V E R I F I E D   V E R S I O N

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2017–18

Melbourne — 2 June 2017

Members

Mr Danny Pearson — Chair	Ms Harriet Shing
Mr David Morris — Deputy Chair	Mr Tim Smith
Mr Steve Dimopoulos	Ms Louise Staley
Ms Fiona Patten	Ms Vicki Ward
Ms Sue Pennicuik	

Witnesses

Mr Robin Scott, Minister for Finance,

Mr David Martine, Secretary,

Mr Joe Calafiore, Chief Executive Officer, Transport Accident Commission, and

Ms Clare Amies, Chief Executive, WorkSafe, Department of Treasury and Finance.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2017–18 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Finance, the Honourable Robin Scott, MP; Secretary of the Department of Treasury and Finance, Mr David Martine; Mr Joe Calafiore, Chief Executive Officer, Transport Accident Commission; Ms Clare Amies, Chief Executive, WorkSafe. In the gallery is Ms Amy Auster, Deputy Secretary, Economic Division; Mr Simon Hollingsworth, Deputy Secretary, Budget and Finance Division; Ms Gayle Porthouse, Deputy Secretary, Corporate and Government Services Division; and Mr Joe Bonnici, Chief Finance Officer.

All evidence is taken by the committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege.

Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audiorecord or videorecord any part of these proceedings.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr SCOTT — Firstly, I would like to acknowledge the traditional owners of the land on which we are meeting and pay my respects to elders past and present and the elders from other communities who may be here today. Thank you for the opportunity to present to the committee. I extend, as a former member of PAEC, my sympathy and respect for the stamina of members of the committee at this stage of the hearings.

This presentation will begin with a brief overview of the allocation and responsibilities within the finance portfolio, moving on to detail about the finance portfolio, WorkSafe, the TAC, VMIA and ESSSuper. This slide provides an overview of the key responsibilities of the finance portfolio, and I will not speak to them in detail; otherwise it will be a much longer than a 10-minute presentation.

On to portfolio highlights; the government is further strengthening accountability through ongoing reforms to finance legislation, planning and reporting. A central plank of Victoria's financial governance is the Financial Management Act 1994, which is being updated to modernise legislation, improve accountability of public sector finance management and encourage performance and effectiveness in public sector financial management. We expect to bring legislation in this year, and I will engage with my shadow counterparts and other members who are interested to ensure that members are briefed on proposed changes.

Through our asset management strategy we have sought to improve whole-of-government energy use through the re-established Greener Government Buildings program, which will reduce the state's energy costs. The 2017–18 budget provides a further $20 million for funding for the program: $10 million per year in 2017–18 and 18–19. It will be used to fund upgrades and improvements of existing government buildings, such as health services, TAFEs and other public buildings to improve energy efficiency. The program will reduce government utility costs and also reduce CO_2 emissions.

We have also made improvements to the whole-of-government procurement policy to deliver more ethically sustainable and socially responsible procurement. From 1 July 2017 a new supplier Code of Conduct will apply to general government sector contracts/agreements made under the Victorian Government Purchasing Board for the supply of goods and services and construction works and services. Government suppliers will be asked to commit to the code and meet minimum standards of ethically sustainable and socially responsible practices when providing goods and services to the state.

I will now discuss the key highlights from the WorkSafe portfolio. WorkSafe's financial position in 2015–16 was strong. The real measure of the scheme's financial health is that its performance from insurance operations — known as the PFIO measure — in 2015–16 was $280 million. The net result after tax of minus 475 million was mainly due to external investment marketing conditions and economic factors, particularly the changes in discount rates associated with bond rate movements.

WorkSafe's accounting funding ratio was 112 per cent at 30 June 2016, which is within its target funding range of 85.5 per cent to 117.5 per cent. A more appropriate measure of the scheme's performance is the economic funding ratio, which was 161 per cent at June 2016. The accounting funding ratio is sensitive to changes in government bond rates, whereas the economic funding ratio is not as sensitive to bond rates and shows a better picture of the scheme's health.

I will now move onto how WorkSafe is performing on safety measures. We have continued to see improvements in workplace safety. The key safety measure — claims per million hours worked — continues to decline, reflecting efforts of employers, WorkSafe and stakeholders, and importantly employees. There were 25 736 reported claims in 2015–16, a reduction of 455 from the previous year. Overall, the number of reported claims continues to decrease, from almost 30 000 claims in 2010–11.

Since December 2014, WorkSafe has increased the full-time equivalent number of inspectors by 9 per cent. A further 20 inspectors are being recruited at the moment. In 2015–16 WorkSafe inspectors made 46 259 workplace visits across the community. This is the highest number in 10 years. Tragically, during 15–16 there were 32 work-related fatalities reported to WorkSafe. Eleven of these were in the agriculture industry. In response, WorkSafe has increased its focus on this industry, as you will see in the next slide.

In response to the high number of fatalities and injuries caused by quad bike rollovers, in July 2016 the government announced a $6 million quad bike rebate scheme. The scheme supports Victorian farmers to buy safer equipment by providing rebates to fit operator protection devices which protect against rollover or to purchase safer vehicles. The scheme is administered by the Victorian Farmers Federation, and we hope it will reach approximately 5000 farmers. WorkSafe also released a major public awareness campaign in regional Victoria on the risks associated with using quad bikes on farms.

Another initiative designed to protect health and safety is the re-establishment of the successful WorkHealth program, with a specific focus on tackling mental health injuries in the workplace and promoting mental wellbeing. We have committed $49.9 million over five years to this program. It will include free support for all Victorian employers through a universal online navigation tool and targeted programs to support and protect workplace mental health and wellbeing.

I will now move onto the performance of the Transport Accident Commission scheme. The TAC is in a financially sound position. In 2015–16 the TAC funded $1.2 billion in support services and benefits to Victorians. Performance From Insurance Operations — as I referred to, PFIO — is the best indicator of the scheme's underlying financial performance and was $542 million in 15–16, compared to $413 million in 14–15. Although the TAC recorded a net result, after tax, of minus $933 million in 2015–16, this, like WorkSafe, was primarily due to a result of downward movement in discount rates and lower investment returns, which were partially offset by strong performance from insurance operations as measured by PFIO.

The TAC accounting funding ratio as of 30 June 2016 was 81.3 per cent. This has now improved to 98.4 per cent as of March 2017. The economic funding ratio — as I have outlined, a more realistic measure of the scheme's financial performance — as of 30 June 2016 was 153.9 per cent.

The TAC is continuing to innovate to promote recovery and support those injured on our roads. Last year I updated the committee on the Residential Independence Pty Ltd initiative, known as RIPL. This is an investment in purpose-built client accommodation that allows people who have suffered severe transport accident related injuries to regain their independence. Four developments have been completed to date, creating

21 individual client apartments/units. RIPL is now proceeding with the design and construction of three new developments — in Glenroy, Wheelers Hill and Bendigo — in the coming months, which will house 13 clients.

The TAC is also taking steps to improve client experience for the trial of its recovery card. This enables clients to use a preloaded EFTPOS card to undertake everyday transactions they need to make as part of their recovery. The trial began in 2015 and is showing positive outcomes, and it will be expanded soon.

I now provide an overview of the VMIA's financial performance. The VMIA is in a strong financial position. The VMIA finished 2015–16 with an operating result of $114 million. Performance from insurance operations which represent the VMIA's underlying financial performance was $307 million in 15–16. The strong result is due to a favourable claims experience for a number of insurance operations. The accounting funding ratio at 30 June 2016 was 117 per cent and the economic funding ratio was 186 per cent. I again reiterate that the economic funding ratio is a more realistic measure of the scheme's financial health.

I would now like to draw the committee's attention to a world-leading initiative the VMIA is supporting that is benefiting everyday Victorians by reducing medical risk. As a secondary impact it is also reducing costs to the state through reduced medical insurance premiums.

Maternity services are the highest insurable risk for the VMIA, representing 35 per cent of the annual medical indemnity premium. The PRactical Obstetrics Multi-Professional Training program was introduced in 2010 and improves health outcomes for mothers and their babies during birth by enhancing teamwork, communication and clinical skills. The Fetal Surveillance Education Program was introduced in 2003 and teaches clinicians to read fetal heart tracings during birth and associated impacts on wellbeing. Since the introduction of PROMPT and the Fetal Surveillance Education Program the frequency of Victorian medical indemnity claims has substantially reduced, as you can see from the slide.

I will now provide an overview of the superannuation liability of the state's largest public superannuation scheme, ESSSuper. In 2015–16 the state's accounts assessed ESSSuper liability at $29.3 billion. In 2016 the liability had decreased $3.9 billion to $25.4 billion. This reduction is primarily attributed to an estimated remeasurement gain which arose due to increase in the long-term commonwealth bond yields that underlie the valuation assumptions and favourable investment returns. The reporting liability differs from the liability shown in ESSSuper's annual report, which in 2016 assessed the scheme liability at $12.6 billion including accrued tax liability of $2 billion. This discrepancy is primarily attributable to the application of different accounting standards for employer versus superannuation fund reporting. Looking forward, the scheme liability is expected to decline over the forward estimates period from $24.5 billion as of 30 June 2018 to $21.4 billion by 30 June 2021. I am now happy to take questions.

The CHAIR — Thank you, Minister, for that presentation. I refer to budget paper 3, page 326, the budget and financial advice outputs. Obviously there is a need for constant improvement in terms of the way in which public policy is developed at a state level in order to ensure that we get the best possible financial return and we are as efficient as we can be. Can you outline to the committee, please, Minister, what action has been taken over the course of the last 12 months in relation to the way in which this activity of the Department of Treasury and Finance has helped to improve the stability of the state's finances?

Mr SCOTT — Yes, I am happy to do so, Chair. The principal measure that has been undertaken during that period is the introduction of the new standing directions which sit underneath the Financial Management Act. The new directions commenced on 1 July 2016, and agencies need to comply by 1 July 2017, so there will be a material impact over the estimates period, with the first public attestation in 2018. The key changes to the directions include a framework to address agency size and risk to ensure that directions are appropriate for all agencies. Greater requirements, put simply, will exist for larger agencies as opposed to smaller agencies, material to their risk and size and of course having regard to governance arrangements. So very small agencies like school councils will not have the same requirements as larger departmental portfolio departments, but there will be requirements for the portfolio departments to implement an effective monitoring and control regime over those smaller agencies like, say, a school council.

There are special provisions to recognise the independence of the independent officers of the Parliament, such as the Victorian Auditor-General's Office, and new requirements for planning and performance management to mandate all agencies to undertake planning to deliver financially sound services. There will also be more detailed requirements in the new performance management framework for portfolio departments, new directions to strengthen reporting to government by adding requirements of agents, accountability officers and CFOs to report to their portfolio departments.

A parallel requirement is also being implemented for portfolio department accountability officers and CFOs to report to the Department of Treasury and Finance significant matters which affect the agencies or the state's financial management. New directions will ensure better control and reporting for fraud and corruption. These go beyond previous directions which focused on theft and loss and require agencies to implement a fraud and corruption policy, keeping proper records of accurate and suspected frauds and report significant or system fraud to the minister, portfolio department and the Auditor-General.

The new directions introduce public attestation and other reforms to compliance framework to improve transparency and compliance. We have also made improvements to the structure of the directions to increase usability and cohesiveness. The revived directions are less prescriptive and more based on establishing a comprehensive approach to financial management that is directed at establishing best practice. This is a very important reform which has been introduced but will have affect materially in the last year — but it will materially affect the governance of the state's financial management during the period of the estimates period.

The CHAIR — Thank you, Minister. You talked about making further changes in relation to usability and cohesiveness. Can you indicate in a little bit more detail what that would mean in a practical sense?

Mr SCOTT — Sorry, repeat that?

The CHAIR — You mentioned in the course of your presentation about additional changes in relation to usability and cohesiveness in terms of the changes. Are you able to elaborate on that in a little bit more or detail, what that might mean in a practical sense?

Mr SCOTT — In terms of ensuring — and I might get the secretary to supplement — there has been work undertaken at a DTF level to support the implementation and the new directions, so you go to the useability. There have been information sessions, advice and guidance material, and there is an implementation assurance program to gauge agencies readiness to achieve compliance by 1 July 2017, with a unique requirement, as I indicated, for public attestation of compliance in 2018. Would you like to supplement that, secretary?

Mr MARTINE — Thanks, Minister. As the minister indicated, there is work underway in rolling out these particular reforms. There is quite extensive discussion with departments and agencies. The minister outlined the time line of 1 July with the public attestation at some point in 2018.

The CHAIR — What has been the rate of compliance to date?

Mr SCOTT — I can assist to a degree. Compliance — this is with the previous standing directions — is 95 per cent of full or partial compliance with standing direction requirements as of now. That is broadly consistent with what has been in place for the previous four years, but prior to that.

The CHAIR — How do you see the overlap between the new financial management framework interfacing with the abilities for departments to properly plan? How do you see those two aspects interlock?

Mr SCOTT — The framework sets down mandatory rules and guidance for government and public sector planning, budgeting, service delivery, performance reporting and accountability. The framework requires, in effect, forward-looking and results-based resource management and service delivery. In fact I will say that in terms of performance management, which is related to planning, there are elements which have been taken from PAEC's 118th report to Parliament *Review of the Performance Measurement and Reporting System* from 2014 and VAGO's report *Public Sector Performance Measurement and Reporting*. There is an integrated approach which deals with both planning for future performance but also reporting on the performance of agencies in meeting objectives of government public policy.

Mr MORRIS — Morning, Minister. VMIA — budget paper 5, page 21, is the reference. There is a history of commentary in the 16–17 budget: there was an indication that over the forward estimates total dividends and revenues were expected to decline by an average of 9.7 per cent a year largely due to the declining profile of dividends from the PFC sector. Again in this year's BP5 there is a similar sentiment of an increase in the current year. But guess what: they are going to decline year on year. So clearly, despite the rhetoric, there is a theme that dividends do not actually decline; they continue to be extracted from the PFCs.

The last budget forecast that VMIA was expected to pay $145 million in 2016–17. The quarterly financial report no. 3 discloses a revised budget not of 145 million but of 162 million — so up $17 million. Payments of $145 million have already been received — so 9 million more than was flagged to the Parliament this time last year has already been received by the Treasurer, yet as your own figures demonstrate, the PFIO fell from $331 million in 14–15 to 307.4 in 15–16. The funding ratios dropped from 133 per cent to 117 per cent over those two years, and the operating surplus has plummeted from 403 million in 14–15 to just 113.9 million in 15–16, yet last year the budget forecast dividends for 165 million would be paid in the coming financial year, and this budget anticipates dividends of $365 million — $200 million more than was expected last year and more than three times VMIA's last year's operating surplus. How can that level of dividend payment possibly be sustainable?

Mr SCOTT — Thank you for your question, Deputy Chair. Firstly, it is worth some procedural information about the process around dividends, which I will — —

Mr MORRIS — I am aware it is the Treasurer's decision, but you have responsibility for the agency, which is why I am asking you whether it can be sustainable.

Mr SCOTT — Okay, so the Treasurer makes the decisions about the level of the dividends.

Mr MORRIS — Exactly.

Mr SCOTT — My responsibilities, as you indicate, relate to advice provided in terms of the financial sustainability of the organisation, and I can assure the committee that VMIA is in sound financial health. It is certainly the advice — —

Mr MORRIS — But how can dividends three times the size of the operating surplus possibly be sustainable?

Mr SCOTT — Let me go to the substance of the issue, which is the financial health of the Victorian Managed Insurance Authority. The Victorian Managed Insurance Authority is in very sound financial health and will remain so over the estimates period. In the information that I have, it will have an accounting funding ratio of over 100 per cent throughout that period — and let me go to the issue — and an economic funding ratio of over 150 per cent. Now, as the committee — and I do not want to repeat things too much that I have said in previous years about economic versus accounting funding ratios, but I — —

Mr MORRIS — If you are stripping 365 million a year out, something has got to give, so either the surplus is going to decline or the customers are going to get shafted. Which one is it?

Mr SCOTT — There will be no impact on the premiums that are paid by customers at the VMIA.

Mr MORRIS — It is not a magic pudding.

Mr SCOTT — That is certainly not the intention of public policy, nor the effect. In terms of the VMIA's financial health, the VMIA will have an economic funding ratio of over 150 per cent, and the VMIA particularly so because it deals with medical indemnity issues. I outlined previously to the committee in relation to the PROMPT and other initiatives that a significant element of those liabilities attest to birth-related matters, and therefore the liabilities have a very long tail in relation to, sadly, those matters by the good work that has been done to reduce them, meaning that for the VMIA particularly there is an effect of the difference between the application of the accounting standard, which requires the utilisation of a funding ratio based on the liabilities being discounted in relation to the no-risk commonwealth bond rate versus what the actual reality is of the likely returns, which is how you derive the economic funding ratio. So not only is the VMIA under the — —

Mr MORRIS — I am familiar with the process, but I would like to know how you can possibly take 365 million out this year. Your own budget papers indicate that between 2016 and 2021 you are going to strip out almost $650 million from this organisation. Apparently there will be no increase in dividends. It is not doing that well in terms of growing revenues, and it is not a magic pudding.

Mr SCOTT — It is not a magic pudding, I would agree, but its funding will remain above 100 per cent based on the accounting funding ratio, which as I outlined, is an overly conservative measure, because the discount rate used to measure the ratio between liabilities and assets is based on an unrealistically low no-risk bond rate, when in fact the assets underlying the fund have a history and in fact the likelihood of much stronger returns, which is where you derive the economic funding ratio from. So not only under the conservative assumptions that underpin the accounting standard is its funding ratio over 100 per cent, but on a more realistic basis — —

Mr MORRIS — Minister, if the trend —

Mr SCOTT — Let me finish my answer.

Mr MORRIS — over the 15–16 year continues in 16–17, it is going to be underwater in the financial year we are in. If that trend continues, it is going to be significantly underwater —

Mr SCOTT — I think you are confusing a number of issues.

Mr MORRIS — yet you are stripping dividends out of it.

Mr SCOTT — As I said, I am very confident of the financial underpinning of the Victorian Managed Insurance Authority, which will remain, as I said, under the conservative accounting funding ratio, which uses the no-risk commonwealth bond rate to discount liabilities in relation to assets, over 100 per cent, but under the more realistic funding ratio — the economic funding ratio based on expected returns of the assets held within the organisation — it will remain above 150 per cent. I must say, 150 per cent is a fairly conservative funding ratio for any organisation.

Mr MORRIS — Minister, in the 15–16 annual report the agency's total assets were indicated to be lower than the prior year by 207.8 million primarily because of a decrease in investments of 197.3 million. What drove that decrease in investments — a capital repayment to the state of 296.5 million in the last financial year? And I do not remember you talking about that at the last PAEC, I must say. Have further capital repayments to the state been required of VMIA in the current financial year?

Mr SCOTT — No.

Mr MORRIS — No. Are further capital repayments required of VMIA in the budget period or across the forward estimates?

Mr SCOTT — That is obviously a decision of the Treasurer, not myself.

Mr MORRIS — But in order to come up with the projections that you have spoken so glowingly about, you must have some idea about that.

Mr SCOTT — I will just seek some advice. The Treasurer has made no determination in relation to future capital repatriations or payments from the Victorian Managed Insurance Authority as far as I am aware, so I can provide that information.

Mr MORRIS — So in addition to 645 million in dividends coming out of it, there could well be capital stripped out of it as well? Fantastic.

Mr SCOTT — As I said, the organisation is in sound financial health.

Mr MORRIS — The Financial Management Act, which you have referred to in your presentation and in part in response to the Chair's opening question — obviously you are responsible with the Treasurer for the administration of the Financial Management Act — on 14 May 2015 you told the committee:

> The government intends to review the Financial Management Act to strengthen financial management accountabilities and improve the efficiency of public administration.

In PAEC last year you told the committee:

> We will also consider reforms to the Financial Management Act to complement the new standing directions, increasing accountability for key financial management roles in agencies, such as accountable officer and the chief financial officer, and removing outdated and inefficient requirements.

And again this year, as I mentioned, you have referred to it again and said, 'Yes, it's coming'. Two years on from that first commitment to the committee, we still do not have a bill before the Parliament, so I do ask you: is it your intention to emulate the Brumby government and bring in a bill in the dying days of the Parliament — try and sneak it through and hope no-one notices —

Mr SCOTT — No.

Mr MORRIS — or are you going to keep the commitments you gave to the committee two years ago?

Mr SCOTT — There are a couple of issues. In terms of some of those issues, there are elements of it — and I referred to it in relation to the CFOs that did not require legislation and could be dealt with through the standing direction process — —

Mr MORRIS — Yes, but this was a review of the act which you committed to two years ago, and we still have not seen it.

Mr SCOTT — I understand, but you made reference to elements of the reform process which could be dealt with which have in fact been dealt with outside of the legislative process because they did not require legislation.

In relation to the substance of the question, it is certainly my intention to bring forward an act, and it is also my intention to consult broadly on that act, including with your good self, Deputy Chair. My view is in fact the financial framework of the state has actually served Victoria relatively well during the period subsequent to the 1994 piece of legislation.

Mr MORRIS — Hence my concern about the last-minute process we went through in 2010.

Mr SCOTT — You are seeking reassurance that there will be an effective process of consultation to ensure that there is broad support across the — —

Mr MORRIS — Effective and early.

Mr SCOTT — And early. Certainly it is the intention of myself, as I indicated, to consult not just with yourself but other interested members of the Parliament to ensure that the fundamental rules that underpin the financial arrangements of the state should not principally be the subject of the usual — how would I put it? — vigorous, and appropriately vigorous on many occasions, discourse across the state. There should be some agreed boundaries from which we measure performance and financial accountability.

Mr MORRIS — And we need time to have those discussions. Exactly.

Mr SCOTT — I am happy to engage with not just the shadow minister but other members of this committee or other interested members of the Parliament on that process.

The CHAIR — Thank you, Minister. Count me in.

Ms PATTEN — I think I am busy that day, but thank you, Minister.

Mr SCOTT — You are more than welcome. I should not get involved, but there is a famous letter from Peter Cook about watching television on the night of a particular occasion he was invited to.

Ms SHING — A televised version of the briefing perhaps, Minister?

Ms PATTEN — Well, now you are talking! If I can wear my pyjamas and be involved — —

Ms SHING — Never stop learning, Ms Patten.

Ms PATTEN — Which is exactly what my questions are leading to. This is a learning exercise for me. Budget paper 5, page 166 — you note that sales of goods and services revenue is increasing, and you put that down partly to the increase in TAFE fees for service. I am just wondering what that means for TAFE students. Is this — we are expecting increases in their fees?

Mr SCOTT — I have to say that is outside of my direct areas of responsibility, but I am happy to take some information on notice.

Ms PATTEN — Great. Thank you, Minister. Sticking with budget paper 5, page 167 — $248 million of revenue from donations and gifts. Really? People donate to the government?

Mr SCOTT — Again that is principally the area of responsibility of the Treasurer, but I am happy to seek some information on notice.

Mr MARTINE — We can take that on notice.

Ms PATTEN — Thank you.

Mr SCOTT — In my memory of it, and I would be very careful — —

Ms PATTEN — It is not that big vault room with the gifts in it?

Mr SCOTT — That would include, for example, gifts that are made to hospitals. I will provide some information at a general level.

Ms PATTEN — Okay. That would be of interest. Thank you.

Mr SCOTT — For example, although they have independent governance, they sit within the general government sector because they provide subsidised services to the community, so therefore — —

Ms PATTEN — They sit in our budget.

Mr SCOTT — My initial response, and we will seek some further information on notice, because it is a genuine question, is that that would include gifts to things like the Royal Children's Hospital or other public hospitals.

Ms PATTEN — Great. Thank you. I would appreciate that.

Mr SCOTT — But I would seek some further information. That is my initial response.

Mr MARTINE — Happy to take that on notice.

Ms PATTEN — Yes, you can take it on notice. Thank you very much. Following on with my education here, page 171 talks about assessment on a single holding basis for charities. What does that represent?

Mr SCOTT — Tax expenditures are again the responsibility of the Treasurer.

Ms PATTEN — So that would be for the fire services levy as well?

Mr SCOTT — I would have to seek some advice. To try and be helpful — —

Ms PATTEN — Thank you. It is estimates of tax expenditures that can be costed.

The CHAIR — Budget paper 5, page 171.

Ms PATTEN — Budget paper 5, table 5.2. That is a Treasurer matter, is it?

Mr SCOTT — It definitely is the Treasurer, yes.

Ms PATTEN — It may mean that also budget paper 5, page 172, which looks at foregone revenue from stamp duty — —

Mr SCOTT — Again that is a responsibility of the Treasurer. I can provide some general information for the benefit of the committee, and I might get the secretary to supplement. Foregone revenue is a good way to describe it. Where there is a public policy decision, often in legislation — say there is an exemption from a particular taxation measure for a class of individuals or companies — tax expenditures are in effect describing where you had a general application of a tax or charge but in fact you are exempting a certain category of individuals or companies or organisations from that particular charge.

Ms PATTEN — Do you know how you assess that? Payroll tax from religious institutions is down there, and there is a number for it. How do you know how many employees the religious institutions have?

Mr MARTINE — Effectively, as the minister indicated, you are trying to measure foregone revenue against sort of a benchmark tax system. So in the example you have given you would then work out what payroll tax you would expect if the government of the day had a policy to charge payroll tax on those particular institutions.

Ms PATTEN — So you then have to make an estimation of how many people they employ.

Mr MARTINE — You are making an estimate of what they would have paid against the benchmark, and then in a sense there is a conscious decision of government to exempt, therefore there is revenue that is not coming in. The alternative would be that an organisation pays tax and then it receives a grant back reimbursing it, which would then appear elsewhere in the budget papers, so it is just trying to capture that sort of effect.

Ms PATTEN — Yes, I understand that. I guess I am just trying to understand how you know how many employees those religious institutions have to assess how much payroll tax you are foregoing.

Mr MARTINE — It is similar to in a sense the other payroll tax forecasts we do on organisations that do pay payroll tax. We are always making a judgement on number of employees, expected growth in employees, particularly hours of work. What drives payroll tax is actually hours of work. So we are always constantly making those assessments when we put together our payroll tax estimates elsewhere in the budget papers.

Ms WARD — Welcome to the final moments of PAEC.

Ms SHING — We can extend by leave if anyone is interested in sticking around for a little longer to ride the wave of momentum we have built in the last two weeks.

Ms WARD — That is exactly right — although I am not sure the momentum is still there, though, Ms Shing, much as we would love it to be. Anyway, I digress.

Minister, WorkSafe Victoria — in your presentation you speak about the declining claims and incidents that we are experiencing in the state, which is interesting to hear, because we still do see incidents of workplace accidents on our news. You referred to the number of people who have died at their work. Can you please give some background on how things you have enacted have actually contributed to this decline?

Mr SCOTT — I thank you for your question. I think it is important to note — and you touched upon deaths — although there is a declining rate of accidents, every workplace death is one too many, and there have been, I think, in the financial year to date there have been 17 deaths on Victorian — —

Ms WARD — And you were indicating before that many of those are in the agricultural industries, is that right?

Mr SCOTT — There is a significant over-representation particularly of the agriculture industry, and it is something that both myself as minister and I have to say WorkSafe as an organisation take very seriously. In fact without going into individual deaths, there is an over-representation particularly of very young and older persons in those deaths in agriculture, and there is a particular over-representation in terms of quad bikes.

In terms of what has been undertaken by the government, there has been, as I alluded to, an increase in the support for WorkSafe safety and wellbeing programs, including expanding the WorkSafe inspectorate. That principally goes to the issue of what resources are available to provide support and regulatory oversight to Victorian businesses and in fact employees, because both have an obligation under the act to ensure safe workplaces. There has been an increased recruitment of 51 new inspectors and seven new investigators — that is, as I said in the presentation, a 9 per cent increase in the full-time equivalent inspector numbers. There is further recruitment underway of another 20 inspectors. It is planned that during this term of government we will have delivered by the end of June next year a 30 per cent increase in the full-time equivalent inspector numbers since coming to government. As I have indicated, in 2015–16 there were 46 259 workplace visits across the community — that is the highest in 10 years — and WorkSafe has had a high prosecution success rate, with 94 per cent of prosecutions succeeding out of 110 prosecutions.

Ms WARD — In what period is that, the 95 per cent success rate?

Mr SCOTT — Sorry, the 94 per cent was in 2015–16. So 91 per cent of investigations proceed to prosecutions, a significant increase on the previous year where the rate was 83 per cent.

Ms WARD — I am really happy to hear that, Minister, because, as I am sure you can appreciate, out of the Fiskville inquiry I was pretty disappointed with the way that that was managed by WorkSafe. To hear that they are having successful prosecutions and are working so well gives me some relief. So is the government considering legislative changes to improve WorkSafe and workplace safety?

Mr SCOTT — In terms of legislative changes, there is currently the WorkSafe Legislation Amendment Bill, which is before the Parliament. The bill will extend the time WorkSafe has for the prosecution of indictable offences where a coronial report identifies an offence has been committed, where an enforceable undertaking has been breached or withdrawn or where fresh evidence is uncovered and where a court is satisfied the evidence could not have been identified within the limitation period. The bill increases penalties for offences of failing to notify WorkSafe of an incident and failing to preserve an incident site. We will make these offences indictable rather than summary. This will increase the powers that WorkSafe has to investigate breaches and there will be stronger deterrence in law to deter poor safety practices.

There are also regulatory changes which I have approved and which will come into effect on 17 June 2017 — so very shortly. WorkSafe undertook a comprehensive review of the regulations and consulted extensively with stakeholders to come up with changes that will streamline regulations and make improvements where safety standards need to be increased. There was a terrible tragedy in 2015 where, sadly, a young man was killed in a trench in the construction industry. Construction is also an industry that is overrepresented in workplace fatalities. In that example, I had the both honour and solemn duty of speaking with the family. It brings home the terrible impact that workplace fatalities have, I have to say. This is not an abstract concept. This is individuals like you or me. WorkSafe investigated and prosecuted the company. It was clear that more needed to be done to protect workers doing this kind of work. So in terms of the OHS regulations, they were changed so employers have to prepare emergency plans when doing this kind of work, which is a direct response to those tragic circumstances.

Mr DIMOPOULOS — Minister, thank you. I might pick up from where Ms Ward left off with your WorkSafe hat on as well. In response to Ms Ward you were talking about primarily physical injury or deaths because of equipment failure or accidents at the workplace. In your presentation — which I missed, I am sorry, but I have got the presentation here — you talked about WorkHealth, I understand. I understand there is a focus on mental health, which I have a keen interest in. I just want to get a sense of what that initiative is, if you could unpack it a bit more, and how it builds on — I think there is already investment in WorkHealth — that investment?

Mr SCOTT — The former Labor government invested strongly in the WorkHealth program. There is a significant difference, and I will probably go to a little bit of the history because it has to be contextualised. The former WorkHealth program was particularly focused on health checks. There was a large number. In fact I think it is one of the largest public health check programs in the world. That was about ensuring that people had access to information in utilising the workplace in effect for a public health and particularly a preventative health program based particularly on cardiovascular disease and the impact of sedentary lifestyle and other issues on individuals in the workplace.

A view was formed by the advisory group, and this was an advisory group that had representatives — for example, it was chaired by Todd Harper, the Cancer Council CEO, who is a very fine public servant, and I mean that in the most genuine sense of the word. There was also Tim Piper from the Ai Group, Mark Stone from VCCI and representatives of VicHealth. In fact the Parliamentary Secretary for Health, I should say, chaired it, but Tim Piper did a large amount of work in that area. There were also representatives of public health research, and the secretary of Trades Hall Council was involved. They thought that the focus should much more be on mental health, because the work in terms of the primary health care checks that have been done previously — while very worthwhile and a significant advance in preventative health — had been undertaken on a large scale. And the view was there was greater need to focus in on issues relating to mental health and mental illness.

Mr DIMOPOULOS — Minister, I just want to contribute to that. I was recently in conversations with a large law firm that deals with personal injury claims. They said to me that they have seen the change over — I cannot remember the time frame, but it is decades — particularly the last decade and a half into work-related injuries being more around stress and mental health as opposed to the traditional profile of those personal injury claims in the past. It is consistent with what you are saying.

Mr SCOTT — So employers particularly reported they wanted more support about how to protect and respond to employee mental health issues. The emphasis is very much on a protective approach to ensure that individuals within the workplace do not develop a workplace injury, so it is very much within a preventative and management framework.

So there is free support for all Victorian employers through the online universal online navigation tool, which provides online tailored support and guidance to employers to promote and protect worker mental health and wellbeing. There will also be an allowance for employers conducting mental health checks on their business, and WorkHealth will also offer targeted programs specifically for vulnerable working populations such as ageing workers, young workers and industries in transition.

There will also be a $17 million innovation fund to support new and existing workplace mental health and wellbeing programs. This is very much about shifting the focus to ensuring that we prevent mental health injuries, which have been an increasing element of workplace injury but also an issue of increasing concern across the community, and particularly business was concerned to ensure they have tools.

Mr MORRIS — Minister, BP3, page 321 — the Victorian WorkCover Authority. As you would be well aware, the pre-election budget update indicated that it anticipated dividends from VWA of $332.3 million in 14–15.

Mr SCOTT — Sorry, which page number was it again?

Mr MORRIS — The reference was BP3 page 321, but in my preliminary remarks I am referring to the pre-election budget update, which anticipated dividends from WorkCover of $323.3 million in 14–15, $178.5 million in 15–16, $179.8 million in 16–17 and $176.8 million in 17–18.

Mr SCOTT — Sorry, just to clarify, this is the pre-election budget update?

Mr MORRIS — The Treasury PEBU. I probably should have said PEBU to start with and everyone would have known what I was talking about. On 14 May 2015 you told the committee, and I am quoting now:

> Consistent with our election commitment, WorkSafe will not pay dividends in this budget. Moneys in future years will be applied to improving the health of the Victorian workforce, improving benefits for injured workers, lower premiums for Victorian businesses and funding programs to improve workplace safety.

Minister, we know since that statement that the forecast dividends of almost $180 million a year for 15–16, 16–17, 17–18 have been retained — not to mention the $100 million which was not taken despite being shown in the 14–15 budget update produced under Treasurer Pallas. So that is a total of almost $640 million. We also know that there has been no reduction to WorkCover premiums in that period.

Now, I am not allowed to ask you about 14–15, I am not allowed to ask you about 15–16, so I will ask you for each of the years 16–17, 17–18, 18–19, 19–20 and 20–21 how much of the additional funding has been provided by WorkCover to each of the following: improving the health of the Victorian workforce, improving benefits for injured workers and funding programs to improve workplace safety?

Mr SCOTT — I can provide some partial information and I can provide some further information on notice, because one of the areas that specifically relates to the information you are seeking is in fact the WorkHealth program, so that is a direct application of funding from within WorkSafe. I am happy to clarify further the answer I just previously provided. That is $49.9 million, from memory, which I think has been communicated as it is often rounded to $50 million on occasions, but it is $49.9 million. That is clearly designed to improve the health and the safety of Victorian workers. They are interrelated concepts, because there is a more general health benefit but it also has a focus on preventing workplace injuries, because of course mental health injuries are an increasing issue, as was alluded to by the member for Oakleigh, within the workplace scheme. I would note in terms of average premium rates, there has not been a reduction of the premium, as I think was implicit in your question.

Mr MORRIS — That is right. There has not been, and you indicated it might be applied in that way, so I am saying, if it has not been applied in that way, what is happening with the other things?

Mr SCOTT — But I would note that in terms of other decisions made by government which relate to, effectively, the cost of employment — and premiums to WorkSafe are clearly a cost to employers — there have been decisions made to reduce and bring forward in fact changes to payroll tax and thresholds where there has been a bringing forward, so in terms of the — —

Mr MORRIS — I think if I was in the chair I probably would say that is well outside the scope of your portfolio so could — —

Mr SCOTT — I did indicate that. In terms of decision-making, and also — —

Mr MORRIS — Minister, the question was specifically about those three areas that I have identified, but I am happy to have that information on notice.

Mr SCOTT — I will provide some further information, because there are other areas I can discuss. It is a little bit complex, so I would like you to bear with me for a second. My responsibilities in terms of presumptive rights for firefighters principally relate to those firefighters who are career firefighters; the responsibility that relates to volunteer firefighters attaches to the Minister for Emergency Services. But there is payment — —

Mr MORRIS — There are some costs to the fund, though.

Mr SCOTT — I will get to that. There will be funding from within WorkSafe to cover the cost for career firefighters, which from memory is a little bit over $4 million a year coming from within WorkSafe, although over time as actuarial assessments are done as the scheme unfolds — because in other jurisdictions there has been the experience of there being a lower level of claims than some of the actuarial assumptions, but we want to be careful about that, so we funded it effectively for the full amount of the actuarial assumption because there is a conservative approach to liabilities, as would be expected and as I am sure the Auditor-General would require, frankly — —

Mr MORRIS — Exactly.

Mr SCOTT — As is appropriate. But when there is enough information the intention is to increase the premium, in effect, that the government would pay, and at that point it would come to the general government sector to pay for that cost, but in the interim that cost will be met from within WorkSafe itself. My memory of that — and I am very sure, in fact, I am correct — is it is just over $4 million or in the order of $4 million a year, and that covers, obviously, payments to workers for increased benefits, because this is a new right in effect. It is a little bit complex because presumptive rights of course relate not to the total quantum of the benefit but the ability to access the benefit, but in terms of the government's treatment of these matters, they are treated in a similar manner and considered as a co-related concept. So there is funding for both WorkHealth, which is just shy of $50 million — —

Mr MORRIS — Minister, I appreciate the information, but I am very tight for time, so could we — —

Mr SCOTT — There is other information that I can provide on notice, but I can certainly identify expenditures that are occurring within WorkSafe. They do not appear in the general government sector because they are being dealt with from within the WorkSafe budget, so there is a slight change in how some of those issues are being treated, which I am happy to clarify for you and make transparent.

Mr MORRIS — Thank you. Following on from those three areas I identified from your comments earlier — and this, I imagine, would have to be on notice — could you provide details for every new program funded in those three categories, including the objectives; the outcomes or the anticipated outcomes; the total expenditure or the anticipated total expenditure; and if outsourced or run by or in conjunction with an employer or employee representative body or another non-government organisation, the details of the specific funding by year, the outcomes and what was the nature of the agreement with that organisation or body?

Mr SCOTT — There is certainly information that I can provide in relation to those matters. If you bear with me, I can probably provide — —

Mr MORRIS — I am seeking fairly fine-grained detail.

Mr SCOTT — I understand. There are some definitional issues we would want to look at in terms of existing activity, because there is existing activity that could be considered for some of those matters — —

Mr MORRIS — I am happy to have that information for existing activity as well.

Mr SCOTT — There is one important one, which I think should be put on the record, which of course relates to the changes to the age pension eligibility age, which expands — —

Mr MORRIS — Yes.

Mr SCOTT — And there are costs associated with that, which I am happy to provide. There is an estimated cost to scheme liabilities of $376 million, and the impact would be estimated at the end of financial year 2016–17 at $26.5 million, with that increasing in terms of the cost within the scheme. So in effect it does not require a payment, but it is of course the beneficiaries of the scheme, but the impact of that would rise progressively to around $50 million in 23–24. Of course in that case — —

Mr MORRIS — Minister, I am about to run out of time, but you have ruled out taking dividends from VWA. Do you intend or does the Treasurer intend to seek a capital return from VWA this year or across the forward estimates?

Mr SCOTT — Well, there has certainly been no decision made by the Treasurer to take capital repatriation. I will just slip in for the record though that the estimated impact will rise progressively to $50 million in 2023–24 as the retirement arises to align with the eligibility for the age pension.

Ms SHING — Minister, thank you for your presentation and for the evidence you have given to questions already. I would like to ask you about improving workplace safety and in particular the WorkHealth program and the way in which that has been established to focus on mental health. It is something which has been touched upon in a number of the answers that you have given to questions today. The mental health and wellbeing charter and a best practice approach to mental health in the public sector are things which definitely align with national and in fact international standards around a better focus on this particular part of maintaining and establishing wellbeing for workers. In outlining the initiative in more detail, could you go to the specific activities that the program will include, along with the way in which, if we apply a continuous improvement matrix to that, it will build on previous WorkHealth programs and initiatives, and how we can prevent — so prevention of injury being a key focus — mental health injuries in the workplace and ensure that we establish and maintain good cultural practices and good workplace practices into the future?

Mr SCOTT — I am very happy to talk about WorkHealth because I think it is a very exciting program, and the mental health and wellbeing charter. I think that is WorkHealth, but I think also the work of the public sector occupational health and safety leadership group needs to be referenced in relation to that, because this was re-established. It had been allowed to languish under the former government and it required re-establishment. This included senior representatives from the public sector and key stakeholders including trade unions. The group's role has been to identify key trends, issues, barriers and innovations affecting public sector occupational health and safety, culture and performance, and a major achievement of that is the mental health and wellbeing charter.

This was launched in October 2016 and commits every Victorian department and Victoria Police to creating a mentally healthy and safe workplace. I would note that the occupational health and safety leadership group is chaired by me and has secretarial department level representation. So the charter is designed to promote positive mental health, reduce workplace-related mental health risk factors and provide pathways to appropriate support, recovery and return to work. The principles outlined in the charter are based on the Canadian national standard for psychological health and safety in the workplace, which is regarded as international best practice.

This builds particularly upon the work undertaken in other jurisdictions, and the leadership group is committed to follow the charter and has endorsed a program of work to roll out the charter across government departments. That work program will include improved data collection and reporting so that departments can measure their improvement and benchmark their performance, education and training for all staff to identify risk to mental health and promote mental wellbeing, and a work plan outlining opportunities for interdepartmental collaboration to prevent occupational violence.

Ms SHING — How will the success measures be determined and assessed in relation to the outputs there around gains achieved at a cultural level, at a workplace level and at a productivity level?

Mr SCOTT — I might get Clare to supplement, but the measurement of improved data collection has been a focus of the work, because there has been a desire not just to have a charter in place but to operationalise in effect the charter and ensure the information and feedback, certainly via the occupational health and safety leadership group. I might get Clare to supplement.

Ms AMIES — The occupational health and safety leadership group has also endorsed a minimum dataset which includes both lead and lag indicators so we can, as the minister said, not only benchmark but then see year-on-year improvement in terms of the performance. This includes everything from absenteeism data through to surveys from employees around understanding their perception of what is happening, right through to claims data, incident reporting and risk management. There are quite a detailed number of key performance indicators that we will be measuring over the journey to make sure that we are implementing the right programs but also responding to what we are seeing through that minimum dataset.

Ms SHING — Are we setting up the architecture in the structure of this to have it operate well into the future? One of the challenges of successive governments is often a boom-bust approach to resourcing these sorts of initiatives. I am not asking you to speculate on what may happen in future governments or as part of future budgetary decisions of course, but in the way in which this has been operationalised, are these systems durable enough to be able to continue as part of the business-as-usual program within what government delivers?

Mr SCOTT — Certainly I think the commitment within a government, particularly at departmental level, led by secretaries of departments, has been strong. I think a view that I would take as the minister is these are not ultimately costs to government because the occupational health and safety benefits of the charter will be significant. As you indicate too, it is appropriate that within business-as-usual operations of departments there is a greater emphasis to ensure particularly that a safe workplace, to ensure the mental health of workers within the public sector, is maintained and improved over time.

On rates of injury, we would hope to see benefits arising from the implementation of the charter, which really can be seen as the WorkHealth program principally being focused on the private sector, and the charter and the work associated with the occupational health and safety leadership group drawing upon many of the same resources but principally focused on the public sector and ensuring that both the public and private sectors have a renewed focus on occupational health and safety and mental health occupational health and safety.

Ms SHING — Thank you, Minister. I might move now to procurement, one of those areas where we have seen an awful lot of momentum gathering, not just as part of the infrastructure and investment that has been taking place across the state but as part of growing job opportunities and making Victoria the most desirable place to be doing business and creating growth. Budget paper 3, page 337, details a number of initiatives and activities being undertaken by DTF to deliver efficient whole-of-government common services to the Victorian public sector. In terms of the work that is being done in this space and our objectives around achieving best practice procurement, I would really like to focus on social outcomes and the way in which they can be enhanced. I say that from the perspective as much as anything of the Latrobe Valley and the work that is being done there, and social procurement more broadly, to secure local employment to give people the opportunities, again, against that matrix of a triple-bottom-line assessment, which is the inherent tension in all of this.

Mr SCOTT — Okay, so there are a couple of issues that arise. In my principal responsibilities in terms of procurement through the Victorian Government Purchasing Board, the VGPB as it is referred to, which sits underneath the Financial Management Act, there has been the introduction recently of a supplier code of conduct, which was developed in 2016 and will be implemented by all departments by 1 July 2017, so very shortly. This supports ethical procurement by committing to an outline of overreaching principles to govern the behaviour and ethics of businesses that supply to the Victorian government. This will ensure that goods and services bought by government — this is within the construct the Victorian Government Procurement Board — and large elements of the Victorian public sector follow the policies of the Victorian Government Procurement Board and will have minimal standards of ethical behaviour in key areas such as integrity, ethics and conduct; conflict of interest, gifts, benefits, hospitality, corporate governance, labour and human rights; and health and safety and environmental management.

In terms of individual businesses and employment, some of it sits in other portfolio areas, particularly the Victorian Industry Participation Program. But there is a procurement that sits under my responsibilities in relation to Aboriginal procurement targets for all departments, such as VicRoads, Victoria Police and public transport. The target will seek to ensure that by 2020 at least 1 per cent of suppliers engaged by nominated departments — and we are talking about small businesses within that context — are Aboriginal-owned businesses based in Victoria. There are some restrictions that free trade agreements apply to procurement, but there is a particular exemption that exists for Indigenous employment.

The focus will not just be on Indigenous employment but also Indigenous businesses, which is something which the government, and I will say federal governments as well, have sought to encourage over a period of time. So we are keen to build and improve work in this area to ensure that Aboriginal Victorians can share in the opportunities provided by business interaction with the Victorian government, as have other levels of government.

Mr MORRIS — BP5, page 212, the TAC. The 16–17 budget included a provision for dividends exceeding $1.4 billion to be extracted from the TAC over the forward estimates period. Indeed in the current financial year it was expected that 342 million would be paid in dividends, two-thirds of the total dividends that were coming out of the PFC sector. The *Quarterly Financial Report No. 3* tells us that not only has no dividend yet being received from the TAC but one is no longer expected either in this year, the coming year or across the forward estimates. I do not expect the government anticipates forgoing that revenue, and indeed the Treasurer confirmed that fact at the first hearing, which now seems like a very long time ago.

Mr SCOTT — I can empathise with that time.

Mr MORRIS — During the Treasurer's appearance, Mr O'Brien and Mr Martine had an interesting discussion about AASB 1023, which perhaps explains why Mr O'Brien is no longer a member of this committee.

Mr SCOTT — I would not make a joke in relation to that, and I will say that I wish him a speedy recovery.

Mr MORRIS — During that exchange Mr Martine indicated that the Auditor-General requires dividends —

Mr SCOTT — Correct, yes.

Mr MORRIS — And I am quoting:

> … of the TAC to come back through a different revenue line. Essentially it comes back as a grant rather than as a dividend …

I am aware that there have been some changes in the format of that accounting standard. I understand that in fact it could have been implemented a couple of years ago, but it has not been, but it has to be implemented by, I think it is, 30 June 2018.

As we have heard from Mr Martine, the dividend payments will henceforth be made in the form of a grant; that was the testimony of last time round. The TAC act dictates that the TAC, if required by the Treasurer, must pay to the state a dividend under section 29B or make a capital repayment under section 29A, again if required by the Treasurer. The act does not seem to say anything about grants from the commission to the state and I am just wondering what the new method of extracting funds from the TAC in a manner consistent with the TAC act will be.

Mr SCOTT — I will in fact get the answer supplemented by the secretary of DTF, because you will be aware that my responsibilities relate effectively to a consultation process in relation to the — —

Mr MORRIS — I am just wondering what authority you have to authorise payments out of the fund back to the Treasurer.

Mr SCOTT — No, I am happy for the question to be dealt with. I will make some comments and then refer. As I understand it, in effect the process under the act has not changed but the reporting requirements have changed.

Mr MORRIS — So you are saying it will be still be taken as a dividend; it just will not be presented as one.

Mr SCOTT — In effect the process from my point of view has not changed as the finance minister, in the interrelationship with the Treasurer and the advice that is sought from the Treasurer, but I will get supplementation from the secretary of the department.

Mr MARTINE — Thanks, Minister. Perhaps if I can answer the question that we talked about three weeks ago. I think we took some of the detail on notice, but I can provide that today. You might recall a discussion we had about the 16–17 budget which had a dividend line for the TAC. That line added up to $1.548 billion over four years.

Mr MORRIS — That is right, yes.

Mr MARTINE — For the current budget, as we have discussed, in the equivalent dividend table there is no TAC line. They are now being treated as a grant, and those grants come through page 22, budget paper 5, table 1.2.4. There is a line called 'Other contributions — —

Mr MORRIS — Sorry. Page?

Mr MARTINE — Page 22. There is a line titled 'Other contributions and grants', with a footnote. So the TAC dividends, which are now being treated as grant revenue, effectively flow through that line. So it still comes in as revenue to the general government sector, and the total amount over the — —

Mr MORRIS — But it is not disclosed specifically there.

Mr MARTINE — Sorry, the total amount over the budget and forward estimates: $1.751 billian. Last year's budget, in the dividend table, had $1.548 billian. The equivalence embedded in that line is now $1.751 billion over four years.

Mr MORRIS — Without getting out my calculator, the line 814, 759, 847, 455 — is that the — —

Mr MARTINE — That is the correct line. The TAC dividends are part of — —

Mr SCOTT — It is not the entirety of that line.

Mr MARTINE — Yes. So for example the — —

Mr MORRIS — Okay, so it is not identified separately in the way it would have been in the past?

Mr MARTINE — No, because they are not treated as dividends — they are treated as grants — they come through that particular line. But essentially they add up to $1.751 billion over four years.

Mr MORRIS — Okay. Minister, why was the existence of this Clayton's dividend not disclosed in the budget papers?

Mr SCOTT — In fact that is a question relevant to the Treasurer, but I can take it on notice. That aspect of the budget papers is a responsibility of the Treasurer, not myself. I am responsible particularly for chapter 2 of budget paper 3.

Mr MORRIS — While the amounts are in that line somewhere, can you indicate to us what the total amount to be paid by the TAC to the government under these new arrangements is for the current financial year — the anticipated amount to be paid by 30 June and the payments anticipated in 17–18, 18–19, 19–20 and 20–21?

Mr SCOTT — I might just refer to the secretary because in preparation for the question on notice I think there has been work on that.

Mr MARTINE — Deputy Chair, the current financial year, presumably 16–17 —

Mr MORRIS — Yes.

Mr MARTINE — is $109 million. Then over the next four years is the amount that adds up to $1.751 billian, from 17–18 to 20–21, and the figure for 17–18 is 505 million.

Mr MORRIS — Can you give me the other figures?

Mr MARTINE — For 18–19, $431 million; 19–20, $563 million; and 20–21, $252 million. So from 505 to 252 should, if my maths is correct, add up to $1.751 billion.

Mr MORRIS — Minister, the annual report tells us that in 2015–16 not only were significant dividends extracted in that year — more than 130 million — but the government also required a capital repayment of 78 million. Is it anticipated that there will be any further capital returns or capital repayments in 16–17 or indeed next year and the out years?

Mr SCOTT — The advice I have, similar to WorkSafe, is no determination has been made of the Treasurer to take a capital repatriation.

Mr MORRIS — At what point will that determination be made for each year?

Mr SCOTT — There is an annual process. I am happy to provide it, and the secretary might supplement, because I am involved in part of it. There is an annual process to determine payments like capital repatriation, and there is a consultation process with myself to make sure that any such repatriation or dividend ensures the financial viability. I have to say again all of the statutory authorities are in good financial health, but there is an annual process. In fact we could provide some procedural information that relates to that process.

Mr MORRIS — Yes, that would be helpful.

Mr SCOTT — Every year in effect there is a process. To give context to my previous answer, there is a formalised consultation process with myself which relates principally to the financial viability — I can assure you that they are all healthy and viable, financially strong organisations — and then there is a process whereby there is a determination by the Treasurer in that context. We provide that information.

Mr MORRIS — I will move onto another matter, but I will probably only make some preliminary comments and we will have to come back to it in the final session. In opposition Labor described the sale of surplus government land — BP3, page 334 — as a fire sale of valuable community resources. I know you know this, Minister, because you frequently asked questions at PAEC on this subject. The land sales target for the last coalition budget was 124 million. The target this year is 200 million, the target for next year is 200 million. Yet over four years under the coalition, July 11 to June 15, land sales averaged a total of $125 million per annum. The government target for this year, as we have said, is 200; for the next year it is 200. You have boosted land sales targets by 60 per cent — $75 million a year, $300 million over four years — so I would suggest that if anyone is conducting a fire sale of valuable community resources, it is the government of which you are a member.

Mr SCOTT — Sorry, could I just get the page reference.

Mr MORRIS — BP3, page 334, which is the land sales target.

The CHAIR — Order! Mr Dimopoulos until 1.15 p.m.

Mr MORRIS — We will come back to it.

Mr SCOTT — We will come back to it I am sure.

Mr DIMOPOULOS — It pains me to see a pause in that fantastic exchange between Mr Morris and the minister. That is exactly what PAEC should be about: a comprehensive question.

Minister, I just want to take you to the building improvements initiative, the green buildings initiative —

Mr SCOTT — Greener Government Buildings, yes.

Mr DIMOPOULOS — so BP3, page 107. There is a whole range of things that happen around buildings and cost cutting I suppose. This is probably not in that realm; it is a positive initiative. But I remember when I was in the public service there was a thing by DTF to move people out of the premium CBD space because it cost more money, so you ended up getting rid of ridiculous things like the same branch of an organisation being in Carlton because it just made it on the other side of the street to not be included in the CBD. Some of it did not work in terms of how people worked together and therefore caused more problems in terms of commuting to see your colleagues when otherwise you would not need to.

Having said that, I am not saying the Greener Government Buildings initiative is the same. I just want to get some information about tangible results, what you expect from this in terms of actual savings, apart from the fact that it is good for the environment. What are the actual dollar savings? Do you have a sense of that?

Mr SCOTT — Yes, I can provide some information on that. I suppose it is useful — just some context — to understand that this is a program that existed under the former Labor government which I think was ill-advisedly curtailed and brought to a close under the coalition government. This is essentially around a program which is improving the sufficiency of government buildings. Installing higher efficiency LED lighting, for example, upgrading heating and cooling systems, installing building autonomous solutions, replacing all freeway lighting with better lighting technology, installing solar power and others amongst the programs that it indicates. So there is a dual benefit. One is the cost savings that accrue. The estimated rate of return that I have had is that it can be up to 20 per cent — was it 12 to 20 per cent? It depends on the project, but it is of that sort of order of magnitude. As the minister responsible for the state's superannuation and insurance funds with a large number of assets under our management, if we could achieve 12-plus per cent returns we would be very pleased to have those returns over a long period of time.

But there is also an additional effect of greenhouse gas abatement. It is estimated, for example, that the $33 million announced in August 2016 in the last budget will, upon the completion of the projects, amount to 25 000 tonnes abated per annum, and the $20 million announced as part of this budget, the 17–18 budget, will be 15 000 tonnes per annum. Now, with the $134 million which was invested between 2009–15 as part of the former Labor government's initiatives, which was 134 000 tonnes, there will be 174 000 tonnes abated. In fact the internal rate of return on investment, on the advice I have, on the current expenditure is, I believe, around 23 per cent. That is the advice I have: the program offers an internal rate of return of 23 per cent.

Mr DIMOPOULOS — Minister, can I just quickly ask you on that: working at that percentage, it is basically 23 per cent, so you base that on the investment you are outlaying for the retrofitting of lights and other things, not on the reduction in the power bills?

Mr SCOTT — No, that is the reduction.

Mr DIMOPOULOS — That is it?

Mr SCOTT — So there are a number of effects. One is that you in effect undertake other capital work that you would not necessarily have to undertake, and you have also got a reduction in the utility bills; and there is a small value calculated for the cost-effective greenhouse gas abatement, but that is not, I think, included in that 23 per cent, but I can check that.

Mr DIMOPOULOS — You are absolutely right though. If that was any other investment, people would be lining up to — —

Mr SCOTT — There is a small net debt impact in the initial investment, and then of course there is a period of construction when you are implementing, but if you are getting those sorts of rates of return, a very minor blip in terms of net debt investment for a much stronger long-term return is a very sensible and sound investment in my view.

Mr MORRIS — Minister, returning to that subject of land sales, as I was saying, you have boosted land sales targets by 60 per cent on average against the coalition's last term. The website lists a number of sites that have been sold this year. I think you are a shade under 100 million, from a quick add of what is on the website, but probably on target to sell $200 million worth of those valuable community resources this financial year. There are some sites on the website, but can you advise the committee of the location of sites that have been or will be sold this financial year; and picking up some parameters that were set in 2014 — I do not expect you to disclose the value — provide a full list of the properties with a value higher than $1 million?

Mr SCOTT — Sorry, for which period?

Mr MORRIS — For 16–17.

Mr SCOTT — Yes.

Mr MORRIS — And a full and complete list of sites that have been identified for potential sale in 17–18. As I said, we do not expect the values to be attached, but all sites with a value of more than $1 million might be on that list.

Mr SCOTT — Okay. I can provide some information to the committee now, and then I will take some further information on notice in relation to what information would be reasonably — —

Mr MORRIS — I do have one further question I want to get to, so if we can — —

Mr SCOTT — Okay. So with indulgence, I will try to move quickly through the information I am going to provide to the committee, because in my view if I have information I should always seek to be helpful in the hearing itself. There are a number of sales. There are some east–west property sales which would take place. Seven of those, with the aggregate value of 9.66 million, have been sold as of 31 March 2017. They commenced in December 2016, so that is within the period you are talking about. There are a number of other sites, but in terms of the detail of the question — obviously it is a very detailed piece of information you are seeking — as you indicated there is publicly available information that DTF provides on the land sales web page. I presume you have access to that information.

Mr MORRIS — But you will recall that in 2014 you sought similar information and Mr Rich-Phillips agreed to provide it, so I am hoping the same courtesy will be extended.

Mr SCOTT — I think in terms of my interaction with this committee I have always sought to be courteous in both the exchanges and the information where questions relate to financial transparency.

Mr MORRIS — Just before I move on, I would be interested to know if the Parkville juvenile justice precinct is likely to make an appearance on that list anytime soon too.

Mr SCOTT — No, no. Not in the time frame that we are discussing, no.

Mr MORRIS — I want to move to the emergency services and superannuation area. There has been under discussion, which I understand has now been set aside, an enterprise agreement between the CFA and the UFU which, had it proceeded, would have had significant impact on the defined benefits fund and particularly the impact of extending eligibility for the defined benefits scheme to people who are currently not considered operational firefighters. I am wondering whether the ESSB or the department had done any modelling in terms of the impact that might have on the fund.

Mr SCOTT — There have been propositions. I have got to be careful because with some of these matters we are talking about some cabinet discussions and others. My memory is there were propositions that related to an expansion. I will have to seek some further advice on some of the matters directly that you are raising.

Mr MORRIS — I am happy with that. I would be interested to know what the impact would have been on the fund but also with Fire Rescue Victoria — and you referred to that earlier: what the impact might be and what modelling is done for that possible move as well.

Mr SCOTT — Okay. I can certainly give some general information about the fund which I had previously, and certainly again one of the things I would highlight which is important to note in terms of any analysis of the fund is that the reported liabilities that exist within the budget papers are different from that which exists within the annual report because of differing accounting standards. I would say again, analogous to the insurance agencies which we have been discussing, again the accounting standard that applies to the annual report is more accurate, so it is within that context that I would provide any information.

The CHAIR — I would like to thank the witnesses for their attendance: the Minister for Finance, the Honourable Robin Scott, MP; and Mr Martine, Mr Calafiore, Ms Amies, Ms Auster, Mr Hollingsworth, Ms Porthouse and Mr Bonnici. The committee will follow up on any questions taken on notice in writing. I think Ms Pennicuik, because she is ill today, has also provided some questions on notice to the secretariat. The response answering the questions in full should be provided in writing within 10 working days of the committee's request.

Witnesses withdrew.