

---

**Government responses to the recommendations of**  
**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S**  
**Report on the 2015-16 Budget Estimates**

---

Consolidated Response

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) *Report on the 2015-16 Budget Estimates*.

**Guide for readers** - Following is the explanation of the format of this paper.

<b>1</b>		
<b>Title</b>		
<b>2</b>		
<b>Chapter number and topic</b>		
<b>1</b>	<b>2</b>	<b>3</b>
<b>PAEC recommendation, page, chapter</b>	<b>Response</b>	<b>Action taken to date and commitment to further action</b>

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains PAEC's recommendations as published in the Report.

Column 2: Indicates the Government's response to each recommendation: 'Support', 'Support-in-Principle', 'Not Support' or 'Under Review'.

Column 3: Provides an explanation of the Government's position on the recommendation indicates the actions that have been taken to date, relevant to the implementation of the recommendation and outlines commitment to further action, relevant to the implementation of the recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Report on the 2015-16 Budget Estimates</b>		
<b>Chapter 1, Introduction</b>		
<b>Recommendation 1, p5, Chapter 1: Introduction</b>		
<p>RECOMMENDATION 1: Future budget papers include a discussion about the tendencies to underestimate or overestimate certain items in past budget estimates, including both financial statement items and key economic assumptions. This discussion should include:</p> <p>(a) identifying the items which past budget papers have consistently underestimated or overestimated (considering the entire forward estimates period)</p> <p>(b) quantifying the variations between the actual results and the estimates for these items (across all years of the relevant forward estimates periods).</p>	Not support	<p>The Government's forecasts for key economic and fiscal variables in its budget papers reflect its best central estimate for these variables at a point in time given the available information. Noting that all forecasts are estimated with a degree of error, the notion of a 'centrally based' estimate means that there is a broadly even chance that the outcome will be higher as there is that it will be lower than forecast.</p> <p>Risks to economic forecasts are discussed in Budget Paper No. 2, Chapter 2 and fiscal risks in Budget Paper No. 2, Chapter 4. The impact of departures of variations in the economic outlook from forecast on the fiscal aggregates is discussed in detail in the sensitivity analysis in Budget Paper No. 2, Appendix A.</p> <p>Nonetheless, the Government will continue to review its forecasting methods and the way risks to the forecasts are discussed in budget papers to ensure that budget estimates remain robust and are well explained.</p>
<b>Recommendation 2, p5, Chapter 1: Introduction</b>		
<p>RECOMMENDATION 2: When future budget papers discuss the estimated future growth rates of items compared to past actual growth rates, the discussion clearly indicate if underestimation or overestimation of the estimates is likely to be a factor causing variances. This should apply to both financial statement items and key economic assumptions.</p>	Not support	<p>The Government's forecasts for key economic and fiscal variables in its budget papers reflect its best central estimate for these variables at a point in time given the available information. In these circumstances, underestimation or overestimation of the estimates is unlikely to be a factor causing variances.</p>
<b>Recommendation 3, p5, Chapter 1: Introduction</b>		
<p>RECOMMENDATION 3: The Department of Treasury and Finance consider including 'fan charts' in the budget papers, showing the likelihood of different outcomes for key budget estimates based on past variances between forecasts and actual results.</p>	Under review	<p>The Government will review the applicability of 'fan charts' to the various lines forecast in the budget papers, and consider its inclusion, where relevant, as part of the 2016-17 budget.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 4, p7, Chapter 1: Introduction</b>		
RECOMMENDATION 4: The Department of Treasury and Finance review the budget papers to identify areas where the discussion could be improved by making cross-references to other parts of the budget papers.	Support	The Department of Treasury and Finance (DTF) will continue to review the budget papers annually as part of the budget papers drafting process to improve their readability.
<b>Recommendation 5, p8, Chapter 1: Introduction</b>		
RECOMMENDATION 5: Future budget papers include explanations for significant variances between past actual growth rates and estimated future growth rates for any item over \$100.0 million. A variance should be counted as significant when the future growth rate (between the budget year and the end of the forward estimates period) varies by greater than ±1 percentage point from the growth rate across the last five years for which actual amounts are known.	Not support	The Government does not support rules-based approaches to analysis in its budget papers, as this increases the risk of a greater volumes of commentary at the expense of genuine accessibility and understanding of the budget estimates.  In addition, Budget Paper No. 2, Chapter 4, includes detailed analysis of variations in fiscal estimates from year to year, and from previous forecasts. The addition of commentary on variations in forecasts relative to history would likely duplicate analysis already contained in the budget papers, and would also be inconsistent with the forward-looking focus of budget papers.
<b>Chapter 2 Key aspects of the 2015-16 Budget</b>		
<b>Recommendation 6, p22, Chapter 2: Key aspects of the 2015-16 Budget</b>		
RECOMMENDATION 6: In discussing the Government's financial objectives and measures in future Strategy and Outlook budget papers, the discussion clearly note the existence of any relevant quantified targets in other parts of the budget papers, including Note 1 to the financial statements.	Support	The Government supports this recommendation.
<b>Recommendation 7, p22, Chapter 2: Key aspects of the 2015-16 Budget</b>		
RECOMMENDATION 7: The Government expand its financial management targets to provide specific targets for all four of its long-term objectives.	Not support	The Government reserves the right to specify its own financial management targets and long-term objectives in a manner consistent with the requirements of the <i>Financial Management Act 1994</i> .

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 8, p41, Chapter 2: Key aspects of the 2015-16 Budget</b>		
RECOMMENDATION 8: The Department of Treasury and Finance include in future budget papers a chart indicating the proportion of each year's infrastructure investment expected to be funded by cash and the proportion expected to be funded by debt in recent years and across the forward estimates period.	Under review	The Government reserves the right to incorporate the charts of its own choosing in the budget papers. It should be noted, however, that the budget papers, including the cash flow statement for the general government in Budget Paper No. 5, provide the information needed to determine the proportion of infrastructure investment funded from internal sources or net borrowings.
<b>Chapter 3 Economic overview</b>		
<b>Recommendation 9, p57, Chapter 3: Economic overview</b>		
RECOMMENDATION 9: Future budget papers include a break-down of the forecasts of gross state product used in developing the budget estimates. This break-down should quantify the expected value of each of the main components of gross state product across the forward estimates period, including household consumption, dwelling investment, business investment and trade.	Not support	Chapter 2 of Budget Paper 2 contains substantial qualitative descriptions of the expected behaviour of major components of gross state product over the forecast horizon. This provides an appropriate level of information and context around the main drivers of economic growth and the rationale underpinning the forecasts. Due to frequent revisions to published ABS data at the state level, a reconciliation between forecasts and actual outcomes will usually be superseded from year to year, with no meaningful policy implications. Further, as state governments have limited macroeconomic policy levers to directly influence the outcomes of the components of gross state product, enumeration of detailed forecasts is not justified.
<b>Recommendation 10, p58, Chapter 3: Economic overview</b>		
RECOMMENDATION 10: Future budget papers publish the forecasts for the budget year and forward estimates period for any variable included in the sensitivity analysis for which a 1 percentage point variance would impact on the operating surplus or net debt by more than \$100.0 million over the forward estimates period. For any variable where this is not appropriate, the budget papers should state the reasons why the forecasts for this variable have not been published in the budget papers.	Not support	The budget papers already contain forecasts for the budget year and forward estimates period for gross state product, consumer prices, wage price index, and employment. The other items contained in the current sensitivity analysis are not independently forecast by DTF, but utilise market forecasts where available, or if not available assume current values, or futures market values remain constant for the remaining forecast period. Forecasts of enterprise bargaining agreements are not made, as the total employee costs of government (reflecting both numbers and expected salary levels of employees) are included in the financial tables elsewhere in Budget Paper 2.
<b>Recommendation 11, p59, Chapter 3: Economic overview</b>		

PAEC recommendation	Response	Action taken to date and commitment to further action
<p>RECOMMENDATION 11: The sensitivity analysis in future budget papers include all variables listed in Note 1 to the financial statements as key economic assumptions (including population growth and the unemployment rate). For any variable where this is not appropriate, the budget papers should state the reasons why this variable has not been included in the sensitivity analysis.</p>	<p>Support in principle</p>	<p>The variables that are included in the key economic assumptions table of Note 1 (BP5 Chapter 1) but not included in the sensitivity analysis are the unemployment rate, population growth and wage price index (WPI) growth.</p> <p>The Government considers that:</p> <ul style="list-style-type: none"> <li>• the unemployment rate should not be included in the sensitivity analysis (but given an explanation);</li> <li>• the inclusion of population growth should be reviewed as part of the broader sensitivity analysis review; and</li> <li>• average weekly earnings (AWE) should be replaced with wage price index (WPI).</li> </ul> <p>Further detail is provided below.</p> <p><b>Unemployment rate:</b> The unemployment rate is not a direct input to forecasts for tax lines. Previous comments provided to PAEC (<i>Response to the Committee’s 2013-14 and 2014-15 Financial and Performance Outcomes General Questionnaire</i>) noted that the financial impacts of unemployment rate variations are broadly captured by the employment impacts included in the sensitivity analysis.</p> <p><b>Population:</b> Population revenue impacts are implicitly captured through employment and GSP in the sensitivity analysis. However, expense impacts would need to be estimated. This will be covered by the sensitivity analysis review currently underway. If the results of the review are not implemented by the 2016-17 budget, a short qualitative discussion could be added on demographic and population pressures. Quantified population impacts could be included in a subsequent publication.</p> <p><b>WPI:</b> WPI is a different wage measure from AWE, which is currently included in the sensitivity analysis. AWE is conceptually a more appropriate measure for the sensitivity analysis as it is a wage bill measure. The WPI, on the other hand, measures the wage inflation based on a fixed basket of jobs, so doesn’t capture all compositional effects.</p> <p>All else equal, these variables are assumed to grow at the same rates across the forecast period. This means that the figures in the sensitivity analysis would be unchanged if AWE were replaced with WPI. Therefore, a switch to WPI would have no impact on sensitivity results and would align the sensitivity analysis with the published economic forecasts.</p>
<p><b>Recommendation 12, p61, Chapter 3: Economic overview</b></p>		
<p>RECOMMENDATION 12: Future budget papers quantify the impact of the main risks to the Victorian economy identified in the discussion in Budget Paper No.2 by including all of the identified risks in the sensitivity analysis. For any risk where this is not appropriate, the budget papers should state the reasons why this risk has not been included in the sensitivity analysis.</p>	<p>Under review</p>	<p>A review of the budget sensitivity analysis is underway, with the aim of improving the amount of information provided in the budget papers, including further quantification of risks. These improvements will be included when reliable, robust quantification of the risks can be derived. However, some risks can be difficult to quantify given the complexity of the interaction of various economic indicators, and the continually evolving economic landscape in which they occur (such as the rapid rise of China as a major economy, the fast rate of technological change and deteriorating security situation in many parts of the world).</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 13, p65, Chapter 3: Economic overview</b>		
RECOMMENDATION 13: The Department of Treasury and Finance release forecasts and publish targets for the underemployment rate, underutilisation rate, the total number of hours worked and the youth unemployment rate.	Not support	DTF does not forecast these variables nor have targets.
<b>Recommendation 14, p65, Chapter 3: Economic overview</b>		
RECOMMENDATION 14: The Government release regular reports to assess the progress and efficacy of the Government's programs to stimulate employment.	Support in principle	Where appropriate, the Government will release regular reports to assess the progress and efficacy of the Government's programs to stimulate employment. This includes the State Revenue Office which already provides quarterly reports on outcomes of the <i>Back to Work</i> initiative. Other portfolios will need to decide the approach related to programs for which they are responsible.
<b>Recommendation 15, p69, Chapter 3: Economic overview</b>		
RECOMMENDATION 15: The Department of Treasury and Finance review its methodology for forecasting growth in real gross state product (in the light of the regular overestimation in previous budgets) and population growth (in the light of regular underestimation).	Support	<p>The methodology for forecasting growth in real gross state product (GSP) and population are routinely reviewed as part of budget forecasting round.</p> <p>With respect to forecasts for 2014-15 in the 2014-15 Budget (the latest forecasts for which actuals are available):</p> <ul style="list-style-type: none"> <li>• the GSP forecast of 2.5 per cent compares with an outcome of 2.5 per cent; and</li> <li>• the population forecast of 1.8 per cent compares with an outcome of 1.8 per cent.</li> </ul>
<b>Recommendation 16, p71, Chapter 3: Economic overview</b>		
RECOMMENDATION 16: Future budget papers include additional details about the methodology used in making economic forecasts across the forward estimates period, including the period of time considered when calculating trends where appropriate.	Support	The online budget document, <i>Method for making forecasts of macro-economic indicators</i> , published May 2015, details how trend growth is calculated, including the period of time used to calculate trend.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 17, p71, Chapter 3: Economic overview</b>		
RECOMMENDATION 17: The Department of Treasury and Finance update the <i>Method for Making Forecasts of Macro-Economic Indicators</i> to provide more detailed descriptions of the methods used to produce forecasts for the last two years of the forward estimates period.	Support	The online budget document, <i>Method for making forecasts of macro-economic indicators</i> , published May 2015, details how estimates for the last two years of the forward estimates are calculated. DTF reviews the methodology each year and will seek to provide more details on the projections for the forward estimate out-years.
<b>Chapter 4 Revenue</b>		
<b>Recommendation 18, p76, Chapter 4: Revenue</b>		
RECOMMENDATION 18: Future budget papers include an explanation of how the estimates for GSP have influenced the estimates of different components of revenue. In cases where GSP growth rates differ significantly from revenue growth rates, these explanations should identify the factors which have caused the difference in growth rates, and discuss how each factor has influenced the estimate.	Support in principle	The budget papers will include discussion of the drivers of revenue estimates in the reinstated background information notes (Recommendation 21) and forecast explanations. GSP (and/or components) will be referenced for revenue lines where it is a key driver. The principle of the recommendation will be addressed by clearly describing only those drivers which are relevant to each line.
<b>Recommendation 19, p77, Chapter 4: Revenue</b>		
RECOMMENDATION 19: The Auditor-General assess whether the factors used by the Department of Treasury and Finance in constructing revenue estimates are adequately described in the budget papers. This assessment should include the way GSP estimates, and any other relevant factors, have been taken into account. As part of this, the Auditor-General should examine why the taxation estimates in the 2015-16 Budget increase at a slower rate than has occurred in recent years at the same time that the GSP estimates increase at a faster rate.	Not applicable	The Auditor-General will respond directly to Parliament in relation to this recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 20, p87, Chapter 4: Revenue</b>		
<p>RECOMMENDATION 20: Future budget papers include information in the revenue measures section on all initiatives whose main effect is to lower revenue. This can be achieved either by:</p> <p>(a) including all such initiatives in the revenue measures section of the budget papers as revenue initiatives or</p> <p>(b) including a cross-reference in the revenue measures section of the budget papers to relevant initiatives in other sections of the budget papers.</p>	Support	<p>Initiatives that are designed to lower revenue are referenced in the revenue measures section of the budget papers.</p> <p>Initiatives that are specific, output-related items (and more appropriately included in the relevant portfolio section) can be cross-referenced in the revenue measures section.</p>
<b>Recommendation 21, p90, Chapter 4: Revenue</b>		
<p>RECOMMENDATION 21: The budget papers reinstate the practice of including background information on the major components of revenue, including, where relevant, the component's purpose, how it is calculated and relevant concessions and exemptions. This information may be included in the discussion of each revenue item or in another section in the budget papers.</p>	Support	Background information on major revenue components will be reinstated.
<b>Recommendation 22, p96, Chapter 4: Revenue</b>		
<p>RECOMMENDATION 22: The Government publish a detailed explanation of its dividend policy, identifying the factors considered in determining when it is best to leave profits with entities and when it is best to take them as dividends.</p>	Support in principle	<p>The Government's established dividend policy is detailed in DTF's <i>Corporate Planning and Performance Reporting Requirements for Government Business Enterprises</i> (October 2009). Factors considered in determining the appropriate dividend payout ratio for an entity include the entity's reported profit, operating cash flow, retained earnings, gearing and interest cover, liquidity and working capital requirements, and forecast cash flow requirements (including planned capital expenditure).</p> <p>The views of the entity's Board and the portfolio Minister, and the Government's budget position are also considered in determining an entity's dividend rate and the timing of the applicable payment. The existing dividend policy includes two benchmarks which provide a basis for forecasting dividend payments from individual entities, and a starting point for dividend discussions with entities (together with the factors noted above):</p> <ul style="list-style-type: none"> <li>• Dividends equal to 50 per cent of net profit after tax; or</li> <li>• Dividends equal to 65 per cent of pre-tax profit where an entity is not under the national tax equivalent regime.</li> </ul>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 23, p96, Chapter 4: Revenue</b>		
<p>RECOMMENDATION 23: Future budget papers provide more detailed discussion about the estimated dividend payments included in the forward estimates. This discussion should explain why those amounts are considered appropriate and indicate the expected impact of dividend payments on the financial sustainability of paying entities. This should include a discussion of the effects on paying entities' abilities to carry out their infrastructure investment plans while meeting required dividend payments.</p>	Not support	<p>There is no significant public benefit in future budget papers including a detailed discussion on forward estimates dividend payments, as the existing dividend policy establishes the basis for setting dividends.</p>
<b>Chapter 5 Parliamentary control over departmental revenue</b>		
<b>Recommendation 24, p106, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 24: Future budget papers note the proportion of revenue that comes from annual and special appropriations compared to other sources and explain any significant changes in this proportion from previous years.</p>	Support in principle	<p>The proportion of revenue from other sources outside the authority given by Parliament has increased in recent years, primarily driven by changes to the Commonwealth-State funding mechanism for the National Health Reform Agreement (NHRA), beginning in 2012-13. Changes to the authority for funding relating to the NHRA were disclosed and explained by note and commentary in budget papers in several instances<sup>1</sup>. Furthermore, these changes were also made clear by the Assistant Treasurer in parliament during the consideration of the 2012-13 and 2013-14 appropriation bills<sup>2</sup>.</p> <p>The Government supports the principle that budget papers (Budget Paper No. 5) should note any significant variations from previous year's appropriations as they arise, or when it is necessary to explain one-off material changes that occur between financial years. However, the proportion of revenue that comes from annual and special appropriations compared to other sources is evident from existing published tables.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. <i>2012-13 Budget Paper No.5 Statement of Finances</i>, notes to Table A.1 page 206; Table A.3 page 210; Table A.5 page 217; Table A.7 page 219; Chapter 3 Departmental Financial Statements pages 91-93; <i>2012-13 Budget Paper No.3 Service Delivery</i>, notes to Table 2.10 page 120.</li> <li>2. Parliamentary debates (Hansard), Thursday 27 June 2013, Appropriation (2013-14) Bill pages 2284-2285  <a href="http://www.parliament.vic.gov.au/images/stories/daily-hansard/Council_2013/Council_Daily_Extract_Thursday_27_June_2013_from_Book_9.pdf">http://www.parliament.vic.gov.au/images/stories/daily-hansard/Council_2013/Council_Daily_Extract_Thursday_27_June_2013_from_Book_9.pdf</a>; Parliamentary debates (Hansard), Thursday 21 June 2012, Appropriation (2012-13) Bill page 3272  <a href="http://www.parliament.vic.gov.au/images/stories/daily-hansard/Council_2013/Council_Daily_Extract_Thursday_27_June_2013_from_Book_9.pdf">http://www.parliament.vic.gov.au/images/stories/daily-hansard/Council_2013/Council_Daily_Extract_Thursday_27_June_2013_from_Book_9.pdf</a></li> </ol>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 25, p108, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 25: Future budget papers specify how much of each special appropriation is intended to fund:</p> <p>(a) the provision of outputs</p> <p>(b) additions to the net asset base</p> <p>(c) payments made on behalf of the State.</p>	Not support	<p>The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i>. In contrast, special appropriations are not part of any of these categories as authority for expenditure is derived from the special appropriation itself, and hence do not form part of the annual appropriations framework. While the application of special appropriations does not require annual authorisation by Parliament, the Government's annual Budget Papers include, for the sake of budgeting completeness, estimates of such appropriations expected in the year.<sup>1</sup></p> <p>Special appropriations are given standing spending authorities in specific legislation. These standing appropriations are a feature of most Westminster-based appropriation frameworks and generally relate to payments which need to be made on an ongoing basis independent of the Government's annual budget priorities.<sup>2</sup> Special appropriations are established to fund protected expenditures such as the salaries of the judiciary, the costs of Parliament, electoral expenses, employer contributions to superannuation funds and debt retirements. Under the current financial management framework special appropriations do not fit into any of provision of outputs, ATNAB or POBOS categories.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. Page 41 VAGO report on Parliamentary control and management of appropriations (2003)</li> <li>2. Page 11 VAGO report on Parliamentary control and management of appropriations (2003)</li> </ol>
<b>Recommendation 26, p108, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 26: The Department of Treasury and Finance require departments, in annual reports, to disclose the amounts received in special appropriations that are used in:</p> <p>(a) the provision of outputs</p> <p>(b) additions to the net asset base</p> <p>(c) payments made on behalf of the State.</p> <p>Any variances between the purpose set out in the budget papers and the actual use should be identified and explained.</p>	Not support	<p>The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i>. In contrast, special appropriations are not part of any of these categories as authority for expenditure is derived from the special appropriation itself, and hence do not form part of the annual appropriations framework. While the application of special appropriations does not require annual authorisation by Parliament, the Government's annual Budget Papers include, for the sake of budgeting completeness, estimates of such appropriations expected in the year. Therefore, there will not be any variances for special appropriations between the purpose set out in the budget papers and their actual use.</p> <p>For accountability purposes, the model report already requires government departments to disclose the authority under which special appropriations are applied, which establish clear reference to purpose.</p>
<b>Recommendation 27, p108, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 27: Future budget papers specify the anticipated contributions from funds received and held outside the Public Account and the Trust Fund to departments' operating statements.</p>	Support	<p>The Government supports the recommendation that future budget papers include an additional table specifying the anticipated contributions from funds received and held outside the public account and the trust funds in Budget Paper No. 3, Chapter 2 Departmental performance statements.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 28, p109, Chapter 5: Parliamentary control over departmental revenue</b>		
RECOMMENDATION 28: Future budget papers specify the amounts expected from each trust account for each department.	Support	The Government supports the recommendation that future budget papers include an additional table specifying the amounts expected from each major trust account. The new table will be introduced in Budget Paper No. 3, Chapter 2 Departmental performance statements.
<b>Recommendation 29, p109, Chapter 5: Parliamentary control over departmental revenue</b>		
RECOMMENDATION 29: Future budget papers specify the intended purpose (provision of outputs, additions to the net asset base, or payments on behalf of the State) of money received by departments from trust accounts.	Support in principle	The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i> . While this detailed breakdown could be included in budget papers in the case of well-defined trust funds, other more general trust funds, including departmental working accounts, may not yet be allocated to those types of categories at the time of budget publication, and may be subject to further discussion for implementation in the following financial year. In these cases, budget papers may only be able to specify the intended purpose of the trust funds, and not a further level of detail.
<b>Recommendation 30, p109, Chapter 5: Parliamentary control over departmental revenue</b>		
RECOMMENDATION 30: The Department of Treasury and Finance require departments, in their annual reports, to disclose their income from the Trust Fund, broken down into the provision of outputs, additions to the net asset base and payments made on behalf of the State. Any variances between the initial budget estimates and the actual amounts should be identified and explained.	Support in principle	<p>The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i>.</p> <p>Trust Funds are typically established to receive moneys to meet specific purposes or objectives as prescribed by the relevant trust deed or establishing instrument. As the stated purposes or objectives of a trust can be broadly defined, the purpose for which received funds are ultimately applied (for example delivery of outputs, acquisition of assets and/or making payment on behalf of the State) may not be readily determinable at the time of receipt and when income is recognised.</p> <p>Acknowledging the objective of the Committee’s recommendation, DTF will require departments to provide additional disclosures in their accounting policy note to clarify for users that payments out of controlled trusts are typically for the delivery of outputs and for the acquisition of assets, and payments out of administered trusts are typically for payments made on behalf of the State. This will be implemented through the Model Report.</p>
<b>Recommendation 31, p110, Chapter 5: Parliamentary control over departmental revenue</b>		
RECOMMENDATION 31: Future budget papers separately detail the income expected from funds held outside the Public Account for each department, broken down into the provision of outputs, additions to the net asset base and payments made on behalf of the State.	Support in principle	The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i> . In contrast, in the case of funds held outside the public account, it is unlikely that allocation to those types of categories is available at the time of budget publication. Rather, it may be subject to further discussion for implementation in the following financial year.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 32, p110, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 32: The Department of Treasury and Finance require departments, in their annual reports, to disclose their income from funds held outside the Public Account, broken down into the provision of outputs, additions to the net asset base and payments made on behalf of the State. Any variances between the initial budget estimates and the actual amounts should be identified and explained.</p>	<p>Support in principle</p>	<p>The three categories, provision of outputs, additions to the net asset base (ATNAB), and payments made on behalf of the State (POBOS), derive their authorities from the annual appropriation acts and the <i>Financial Management Act 1994</i>.</p> <p>Income received and funds held outside the public account may ultimately be used for a broad range of purposes (for example delivery of outputs, acquisition of assets and/or making payment on behalf of the State) and may not be readily determinable at the time of receipt and when the income is recognised.</p> <p>Acknowledging the objective of the Committee’s recommendation, DTF will require departments to provide additional disclosures in their accounting policy note to clarify for users that payments out of controlled funds outside the public account are typically for the delivery of outputs or for the acquisition of assets, and payments out of administered funds are typically for payments made on behalf of the State. This will be implemented through the Model Report.</p>
<b>Recommendation 33, p113, Chapter 5: Parliamentary control over departmental revenue</b>		
<p>RECOMMENDATION 33: In future budget papers, the Department of Treasury and Finance:</p> <p>(a) note the total value of accumulated applied appropriations unspent, broken down into the major components (including payables, accruals related to employee entitlements, prior years’ surpluses and depreciation equivalent revenue)</p> <p>(b) indicate the estimated change to these values over the forward estimates period</p> <p>(c) indicate the reasons for the anticipated changes for each component.</p>	<p>Support in principle</p>	<p>The Public Account disclosures for the budget are currently confined to the current year and the budget year.</p> <p>Forward estimates are presently not available or disclosed to the level of granularity proposed in (a) however, the importance of monitoring the accumulated applied appropriations unspent balance is acknowledged. Instead of breaking the balances out into components as proposed, a more efficient approach aligned to current budgeting processes, which is proposed to be implemented will be to break-out the receivables line on the balance sheet in Chapter 3 into ‘receivables from government’ and ‘other’. In addition, commentary in Chapter 3 of the Budget papers will also be included where the extent of the movement of the receivables from government is material. This will provide further transparency around key movements that are driving any major variances at an aggregate level.</p>
<b>Chapter 6 Borrowings, debt and liabilities</b>		
<b>Recommendation 34, p117, Chapter 6: Borrowings, debt and liabilities</b>		
<p>RECOMMENDATION 34: Future budget papers include a target for net debt in the public non-financial corporations sector.</p>	<p>Not support</p>	<p>Forward estimates of net debt for the Public Non-Financial Corporation Sector are provided in Table 2.2 of Budget Paper Number 5. These estimates represent the expected level of net debt for this sector.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
---------------------	----------	---

**Recommendation 35, p123, Chapter 6: Borrowings, debt and liabilities**

<p>RECOMMENDATION 35: The budget papers reinstate the practice of including a diagram showing the expected level of unfunded superannuation liability in each year between the budget year and 2035, similar to the disclosure in earlier budget papers. Commentary should also be provided on the achievement of interim goals.</p>	<p>Support in principle</p>	<p>The Government supports inclusion of such a chart, noting the following:</p> <ol style="list-style-type: none"> <li>i. The chart would only cover the State's share of the State Super Fund's liabilities (i.e. excluding the Commonwealth's liability) as this is the portion that is currently being fully funded and for which data is available out to 2035. Please note that this will not include any surpluses in other plans nor the liability for Judge's pension.</li> <li>ii. The Government's target to fully fund the liability by 2035 is based on projections of the economic valuation of the liability and therefore the chart would need to be shown on an economic basis to accurately reflect the target. The chart would therefore be inconsistent with the current accounting value of the liability; and</li> <li>iii. The data would need to be based on values and projections as at the 31 December preceding the Budget (which is based on 31 March data) as this is the nearest date at which formal actuarial projections are provided.</li> </ol>
--	-----------------------------	--

**Recommendation 36, p127, Chapter 6: Borrowings, debt and liabilities**

<p>RECOMMENDATION 36: Future budget papers include an additional table reconciling the information given in the 'application of cash resources' table between current and previous estimates, similar to 'reconciliation of estimates' table produced for operating surpluses. This table would include changes to estimates for:</p> <ol style="list-style-type: none"> <li>(a) net cash flows from operating activities</li> <li>(b) direct investment (purchases of non-financial assets)</li> <li>(c) investment through other sectors (net cash flows from investments in financial assets for policy purposes)</li> <li>(d) proceeds from asset sales</li> <li>(e) finance lease liabilities</li> <li>(f) changes in net debt.</li> </ol>	<p>Support in principle</p>	<p>The Government will investigate options to introduce an additional table that explains the movement in the 'Application of Cash Resources' table between publications.</p>
---	-----------------------------	---

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 37, p127, Chapter 6: Borrowings, debt and liabilities</b>		
RECOMMENDATION 37: Accompanying the table reconciling estimates of net debt, the Department of Treasury and Finance provide discussion of the factors that have driven the changes between budgets.	Support	The Government will include discussion of the factors that have driven a change in net debt between publications.
<b>Chapter 7 Output expenses</b>		
<b>Recommendation 38, p140, Chapter 7: Output expenses</b>		
RECOMMENDATION 38: 'Reconciliation of estimates' tables in future budget papers separately disclose the impact on revenue and expenses of variations in specific-purpose grants. Differences between the impact on revenue and the impact on expenses should be discussed when the differences exceed \$100 million.	Not support	The 'Reconciliation of Estimates' table in Budget Paper No. 2, Chapter 4 was refined in the 2015 16 Budget to focus on the impact on the net result from transactions, rather than individual movements in revenue and expenses.  The Government considers that disaggregating this further, or returning to previous presentations, would compromise the accessibility and understanding of the table.
<b>Recommendation 39, p142, Chapter 7: Output expenses</b>		
RECOMMENDATION 39: The Department of Treasury and Finance update the Model Report to require all departments to report any costs and benefits in a year as a result of machinery-of-government changes in their annual reports. The updated report should include guidance so that the data in annual reports are provided on a consistent basis across departments.	Support in principle	The Government supports increasing accountability and transparency of reporting across all departments where practicable. Costs and benefits resulting from implementation of machinery of government (MoG) changes include some elements that are quantifiable while others are difficult to quantify. The Government supports reporting those elements that are quantifiable, namely direct costs that can be solely attributed to implementing MoG changes. By contrast, indirect costs which comprise predominantly staff time would be difficult to quantify. Benefits would also be difficult to quantify and may not occur until future years, presenting a challenge to measure consistently across departments.
<b>Recommendation 40, p145, Chapter 7: Output expenses</b>		
RECOMMENDATION 40: Future budget papers clarify what is meant by 'base funding' and explain the relationship between base funding, initiative funding and output prices.	Support	The Government will review the financial terminology used in budget papers prior to the 2016-17 budget to ensure that it is clear and that suitable explanations are provided where appropriate.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 41, p145, Chapter 7: Output expenses</b>		
RECOMMENDATION 41: The Department of Treasury and Finance clarify the Budget and Financial Management Guidances to include a definition of 'base output price' and how the escalation of this relates to the budget estimates.	Support	The Department of Treasury and Finance is reviewing its budget and financial management guidances and will include as part of this review 'a definition of 'base output price' and how the escalation of this relates to the budget estimates.
<b>Recommendation 42, p145, Chapter 7: Output expenses</b>		
RECOMMENDATION 42: The Auditor-General conduct an audit of whether the way that output prices are calculated is clearly and accurately articulated by the Department of Treasury and Finance in its Budget and Financial Management Guidances and other documentation.	Not applicable	The Auditor-General will respond directly to Parliament in relation to this recommendation.
<b>Recommendation 43, p151, Chapter 7: Output expenses</b>		
RECOMMENDATION 43: The Department of Treasury and Finance update the Model Report to require all departments to list expenditure reduction targets set for the relevant year and how these targets were met. This should include details of any impacts on service delivery, including quantification of the impacts where possible.	Not support	Under the output management framework, departments are funded for the delivery of outputs. Departments have responsibility to allocate resources within their budgets to best deliver their outputs. Budget decisions which are anticipated to have a significant impact on service delivery (including savings) are disclosed in Budget Paper No. 3 through changes to performance measures or targets, with commentary in footnotes.  As the Annual Report discloses an acquittal of the budget, it is not appropriate to require departments to report on budget decisions that were not published in the budget papers.
<b>Recommendation 44, p152, Chapter 7: Output expenses</b>		
RECOMMENDATION 44: Future budget papers include details of the programs from which funding has been reprioritised, including: (a) the name of the program, initiative or project from which funding has been reprioritised (b) the amount reprioritised from each year of the forward estimates period (c) the budget in which the initiative was released (where relevant).	Not support	Departments are funded on a global appropriation basis and Ministers have the ability to reprioritise funding within their portfolio department. If the reprioritisation is anticipated to have a significant impact on service delivery, this is disclosed in Budget Paper No. 3 through changes to performance measures or targets, with commentary in footnotes.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 45, p153, Chapter 7: Output expenses</b>		
<p>RECOMMENDATION 45: The Department of Treasury and Finance update the Model Report to require departments to report on the actual amounts of money reprioritised during the year, including:</p> <p>(a) the name of the program, initiative or project from which funding has been reprioritised</p> <p>(b) the amount reprioritised in the year</p> <p>(c) the budget in which the initiative was released (where relevant).</p>	Not support	<p>Under the output management framework, departments are funded for the delivery of outputs. Departments have responsibility to allocate resources within their budgets to best deliver their outputs. Budget decisions that are anticipated to have a significant impact on service delivery, including reprioritisations, are disclosed in Budget Paper No. 3 through changes to performance measures or targets, with commentary in footnotes.</p> <p>As the annual report discloses an acquittal of the budget, it is not appropriate to require departments to report on budget decisions that were not published in the budget papers.</p>
<b>Recommendation 46, p155, Chapter 7: Output expenses</b>		
<p>RECOMMENDATION 46: Future budget papers clearly state in the description of a new initiative if the initiative:</p> <p>(a) provides ongoing funding</p> <p>(b) provides additional funding for a previously released initiative.</p>	Support in principle	The Government supports future budget papers identifying initiatives that are provided with ongoing funding or supplement a lapsing initiative, and will give consideration to how this could be implemented.
<b>Chapter 8 Asset investment</b>		
<b>Recommendation 47, p161, Chapter 8: Asset investment</b>		
<p>RECOMMENDATION 47: Future budget papers include a quantified target for infrastructure investment over the medium term.</p>	Not support	The Government reserves the right to specify its own financial management targets in a manner consistent with the requirements of the <i>Financial Management Act 1994</i> .
<b>Recommendation 48, p163, Chapter 8: Asset investment</b>		
<p>RECOMMENDATION 48: Future budget papers re-introduce the practice of listing all asset projects classified as high-value and high-risk.</p>	Support	The Government supports the recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 49, p167, Chapter 8: Asset investment</b>		
RECOMMENDATION 49: Future budget papers explain variations between individual years of the forward estimates period for direct investment ('purchases of non-financial assets') by the general government sector.	Support in principle	Budget Paper No. 2 <i>Strategy and Outlook</i> Chapter 4 <sup>1</sup> explains key movements in the trend for net investment in fixed assets. This includes purchases of non-financial assets by the general government sector. Future budget papers will aim to provide explanation to readers on the trend and variation across years for components of net investment in fixed assets that are considered material. <sup>1</sup> Application of cash resources for the general government sector, Budget Paper No. 2, Table 4.5.
<b>Recommendation 50, p170, Chapter 8: Asset investment</b>		
RECOMMENDATION 50: Future budget papers provide a detailed explanation for variances to any item of the budget estimates where the variance from one year to the next or from previous estimates is: (a) close to or over \$1.0 billion or (b) more than 50 per cent for any item with a value over \$200.0 million.	Support in principle	Budget Paper No. 2 <i>Strategy and Outlook</i> Chapter 4 <sup>1</sup> explains key movements in the trend for net investment in fixed assets. This includes net cash flows from investments in financial assets for policy purposes by the general government sector. Future budget papers will aim to provide further explanation to readers on the trend and variation across years for components of net investment in fixed assets that are considered material, consistent with DTF's response to Recommendation 36 (p 127). <sup>1</sup> Application of cash resources for the general government sector, Budget Paper No. 2, Table 4.5.
<b>Recommendation 51, p170, Chapter 8: Asset investment</b>		
RECOMMENDATION 51: Future budget papers re-instate the practice of disclosing the major projects funded by the general government sector through 'net cash flows from investments in financial assets for policy purposes', as was undertaken in past budgets.	Support in principle	DTF will disclose major projects funded by the general government sector through 'net cash flows from investments in financial assets for policy purposes' except where it may prejudice the State's position in relation to commercial transactions, such as major asset divestments.
<b>Recommendation 52, p170, Chapter 8: Asset investment</b>		
RECOMMENDATION 52: Future budget papers disaggregate 'net cash flows from investments in financial assets for policy purposes' to specify cash outflows and cash inflows, as was undertaken in the <i>2013-14 Financial Report</i> .	Support in principle	The Government supports the presentation of 'net cash flows from investments in financial assets for policy purposes' being disaggregated between inflows and outflows, except in circumstances where it is considered that disclosing such information could potentially prejudice the State's commercial interests related to major future proposed transactions.  It should be noted, however, that extending such disaggregation to other investing and financing activity cash flow items is not supported, as it is considered less relevant in the context of the purpose of a consolidated cash flow statement and less practical given the multiple period budget estimates process.

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 53, p173, Chapter 8: Asset investment</b>		
<p>RECOMMENDATION 53: Future budget papers include a reconciliation of 'public private partnerships infrastructure investment and other' estimates between the current and previous budgets, including explanations for any variances.</p>	<p>Support in principle</p>	<p>Each budget and budget update publishes a reconciliation of the forward estimates to previously published estimates, highlighting significant variances including movements in Public Private Partnership project budgets. In the 2015-16 Budget, this is presented in Table 4.3 in Budget Paper No. 2 which is accompanied by analysis of material variations. In addition, analysis of material variations for each department is published in Budget Paper No. 5.</p> <p>The Public Private Partnerships infrastructure investment estimate is published in Table 1.1 in Budget Paper 2 as part of the 'Government infrastructure investment' figure. The Public Private Partnership component is initially based on the capital cost in the Public Sector Comparator. When each Public Private Partnership contract is signed, the capital cost is refined based on each project's financial model and reflects the cost to government. After this, the cost to government does not change because construction risk lies with the private sector.</p> <p>The variations between budgets in individual Public Private Partnership projects are not expected to be significant and would relate only to projects in procurement where the government's construction cost estimates are replaced by contracted construction costs.</p>
<b>Recommendation 54, p175, Chapter 8: Asset investment</b>		
<p>RECOMMENDATION 54: Future budget papers disclose details of the expected Government payments on public partnerships projects over the forward estimates period and beyond, as reported by the Victorian Auditor-General's Office.</p>	<p>Support in principle</p>	<p>Estimated infrastructure investment on Public Private Partnership projects is included in in Table 1.1 in Budget Paper 2 as part of the 'Government infrastructure investment' figure. The total infrastructure investment amount is published to disclose the construction costs that are spent on infrastructure regardless of whether the project is procured under a Public Private Partnership or other procurement options.</p> <p>Estimated quarterly service payments under Public Private Partnership contracts are met from departments' ongoing operating funding. The quarterly service payment amounts are included in departments' estimated operating statements published in Budget Paper No. 5 and disaggregated information on individual major contracts is not centrally collected by DTF.</p> <p>For commissioned Public Private Partnerships, the nominal amount and present value of the operating component of the service payments are separately disclosed in Note 34: Commitments of the Annual Financial Report. The capital component of the service payments (minimum lease payments) is recognised on the balance sheet.</p> <p>For Public Private Partnership projects that are not yet commissioned (still in construction), the present value of the minimum lease payments and the operating component of the service payments are separately disclosed for each project in Note 34: Commitments of the Annual Financial Report. Additionally, the total nominal value for each Public Private Partnership project is also disclosed.</p>
<b>Recommendation 55, p176, Chapter 8: Asset investment</b>		
<p>RECOMMENDATION 55: Future budget papers explain variations between individual years of the forward estimates period for direct investment ('purchases of non-financial assets') by the public non-financial corporations sector.</p>	<p>Support in principle</p>	<p>Budget Paper No. 5 <i>Statement of Finances</i> Chapter 2 contains figures for 'net cash flows from investments in non-financial assets'.<sup>1</sup></p> <p>Future budget papers will aim to provide explanation to readers on the trend and variation across years for components of net investment in fixed assets that are considered material.</p> <p><sup>1</sup> Public non-financial corporations sector cash flow statement for the financial year ending 30 June, Budget Paper No. 5, Table 2.3.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 56, p181, Chapter 8: Asset investment</b>		
RECOMMENDATION 56: Future budget papers include explanations for all asset investment projects for which any details of the anticipated expenditure (including the total estimated investment) are marked 'tbc'.	Support	The Government supports the recommendation that explanations be provided for all projects where the details on anticipated expenditure are not provided.
<b>Recommendation 57, p181, Chapter 8: Asset investment</b>		
RECOMMENDATION 57: At the earliest opportunity, future budget papers provide details of the anticipated expenditure over the forward estimates period for any asset initiative from a previous budget where the anticipated expenditure in some future years was listed as 'tbc'.	Not support	Once any project has been announced, the financial information reported in Budget Paper No. 4 includes the total estimated investment, the estimated expenditure to the end of the current financial year, the estimated expenditure for the budget year and the remaining expenditure at the end of the budget year.
<b>Chapter 9 The Government's election commitments</b>		
<b>Recommendation 58, p197, Chapter 9 : The Government's election commitments</b>		
<p>RECOMMENDATION 58: Future budget papers include a report forming part of the election commitments section of budget papers that shows:</p> <p>(a) which election commitments (including output, asset and expenditure reduction commitments) have been funded to date</p> <p>(b) which budget initiatives each election commitment has been funded through</p> <p>(c) how much funding has been provided for each election commitment to date</p> <p>(d) for commitments that have been partly or not yet funded, whether the Government intends to further fund the commitments and when further funding will be provided.</p>	Support in principle	<p>2015-16 Budget Paper No. 3 included a section addressing the Government's election commitments (Chapter 1, page 108). The section provides an acquittal against commitments contained in Labor's Financial Statement 2014 (LFS) including information on 'outputs', 'assets', and 'savings and reprioritisations' at an aggregate level.</p> <p>For each of these three line items, the section outlines the amount of:</p> <ul style="list-style-type: none"> <li>• elections commitments outlined in LFS;</li> <li>• commitments funded through the <i>2015-16 Budget</i>; and</li> <li>• funding yet to be provided for commitments.</li> </ul> <p>This approach is intended for future budgets. Chapter 1, Budget Paper No. 3, <i>2015-16 Budget</i> identified where budget initiatives were contained in LFS, and where the specific initiatives deliver on election commitments. This will also be included in future budget papers.</p> <p>Beyond the Budget Papers, the Government outlined its delivery of election commitments through other public documents including <i>365 days of getting on with it</i> (released 29 November 2015) and <i>Getting on with it</i> (released 20 February 2015).</p> <p>As with all budgets, there will be competing priorities for the use of the Government's limited resources. While the Government will deliver on all its election commitments, prudent budgetary decision-making requires that the Government consider these competing priorities at each budget and make allocations year by year in the best interests of the Victorian community.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 59, p204, Chapter 9 : The Government's election commitments</b>		
<p>RECOMMENDATION 59: Future budget papers include a list of the initiatives that contribute to the guaranteed minimum funding levels for:</p> <p>(a) roads in Melbourne's outer suburban and interface communities</p> <p>(b) roads and level crossings in rural and regional communities.</p>	Not support	<p>The Government considers that it is more appropriate for this disclosure to appear in the Department of Economic Development, Jobs, Transport and Resources' annual report, consistent with the disclosures for the Better Roads Victoria Trust Account.</p>
<b>Chapter 10 Performance measurement</b>		
<b>Recommendation 60, p212, Chapter 10: Performance measurement</b>		
<p>RECOMMENDATION 60: Future budget papers include explanations for all modifications to departmental objectives, following the model of the Department of Environment, Land, Water and Planning in the 2015-16 budget papers.</p>	Support	<p>The Government supports future budget papers including explanations for modifications to departmental objectives.</p>
<b>Recommendation 61, p214, Chapter 10: Performance measurement</b>		
<p>RECOMMENDATION 61: Future budget papers include explanations for all modifications to departmental objective indicators.</p>	Support	<p>The Government supports future budget papers including explanations for modifications to departmental objectives indicators.</p>
<b>Recommendation 62, p219, Chapter 10: Performance measurement</b>		
<p>RECOMMENDATION 62: The Department of Treasury and Finance ensure that all outputs from all departments in future budget papers include quality measures.</p>	Support in principle	<p>Under the current budget and financial management guidances, Portfolio Ministers are responsible for specifying the impact of outputs through a meaningful mix of quality, quantity, timeliness and cost performance measures.</p> <p>The Department of Treasury and Finance will continue to support departments' compliance with the framework through the ongoing review of the relevance of performance measures.</p>

PAEC recommendation	Response	Action taken to date and commitment to further action
<b>Recommendation 63, p221, Chapter 10: Performance measurement</b>		
RECOMMENDATION 63: The Department of Treasury and Finance ensure that all outputs from all departments in future budget papers include quantity measures. These quantity measures should relate to the same goods and services that are reported on by the other measures in the output.	Support in principle	Under the current budget and financial management guidances, portfolio ministers are responsible for specifying the impact of outputs through a meaningful mix of quality, quantity, timeliness and cost performance measures.  The Department of Treasury and Finance will continue to support departments' compliance with the framework through the ongoing review of the relevance of performance measures.
<b>Recommendation 64, p221, Chapter 10: Performance measurement</b>		
RECOMMENDATION 64: As part of the review of the performance measurement framework indicated by the Minister for Finance, the Department of Treasury and Finance establish guidelines to ensure that each output has an appropriate mix of quality, quantity, timeliness and cost performance measures.	Support in principle	Under the current budget and financial management guidances, portfolio ministers are responsible for specifying the impact of outputs through a meaningful mix of quality, quantity, timeliness and cost performance measures.  The Department of Treasury and Finance will continue to support departments' compliance with the framework through the ongoing review of the relevance of performance measures.
<b>Recommendation 65, p224, Chapter 10: Performance measurement</b>		
RECOMMENDATION 65: The Department of Treasury and Finance ensure that all initiatives (worth above \$20 million) in future budget papers have at least one associated performance measure other than output cost.	Support in principle	The Government supports the principle that significant output initiatives should be associated with at least one performance measure. While all initiatives will contribute to at least one output, the relationship with associated performance measures will depend on a number of factors. This includes the size of the output and/or quality of the performance measures and whether the initiative has diffused or future impacts. The performance management framework is currently being reviewed so that it continues to be rigorous and robust around the specification of output and performance measures.  Assets, which support service delivery, are <i>associated</i> with outputs (see Chapter 1 in Budget Paper No. 3 <i>Service Delivery</i> ) as they generally support multiple output performance measures and/or multiple outputs, making it difficult to identify particular output performance measures to which the asset specifically contributes. Budget Paper No. 4 <i>State Capital Program</i> lists the estimated completion date for new and existing asset initiatives and allows measurement of performance.
<b>Recommendation 66, p228, Chapter 10: Performance measurement</b>		
RECOMMENDATION 66: The Government not discontinue the measures listed in Table 10.4 of this report.	Under review	As is usual practice, the Government response to performance measures is provided separately following correspondence from PAEC directly to relevant ministers and their departments.

PAEC recommendation	Response	Action taken to date and commitment to further action
---------------------	----------	---

<b>Chapter 11 The Government's responses to the former committee's Report on the 2014-15 Budget Estimates</b>		
<b>Recommendation 67, p231, Chapter 11: The Government's responses to the former committee's Report on the 2014-15 Budget Estimates</b>		
<p>RECOMMENDATION 67: The Department of Treasury and Finance review previous recommendations made by the Public Accounts and Estimates Committee about the glossary in Budget Paper No.4 (<i>State Capital Program</i>) and improve the definitions. This should include not providing different definitions for terms that are used interchangeably.</p>	Support	The Government supports this recommendation.
<b>Recommendation 68, p232, Chapter 11: The Government's responses to the former committee's Report on the 2014-15 Budget Estimates</b>		
<p>RECOMMENDATION 68: The Government complete the review and update of the <i>Guidelines for Submissions and Responses to Inquiries</i>. As part of this review, the Government consider the recommendations of the previous Public Accounts and Estimates Committee outlined in Appendix A11.1 of this report.</p>	Under review	<p>The Government is currently in the process of reviewing and updating the <i>Guidelines for Submissions and Responses to Inquiries</i>. The update is expected to be completed in 2016. As part of this review, the Government is considering the recommendations of the previous Public Accounts and Estimates Committee, including:</p> <ul style="list-style-type: none"> <li>• classification of response types to enable consistent interpretation of the Government's intent, and associated definitions for each type;</li> <li>• provision of relevant information to accompany responses, including planned further action where known; and</li> <li>• the application of the ACT's Interim Guidelines for responding to performance audit reports by the Auditor-General (July 2015).</li> </ul>