

QUESTIONS TAKEN ON NOTICE AND FURTHER INFORMATION AGREED TO BE SUPPLIED AT THE PAEC 2017-18 BUDGET ESTIMATES HEARINGS

Hon Robin Scott MP

Finance Portfolio

Question 1

A number of items were discussed that were more relevant to the Treasurer, but the Minister for Finance agreed to follow up and provide information, as follows:

- a. 'Sales of goods and services' are expected to rise over the forward estimates,¹ partly associated with an increase in TAFE fees for services. Please advise whether this indicates fees paid by TAFE students are expected to rise.
- b. Please provide details of the 'Donations and gifts' estimates,² including a list of what the major components of this item are.
- c. For the tax expenditure items 'Assessment on a single holding basis for land owned by charities' and 'Fire Services Property Levy expenditures' please explain what each item is and how it is estimated.

(Pages 8-9 of the Finance portfolio transcript)

Response

The increase in TAFE fee-for-service revenue reflects expected enrolment growth, as a result of Government policies and other demographic changes.

The donations and gifts estimate of \$248m in 2017-18 primarily relates to donations and gifts expected to be received by the State's public hospitals, representing \$201m of this balance. These include donations of various types, including research, bequests and fundraising activities.

Assessment on a single holding basis for land owned by charities

Under the Land Tax Act, all land held by a charity and not used for charitable purposes is assessed as if it were a series of single land holdings, not a collection of properties to be taxed together. The tax expenditure forecasts for this line are based on estimates provided by the SRO for the previous financial year, which are increased in line with the total land tax revenue growth rate forecast.

Fire Services Property Levy expenditures

The FSPL concession estimate is based on the assumption that those households which receive municipal council rates concessions also access the FSPL concession. The FSPL concession is valued

¹ Department of Treasury and Finance, Budget Paper No.5: 2017-18 Statement of Finances (2017), p.166

² Department of Treasury and Finance, Budget Paper No.3: 2017-18 Service Delivery (2017), p.167

at \$50 and is available for holders of pensioner concession cards and Department of Veterans' Affairs gold cards (Totally and Permanently Incapacitated and War Widows) on their principal place of residence. Only one concession applies per property.

Therefore, as DHHS administers the municipal council rates concession, DHHS provides DTF with the annual forecast number of households expected to receive the municipal council concession for the Budget year and forward estimates. This number is then multiplied by the value of the concession (\$50) to equal the estimated annual tax expenditure.

Question 2

The 2014 Pre-Election Budget Update estimated that \$332.3 million was to be paid by WorkCover (VWA) during 2014-15.³ Subsequently, WorkCover has not been required to pay dividends. Please indicate, for the years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21, how much funding is anticipated from WorkCover for the following:

- a. Improving the health of the Victorian workforce
- b. Improving benefits for injured workers
- c. Funding programs to improve workplace safety.

(Page 12 of the Finance portfolio transcript)

Response

The Government is committed to using WorkSafe's accumulated surplus to fund improvements to benefits for injured workers, lower WorkSafe premiums and programs to improve workplace health and safety.

Improving the health of the Victorian workforce, improving outcomes for injured workers and improving workplace safety are all core business activities for WorkSafe. In the 2015/16 financial year WorkSafe's operating expenditure on these core activities was \$138.87 million on occupational health and safety, \$98.21 million on insurance and claims management and \$51.02 million on dispute resolution.

As part of core prevention activities WorkSafe has increased its focus on agriculture and mental wellbeing while continuing to focus on the construction industry. Recent activities include:

- a 9 per cent increase in the number of full time equivalent inspectors since December 2014 and recruitment of seven new investigators
- a campaign launched with the Department of Health and Human Services to address occupational violence and aggression in the healthcare sector.
- a campaign to highlight agriculture's death toll and encourage farmers to think about workplace safety and prevent further deaths on farms.
- Initiatives to improve mental wellbeing in the public sector, including the launch of the Mental Health and Wellbeing Charter.

As part of improving outcomes for injured workers, WorkSafe has commissioned research into outcomes for long term injured workers. The findings of this research will be used to improve the claims experience and return to work outcomes for injured workers.

³ Department of Treasury and Finance, 2014 Pre-Election Budget Update (2014), p.44

In addition to these core activities, over the forecast period, WorkSafe will invest in the following projects:

Initiative	Expenditure	Objectives and outcomes
Improving the health of the Victorian workforce		
WorkHealth	\$49.9 million	<ul style="list-style-type: none"> To support workplaces to promote and protect mental health and wellbeing of their staff. Build mentally healthier workplaces To support achievement of the Victorian Government's 10 Year Mental Health Plan.
Improving the benefits for injured workers		
Increase in retirement age provisions to align with Commonwealth aged pension age increase	Estimated to have a \$26.5 million impact in 2016/17 increasing to \$50 million in 2023/24.	<ul style="list-style-type: none"> There will be no gap between the age at which a worker ceases to be entitled to weekly payments and superannuation contributions under the WorkSafe scheme and the age at which they are eligible for the Commonwealth Age Pension.
Bill before the house to introduce a new entitlement to allow reasonable costs to be paid to family members of severely injured or deceased workers for travel and accommodation where the worker's injury requires them to be hospitalised, or the funeral is held, more than 100 kilometres from their residence.	Estimated cost of up to \$1m per annum	<ul style="list-style-type: none"> To provide compassionate support to the families of those injured in the workplace.
Bill before the house to introduce presumptive rights for firefighters	Approximately \$4m annually, anticipated to decline in subsequent years based on actuarial modelling.	<ul style="list-style-type: none"> To give career and volunteer firefighters a presumptive entitlement to compensation for cancer claims arising from their employment or service.
Improve workplace safety		
Quad Bike Safety Strategy (rebate)	\$6 million over two years. The specific funding per year depends on the	<ul style="list-style-type: none"> To provide rebate aid to eligible workplaces to purchase a safer vehicle or fit an operator protective

Initiative	Expenditure	Objectives and outcomes
	applications made for the rebate.	<p>device to existing quad bikes with the aim of eliminating injuries and fatalities that occur because of quad bike use, mostly on farms.</p> <ul style="list-style-type: none"> • This program is administered by the Victorian Farmers Federation via a contractual arrangement.
Victorian Asbestos Eradication Agency	\$3-\$5 million per year	<ul style="list-style-type: none"> • Funding of the Victorian Government's establishment of a dedicated, independent agency to prioritise and plan for the removal of asbestos from Government buildings across Victoria.

Question 3

For each program funded in the three categories mentioned in the previous question, please advise:

- a. The objectives of the program
- b. The outcomes (or anticipated outcomes) of the program
- c. The total expenditure (or anticipated total expenditure) of the program

If the program is outsourced or run by or in conjunction with an employer or employee representative body or another non-government organisation, please advise:

- d. The details of the specific funding by year
- e. The outcomes
- f. The nature of the agreement with that organisation or body.

(Pages 13-14 of the Finance portfolio transcript)

Response

See response to Question 2.

Question 4

Regarding the changed arrangement for the Transport Accident Commission, where previously the TAC paid dividends to the Government:

- a. Please explain the change in the arrangement.
- b. Please explain why the changed arrangement was not disclosed in the budget papers.
- c. Please explain how the Government makes the decision of how much 'capital repatriation' the TAC pays.

(Pages 16-18 of the Finance portfolio transcript)

Response:

The TAC's underlying financial position is strong thus making distributions to the State possible without undermining the organisation's sustainability.

The TAC's claims liabilities are valued in accordance with AASB 1023. This accounting standard requires the use of a Commonwealth bond rate as the reference rate when calculating the value of claims liabilities. Commonwealth bond rates have over the past several years been recorded at or near historic low levels. This has resulted in a negative asset position on an accounting basis which is not reflective of the underlying economic position of the entity.

As a result, dividend payments to the State were reclassified as grants in alignment with Financial Reporting Direction 119A and advice from the Victorian Auditor General's Office (VAGO).

Monies paid by the TAC to the State were disclosed in the Budget as grants in accordance with the advice received from VAGO (Table 4.3: Grants page 157 of 2017-18 Budget Paper No. 5 Service Delivery). Consistent with previous Budget papers, grant income is only disclosed in aggregate in the State's operating statement.

As required under the Transport Accident Act, the Treasurer consults with the responsible Minister and the TAC Board on the payment of dividends. In determining the amount and timing of any payments the Treasurer considers the financial position of the TAC.

As part of the normal governance and oversight process, the Treasurer determines, in consultation with the TAC Chair and the responsible Minister, the quantum of the interim and annual dividends.

Question 5

With regard to asset sales, please provide a list of sites (with a value of higher than \$1 million) that:

- a. were sold or are anticipated to be sold during 2016-17, including locations
- b. have been identified for potential sale during 2017-18.

(Pages 19-20 of the Finance portfolio transcript)

Response:

Sites that have been sold during 2016-17 (with a value of \$1 million or more)

Address	Suburb	Sale Price
27 Driscolls Road	Kealba	\$ 24,165,000
430 Blackshaws Road	Altona	\$ 13,875,000
Cnr Ballarat & Station Roads	Deer Park	\$ 11,500,100
15-29 Coomoora Road	Springvale South	\$ 10,500,000
46 Eliza Street	Keilor Park	\$ 9,650,000
130-174 Buckley St & 178-186 Buckley St	West Footscray	\$ 8,510,000
94-104 Buckley St	Footscray	\$ 4,850,000
16 Alexandra Parade	Clifton Hill	\$ 4,850,000
27-47 Photinia St Doveton	Doveton	\$ 4,000,000
10 Reeves Street	Clifton Hill	\$ 3,600,000
137-167 Cox Road	Norlane	\$ 3,000,000
6-8 Neilson Place	Footscray	\$ 2,200,000
Cnr Princes Hwy & Tower Rd	Werribee	\$ 1,930,000
201 Wingrove Street	Fairfield	\$ 1,900,000
367 Wellington St	Clifton Hill	\$ 1,630,000
9 Noone Street	Clifton Hill	\$ 1,420,000
116-120 Buckley St	Footscray	\$ 1,270,000
128 Gold Street	Clifton Hill	\$ 1,180,000
1 Byron St	Footscray	\$ 1,050,000
137 Gold St	Clifton Hill	\$ 1,000,000

Note: These sites were contracted (sold) in 2016-17 by DTF and are counted towards the Budget Paper 3 target of \$200 million.

Sites (with a value of \$1 million or more) that have been identified for potential sale during 2017-18.

Suburb	Street Address
South Melbourne	Various leased sites in South Melbourne
Kilsyth	136-168 Cambridge Road (part)
Reservoir	31 Radford Road (part)
Corio	95 Hendy Street
Corio	26-34 Sharland Road
Kyneton	7-15 Baynton Street
Colac	413-437 Murray Street
Bakery Hill	28 Victoria Street
Essendon	2 Grice Crescent
Highett	1136 Nepean Hwy
Fitzroy	433 Smith St
Boronia	40 Mount View Road
Caulfield East	100 Queens Avenue
Broadmeadows	41 Graham Street
Coburg	End Kewarren Court
Footscray	4-6 Whitehall St
Broadmeadows	58-60 King William St
Corio	95 Hendy Street
Corio	26-34 Sharland Road
Broadmeadows	2-12 Nicholas St
Bendigo	43 Williamson St
Bendigo	107-125 Holdsworth Rd
Ballarat	8-10 Anderson St Ballarat
Keysborough	9 Maralinga Avenue
Noble Park	30-40 Athol Road
Wantirna	56 Kingloch Parade
Dallas	22-48 Ambrose Street
Parkville	109 Manningham Street
Kensington	70-90 Chelmsford Street
Clifton Hill	62-64 Alexandra Pde
Clifton Hill	2-12 Alexandra Pde
Clifton Hill	406-412 Wellington St
Collingwood	15-17 Bendigo St (units 1-6)
Collingwood	25-27 Bendigo St (units 1-5)
Clifton Hill	592-596 Smith Street
Parkville	81 Manningham Street
Clifton Hill	420 Wellington St
Clifton Hill	418 Wellington St
Clifton Hill	2 Hilton Street
Clifton Hill	60 Alexandra Pde
Clifton Hill	598-600 Smith Street
Collingwood	44 Ballarat St
Clifton Hill	5 Noone St

Note: The sites listed above include sites which have been identified to be referred to DTF to sell in 2017-18. Until the sites are referred to DTF and due diligence has been undertaken, it cannot be confirmed whether the sites are capable of being sold in the 2017-18 financial year.

Question 6

Regarding the proposed enterprise agreement between the CFA and the UFU, please advise:

- a. Whether the ESSB or department has done any modelling to assess the impact of extending eligibility for the defined benefits scheme to people who are currently not considered operational firefighters?
- b. Whether there was any anticipated impact on Fire Rescue Victoria.

(Pages 20-1 of the Finance portfolio transcript)

Response:

There have been no requests made to the Department of Treasury and Finance or ESSSuper to undertake modelling of the impact of extending the eligibility for the Emergency Services Defined Benefits Scheme (ESDB Scheme) to people who are not currently considered operational firefighters. As the proposed CFA Operational enterprise agreement has not been submitted to the Fair Work Commission for approval, the provisions to establish a Committee to discuss extending the ESDB Scheme, amongst other superannuation matters, are not yet in force.

As the proposed Fire Services Reform changes are currently before the Parliament, it is too early to anticipate the detail of any future Fire Rescue Victoria enterprise agreement and associated impacts.

The following question was submitted to the Chair from a PAEC Member who was absent from the hearings:

With respect to the \$100 million Safer Cycling and Pedestrian Fund, which is implemented by TAC in coordination with VicRoads:

- a. Will the TAC be committing any further funds to cycling and pedestrian infrastructure in this Financial Year?
- b. What were the cycling projects not originally included in the 2016-17 targets that were completed, and what were the three projects that had their scheduling changed?
- c. Have any of these cycling and pedestrian projects been implemented as dedicated projects, and not treatments within/addendums to a road project.

Response:

The \$100 million Safer Pedestrian and Cycling Fund was established to improve safety for cyclists and pedestrians. The fund is a key component of the Victorian Government's Towards Zero Road Safety Strategy and Action Plan. It is funded through the Safe System Roads Infrastructure Program (SSRIP) and administered by the TAC, VicRoads and Active Transport Victoria (ATV).

The program consists of 3 components: \$70 million for safer cycling infrastructure, \$25 million for safer pedestrian infrastructure; and \$5 million for safer pedestrian and cycling areas.

- The \$100 million fund has been fully allocated in the 2016-17 financial year.
- Pedestrian and cycling projects have been progressed through endorsement as per the planned target date of 30 June 2017.
- All projects endorsed under the fund are dedicated projects focused on increasing safety for pedestrians and/or cyclists, some of our most vulnerable road users.

The construction of the endorsed projects will commence in the 2017-18 financial year.

All projects under the fund are dedicated projects focusing on vulnerable road users and are not currently planned to be delivered using addendum to existing road projects. However, should it be deemed that an addendum to an existing contract to deliver these projects represented value for money, then this would be considered as part of the projects delivery strategy.