium must report monthly regarding actual construction progress. Any variances in expenditure will not be disclosed, as the State is only obliged to pay the contracted Quarterly Service Payment amounts.

(d) please advise when actual figures for this estimate will be disclosed.

The PPP infrastructure cash flows are updated prior to the release of financial publications to incorporate the impact of new PPP projects and projects that have been contracted since the previous publication.

Once the financial close profiles for a contracted project are known, the PPP infrastructure investment figure will be updated in the Budget (along with the relevant PPP Commitments figure in the Annual Financial Report).

Following financial close, under the PPP contract the consortium must report actual construction progress. Any variances in expenditure will not be disclosed, as the State is only obliged to pay the contracted Quarterly Service Payment amounts.

Question 8

For each of the following line items in the general government sector comprehensive operating statement (or its notes) in the 2017-18 Budget, please quantify the amount of the line item that is received from or provided to the PNFC sector or PFC sector. Please also identify any other line items in the revenue from transactions or expenses from transactions or their notes in which more than $100 million flows from the general government sector to the PNFC or PFC sector or vice versa.

The 2016-17 estimates from the Department's response to a previous questionnaire are included for compatibility.

(a) revenue from transactions

Line item	**Amount coming from PNFC sector ($ million)**					**Amount coming from the PFC sector ($ million)**				
	2016-17 previous estimate	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2016-17 previous estimate**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Taxation revenue	148.8	153.8	170.0	184.1	196.2	0.0	0.0	0.0	0.0	0.0
Interest revenue	543.7	581.3	529.4	488.2	456.4	118.7	101.0	101.7	102.1	102.1
Dividends	250.4	457.4	208.3	144.4	190.0	526.0	474.7	81.7	75.6	83.4
Income tax equivalent and local government rate equivalent revenue	203.5	207.4	173.5	186.6	205.8	50.5	5.9	96.5	212.0	268.4
Grants	0.0	6.3	6.3	6.3	6.3	0.0	797.3	744.0	832.3	440.2
Sales of goods and services – inter-sector capital assets charge	1 924.5	1 981.2	2 103.1	2 153.3	2 159.7	0.0	0.0	0.0	0.0	0.0
Sales of goods and services – provision of services	124.9	123.6	154.5	159.7	143.4	173.1	178.1	181.9	185.9	190.3

Line item	Amount coming from PNFC sector ($ million)					Amount coming from the PFC sector ($ million)				
	2016-17 previous estimate	2017-18	2018-19	2019-20	2020-21	2016-17 previous estimate	2017-18	2018-19	2019-20	2020-21
Total revenue from transactions	3 202.7	3 511.1	3 345.1	3 323.7	3 357.8	1 090.5	1 557.0	1 206.0	1 407.9	1 084.3
Other line items with >$100 million coming from the PNFC or PFC sector (please specify)										

(b) expenses from transactions

Line item	**Amount going to PNFC sector ($ million)**					**Amount going to the PFC sector ($ million)**				
	2016-17 previous estimate	2017-18	2018-19	2019-20	2020-21	2016-17 previous estimate	2017-18	2018-19	2019-20	2020-21
Interest expense	0.0	134.3	87.6	52.5	26.8	1 496.5	1 099.0	1 152.0	1 186.1	1 271.0
Grants and other transfers	3 141.6	3 449.4	3 459.5	3 468.9	3 451.8	13.3	13.7	13.1	13.1	0.0
Other operating expenses – purchase of supplies and consumables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses – purchase of services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenses from transactions	3 141.6	3 583.7	3 547.1	3 521.4	3 478.6	1 509.8	1 112.7	1 165.1	1 199.8	1 271.0
Other line items with >$100 million going to the PNFC or PFC sector (please specify)										

Question 9

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 2017-18, please provide details of the grants which have been included in the line item.

DTF response:

Tables 4.10 and 4.13 in the 2017-18 Budget, BP5, Chapter 4, incorporates ‘Other’ payments, including:

Table 4.10

Grants	$m	Comments
Goulburn-Murray Water Connections Project	22	Majority comprises funding for the Goulburn-Murray Water Connections Project.
Total	**22**	

Table 4.13

Grants	$m	Comments
Hospitals	1,132	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.
Tax Compensation Payments	25	Commonwealth compensation to Victoria for Commonwealth income taxes paid by Snowy Hydro Limited.
Other general purpose grants	533	Includes several projected general purpose grants.
Total	**1,690**	

Question 10

(a) Please give reasons for the changes in general purpose grants estimates from the 2016-17 Budget, including those over the forward estimates.

	2017-18 ($ million)	**2018-19 ($ million)**	**2019-20 ($ million)**
2016-17 estimates (2016-17 BP5 p.27)	14 609	15 770	16 534
2017-18 estimates (2017-18 budget papers)	14 744	16 142	17 036
Explanation for variances	Higher than expected GST relativity and a larger share of the national population, offset by a downgrade to size of the GST pool.	Higher than expected GST relativity and a larger share of the national population, offset by a downgrade to size of the GST pool.	Higher than expected GST relativity and a larger share of the national population, offset by a downgrade to size of the GST pool.

(b) What has been the impact of these changes to Victoria for 2017-18 and beyond? Please detail any actions that the State Government has taken in response to expected changes in the value of general purpose grants in 2017-18 and the forward estimates period.

Between the *2016-17 Budget* and the *2017-18 Budget*, the total change in forecast GST revenue over the period 2016-17 to 2018-19 was an upgrade of $1 008.6 million.

Question 11

In relation to the net debt projections for the non-financial public sector for 2017-18 and over the forward estimates to 2020-21 (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 2017**	**Net debt, 30 June 2018**	**Net debt, 30 June 2019**	**Net debt, 30 June 2020**	**Net debt, 30 June 2021**
Urban Renewal Authority Victoria (Places Victoria)	242.1	678.8	730.7	956.2	949.7
Victorian Rail Track	548.7	386.1	119.6	(75.4)	(155.9)
Western Region Water Corporation	228.2	294.9	356.3	415.1	473.6
Grampians -Wimmera Mallee Water Corporation	126.6	163.4	170.4	177.3	186.4
Goulburn Valley Region Water Corporation	96.5	107.6	116.6	129.5	139.4
Goulburn Murray Rural Water Corporation	(138.5)	(19.7)	22.1	150.3	182.9

GGS/PNFC entity	Net debt, 30 June 2017	Net debt, 30 June 2018	Net debt, 30 June 2019	Net debt, 30 June 2020	Net debt, 30 June 2021
Coliban Region Water Corporation	460.9	445.4	435.1	420.1	403.8
Central Highlands Region Water Corporation	146.1	141.5	138.0	133.5	129.0
Central Gippsland Regional Water Corporation	282.1	282.8	294.2	307.4	318.1
Barwon Region Water Corporation	631.0	636.7	622.8	621.4	614.7
Melbourne Water Corporation	8 086.3	8 179.3	8 244.4	8 281.1	8 184.6
South East Water Corporation	1 475.9	1 576.0	1 639.7	1 698.4	1 792.6
Yarra Valley Water Corporation	2 372.2	2 625.5	2 837.0	3 029.2	3 185.0
City West Water Corporation	1 144.3	1 213.9	1 297.7	1 370.8	1 447.4

Question 12

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 2016 and the forward estimates between the 2016-17 Budget and the 2017-18 Budget?

As outlined as part of the *2015-16 Annual Financial Report*, the general government sector's net debt at June 2016 was $22.3 billion, 6.0 per cent of gross state product (GSP). The net debt outcome was only slightly lower than the revised 2015-16 estimate published in the *2016-17 Budget*.

Nominal net debt is expected to increase by $5.1 billion at June 2020 compared with the *2016-17 Budget*. As a proportion of the economy, net debt is expected to increase from 4.8 per cent to 6.0 per cent.

The increase in net debt is primarily due to the significant increase in infrastructure investment as outlined in the *2016-17 Budget Update* and *2017-18 Budget*. Other key changes include:

- the net impact of new output measures, largely offset by
  - additional taxation receipts, due to improved estimates for land transfer duty and land tax; and
  - additional GST revenue from the Commonwealth, driven by a stronger outlook for Victoria's share of the national population.

The decrease in estimated net debt in 2016-17 recognises the additional impacts since the *2016-17 Budget* from entering into the medium term lease of the Port of Melbourne.

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

Question 13

(a) If not already in the 2017-18 budget papers, please provide a list of major projects that contribute to net cash flows from investments in financial assets for policy purposes for the general government sector, including anticipated inflows and outflows for 2017-18.

Project	**Expected cash inflow ($million)**	**Expected cash outflow ($million)**	**Expected net cash flow ($million)**
Repayment of advances to the Victorian Transport Fund by the Port Lessor Pty Ltd for transport projects mainly including the Level Crossing Removal Program	2 649		2 649
DELWP receiving funds from Melbourne Water under the back-to-back finance lease arrangement between Melbourne Water, DELWP, and Aquasure associated with the Victorian Desalination Plant.	61		61
Equity investment into the Director of Housing, including new funding for the long term housing solution, and the redevelopment of public housing estate program.		(135)	(135)
Equity investment into VicTrack for a number of transport initiatives.		(115)	(115)
Equity investment into Goulburn-Murray Water related to the Goulburn-Murray Water Connections project.		(92)	(92)
Other (a number of items across various entities)		(20)	(20)
Total	2 710	(362)	2 348

(b) 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 2017-18.

Project	**Expected cash inflow ($million)**	**Expected cash outflow ($million)**	**Expected net cash flow ($million)**
Snowy Hydro share of profit (primarily dividends SECV receives from the State's investment in Snowy Hydro).	62		62
Other (a number of items across various entities)		(12)	(12)
Total	62	(12)	50

Question 14

(a) Please provide an updated copy of the guidelines from the Minister for Finance to departments for corporate, long-term and other plans.

The existing planning requirements can be found in the Performance Management Framework, available on the DTF website:

http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Planning-Budgeting-and-Financial-Reporting-Frameworks-publications

(b) If this guidance is under review, please indicate:

(i) the major areas covered by the review,

DTF is currently reviewing the Performance Management Framework, including the planning requirements in line with better practice.

(ii) when the guidance is expected to be complete, and

Changes to the planning requirements in the Performance Management Framework are anticipated to be finalised by the end of 2017.

(iii) when departments will be required to comply with the update.

Any changes to departmental planning requirements will apply to plans produced in 2018 onwards.