

RESPONSE TO QUESTIONS TAKEN ON NOTICE – PAEC Inquiry into 2019-20 Financial and Performance Outcomes

Monday, 22 February 2021

1. I guess what we are wanting to know is of that \$130 billion, which is a very big ask for the Victorian taxpayers, how much is specifically to do with the government's pandemic response?

(Asked by Mr Riordan on page 5 of the transcript)

Transcript extract:

Mr RIORDAN: Yes. I think of the old biblical saying 'One sparrow does not a spring start', so let us wait and see on that one. But of the more than \$130 billion that is being borrowed by the government in this period, exactly how much of it is being used for COVID- and health-related issues? Because my understanding is that less than \$10 billion of the \$130 billion has actually been used for health- and COVID-related activities.

Mr MARTINE: I do not think less than \$10 billion is accurate. In fact I know it is not. I would have to take on notice to give you a precise number. But it is certainly spread across both additional funding for the health system and the health and human services department but also the government's response to support businesses and housing.

Mr RIORDAN: I guess what we are wanting to know is of that \$130 billion, which is a very big ask for the Victorian taxpayers, how much is specifically to do with the government's pandemic response? You will take that on notice.

Mr MARTINE: Happy to take that on notice.

Response

As outlined in the *2019-20 Financial Report*, borrowings for the general government sector totalled \$62.8 billion as at 30 June 2020. This was an increase of \$21.9 billion from 30 June 2019. The increase in borrowings reflects, in part, the following:

- The Government's infrastructure program.
- The impact of COVID-19 (Government decisions) – additional Government spending and tax relief measures in response to the pandemic.
- The impact of COVID-19 (revenue) – reduction in existing Government revenue bases as a result of the pandemic.

Borrowings contribute to the overall funding requirements of government, which also includes State taxation revenue and Commonwealth funding. As such, no component is specifically allocated to a specific program or project.

2. Do you have a figure on what our total cash reserves are to 30 June, for the finish of this budget period? Do you have a figure for what Victoria had at the start, how many days worth of cash?

(Asked by Mr Riordan on page 6 to 7 of the transcript)

Transcript extract:

Mr RIORDAN: That is my next question, the cash flow. That is where we are getting to. Do you have a figure on what our total cash reserves are to 30 June, for the finish of this budget period?

Mr MARTINE: Sorry, cash reserves?

Mr RIORDAN: Yes, how much?

Mr MARTINE: I will see if I can find—

Mr RIORDAN: Could we—

Mr MARTINE: Happy to take it on notice if I cannot find it quickly. Mr RIORDAN: Yes, how much cash you started with and what the final reconciled cash reserves are. I mean, there was what the budget said it was going to be. What is that?

Mr MARTINE: If I refer to the general government sector, which is probably the more relevant, cash and deposits at the end of 2019–20 were \$13 billion, and the state of Victoria, which picks up the other sectors, particularly the PNFC sector, is cash and deposits, \$19 billion.

Mr RIORDAN: Just as a way of comparison, at the beginning of the pandemic South Australia was reported to have 400 days of working cash to be able to pay their wages and recurrent operating bills for the year. Do you have a figure for what Victoria had at the start, how many days worth of cash?

Mr MARTINE: I do, but I cannot—

Mr RIORDAN: You could take that on notice.

Mr MARTINE: Certainly the state's liquidity level is very, very good, so we do not have a liquidity problem. That is usually recognised by—

Mr RIORDAN: 'Very, very good' is a nice answer, but can we have that in dollar figures?

Mr MARTINE: Yes, happy to take it on notice and get you the precise number.

Mr RIORDAN: So we are interested to see what it was in January to what it was at the end of the period.

Mr MARTINE: Happy to take that on notice.

Response

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value (2019–20 AFR, page 95). At the end of 2019–20, cash and

deposits were approximately \$13 billion for the General government sector and \$19 billion for the State of Victoria.

The whole of Victorian government liquidity policy requires Treasury Corporation of Victoria (TCV) to hold liquid assets in excess of 80 per cent of the next 12 months total of debt refinancing and interest obligations (2019-20 AFR, page 126). As at 30 June 2020, TCV held \$11.1 billion of liquidity. The whole of Victorian government ratio was 248 per cent.

3. Regarding the Government land sales program, was there 40 land sales undertaken in 2019-20? How does that compare against the land sales target? What was the target for 2019-20?

(Asked by Mr Hibbins on page 10 of the transcript)

Transcript extract:

Mr HIBBINS: Thank you, Chair, and thank you, Secretary and your team, for appearing this morning. On page 7 of the questionnaire it refers to the government's land sales program as an underperforming program, where 40 land sales were undertaken in 2019–20, with revenue of around \$38 million. Now, was that against a land sales target?

Mr MARTINE: Yes.

Mr HIBBINS: And what was the target for 2019–20?

Mr MARTINE: I think from memory—I will have to take it on notice unless Mr Loos can dig it out. I think from memory it might have been 390 or something like that.

Response

Budget Paper 3 tracks output performance measures for every department against predetermined targets. One of DTF's ongoing performance targets is titled "Revenue from the sale of surplus Government land including Crown land." For 2019-20, DTF's target was \$150 million, and the actual result was \$36 million, from a total of 40 land transactions.

As noted in the 2020-21 Budget Paper 3: "The 2019-20 outcome is lower than the 2019-20 target, reflecting the suspension of most land sales, including all public sales during the coronavirus (COVID-19) pandemic."

4. Regarding the 363 Wellington Street, Clifton Hill property, did the office of housing express interest in acquiring the property? Did any other departments or agencies express interest in acquiring the property? Were other agencies given first right of refusal? Could you take that on notice for all east-west link properties that were sold in the 2019-20 period and in fact, if possible, all of the former east-west link properties?

(Asked by Mr Hibbins on page 10 of the transcript)

Transcript extract:

Mr HIBBINS: Okay. Great. Thank you. I would just like to ask about some of the properties that were sold under that program in 2019–20, and in particular some of the former east–west link properties. Now, in particular 363 Wellington Street, Clifton Hill. I could not help but notice the advertising hoarding from when it was actually sold, which referred to it as:

... ideal home close to parkland, schools, shopping and the delights of Smith Street.

It was advertised as:

Move straight in and enjoy the super convenience, or invest and lease the property out.

Why was it sold on the private market, or why was it of value to the government to sell it on the private market potentially to investors who own multiple homes, rather than, for example, provide it to someone in need of public housing?

Mr MARTINE: I think perhaps if I can make a few comments on that. It has been government policy for a few years now to sell the surplus properties that linked back to the east–west project. I think from memory a few of them were made available for social housing initiatives. But in terms of public and social housing in general, there is a very significant investment in the most recent budget on that particular issue. That is where the quite significant growth in public and social housing over the coming years will come from.

Mr HIBBINS: Can I ask whether for that property at Clifton Hill the office of housing expressed interest in acquiring the property?

Mr MARTINE: I would probably have to take that on notice, I think, and get back to you as to what extent there was communication within government on that particular property.

Mr HIBBINS: Okay. My understanding of the government’s own policy on land sales is that other department and other agencies are given first right of refusal. Were other department and agencies given first right of refusal on those properties?

Mr MARTINE: I would need to take that on notice to see if any other agencies or departments raised

interest in that particular property and what the outcome of that process might have been.

Mr HIBBINS: Would you be able to then take that on notice for all east–west link properties that were sold in the 2019–20 period and in fact, if possible, all of the former east–west link properties?

Mr MARTINE: Yes. Happy to take that on notice

Response

As required under the *Victorian Government Landholding Policy and Guidelines*, prior to its public sale 363 Wellington Street, Clifton Hill was offered to other government entities for a period of 60 days via the First Right of Refusal Process. This property was listed on 4 October 2016 and the listing concluded on 3 December 2016. There was no interest expressed in the property by any government entity.

Further, all properties acquired as part of the East West Link project that were not sold back to previous owners have been offered to other government entities via the First Right of Refusal Process prior to public sale.

5. Now, with the land sale target, is that still in place now? And are you able to provide those numbers to the committee?

(Asked by Mr Hibbins on page 11 of the transcript)

Transcript extract:

Mr HIBBINS: Now, with the land sale target, is that still in place now?

Mr MARTINE: For the 2020–21 year and the future?

Mr HIBBINS: Yes.

Mr MARTINE: Yes. We have built into our budget and forward estimates expectations on government land sales for all four years.

Mr HIBBINS: And are you able to provide those numbers to the committee?

Mr MARTINE: Yes. Happy to take that on notice and provide them. They are essentially a subset of the 'sale of non-financial assets' line in the accounts.

Response

The 2020-21 Budget Paper 3 includes the ongoing performance target for DTF titled "Revenue from the sale of surplus Government land including Crown land". As with 2019-20, DTF's 2020-21 target is again \$150 million.

6. Would you be able to provide the committee with a breakdown of the east–west link properties which were sold on the private market, sold back to their previous owners, retained or transferred to other departments or other agencies?

(Asked by Mr Hibbins on page 11 of the transcript)

Transcript extract:

Mr HIBBINS: Okay, thank you. Now, in terms of the east–west link properties, the Premier did make a statement very early, when he was elected, that it would be desirable to provide support and assistance to some of the most vulnerable in our community and that using those properties would be a very good outcome. Would you be able to provide the committee with a breakdown of the east–west link properties which were sold on the private market, sold back to their previous owners, retained or transferred to other departments or other agencies?

Mr MARTINE: We are happy to take that on notice.

Response

A breakdown of the completed and expected transactions for all 98 former East West Link properties is as follows:

- 66 properties were sold via public auctions across Collingwood, Clifton Hill, Parkville and Kensington.
- 2 properties were sold to Moonee Valley City Council in Moonee Ponds for community use.
- 6 properties were sold back to previous owners.
- 17 properties have been leased to the Department of Health as part of the Magpie Nest initiative.
- 1 property in Kensington is to be sold to Melbourne City Council for community use.
- 1 property in Clifton Hill is the subject of ongoing government interest.
- 1 site (comprising several properties) in Parkville has been progressed as part of the Inclusionary Housing Pilot.
- 4 sites are yet to be sold, and all are expected to be sold by public auction.

7. Regarding 62-24 Alexander Parade, Clifton Hill, was it provided first to an agency or department first and if so when? Did another department or agency express interest in acquiring the property?

(Asked by Mr Hibbins on page 11 of the transcript)

Transcript extract:

Mr HIBBINS: Yes. Terrific. Great, thank you. Sorry, just one more, finally, just in terms of another specific site that is listed for future sale, which is 62–64 Alexandra Parade, Clifton Hill. Are you able to provide the committee in terms of if and when that was offered as a first right of refusal to any other agency and whether another agency did actually express interest in acquiring that property?

Mr MARTINE: Happy to take that on notice.

Response

As required under the *Victorian Government Landholding Policy and Guidelines*, 62-64 Alexander Parade, Clifton Hill was offered to other government entities for a period of 60 days via the First Right of Refusal Process. As with 363 Wellington Street, Clifton Hill, this property was listed on 4 October 2016 and the listing concluded on 3 December 2016.

There was interest expressed in this property by two government entities, and DTF continues to negotiate with one government entity.

8. How much of that \$5.8 million, of which \$5.1 million was spent in 2019–20, went to PwC?

(Asked by Mr O'Brien on page 14 of the transcript)

Transcript extract:

Mr D O'BRIEN: Thank you, Chair. Good morning, Secretary, and officials. Secretary, page 9 of the departmental questionnaire lists an outlay of \$5.8 million to prepare the finance strategy of the Suburban Rail Loop project. Could you tell me who undertook the finance strategy? Was it internal or external?

Mr MARTINE: I might get Mr Loos to just give a bit more information, but it was essentially a combination of both.

Mr D O'BRIEN: Okay. So external consultants assisted DTF on the strategy?

Mr LOOS: Yes. DTF have a core group that is working on the funding and financing strategy for the Suburban Rail Loop. Obviously it is a significant infrastructure project, and quite a significant land use project as well given the nature of the transport link, and there is quite a significant focus on what that means for the communities the link goes through.

Mr D O'BRIEN: I am just after the details of the finance strategy, sorry, Mr Loos. Who and how many external consultants were involved?

Mr LOOS: Yes, so as I said, there is a DTF team, and then we are using PricewaterhouseCoopers as well as the advisers helping us, and we work very closely with the team at the Suburban Rail Loop Authority as well, which has got a range of internal advisers as well.

Mr D O'BRIEN: Okay, so for DTF though it was just PwC?

Mr LOOS: Yes, for DTF it was PwC.

Mr MARTINE: Sorry, if I could just add to that, the number you see in question 3 picks up the cost essentially of both.

Mr D O'BRIEN: Of both. So how much of that \$5.8 million, of which \$5.1 million was spent in 2019–20, went to PwC?

Mr MARTINE: It would be listed in our list of consultant spends attached to the annual report, which—I am happy to take that on notice. It should be sitting there. I am sure someone can find it as we are talking.

Response

This question was answered later in the hearing.

9. What is your understanding, though, of the timeline for that final business case?

(Asked by Mr O'Brien on page 16 of the transcript)

Transcript extract:

Mr D O'BRIEN: Again, you may have answered this before, but the strategy itself is ongoing—to what point? Does it get finalised at the same time as the business case?

Mr MARTINE: Yes, so that will be an important part of the business case in terms of the financing strategy, and it is sort of a logical thing that if you are making a decision about a project, you then need to make that decision of which of those four components or what combination of those four components that I mentioned on how you pay for a project—you need to really make those decisions as well. That does not mean that you start off on all four. It might be that it is funded a certain way to begin with and then something else kicks in a bit later.

Mr D O'BRIEN: Yes.

Mr MARTINE: There are all sorts of combinations that you can—

Mr D O'BRIEN: What is your understanding, though, of the timeline for that final business case?

Mr MARTINE: I would have to take that on notice and refer it to Transport, because they are really running the investment case process.

Response

This question on notice has been referred to the Department of Transport.

10. And in that same section there, page 80 of the questionnaire, it says DTF provided guidelines for tracking coronavirus-related financial impacts on Victorian government departments. Can you make those guidelines available to the committee?

(Asked by Ms Vallence on page 28 of the transcript)

Transcript extract:

Ms VALLENCE: Thank you, Chair. Thank you, Secretary and team. Secretary, page 80 of the questionnaire, on COVID, the crisis committee of cabinet made decisions to allocate new funding but also reallocate resources and spending within departments and agencies. Can DTF make that available—I guess a comprehensive list which includes department breakdown and the reallocated resources and spending?

Mr MARTINE: Thanks for the question. It is a very difficult list to put together. There are various components. In terms of the government spending in response to COVID, it is picked up quite transparently in the two Treasurer's advances that we have discussed previously. So there was the 2019–20 \$10 billion, of which \$2.4 billion was ultimately drawn down, and then there is the drawdown of 2020–21. So those specific COVID-related expenditures are very detailed in the list. Then beyond that a department could incur COVID related expenses by just funding internally. DTF—

Ms VALLENCE: Is that the reallocation of—

Mr MARTINE: Yes. So DTF is potentially an example on a far, far smaller scale than perhaps some of the bigger departments, obviously. As the priorities changed through the course of 2020 and we were doing work on COVID-related issues, we would move resources and people around.

Ms VALLENCE: In terms of the accounting of that reallocation of resources, is there any list that can be made available to the committee for all departments?

Mr MARTINE: Apart from the drawdown of the Treasurer's advances, there is no centralised list, because it comes down to how much a secretary of a department might have then reallocated resources within their existing outputs. You might recall, as we have discussed in previous hearings, the resource management framework. Funding is appropriated at the output level, and then it is up to the relevant departments—they can move money around within those outputs. So we do not necessarily get that visibility where a departmental secretary might decide—

Ms VALLENCE: Ever? You do not get that visibility ever? Like, will you get that visibility?

Mr MARTINE: Well, it depends on what the issue is. Obviously if there is a series of funding requests that come forward— To the extent that the government provides a department with additional funding that is COVID-related, that gets picked up, and it would have been picked up in budget paper 3 of the most recent budget in November, because that picked up all the government decisions from the budget update in late 2019 to late 2020.

Ms VALLENCE: And in that same section there, page 80 of the questionnaire, it says DTF provided

guidelines for tracking coronavirus-related financial impacts on Victorian government departments. Can you make those guidelines available to the committee?

Mr MARTINE: I am happy to take that on notice. I do not see any particular reason why we cannot provide those guidelines. There is a bit of work that the Auditor-General I think has been doing in terms of trying to track what is a COVID-related expense. I am happy to take that one on notice.

Response

DTF issued guidelines for the capture of COVID-19 related financial impacts by departments (see Attachment A). They were provided as a guide to help define “COVID-19 related financial impacts” and to assist with potential attribution issues.

In the context of identifying internal departmental reallocations, the guidelines referred to the need for judgement regarding the materiality and administrative effort required viz-a-viz the value of such data to interested parties.

11. Additional employee payments were made—and that was well publicised—of around \$100 up-front and \$20 a week for staff having to work from home. What was that outlay for DTF employees? Including the aggregate cost and how many DTF employees—a headcount—that that included?

(Asked by Ms Vallence on page 29 of the transcript)

Transcript extract:

Ms VALLENCE: Thanks. And for all departments, additional employee payments were made—and that was well publicised—of around \$100 up-front and \$20 a week for staff having to work from home. What was that outlay for DTF employees?

Mr MARTINE: There will be no difficulty in providing it. I am happy to take that on notice.

Ms VALLENCE: Including the aggregate cost and how many DTF employees—a headcount—that that included?

Mr MARTINE: Yes. I am happy to take that on notice.

Response:

Month	DTF	SRO	ESC	Infrastructure Victoria	Total
	\$	\$	\$	\$	\$
Apr-20	73,760	0	12,720	-	86,480
May-20	59,580	180,620	10,580	-	250,780
Jun-20	59,820	50,900	10,740	-	121,460
Jul-20	59,920	75,200	10,600	1,280	147,000
Aug-20	90,440	51,120	16,320	4,240	162,120
Sep-20	60,460	51,580	11,000	2,960	126,000
Oct-20	60,380	52,220	11,092	2,900	126,592
Nov-20	61,380	51,260	11,540	2,720	126,900
Dec-20	62,800	67,860	11,980	2,760	145,400
	<u>588,540</u>	<u>580,760</u>	<u>106,572</u>	<u>16,860</u>	<u>1,292,732</u>

The headcount across DTF, ESC and Infrastructure Victoria for receiving the COVID allowance is 935.

The headcount for the SRO for receiving the COVID allowance is 670.

12. You said that discussions were being had around the national cabinet time frame and in March 2020 around delaying the 2020–21 budget. Can you provide advice or let the committee know when you provided advice to the government that the state capital program could not be published? So would you make that available, that advice that you provided about not being in a position to produce a state capital asset budget?

(Asked by Ms Vallence on page 29 of the transcript)

Transcript extract:

Ms VALLENCE: I will just pick up on some of the earlier discussion that was being had in relation to the 2020–21 budget being delayed. You said that discussions were being had around the national cabinet time frame and in March 2020 around delaying the 2020–21 budget. Can you provide advice or let the committee know when you provided advice to the government that the state capital program could not be published?

Mr MARTINE: That would have been, from memory, probably around September 2020.

Ms VALLENCE: Can you make that—

The CHAIR: Can I just remind the member that this is a hearing about the financial and performance outcomes from 2019–20, so if you could keep your questions to that, please, not about the 2020–21 budget.

Ms VALLENCE: Absolutely. Chair, I am just picking up on the about 10-minute conversation from the Member for Cranbourne around the delay of the 2020–21 budget, so I was picking up on conversations around that.

The CHAIR: I think you will find, Ms Vallence, that that question related to other information in relation to the 2019–20 outcomes, so if you could do the same with your questions, that would be appreciated.

Ms VALLENCE: Yes, I will, because of course the Secretary was mentioning around June and August and September and November in relation to that, so I am just picking up on that conversation. So would you make that available, that advice that you provided about not being in a position to produce a state capital asset budget?

Mr MARTINE: I would have to obviously take that on notice because that is effectively advice we provide to the Treasurer which normally we would not provide, but I can certainly say that that was our advice to the Treasurer and the government, that we were not in a position to produce a sufficiently accurate full budget paper 4—remembering that there are elements of budget paper 4 in the budget papers last year. In budget paper 2 there is a whole new chapter, chapter 5.

Response

This advice was provided in August 2020. This document is cabinet-in-confidence. DTF recommended that the State Capital Program budget paper not be produced given at the time, there was significant uncertainty on the impacts of the coronavirus (COVID-19) pandemic on completion dates and spending profiles for the State’s existing capital projects.

However, all new capital projects were outlined in *Budget Paper No. 3 Service Delivery*. *Budget Paper No. 2 Strategy & Outlook* Chapter 5 provides all the information usually included in Chapter 1 of the State Capital Program publication and aggregate reporting on new and existing projects.

13. Could you provide to the committee how you would still conduct that tracking of capital projects, how you actually conducted that, and what contingencies you put in place, particularly up to June 2020?

(Asked by Ms Vallence on page 30 of the transcript)

Transcript extract:

Ms VALLENCE: Okay. Could you perhaps provide that to the committee in terms of how you do undertake the tracking, particularly from a business continuity perspective? We know that obviously things were happening from January, with China's borders being closed, tourism being impacted, international students and so forth. Could you provide to the committee how you would still conduct that tracking of capital projects, how you actually conducted that, and what contingencies you put in place, particularly up to June 2020? I would imagine that that carried on beyond that.

Mr MARTINE: Yes. Happy to take that on notice, remembering though that I do not think anyone foresaw, even when things started developing in China in January, what was about to confront us.

Response

The State Resource Information Management System (SRIMS) is used by all departments and agencies and is the primary source of financial data for reporting on the state capital program.

New investments: As part of the annual budget process, DTF issues Information Requests to all departments to outline the information required and the timing for the submission of material for the budget process into SRIMS. For state capital investments there is a staged submission of data from departments with new proposals submitted for budget deliberations followed by updates to data on existing investments. In the first and second quarter of 2020 departments had begun to submit data and then the 2020-21 Budget was deferred.

Existing investments: Departments and agencies submit quarterly data in SRIMS for existing capital investments in the general government sector. The data includes entity name, initiative title, project TEI, estimated project to date spent at 30 June XXXX, estimated budget for XXXX and public completion date. The financial data is aggregated and reported in the relevant quarterly, mid-year and annual financial reports.

14. Yes, and in terms of the percentage of capital projects that DTF did have information on, can you provide a percentage or the names of the projects or a percentage of projects and information from departments that you did have information on capital projects from June 2020?

(Asked by Ms Vallence on page 30 of the transcript)

Transcript extract:

Ms VALLENCE: Yes, and in terms of the percentage of capital projects that DTF did have information on, can you provide a percentage or the names of the projects or a percentage of projects and information from departments that you did have information on capital projects from June 2020? I note that you said that you were starting to prepare the budget papers in January.

Mr MARTINE: Yes, happy to take that on notice.

Response

The purpose of the State Resource Information Management System (SRIMS) is to capture data from departments and agencies on all existing capital investments funded by Government on a quarterly basis.

As at 30 June 2020, DTF would have had access to the departmental quarterly reporting on all existing capital investments as at 31 March 2020.

15. So in terms of that first objective that you have just described of the Office of Projects Victoria, what are you expecting that project for North East Link to be?

(Asked by Ms Vallence on page 30 to 31 of the transcript)

Transcript extract:

Mr MARTINE: I might get Mr Loos just to answer that question. Mr Loos heads up our commercial division, and the Office of Projects Victoria in a sense works hand in hand with the commercial division on infrastructure project oversight.

Mr LOOS: Thanks, David. So the Office of Projects Victoria is an administrative office within DTF. It basically has four key priorities. The first one is around portfolio oversight. So in terms of tracking and, I guess, reporting on major capital projects—

Ms VALLENCE: So on that, in terms of the North East Link Project, for example, what is the total cost to DTF or Office of Projects Victoria? What are you expecting that to be? What are you projecting that to be?

Mr LOOS: In terms of?

Ms VALLENCE: So in terms of that first objective that you have just described of the Office of Projects Victoria, what are you expecting that project for North East Link to be?

Mr LOOS: To cost? I will take that one on notice. That project was announced two budgets ago, and we are currently assessing bids for the North East Link. So we would have had a budgeted cost; I think it was \$16.8 billion.

Response

The 2019-20 State Budget funded the North East Link project for \$15.8 billion (excluding financing costs). The tender process for the primary package is underway. Due to the sensitivities of the live tender process the breakdown of the North East Link costs will be released following contract award/financial close.



Tracking of coronavirus-related fiscal impacts for Victorian Government departments

Coronavirus-related fiscal impacts for Victorian Government departments can be classified into three areas:

a. Additional funding (including reprioritisations where applicable) for expenditure and infrastructure investment endorsed by central government, i.e. CCC, ERC or the Treasurer.

- A common understanding of this is straightforward given the formal material that accompanies funding submissions.
- *Note that Government funding commitments for 2019-20 may be higher than the eventual actual amount expended in that year which will require some consideration of how DTF will present this in the 2020-21 Budget (given that, unlike other years, the budget will be prepared after the end of the current financial year).*

b. Funding reprioritised by Ministers and departments without formal consideration by central government.

- Responding to coronavirus will continue to require departments to reprioritise resources, largely for operating expenditure, but also for infrastructure investment. This ranges from additional cleaning costs, overtime and working-from-home allowances, additional support for Victorian students to study from home, to staff reallocations within departments such as DHHS staff working on the public health response.
- It is proposed that departments track these types of expenditures (and applicable infrastructure investment) that can be considered **'dedicated' coronavirus-related activities and transactions that are clearly distinct from the function from which funding is reprioritised**. For example, this would include the items listed above, but **exclude** expenditure on staff in corporate roles and who continue in the same role, notwithstanding the fact that part of their legal or financial advice may relate to coronavirus and its impacts on the Victorian community.
- When setting up processes to track this expenditure (as is already underway in a number of departments), departments are encouraged to judge the administrative effort in tracking (and validating) this expenditure and apply the principle of materiality.
- *Note that materiality thresholds should be considered in the context of the relevant department and the fact that centrally endorsed additional expenditure will arguably significantly exceed internally-reprioritised funding, so there is little value to the Parliament or the community in detailed management accounting for every potential activity. Where required these could be described in a qualitative narrative around the Government's response to coronavirus.*
- Further departmental-specific examples of activities and transactions for which funding is being reprioritised by departments internally and their assessment under this proposed approach is shown in the table below.
- DTF may need to include additional interest expense on the central debt portfolio, subject to the applicable information request (i.e. expenditure has increased due to coronavirus, but is not a direct Government response).

c. Revenue

- Revenue losses since the *2019-20 Budget Update* range from GST, State taxation and other types of revenue accruing to the Consolidated Fund (such as fines) to third-party revenues available to the receiving organisations for (additional) service delivery such as private patient fees in hospitals and admission fees in recreational sectors.
- Only the approved revenue policy responses to the pandemic can be reliably quantified, and solely attributed, as coronavirus-related and should therefore be tracked for this purpose.
- Revenue impacts (such as GST, broader taxation, fines and farebox revenue) beyond policy responses to the pandemic are not able to be reliably attributable to the coronavirus pandemic as there are other factors affecting these (such as iron ore prices affecting Victoria's GST share, other changes in economic parameters such as interest rates and the performance of the fines management system for example). These will therefore not be tracked for this purpose.
- All departments and DTF (for the whole of government) may elect to reference revenue losses (preferably against *2019-20 Budget Update* estimates) as valuable context for coronavirus-related queries and information requests without unwarranted attribution to the pandemic.
- Illustratively, DTF may elect to reference the total coronavirus-related spending and revenue measures (including identified reprioritisations) in the upcoming WoG AFR and make a non-causal observation that there have been significant revenue downgrades since the *2019-20 Budget Update*, **in part** due to coronavirus. On the other hand, DoT as part of its reporting may choose to reference farebox revenue losses, **primarily** due to coronavirus.

It is noted that the ABS will be following a similar approach to the above with a differentiation between primary and secondary impacts of the pandemic.

In addition to the above, some Government/departmental responses to coronavirus may not have financial impacts that can be accurately measured (such as encouraging schools not to charge fees for canteen operations) or may have impacts that are neither additional/dedicated expenditure nor revenue reductions (such as the postponement of some State taxation payments and paying invoices within a shorter time frame). These could also be described in a qualitative narrative around the Government's response to coronavirus.

The table below provides indicative examples of how the categorisation above may be used to respond to information requests (such as from PAEC or the ABS) or in departmental/WoG publications:

Information requirement - example	Response ^a
What is the total impact on the taxpayer?	a and c
How much was spent?	a and b
Budget output/asset initiatives	a
Budget revenue initiatives	c
Agency spending measures, including those funded through the Treasurer's Advance (TA) ^a	a and b

^a - subject to WoG, departmental or portfolio considerations (e.g. "how much did DHHS spend on the coronavirus response" may differ from "how much did Victorian hospitals spend on the coronavirus response")

^A - as per VAGO's draft specification of its planned performance audit

It should be noted that there are likely to be varying financial impacts being quoted depending on the precise information requirement being responded to, but the above should provide a consistent basis across WoG.

Further departmental-specific examples of coronavirus-related internally reprioritised expenditure

Department	Activity/transaction	'Dedicated' coronavirus-related (yes/no)
DTF	Preparation of the supply bills	no
DTF	Preparation of economic recovery initiatives	no
DELWP	Additional cleaning costs, purchase of disposable thermometers, hand sanitizer, and gloves	yes
DELWP	Staff from DELWP and portfolio agencies including Parks Victoria and EPA have been requested to assist enforcement of quarantine across a number of hotels in the Melbourne CBD	yes
DHHS	Reallocating staff to provide services and support programs such as: <ul style="list-style-type: none"> • the hotel quarantine program for return travellers; • ██████████ to support community engagement, enhanced public health response and increased testing; • ██████████ to support the health and wellbeing of public housing high-rise residents; and • emergency response and public health activities to put preventive measures in place for the spread of COVID-19. 	yes