

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SIXTH REPORT TO PARLIAMENT

**INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES
AND
A REPORT ON A MATTER RELATED TO THE AUDITOR-GENERAL'S
REPORT ON THE 1992-93 FINANCE STATEMENT**

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FUNCTIONS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

The Public Accounts and Estimates Committee is constituted under the *Parliamentary Committees Act 1968*, as amended. It presently consists of nine Members of Parliament drawn from the Legislative Council and the Legislative Assembly.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on -

- (a) any proposal, matter or thing connected with public administration or public sector finances;
- (b) the annual estimates or receipts and payments and other Budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council -

if the Committee is required or permitted so to do by or under this Act.

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

CHAIRMAN'S INTRODUCTION

This document comprises two separate reports. The first covers the Committee's interim review of the 1993-94 Budget. The second concerns a matter arising from the Auditor-General's Report on the 1992-93 Finance Statement.

The Committee intends to issue an interim and a final report on each Budget. It is not the Committee's intention to replicate the Budget Papers or the Autumn Economic Statement. Rather, the Committee's focus is on selected key areas where additional reporting may assist public understanding.

The interim report comments on the 1993-94 Budget, the Departmental Performance Estimates, output measures, Parliament's own Budget and the 1994 Autumn Economic Statement. It should be highlighted that the Government's Autumn Statement announced a dramatic turnaround in the State's 1993-94 Budget deficit from \$3,678.8 million to \$1,212.9 million. This is reflected in the Report.

The matter arising from the Auditor-General's Report on the 1992-93 Finance Statement concerns the State's contingent liabilities, an important area of ongoing interest to the Committee. This Report details investigations into concerns raised with the Committee related to possible financial risks for the State. The risk of any financial loss to the State from the matter raised was found to be subject to adequate control.

I thank the other members of the Committee for the constructive time and effort spent on the Committee's bipartisan endeavours.

On the Committee's behalf, I thank Mr Craig Burke, Director of Research and Mr Michael Quayle, a seconded research officer, for their briefing of the Committee, advice and drafting of the report, and Mrs Helena Cyrulo for administrative support.

Finally, I thank the staff from the Joint Committee Office Administration for their efficient word processing.

Hon. G. Graeme Weideman, MP, JP
Chairman

EXECUTIVE SUMMARY

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

1993-94 Budget - Chapter Two

- A review of the 1993-94 Budget, as presented to Parliament in September 1993, revealed that:
 - (i) key reasons for the estimated increase in current revenue and grants over 1992-93, include the full year effect of the October 1992 and April 1993 revenue policy initiatives (32%), the introduction of the Better Roads Levy (13%) and increases in grants, gambling taxes and public authority revenue (55%);
 - (ii) the estimated reduction in wages and salaries, primarily due to the State's early departure schemes, is partly offset by estimated award wage increases, additional wages and salaries in certain Commonwealth funded areas and carry over of unspent 1992-93 appropriations; and
 - (iii) the Committee is concerned that the Departmental Performance Estimates, which comprise an important element of departmental accountability to the Parliament, have not yet been published. The Departmental Performance Estimates should be published within 28 days of the presentation of the Budget to Parliament.
- A preliminary review of the 1994 Autumn Economic Statement, as it impacts on 1993-94, disclosed:
 - (i) a \$527.8 million (32.3%) downward revision to the Current Account Deficit;
 - (ii) a \$2,465.9 million (67.0%) downward revision to the Budget Deficit, mainly due to:
 - higher underlying growth in revenue than forecast in September 1993, particularly in taxes, fees and fines (\$302.4 million);
 - a \$1,200.0 million receipt from the Transport Accident Commission;
 - underspending of \$400 million on redundancy payments. The average payment per departure under the State's early departure schemes during 1992-94 has been significantly under budget;
 - a \$174.0 million increase in budgeted revenue from the Casino; and
 - deferral of \$143.5 million on Capital works.

1993-94 Budget - Chapter Two (cont.)

- (iii) a \$706.0 million (2.0%) downward revision to the level of public sector net debt; and
- (iv) unemployment is now assumed to increase at a faster rate locally than nationally.

Parliament's Budget - Chapter Three

- The Parliament should:
 - (i) determine whether its Budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny; and
 - (ii) establish its own audit committee and internal audit function.

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT ON THE 1992-93 FINANCE STATEMENT

The State's Contingent Liabilities

- A submission was received by the Committee which expressed serious concerns regarding a Municipal Council's involvement in a shopping complex. The submission expressed a belief that the State is exposed, through that enterprise, to the possibility of a large financial loss.
- The Committee:
 - (i) investigated the risk of financial loss to the State from that municipal enterprise;
 - (ii) referred matters raised to the Auditor-General and the Minister for Local Government.
 - (iii) welcomed the Minister for Local Government's commitment to monitor that and other municipal enterprises;
 - (iv) notes the Auditor-General's ongoing review of the State's contingent liabilities; and
 - (v) finds that the risk of any financial loss to the State from that municipal enterprise is currently subject to adequate control.

FINDINGS AND RECOMMENDATIONS

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

Finding 2.1 (Page 5)

The Committee finds that the key reasons for the estimated 1993-94 increase in current revenue and grants over 1992-93, as presented to the Parliament in September 1993, include:

- (a) the full year effect of the October 1992 and April 1993 revenue policy initiatives, representing 32% or \$359.5 million of the increase;*
- (b) the introduction of the Better Roads Levy (announced in May 1993), representing 13% or \$141.4 million of the increase; and*
- (c) estimated increases in grants, gambling taxes (primarily electronic gaming machines) and public authority revenue, representing 55% or \$609.7 million of the increase.*

Finding 2.2 (Page 9)

The Committee finds that 1993-94 estimated reduction in wages and salaries, which primarily arises from the State's early departure schemes, has been partly offset in the September 1993 Budget by:

- (a) estimated award wage increases;*
- (b) additional wages and salaries expenditure in certain Commonwealth funded areas; and*
- (c) carry-over of unspent 1992-93 appropriations.*

Finding 2.3 (Page 13)

The Committee finds that the Departmental Performance Estimates have the potential to significantly contribute to departmental accountability to the Parliament and the Public. It is of concern however, that these estimates have not yet been published.

Recommendation 2.1 (Page 14)

The Committee recommends that the Departmental Performance Estimates should be published within 28 days of the presentation of the Budget to the Parliament.

Recommendation 2.2 (Page 16)

The Committee recommends that the Treasury should detail or highlight any significant revisions to data presented in monthly Niemeyer reports in the next available Niemeyer report.

Finding 2.4 (Page 23)

The Committee finds that the Autumn Economic Statement's key revisions to 1993-94 budget outcomes and parameters include:

- (a) a 32.3 percent or \$527.8 million reduction in the Current Account Deficit;*
- (b) a 67.0 percent or \$2,465.9 million reduction in the Budget Deficit;*
- (c) a 2.0 percent or \$706.0 million reduction in the level of public sector net debt;*
- (d) an upward revision in the estimated underlying growth in revenue from 3.9 percent to 8.6 percent; and*
- (e) unemployment is now assumed to increase at a faster rate locally than nationally.*

Finding 2.5 (Page 23)

The Committee finds that the key factors leading to the Autumn Economic Statement's \$2,465.9 million reduction in the 1993-94 Budget deficit include:

- (a) a \$302.4 million increase in taxes, fees and fines from a significantly higher underlying growth in revenue than forecast in September 1993;*
- (b) a \$1,200.0 million receipt from the Transport Accident Commission which was not included in the 1993-94 budget;*
- (c) underspending of \$400 million on redundancy payments;*
- (d) a \$174.0 million increase in budgeted revenue from the Casino; and*
- (e) deferral of \$143.5 million on Capital works.*

The reclassification of the Public Transport Corporation and Office of Housing from the budget to the non-budget sector increased the 1993-94 Budget deficit, as announced in September 1993, by \$90.9 million.

Finding 2.6 (Page 23)

The Committee finds that the average payment per departure under the State's early departure schemes during 1992-94 has been significantly under budget.

Recommendation 3.1 (Page 36)

It is recommended that the Parliament determine whether its budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny.

Recommendation 3.2 (Page 37)

The Committee recommends that the Parliament establish its own audit committee and internal audit function.

Finding 3.1 (Page 38)

The Committee finds in support of the Presiding Officers' view that priority should be given to the development of member's accommodation at Parliament House.

Finding 3.2 (Page 39)

The Committee finds that the budget for Parliament should continue to be set in accordance with the Government's overall budgetary strategies with due recognition of the special nature of Parliament.

**A REPORT ON A MATTER RELATED TO THE AUDITOR-GENERAL'S
REPORT ON THE
1992-93 FINANCE STATEMENT**

Finding 1.1 (Page 48)

The Committee may undertake a separate inquiry into the management and reporting of the State's contingent liabilities at a later date. In the interim, the Committee welcomes the Minister for Local Government's commitment to monitor municipal enterprises.

Finding 1.2 (Page 49)

The Committee finds that on the basis of the Minister's commitment and the Auditor-General's ongoing review of the State's contingent liabilities that the risk of any financial loss to the State from the Quayside shopping complex in Frankston is currently subject to adequate control.

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MINUTES OF THE PROCEEDINGS OF THE LEGISLATIVE COUNCIL

Tuesday 10 November 1992

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE - The Honourable R.I. Knowles moved, by leave, That, contingent upon the Royal Assent being given to the Parliamentary Committees (Amendment) Bill, the Honourables P.R. Hall, T.C. Theophanous and D.R. White be members of the Public Accounts and Estimates Committee.

Question - put and resolved in the affirmative.

VOTES AND PROCEEDINGS OF THE LEGISLATIVE ASSEMBLY

Friday 13 November 1992

JOINT INVESTIGATORY COMMITTEES - Motion made, by leave, and question - That contingent on the coming into operation of the *Parliamentary Committees (Amendment) Act 1992* -

Mr Baker, Mr Hyams, Mr Plowman (*Benambra*), Mr Smith (*Glen Waverley*), Mr Thomson (*Pascoe Vale*) and Mr Weideman be members of the Public Accounts and Estimates Committee.

(*Mr Gude*) - put and agreed to.

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

CHAPTER ONE: INTRODUCTION

1.1 Committee Background

The Public Accounts and Estimates Committee is an all party Joint Investigatory Committee of the Victorian Parliament established by way of amendment to the *Parliamentary Committees Act* 1968 early in the 52nd Parliament. The Committee has wide powers to review State public sector finances and administration on behalf of the Victorian Parliament. The Committee's mandate includes both the traditional "public accounts" and "estimates" functions. This report focuses on the latter, an example of the former is the Committee's report on the Performance Audit of the Auditor-General of Victoria (November 1993).

This Report is the Committee's second report on the annual Budget Estimates, the first being the *Report to the Parliament on the 1992-93 Budget Estimates and Outcomes* tabled in November 1993.

1.2 The Committee's Objective in its Scrutiny of the 1993-94 Budget Estimates

The Committee's objective in its scrutiny of the 1993-94 Budget Estimates is to:

- constructively contribute to the presentation of budget information, including key financial management details, to the Parliament and the community of Victoria;
- facilitate a greater understanding of the Budget Estimates;
- encourage clear, full and precise statements of the Government's objectives and planned budget outcomes;
- assist the Parliament and the community of Victoria to assess the achievement of planned budget outcomes; and
- encourage economical, efficient and effective program administration.

It is not the Committee's intention to replicate the Budget Papers. Rather, the Committee's focus is on selected key areas where additional reporting may assist public understanding.

1.3 The Committee's Approach

1.3.1 General Overview

It is the Committee's intention to report to Parliament on the Budget Estimates twice each financial year. The first report will be an interim report examining the current year's Budget and will commonly review the overall budgeted

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outcome, major budget items and progress against budget in key areas. The Committee intends to table its interim reports in the Autumn Sittings each year.

The second or final report presented to Parliament on the Budget Estimates each year will focus on the outcome of selected key appropriations voted for by the Parliament. This report will be tabled in the Spring session each year. Both reports will, as appropriate, follow up issues raised in earlier "estimates" reports of the Committee.

1.3.2 Process followed by the Committee

Following the delivery of the Budget Speech by the Treasurer on 7 September 1993, the Committee forwarded a questionnaire to all Departments requesting information to supplement the details in the Budget Papers. The questionnaire was designed to complement the detail to be published by Ministers in their Departmental Performance Estimates, which are the successors to the annual returns of Supplementary Program Information prepared by Departments (1993 - 94 Budget Paper 2 pages 8-10 and 8-11). The information received from Departments was analysed and further requests for information dispatched as appropriate.

The Committee also followed its schedule of public hearings into the Budget Estimates. This schedule will see all Ministers and Departments invited to appear before the Committee at least once in the life of the 52nd Parliament, with the major portfolios of Treasury, Finance, Health, Education and Transport invited to appear at least once each financial year. The evidence given at the public hearings was analysed and, where the Committee considered it necessary, further requests for information were dispatched as appropriate. A complete listing of witnesses is included in this report.

1.4 Legislative Requirements

Section 4O(2) of the *Parliamentary Committees Act 1968* provides that:

"Where a report to the Parliament of a Joint Investigatory Committee other than the Public Bodies Review Committee recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown shall, within six months of the report of the Committee being laid before both Houses of the Parliament, report to the Parliament as to the action (if any) proposed to be taken by the Government with respect to the recommendation of the Committee."

CHAPTER TWO: 1993-94 BUDGET

2.1 1993-94 Budget as presented to Parliament in September 1993

2.1.1 Overview

At public hearing, the Treasurer provided a statement of the overall direction of the 1993-94 Budget:

"Overall, the substance of the Budget is directed at three things: firstly, the flow through of the increases in revenue flowing from the revenue initiatives the government imposed last year without any new revenue initiatives in the current Budget. Secondly, the continuation of the restraint program with the implementation over the next two years of approximately \$730 million expenditure reductions achieved in the main by productivity gains, but also involving some rationalisation of services; and thirdly, the reactivation of public investment, but in particular a review of the management of the public works program ..."
(Minutes of Evidence, 17.9.93, pp 2-3)

A key focus of the government's budgetary strategy is set out in the Budget Papers:

"The 1992-93 Budget commenced a three-year strategy for turning Victoria's budget sector current account from a position of substantial and ongoing deficit to a modest but sustainable surplus."
(1993-94 Budget Paper No. 2 pp 1-3)

2.1.2 Current Revenue and Grants

The 1993-94 Budget Papers state:

"No new taxes are included in the 1993-94 Budget.

The estimated strong growth of 11.3 per cent in revenue reflects the full year impact of the initiatives announced in the October 1992 and April 1993 Statements and the introduction of the Better Roads Levy.

Underlying growth in revenue in 1993-94 is estimated at 4.1 per cent.

Grants¹ are estimated to grow by 3.1 per cent."
(1993-94 Budget Paper No. 2 pp 5-1)

Current Revenue and Grants are estimated to increase by \$1,110.8 million during 1993-94 over the actual outcome for 1992-93. Table 2.1 demonstrates the key causes of the \$1,110.8 million year on year increase in revenue and grants.

¹ Current and Capital grants

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

TABLE 2.1

Increase in Budgeted 1993-94 Current Revenue and Grants over actual 1992-93
- \$m

	1993-94 Increase/ (Decrease) on 1992-93	Caused by:	
		1992-93 Policy Initiatives (a)	Other
Payroll Tax	43.0	3.0	40.0
Land Tax	(31.1)	(1.8)	(29.3)
Stamp Duty on Financial and Capital Transactions	(31.5)	(1.0)	(30.5)
Financial Transactions Taxes	112.9	112.1	.8
State Deficit Levy	(3.9)	(3.9)	-
Levies on Statutory Corporations	10.4	-	10.4
Gambling Taxes (b)	167.5	8.2	159.3
Taxes on Insurance	93.2	94.1	(.9)
Motor Vehicle Taxes	88.1	61.5	26.6
Tobacco Franchise Taxes	44.6	71.5	(26.9)
Petroleum Franchise Taxes (c)	99.7	(51.3)	151.0
Liquor Franchise Taxes	(3.8)	-	(3.8)
Other	(1.5)	-	(1.5)
<i>Total Taxes, Fees and Fines</i>	587.4	292.4	295.2
Public Authority Income	223.2	67.1	156.1
Interest Received	(2.7)	-	(2.7)
Royalties	(13.1)	-	(13.1)
Other Current Revenue	(1.3)	-	(1.3)
<i>Total Other Revenue</i>	206.2	67.1	139.0
Total Current Revenue	793.7	359.5	434.2
Current Grants Received	316.9	-	316.9
Total Current Revenue and Grants	1,110.8	359.5	751.1

(a) As announced in the October 1992 and April 1993 statements.

(b) Includes Taxes on Private Lotteries, Race Betting Taxes, Electronic Gaming Machines, Casino Tax, and Other Gambling Taxes.

(c) Includes Better Roads Levy (\$141.4 million) and impact of removal of Farrow petrol levy (\$51.3 million).

Source: 1993-94 Budget Paper No. 2, Tables 5.2 and A.2 (p 5-5 and p A-4) and the December 1993 Niemeyer Statement.

Some totals do not add due to rounding.

Table 2.1 indicates that of the estimated year on year increase:

- 32% or \$359.5 million is due to the full year effect of the October 1992 and April 1993 revenue policy initiatives;
- 13% or \$141.4 million is due to the introduction of the Better Roads Levy (announced in May 1993); and
- 55% or \$609.7 million is primarily due to estimated increases in grants, public authority revenue and gambling taxes.

Gambling taxes

Gambling taxes are made up of taxes on lotteries, electronic gaming machines, racing, casino and Tabaret commissions. Minor taxes are also received from bingo and lucky envelope surcharges.

Revenue from the tax on electronic gaming machines is estimated to increase from \$94.9 million in 1992-93 to \$225.0 million in 1993-94 (Table 3.2, 1993-94 Budget Paper No. 4). This reflects the full-year effect of the introduction of gaming machines in 1992-93 and the commissioning of a further 5000 electronic gaming machines.

Finding 2.1

The Committee finds that the key reasons for the estimated 1993-94 increase in current revenue and grants over 1992-93, as presented to the Parliament in September 1993, include:

- (a) **the full year effect of the October 1992 and April 1993 revenue policy initiatives, representing 32% or \$359.5 million of the increase;**
- (b) **the introduction of the Better Roads Levy (announced in May 1993), representing 13% or \$141.4 million of the increase; and**
- (c) **estimated increases in grants, gambling taxes (primarily electronic gaming machines) and public authority revenue, representing 55% or \$609.7 million of the increase.**

2.1.3 *Service Delivery Costs*

The 1993-94 Budget Papers state:

"The measures announced in October 1992 to reduce service delivery costs in 1992-93 have been achieved and will result in ongoing annual savings to the Budget of more than \$500 million from (unchanged policy) forward estimates.

Reviews of departmental outlays completed in April established planning figures for the next two years, requiring a further total cost reduction of some \$730 million to be delivered by the end of 1994-95. All of these measures together are planned to

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achieve ongoing savings to departmental spending of over \$1.23 billion over the three years to June 1995"

(1993-94 Budget Paper No. 2 pp 6-1)

The departmental spending savings referred to in the Budget Papers are measured against the Department of the Treasury's expenditure projections which assume a continuation of previous policies. This does not mean a reduction in spending compared with actual outlays for 1992-93, in fact current outlays are estimated to increase by \$1,476.2 million in 1993-94 (refer Table 2.2).

TABLE 2.2

Budget Sector: Current Outlays

	1992-93 Actual \$m	1993-94 Estimates (a) \$m
Wages and Salaries	6,420.2	6,129.6
Other Operating Costs	3,461.6	3,615.8
Charges and Reimbursements	<u>-1,874.9</u>	<u>-1,883.3</u>
Net Operating Costs	8,006.9	7,862.0
Superannuation (b)	934.4	2,387.1
Final Consumption Expenditure	8,941.3	10,249.1
Interest Paid	2,035.9	2,141.2
Subsidies	646.0	610.1
Personal Benefit Payments	248.2	294.4
Grants and Other Transfer Payments	747.3	800.2
Current Outlays	12,618.7	14,094.9

(a) As presented to the Parliament in September 1993

(b) Net of recoupment

Source: 1993-94 Budget Paper No. 2 (pp 3-8)

In 1993-94 it is estimated that (refer Table 2.2):

- (i) wages and salaries will decrease by \$290.6 million;
- (ii) superannuation costs will increase by \$1,452.7 million; and
- (iii) interest paid will increase by \$105.3 million.

Other operating costs are also estimated to increase during 1993-94.

Wages and salaries

Wages and salaries are estimated to decrease by \$290.6 million during 1993-94 over the actual outcome for 1992-93. This decrease primarily results from savings generated by the Government's 1992-93 and 1993-94 early departure schemes. Table 2.3 provides details of the components of the estimated net reduction in wages and salaries.

TABLE 2.3

**Reconciliation of estimated 1993-94 and actual
1992-93 wage and salary outlays**

	\$m	\$m
Actual 1992-93 wages and salaries		6,420.2
Less: Additional savings from the full year effect of the 1992-93 workforce reductions (a)	353.9	
Savings from the 1993-94 workforce reductions (part year savings)	199.9	
Recreation leave allowance paid prior to October 1992 (b)	27.0	<u>580.8</u>
		5,839.4
Plus: Award wage increases	80.0	
Medicare Bonus and Disability Services (c)	104.0	
Australian National Training Authority (c)	20.0	
Excess teachers pool (c)	20.0	
Carry-over of unspent 1992-93 appropriations to 1993-94	33.4	
Other (d)	32.8	<u>290.2</u>
Estimated 1993-94 wages and salaries, as presented to Parliament in September 1993		6,129.6

(a) represents the difference between estimated full year savings (\$535.0 million) and savings achieved during 1992-93 (\$181.1 million).

(b) recreation leave allowance is no longer payable.

(c) funded by the Commonwealth.

(d) comprises a mixture of factors including the relocation of funding by agencies between salaries and other discretionary outlay items.

Data Source: Treasury

Table 2.3 demonstrates that savings in wages and salaries are partly offset by:

- (a) estimated award wage increases of \$80.0 million;

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- (b) additional wages and salaries expenditure in certain Commonwealth funded areas of \$144.0 million;
- (c) carry over of unspent 1992-93 appropriations of \$33.4 million; and
- (d) other factors, amounting to \$32.8 million.

Superannuation

Superannuation costs are estimated to increase by \$1,452.7 million during 1993-94 (refer Table 2.4). This increase is partially attributable to the Government's policy decision to make its (employer's) contribution to lump sum superannuation payments as they occur rather than deferring some of those obligations, as was the previous practice. **The major factor impacting on superannuation costs in 1993-94 however, is the decision to pay the State Superannuation Fund and the Emergency Services Superannuation Scheme \$1,386 million to cover the State's estimated outstanding liability for deferred employer contributions.** The effect of these two policy decisions can be seen from Table 2.4.

TABLE 2.4
Superannuation - \$ '000

	1992-93 Actual	1993-94 Estimate	Increase/ Decrease
Superannuation	934.4	1,000.8	66.4
Special Superannuation Payment	0.0	1,386.3	1,386.3
Total	934.4	2,387.1	1,452.7

Source: 1993-94 Budget Paper No. 2 Table 4.1 (pp 4-7)

The Budget Papers state that the estimated increase in normal superannuation payments of \$66.4 million for 1993-94 is the net increase after taking into account the impact of estimated workforce reductions and the above two policy decisions.

Interest

Interest is estimated to increase by \$105.3 million during 1993-94 due to an increased level of debt. The 1993-94 Budget Papers state:

"Interest paid is the largest single functional outlay of the Budget and continues to increase much faster than total revenue and current grants. This cost is directly associated with the increased level of debt. Furthermore, the increased interest cost continues to affect adversely the capacity to spend on general services."
(1993-94 Budget Paper No. 2 pp 7-3)

The increased level of debt is driven by the decisions to further downsize the budget sector workforce during 1993-94 using separation packages (refer paragraph 2.1.5) and the decision to pay the Government's deferred employer contribution to the State Superannuation Fund and the Emergency Services Superannuation Scheme. These two decisions result in estimated additional borrowings of \$1.3 billion and \$1.386 billion respectively during 1993-94. The deferred superannuation liability has not previously been treated as borrowings. The 1993-94 Budget Papers state:

"Budget sector interest paid is projected to increase in the medium term. This growth is, in part, a result of the policies being pursued to downsize the budget sector workforce which require borrowings initially to fund departure packages but which, in time, will generate ongoing salary savings to the Budget. The decision to pay the State's deferred employer contributions to both the SSF and ESSS will also add to debt and interest paid."

(1993-94 Budget Paper No. 2 pp 7-23)

A program to bring interest payments into line with the year in which they are billed will increase the level of interest payments in 1992-93 and 1993-94 (refer paragraph 2.1.4). This program increased 1992-93 interest payments by \$100 million and will increase 1993-94 interest payments by \$40 million. The program thereby leads to a reduction of \$60 million in total 1993-94 interest payments compared to 1992-93, and partially offsets the impact of 1993-94 interest on the increased debt referred to above.

Finding 2.2

The Committee finds that 1993-94 estimated reduction in wages and salaries, which primarily arises from the State's early departure schemes, has been partly offset in the September 1993 Budget by:

- (a) estimated award wage increases;
- (b) additional wages and salaries expenditure in certain Commonwealth funded areas; and
- (c) carry-over of unspent 1992-93 appropriations.

2.1.4 Current Account Deficit

The Budget Papers indicate that the Current Account deficit for 1993-94 is estimated at \$1,508.3 million. This represents an increase of \$365.4 million on the 1992-93 actual outcome (of \$1,142.9 million). The 1993-94 budgeted deficit however, includes 'one-off' payments such as the \$1,386 million superannuation payment, and consequently

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does not represent the underlying structural deficit. This point is also made in the 1993-94 Budget Papers which state:

"The underlying current account deficit is estimated to be \$122 million in 1993-94, after excluding the effect of the one-off provision of \$1386 million in superannuation noted above, showing a dramatic improvement of over \$1 billion in the underlying current account deficit."

(1993-94 Budget Paper No. 1 pp 8)

Other 'one-off' payments

There are other less significant 'one-off' payments which impact on the budget deficit and if deducted provide a clearer understanding of the underlying structural deficit. These are discussed below.

The Budget Papers refer to a program to bring forward interest payments so that they are paid in the year in which they are billed. During 1992-93, over \$100 million of interest payments were brought forward from July 1993.

The 1993-94 Budget Papers state:

"This year will see the completion of the program of bringing interest payments into line with the year in which they are billed. While this represents an additional cost to the Budget of \$40 million in 1993-94 there is no ongoing budgetary impact in subsequent years."

(1993-94 Budget Paper No. 2 pp 4-15)

Exclusion of this additional \$40 million one-off interest payment further reduces the underlying Current Account deficit to \$82.3 million.

The Government has decided to progressively reinstate the previous payment schedule for grants to Non-Government Schools. This has resulted in an additional payment during 1993-94, of \$24 million which will not recur beyond 1994-95. The Department of the Treasury has advised that the reinstatement will not be completed until 1994-95. Consequently an additional amount of \$22.7 million has been included in the forward estimates for that year. The Budget Papers state that the decision not to defer grants to non-government schools will increase current outlays by \$24 million during 1993-94. Exclusion of this amount from Current Outlays further reduces the underlying Current Account deficit to \$58.3 million.

A budgeted underlying Current Account deficit of \$58.3 million for 1993-94, based on the budget presented to the Parliament in September 1993, represents a substantial turnaround from 1992-93.

2.1.5 Capital Outlays

Capital outlays are estimated to increase by \$977.1 million in the 1993-94 Budget Papers. Table 2.5 summarises budget sector capital outlays for 1992-93 and 1993-94.

Table 2.5
Budget Sector Capital Outlays

	1992-93 Actual \$m	1993-94 Estimate \$m	Increase/ (Decrease) \$m
Expenditure on Fixed Assets	1,352.3	1,498.6	146.3
Sale of Assets	<u>- 143.1</u>	<u>- 122.0</u>	<u>(21.1)</u>
Gross Fixed Capital Expenditure	1,209.3	1,376.6	167.3
Land, Stocks and Intangible Assets	18.9	24.6	5.7
Separation Packages	772.7	1,300.0	527.3
Other Grants and Transfer Payments	124.3	203.4	79.1
Advances Paid (Net)	- 231.0	- 33.4	(197.6)
Capital Outlays	1,894.1	2,871.2	977.1

Some totals do not add due to rounding.
Excludes grants for on-passing.

Source: 1993-94 Budget Paper No. 2 (pp 3-10)

Table 2.5 shows that the year on year increase in expenditure on separation packages amounts to \$527.3 million. This represents the single most significant factor in the overall increase in capital outlays.

2.1.6 *Financing Transactions*

1993-94 Budget Paper No. 2 (pp 3-5) states that between 1988-89 and 1992-93 Victorian budget sector financing transactions (or the budget deficit) grew from \$1,012.7 million to \$2,173.1 million, and that this was partially due to the emergence of a current account deficit. 1993-94 Budget Paper No. 2 indicates that 1993-94 financing transactions are estimated to be \$3,667.5 million. Table 2.6 provides a breakdown of this figure and forward estimates.

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Table 2.6
Borrowing and Financing Transactions

	1993-94	1994-95	1995-96	1996-97
	(\$ million)			
A. Borrowing's				
For Current Account Deficit				
FTMUT (a)	285	-	-	-
Deferred Superannuation	1,386	-	-	-
Other Current (b)	486	145	5	303
For Capital Account Deficit				
Departure Packages	1,300	-	-	-
Other Capital	742	777	605	654
For Financial Agreement (c)	239	405	210	266
Total	4,438	1,327	820	1,224
B. Repayments				
To Commonwealth				
Financial Agreement (c) from:				
Appropriation	26	20	16	14
Borrowing's	239	405	210	266
Commonwealth Contribution	7	7	5	5
Housing	22	23	24	25
Specific Purpose Loans	11	10	10	8
Other				
Cash Management Account	85	-	-	-
Victorian Equity Trust	449	-	-	-
FTMUT (a)	285	-	-	-
Vic. Debt Retirement Fund	81	105	85	70
Director of Housing	21	20	20	14
Lease Facilities	19	14	11	9
Other	39	33	39	59
Total	1,285	636	419	471
C. Net Borrowing's (A-B)	3,153	691	400	753
D. Change in Financial Balances				
Victorian Equity Trust	449	-	-	-
Other	66	(20)	(21)	(19)
Total	515	(20)	(21)	(19)
E. Net Financing Transactions (C + D)				
	3,668	671	379	734
(a)	Refinancing through the budget sector of Accumulated Flexible Management Unit Trust (FTMUT) borrowing's for Government obligations to the SECV on electricity supply to the Portland and Point Henry aluminium smelters. Nil effect on net financing transactions. FTMUT borrowing's prior to 1992-93 were not reported as 'new money' Global Borrowing's as their source was Victorian public sector authorities through the Victorian Development Fund (VDF).			

- (b) Borrowing's are through the Capital Works Authority - Current Account Advances Facility. Increase in 1996-97 is due to proposed one-off transport lease balloon payment of \$300 million.
- (c) Specific refinancing of State debt under the Commonwealth/State Financial Agreement. Over a number of years, borrowing's previously raised on the States' behalf by the Commonwealth are being repaid to the Commonwealth and refinanced by the States in their own right.

Totals may not add due to rounding.

Source: Treasury

2.1.7 Departmental Performance Estimates

1993-94 Budget Paper No. 2 (pp. 8-10 to 8-11) sets out the purpose of Departmental Performance Estimates (DPE). The DPEs replace the annual returns of Supplementary Program Information that were previously prepared by departments. The DPEs are intended to amplify the information in the Budget Papers by providing details at sub-program level and narrative descriptions.

The DPEs will:

- set out departmental planning objectives;
- provide comment on budgetary decisions;
- show sub-program outlays and outputs; and
- provide an assessment of program and sub-program performance, particularly in relation to benchmarks.

Because the information to be contained in the DPEs is intended to be comprehensive, the Committee designed its departmental estimates questionnaire on the basis that the Committee would receive copies of all DPEs. The Committee did not want to separately request information already to be provided by Departments for the purposes of the DPEs. The Committee was advised that Department's were to present their 1993-94 DPEs to Parliament on or before 21 October 1993. The Committee is concerned that, to date, the DPEs have not been presented to Parliament. Nor has the Committee been provided with copies of the DPEs. In the past copies of the former annual returns of Supplementary Program Information were provided to the former Estimates Sub-Committee.

Finding 2.3

The Committee finds that the Departmental Performance Estimates have the potential to significantly contribute to departmental accountability to the Parliament and the Public. It is of concern however, that these estimates have not yet been published.

Recommendation 2.1

The Committee recommends that the Departmental Performance Estimates should be published within 28 days of the presentation of the Budget to the Parliament.

2.1.8 Output Measures

1993-94 Budget Paper No 4 includes output measures for each department. Actual 1992-93 and estimated 1993-94 outcomes are included. The Committee understands that the Departmental Performance Estimates may expand on these and would also include performance measures and benchmarks.

The Committee briefly reviewed the adequacy of the output measures included in Budget Paper No 4. The usefulness of output measures varied between departments and in some areas were yet to be determined. Importantly, the Committee notes however that this is the first year that output measures have been published with the Budget. The Department of the Treasury has advised that the ongoing development of output measures will be monitored as part of the Management Improvement Initiative's (MII) Project entitled "Financial Management Improvement". That Project is expected to submit a report to the MII Steering Committee during August 1994.

The Committee will review output measures included in the next budget as well as performance measures and benchmarks included in the Departmental Performance Estimates.

2.1.9 Niemeyer Reports

Monthly statements of Budget Sector transactions, or Niemeyer reports, are prepared by the Department of the Treasury. These statements detail monthly and year to date transaction balances and the respective annual budget allocation in both the Government Finance Statistics (GFS) format and Consolidated Fund format.

In order to assess progress against budget the Committee has charted all budget sector transactions. The charts have been prepared using the monthly Niemeyer reports. In particular the charts for the 1993-94 Current Account Deficit (CAD²) and key constituent elements, together with separation payments and the Capital Account Deficit provide an insight into budget progress and possible outcome. A selection of these charts are attached.

The Niemeyer reports represent a valuable source of information for this Committee, the Parliament and the Public. They also comprise an important part of the States accountability framework. The Niemeyer reports are normally available around the end of the month following the month to which they relate.

² The CAD is the difference between Year-to-Date Total Revenue (including Commonwealth Recurrent Grants) and Current Outlays, all in the GFS format.

Since November 1993 the Niemeyer reports have clearly stated:

"The Government Finance Statistics data presented in this document should be regarded as estimates. Ongoing review of the coding and recording of information frequently results in minor revisions to comparative data for earlier months. Preliminary information is also included on receipts and payments of the Consolidated Fund."

In order to establish the extent of revisions to data, the Committee test checked progressive totals for selected balances to determine the accuracy of the subsequent Niemeyer balances after the addition of that months transactions. The Committee identified several individual discrepancies ranging in value up to \$78 million, suggesting many 'revisions' had in fact occurred. These discrepancies indicate that significant revisions, in percentage terms, of individual balances had been made. The particular Niemeyer statements reviewed by the Committee (September 1993 to January 1994) did not alert readers to any instances of revisions.

The Committee sought corrected data from the Treasury to prepare its charts. In its response, which included the corrected data, the Department stated:

"The Monthly Statement of Transactions is a product of the Public Ledger. The data contained in the ledger is updated from both Agencies and Non-Public Account entities. There are a number of reasons why this data can change for previous months.

- *Adjustments to the Public Ledger after the release of the Monthly Statement. This can be the result of Agency reconciliations. Another case is where a new line is created on the Public Ledger and expenditure is transferred from other lines to "correct" history.*
- *Non-Public Account entities will generally supply "Estimated Estimates" for the statement months. The next month these can change as "Estimated Actuals" are supplied.*
- *Where no response has been received from the Non-Public Account entities a Pro-Rata will be entered based on both known actuals and Budget Officer information. When Estimated Actuals are received these may change from the Pro-Rata data included in the Statement.*
- *Changes to National Accounts coding can also result in changes to current and previous years monthly data. These changes are made where the coding on the Public Ledger does not match the coding for the Budget Estimates. This may occur due to an error in coding or a change in the treatment from previous years.*
- *Revision of Public Ledger coding to ensure that actuals are compared to Budget. This is an ongoing process. The result can be a journal to correct the error or a change in GFS codes.*

All these points should be noted when comparing individual Statements."

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The Committee notes, as announced in the 1993-94 Budget Papers, that a reclassification of certain outlays from the capital account to the current account has occurred. This reclassification followed a review of transactions for the purpose of ensuring that transactions are classified so as to reflect their economic substance. The 1993-94 budget estimates and the outcome for 1992-93 have been revised to take account of the adjustments and the 1993-94 Niemeyers reflect this. In the case of the 1992-93 outcome, total reclassifications exceeded \$460 million. The 1993-94 Niemeyers do not alert readers to the revision of 1992-93 data, nevertheless the 1993-94 Budget Papers do. The March Niemeyer Statement, issued during the Committee's deliberations on this report, did alert readers to certain other reclassifications announced in the 1994 Autumn Economic Statement. The major reclassifications were not reflected in the March Niemeyer data but will appear in the preliminary end-of-year statement. The Committee also notes that the March Niemeyer no longer includes the statement referred to earlier which warns readers that the data should be regarded as estimates and is subject to revision.

Recommendation 2.2

The Committee recommends that the Treasury should detail or highlight any significant revisions to data presented in monthly Niemeyer reports in the next available Niemeyer report.

2.2 Autumn Economic Statement - April 1994

2.2.1 Revised 1993-94 Budget Outlook

At the time of preparing this report the Committee had not undertaken a detailed analysis of the 1994 Autumn Economic Statement, however it has made a preliminary analysis of matters impacting on 1993-94. It is proposed that the Committee's final report on the 1993-94 Budget Outcome and Estimates (refer chapter 1) will consider revisions to the forward estimates and other matters.

The revised 1993-94 Budget outlook, as presented in the 1994 Autumn Economic Statement, is for a Budget deficit of \$1,212.9 million and a Current Account deficit of \$1,106.2 million. Key factors in that revision are detailed in Table 2.7.

TABLE 2.7

Revisions to the 1993-94 Budget

	\$m	\$m
1993-94 Budget deficit, as presented to Parliament in September 1993		3,667.5
Less		
<i>Current Account: (a)</i>		
Revised budget parameters (eg revisions to revenue growth forecasts and anticipated movements in prices, wages and interest costs) (b)	373.7	
Other GFS reclassifications (c)	53.8	
Other variations	154.1	
<i>Capital Outlays:</i>		
Receipt from the Transport Accident Commission	1,200.0	
Underspending on redundancy payments	400.0	
Increased Casino revenue	174.0	
Deferral of Capital works	143.5	
Reclassification of the PTC and Housing (d)	88.5	
Receipt from the Victorian Development Fund (e)	40.0	
GFS and other revisions (c)	8.5	
<i>Capital Receipts:</i>		
Parameter and other revisions	4.5	
Total		<u>2,640.6</u>
		1,026.9
Plus:		
<i>Current Account: (a)</i>		
Net impact of the reclassification of the PTC and Housing (d)	179.4	
<i>Capital Outlays:</i>		
Revised parameters (eg movements in prices, wages and interest costs)	6.6	
Total		<u>186.0</u>
Revised 1993-94 Budget deficit, as presented to Parliament in April 1994		1,212.9

(a) After taking into account the reclassification of the PTC, Housing and other GFS revisions the following current account outlays have been revised downward; departmental outlays (\$149.7 million), Tricontinental & FTMUT subsidies (\$55.0 million), Interest paid (\$30.5 million) and superannuation (\$2.8 million). The special superannuation payment (refer

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- paragraph 2.1.3) was revised upward (\$17.6 million). These revisions are reflected in the above table.
- (b) This revision reflects some improvement in the economy and includes stronger than expected growth in franchise fees and increased stamp duties from both property and share transfers (1994 Autumn Economic Statement pp 2-4 and 2-5).
 - (c) Certain transactions under the Government Finance Statistics (GFS) format have been reclassified, including the \$26 million budget estimate for Casino revenue which has been reclassified from current receipts to capital outlays (refer 1994 Autumn Economic Statement appendix A).
 - (d) The transactions of the Public Transport Corporation (PTC) and Office of Housing (Housing) have been reclassified from the budget to non-budget sector.
 - (e) This represents a recall of capital from the Victorian Development Fund (refer 1994 Autumn Economic Statement appendix A).

Data Source: 1994 Autumn Economic Statement and 1993-94 Budget Paper No 2.

Table 2.7 demonstrates that key factors leading to the revision of the 1993-94 Budget include:

- (a) Revised current account budget parameters, primarily from changes to revenue growth forecasts;
- (b) A large receipt from the Transport Accident Commission;
- (c) Underspending on redundancy payments;
- (d) An increase in revenue from the Casino;
- (e) Deferral of Capital works; and
- (f) Reclassification of the Public Transport Corporation (PTC) and Office of Housing (Housing).

Revised current account budget parameters - \$373.7 million

The 1994 Autumn Economic Statement forecasts significantly increased revenue growth from taxes, fees and fines amounting to \$302.4 million. The Statement comments that this revision reflects some improvement in the economy and includes stronger than expected growth in franchise fees and increased stamp duties from both property and share transfers. Chart 2.5 illustrates the achievement of better than budgeted results for certain current account revenues, due to higher than expected activity levels in the property and share markets.

Downward revisions were made to assumed wages and salaries increases (\$62.2 million) and public debt interest (\$9.1 million).

Table 2.9 (refer paragraph 2.2.2) details changes in key budget parameters.

Transport Accident Commission receipt - \$1,200.0 million

The Department of the Treasury has advised the Committee that \$1,200.0 million will be received from the Transport Accident Commission (TAC) in June this year.

That receipt significantly reduces the 1993-94 deficit as it was not provided for in the Budget. The receipt has been classified as a negative capital outlay and represents the first part of a total receipt of \$1,500.0 million for the purpose of decapitalising the TAC, (the balance being received in 1994-95). The Committee was advised that this has occurred because the TAC is assessed, based on insurance industry solvency levels, as having capital in excess of its operating requirements.

Underspending on redundancy payments - \$400.0 million

The 1993-94 Budget Papers state:

"Because almost 70 per cent of departmental operating costs are direct labour costs, major ongoing reductions in current outlays can only be achieved with a major reduction of the budget sector workforce".
(1993-94 Budget Paper 2 pp 6-18)

In order to bring about substantial reductions in direct labour costs, the Government allocated a total of \$2,100 million during 1992-94 for separation packages. Summary details of the early departure schemes are included in Table 2.8.

Table 2.8

Early departure schemes

Program	Budget	Actual/ <i>estimate</i>	Variation
1992-93			
Early departure payments (a)	\$800 million	\$772.3 million	\$27.7 million or 3%
Number of departures (a)	16,500	19,976	3,476 or 21%
Average payment per departure	\$48,484	\$38,661	\$9,823 or 20%
1993-94			
Early departure payments (b)	\$1,300 million	\$900 million	\$400 million or 31%
Number of departures (b)	14,000	14,000	Nil
Average payment per departure	\$92,857	\$64,286	\$28,571 or 31%

(a) Data source: Report of the Auditor-General on the Finance Statement, 1992-93 (pp 48-53)

(b) The Department of the Treasury advised the Committee during February 1994 that estimated assisted departures in 1993-94 would be 16,244. However the more recent Autumn Statement indicates an estimated maximum of 14,000 assisted departures in 1993-94. The Committee also notes that it is expected that the remaining cost of assisted departures occurring late in 1993-94 will be carried forward to 1994-95. Data source: 1994 Autumn Economic Statement pp 2-27 and 1-6.

Table 2.8 shows Treasury's estimated underspending against budget in 1993-94 of \$400 million on early departure payments. Refer also to Chart 2.8. At a meeting with the Committee the Department stated that the principle reason for the underspending is that the average payout is less than anticipated at budget time. The Department of Finance advised that planning for the 1993-94 Budget was based on the 14,000 departures being equally split between Voluntary Departure Packages (VDP) and Targeted Separation Packages (TSP). TSPs (which are applied on a non-voluntary basis) were anticipated to have a significantly higher average cost (\$131,300) compared with VDPs (\$44,600). Table 2.8 also shows that the average payment per departure in 1993-94 is estimated to be 31% below budget, this compares with the 1992-93 scheme which had an average payment per departure of 20% below budget.

The Autumn Statement provides for expenditure amounting to \$400 million on redundancy payments during 1994-95. This will be used to meet the cost of an estimated 3,500 departures and the remaining cost of assisted departures occurring late in 1993-94. The Statement does not provide details of the estimated average payment per departure.

Casino revenue - \$174.0 million

A premium payment of \$200 million, paid by the licensed operator of the Melbourne Casino in November 1992, was not provided for in the Budget because the licence had not been awarded at that time. The 1993-94 Budget did include a current account revenue estimate for casino tax of \$26 million from the Casino. This revenue estimate has been reclassified as part of the Autumn Statement from current receipts to capital outlays, (it is therefore now treated as a negative capital outlay), and was increased by \$174 million to equal the amount actually received. Refer Chart 2.4.

Deferral of capital works - \$143.5 million

The Autumn Statement notes:

*"deferral to 1994-95 of some \$144 million of outlays related to departmental capital projects previously planned for 1993-94. Of this, \$93 million relates to changes to the timing of projects under the Better Roads program."
(1994 Autumn Economic Statement pp 2-5 and Appendix A)*

Reclassification of the PTC and Housing - \$90.9 million (net)

The Autumn Statement provides for the reclassification of the Public Transport Corporation (PTC) and Office of Housing (Housing) from the budget sector to the non-budget sector (refer Appendix A of the 1994 Autumn Economic Statement). Budget estimates included in the Autumn Statement have been prepared in accordance with this reclassification, including adjusted prior period figures to ensure comparability.

2.2.2 Revisions to Key Outcomes and Parameters

Table 2.9 summarises the Autumn Economic Statement's revisions to key budget outcomes and parameters.

TABLE 2.9

Revisions to key 1993-94 Budget outcomes and parameters

	1993-94 Budget September 1993	Revised Budget April 1994
Key Budget outcomes:	(\$ million)	(\$ million, percentage)
Current Account Deficit (a) <i>% change</i>	1,634.0	1,106.2 -32.3
Budget Sector Deficit (a) <i>% change</i>	3,678.8	1,212.9 -67.0
Public Sector Net Debt <i>% change</i>	35,013.0	34,307.0 -2.0
Key Budget parameters: (b)	(year on year percentage change) (c)	(year on year percentage change) (c)
Underlying growth in revenue (a) (d)	3.9	8.6
Inflation - Victoria	3.5	1.9
Inflation - Australia	3.5	1.7
Average weekly earnings - Victoria	3.5	2.5
Average weekly earnings - Australia	3.5	2.5
Employment - Victoria	0.5	0.5
Employment - Australia	1.0	1.9
Unemployment rate (level) - Victoria	11.7	12.0
Unemployment rate (level) - Australia	10.5	10.6
GDP - Victoria	3.0	3.0
GDP - Australia	3.0	4.0

- (a) 1993-94 Budget (September 1993) and Revised Budget (April 1994) reflect the reclassification of the PTC, Housing and other GFS revisions, refer paragraph 2.2.1
- (b) refer paragraph 2.2.1.
- (c) this represents the 1993-94 year on 1992-93 year percentage change.
- (d) the estimated underlying growth in revenue was calculated in the same manner as was applied in the 1993-94 Budget Papers using data from the Autumn Statement. It mainly reflects increased growth in taxes, fees and fines and indicates some improvement in the economy and includes stronger than expected growth in franchise fees and increased stamp duties from both property and share transfers (1994 Autumn Economic Statement pp 2-4 and 2-5).

Data Source: 1994 Autumn Economic Statement and 1993-94 Budget Paper No 2.

Finding 2.4

The Committee finds that the Autumn Economic Statement's key revisions to 1993-94 budget outcomes and parameters include:

- (a) a 32.3 percent or \$527.8 million reduction in the Current Account Deficit;
- (b) a 67.0 percent or \$2,465.9 million reduction in the Budget Deficit;
- (c) a 2.0 percent or \$706.0 million reduction in the level of public sector net debt;
- (d) an upward revision in the estimated underlying growth in revenue from 3.9 percent to 8.6 percent; and
- (e) unemployment is now assumed to increase at a faster rate locally than nationally.

Finding 2.5

The Committee finds that the key factors leading to the Autumn Economic Statement's \$2,465.9 million reduction in the 1993-94 Budget deficit include:

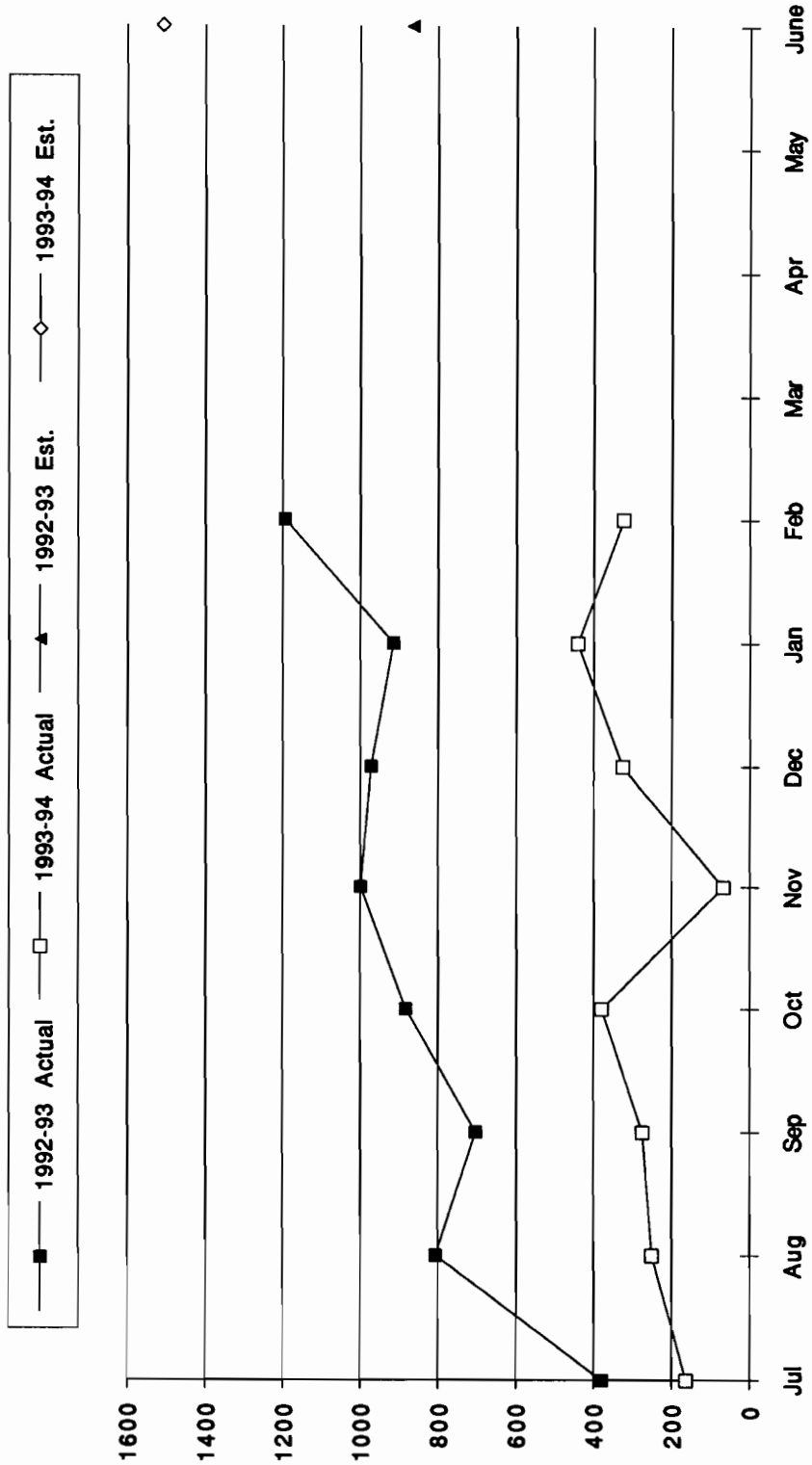
- (a) a \$302.4 million increase in taxes, fees and fines from a significantly higher underlying growth in revenue than forecast in September 1993;
- (b) a \$1,200.0 million receipt from the Transport Accident Commission which was not included in the 1993-94 budget;
- (c) underspending of \$400 million on redundancy payments;
- (d) a \$174.0 million increase in budgeted revenue from the Casino; and
- (e) deferral of \$143.5 million on Capital works.

The reclassification of the Public Transport Corporation and Office of Housing from the budget to the non-budget sector increased the 1993-94 Budget deficit, as announced in September 1993, by \$90.9 million.

Finding 2.6

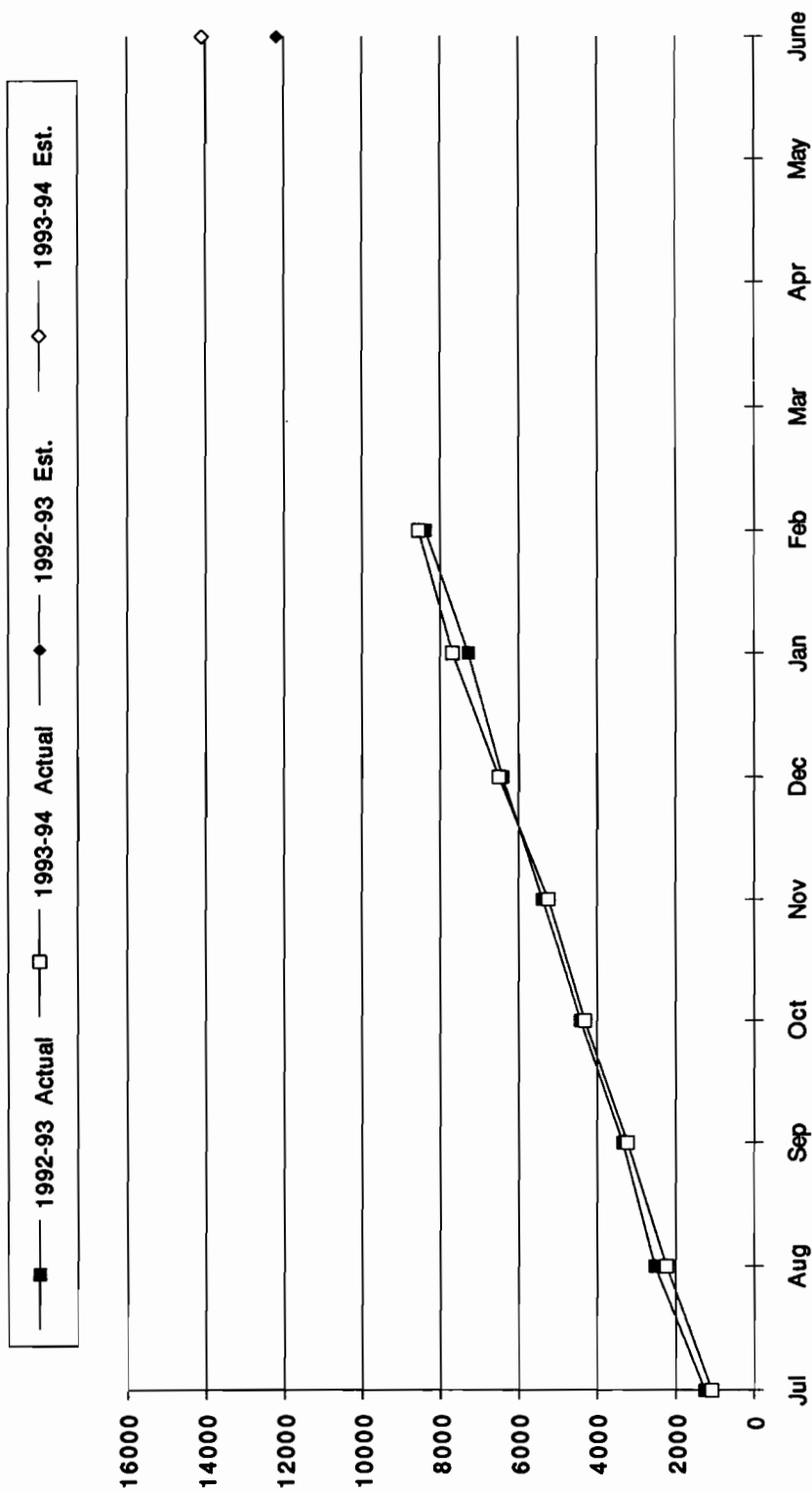
The Committee finds that the average payment per departure under the State's early departure schemes during 1992-94 has been significantly under budget.

CHART 2.1 - CURRENT ACCOUNT DEFICIT - GFS FORMAT



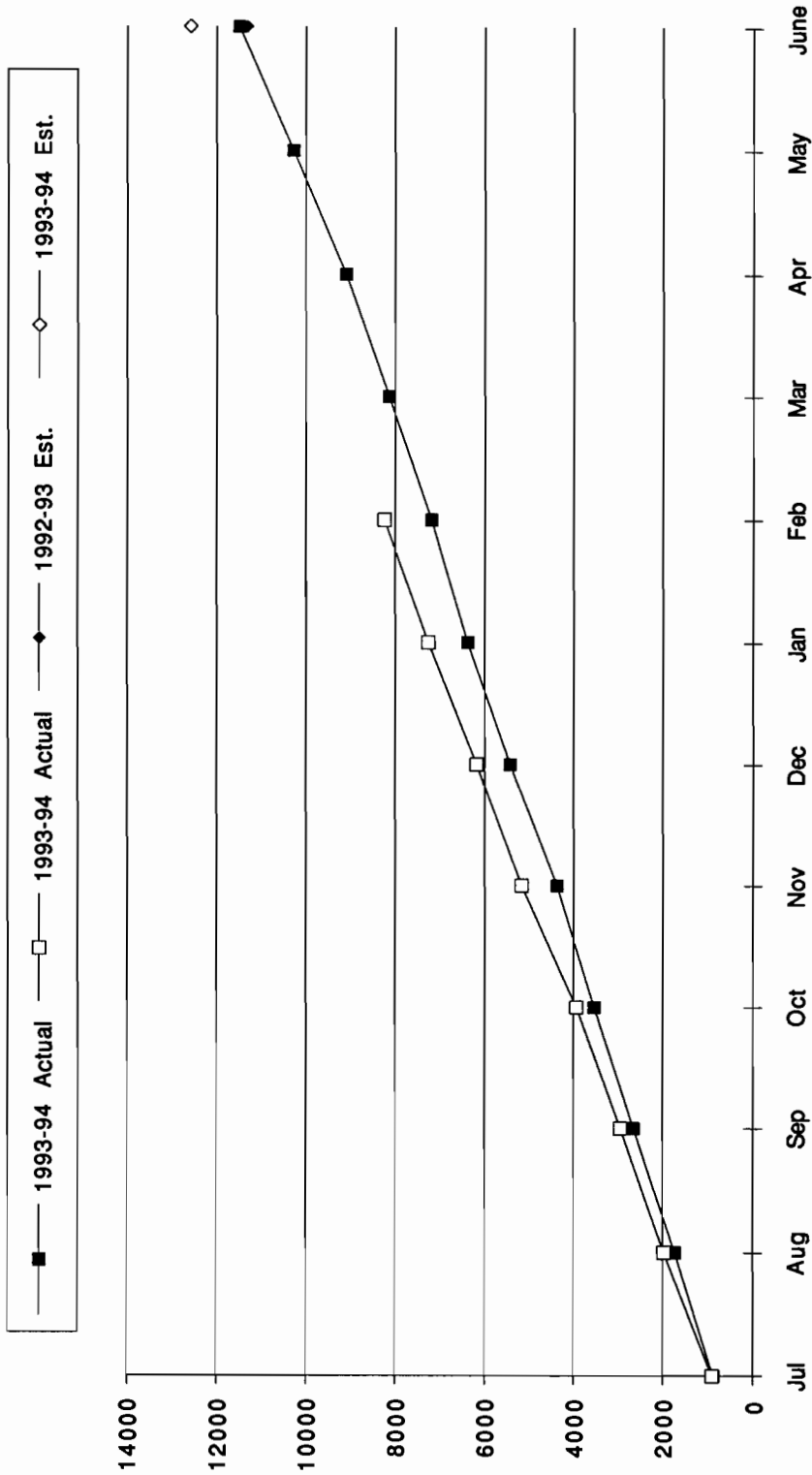
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.2 - CURRENT OUTLAYS - GFS FORMAT



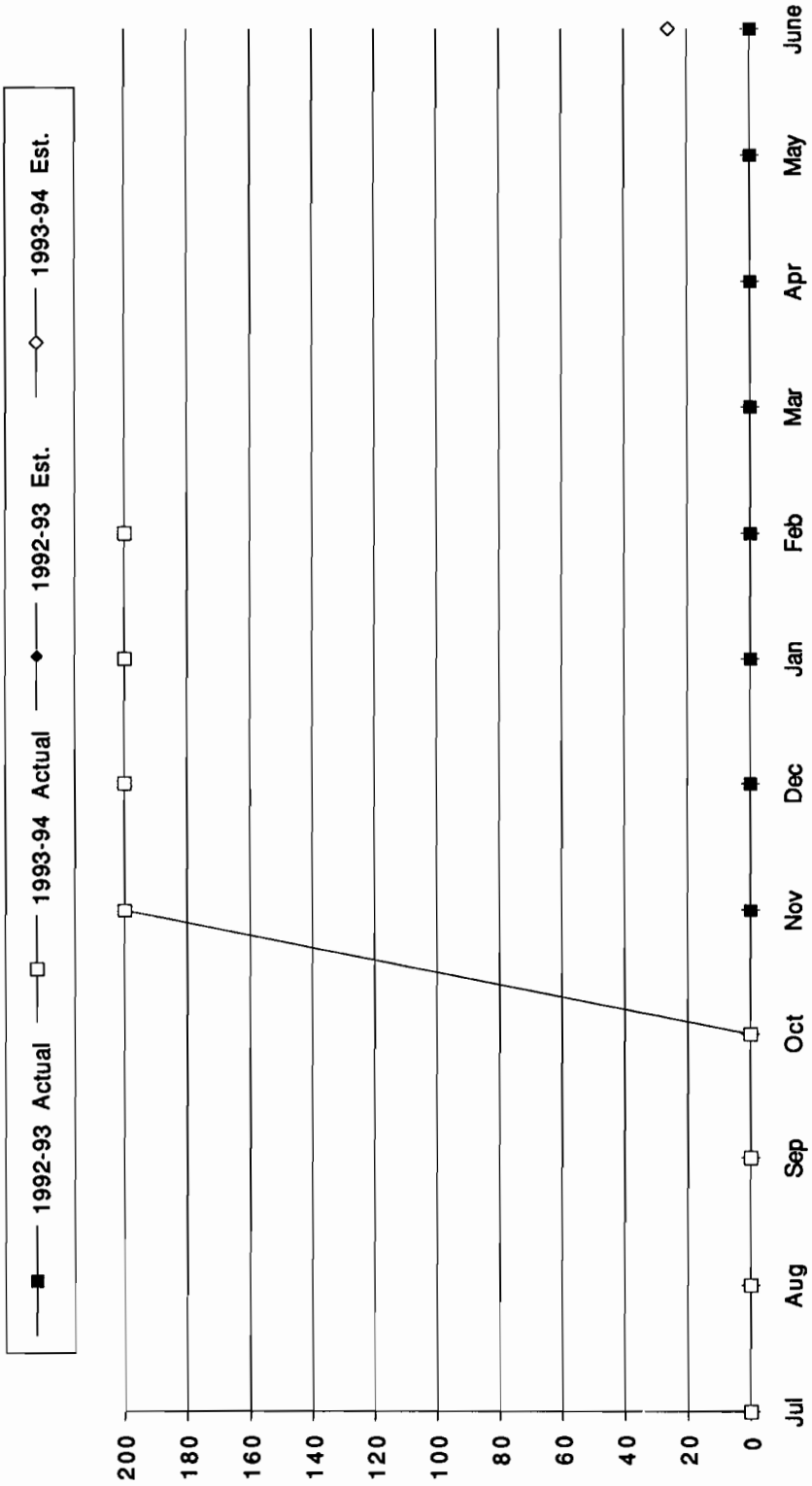
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.3 - CURRENT REVENUE AND GRANTS - GFS FORMAT



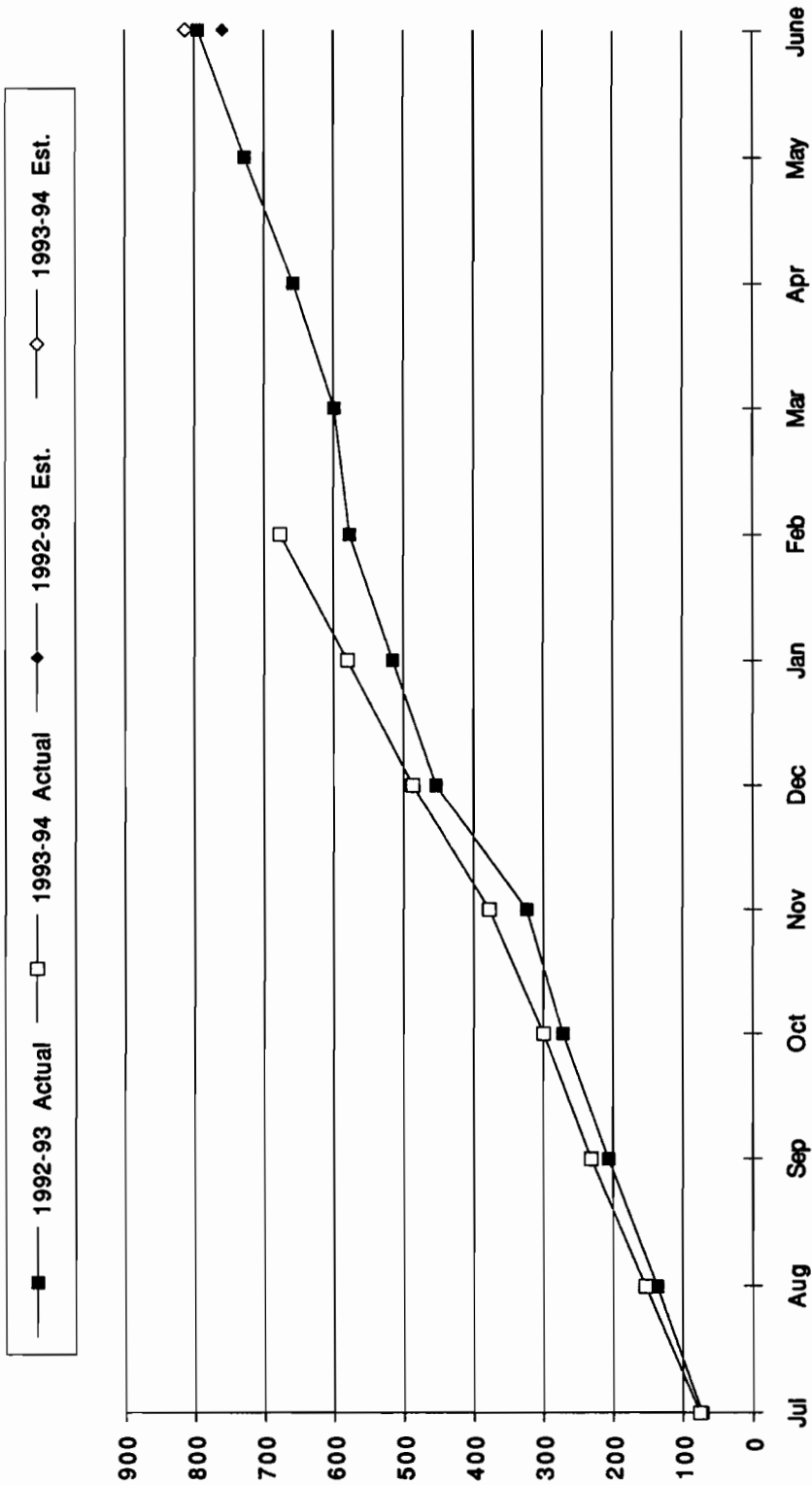
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.4 - CASINO TAX - GFS FORMAT



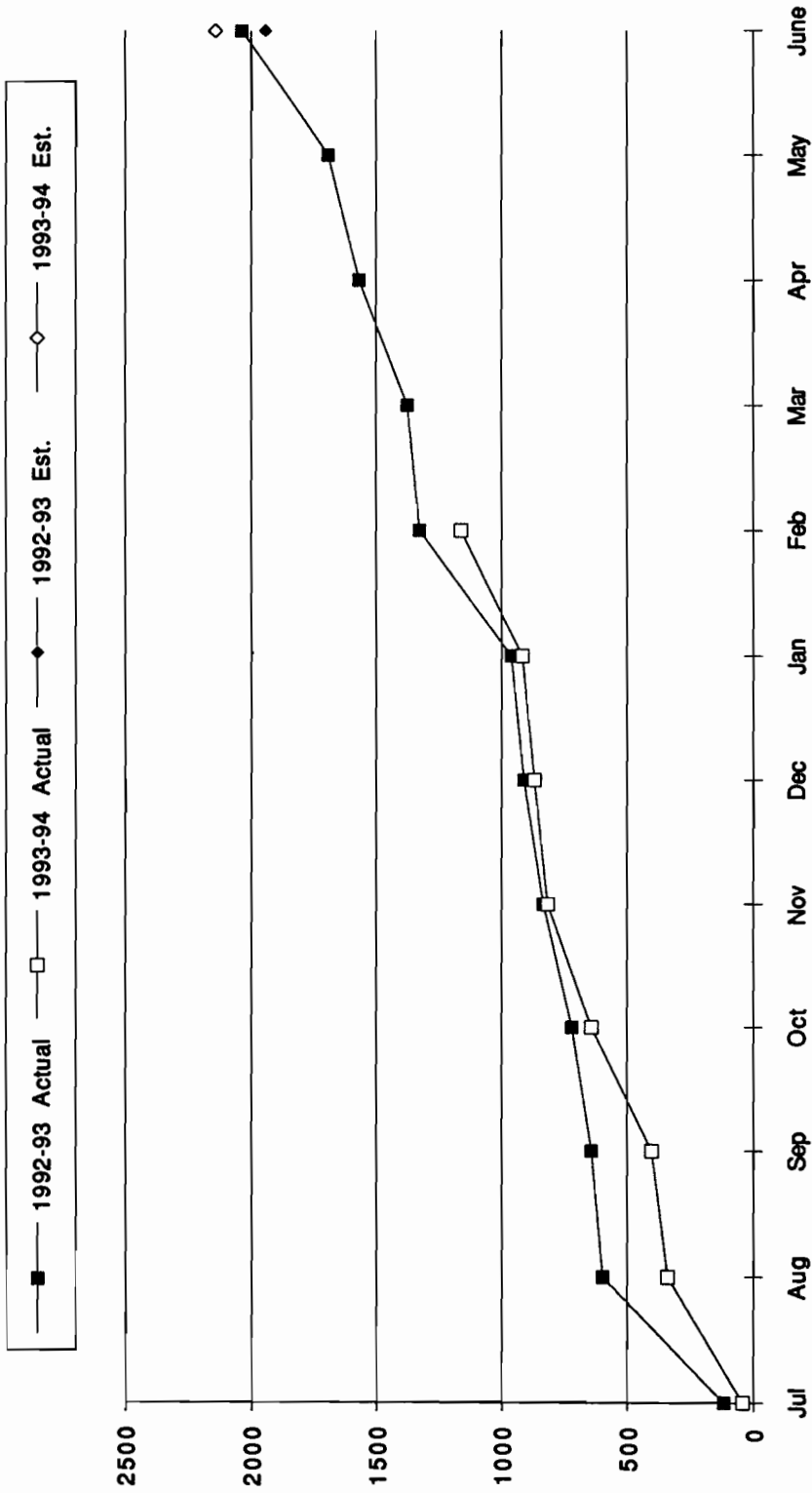
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.5 - STAMP DUTY - GFS FORMAT



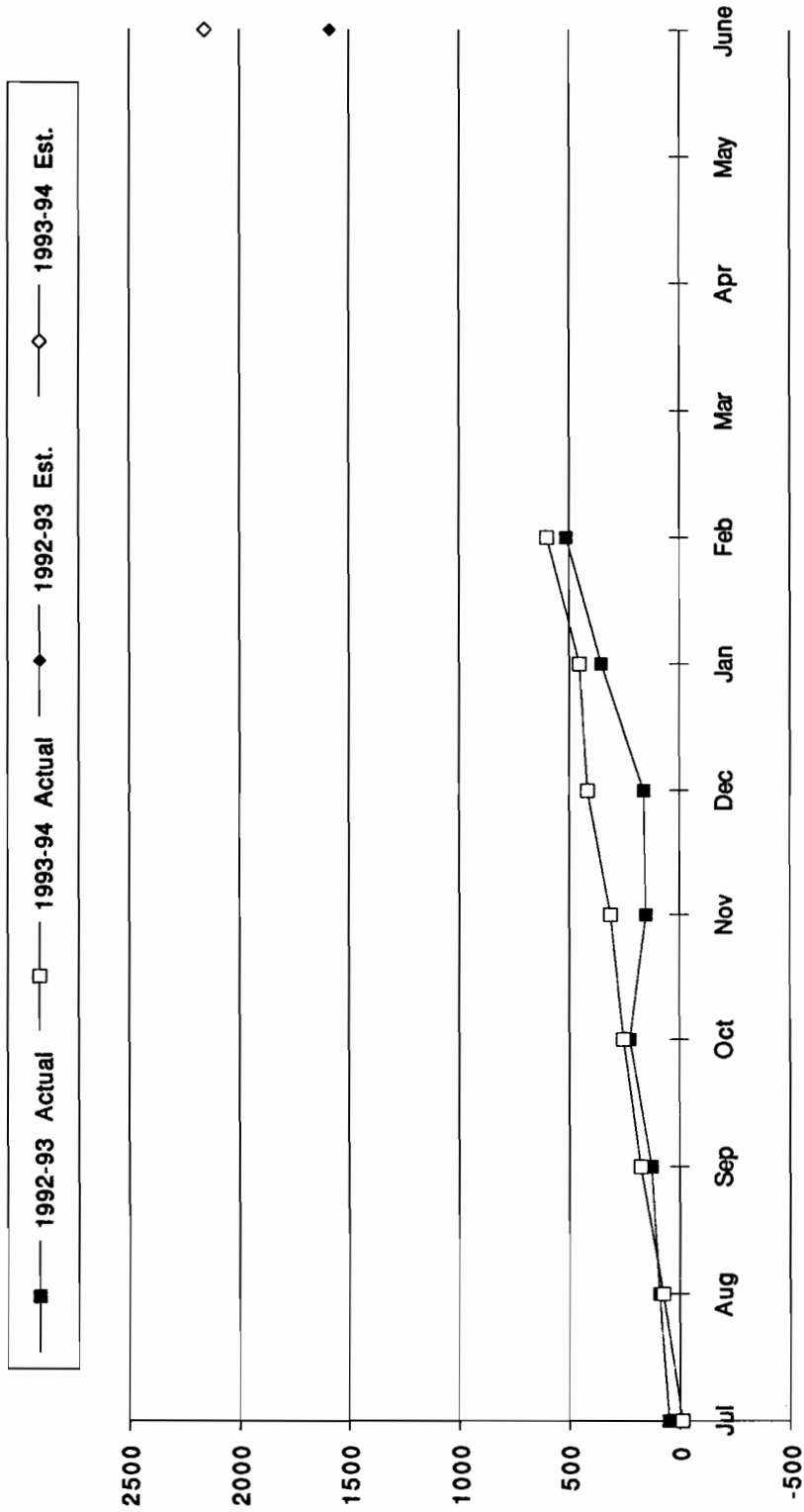
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.6 - INTEREST - CURRENT OUTLAYS - GFS FORMAT



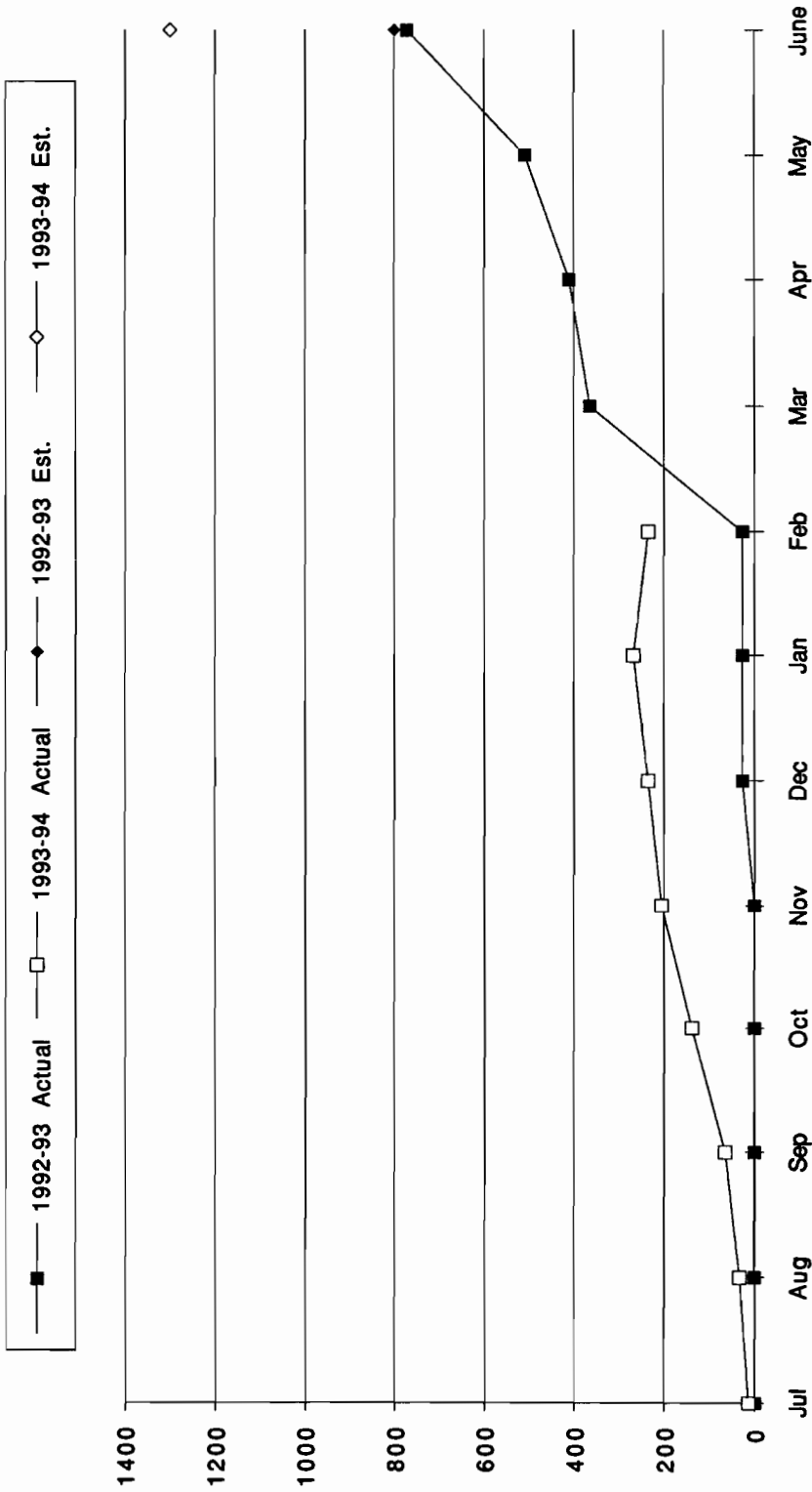
Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.7 - CAPITAL ACCOUNT DEFICIT - GFS FORMAT



Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

CHART 2.8 - SEPARATION PACKAGES - CAPITAL OUTLAYS - GFS FORMAT



Note: this Chart does not include any changes or reclassifications announced in the 1994 Autumn Economic Statement.

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES_____

CHAPTER THREE: PARLIAMENT'S BUDGET

3.1 The Committee's Approach to the Review of Parliament's Budget

As part of the review of the budget estimates, the Committee elected to review the budget of the Parliament itself. Given the special nature of the Parliament, and that the Committee itself is part of the Parliament, the Committee considered the appropriateness of such a course carefully. The Committee's authority to inquire into the budget estimates is found in s.4EB of the *Parliamentary Committees Act 1968*, which states

"The functions of the Public Accounts and Estimates Committee are to inquire into, consider and report to the Parliament on -

- (a) any proposal, matter or thing connected with public administration and public sector finances;*
- (b) the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council -*

if the Committee is required or permitted so to do by or under this Act."

Having regard to s.4EB of the *Parliamentary Committee's Act 1968* (above), it is apparent that the "... annual estimates or receipts and payments and other Budget Papers ... presented to the Assembly and the Council" include the 'Appropriation (Parliament 1993-94, No. 1) Bill' and the details of the annual estimates of outlays for Parliament included in the 1993-94 Budget Papers.

In the Legislative Assembly on 7 September 1993, the Treasurer introduced and then gave the Second Reading for the Appropriation (Parliament 1993-94, No. 1) Bill. In the Second Reading, the Treasurer made several key points including:

- (i) the Bill was the second separate annual Appropriation Bill for the Parliament;
- (ii) the Bill contained appropriations determined by the same level of expenditure restraint applied to Government Departments; and
- (iii) future Parliamentary appropriations will continue to be reviewed for additional expenditure restraint in the same way as are Government Departments.

The effect of the introduction and passage of this Bill was to create a separate Budget for the Parliament of Victoria with the same form and content as used for Government Departments, including annual estimates, output measures and objectives. Indeed, Budget Paper No. 2 *Budget Strategy and Review 1993-94* has

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

classified Parliament as falling within the General Government Sector and Budget Sector as is the case for all government departments.

By passing its own appropriation Bill, the Parliament has agreed that its own appropriations be subject to the same level of expenditure restraint as has been applied to departments generally and therefore has not sought special or different treatment for its own Budget. Further the Parliament is currently independently audited by the Auditor-General, at least annually, as occurs for all government departments.

The Committee believes, however, that the scrutiny of Parliament's budget estimates should not be left solely to the executive government.

The Australian Senate's Estimates Committees regularly invite Parliamentary Officers such as the President and heads of the Departments of the Australian Parliament to public hearings as part of their examination of budget estimates. As part of the inquiry process, parliamentary departments appear before the Committees and where necessary provide written responses to questions taken on notice. For example, the Senate's Estimates Committee A presented a report in November 1992 'Additional Information Received: Volume 1', which contained responses from the Department of the Senate, Department of the Parliamentary Library, Department of the Parliamentary Reporting Staff, and Joint House Department.

This Committee consequently formed the view that it could and should inquire into the Parliament's Budget as set out in 1993-94 Budget Paper No. 4.

The Committee forwarded its standard questionnaire on aspects of Parliament's budget estimates to the Presiding Officers. The questionnaire sought the same information that had been requested of other budget sector bodies, and was forwarded directly to the Presiding Officers because there is no single departmental secretary or 'Chief Executive Officer' for the five Parliamentary departments. The questionnaire sought information on Parliament's corporate plan, annual productivity savings, staffing reductions and internal audit.

The Presiding Officers responded to the Committee's questionnaire by way of joint letter which stated that they considered it inappropriate "... for either the Parliament or any department of the Parliament to have to comply with this request...". The Presiding Officers did also state "We are prepared to assist your committee by attending one of your hearings at a mutually convenient time."

At a subsequent public hearing, the Speaker stated, on behalf of himself and the President:

"In our belief we are not obliged to attend but are doing so as a gesture of goodwill - this appearance should not be taken as indicating anything other than that ... The Parliament itself has in fact seen fit to establish various mechanisms for consultation and for dealing with expenditure in respect of its own operations and it is not within the scope of the Public Accounts and Estimates Committee's brief to cut across these mechanisms. For example, we have a House Committee and a Library Committee which would rightly take exception to the questioning of their decisions... Given the sensitivities involved, it must therefore be understood that there are limitations as to what can be discussed."

The Committee acknowledges that its own budget does make up a very small percentage of the overall Parliamentary budget, however it believes that scrutiny of Parliament's budget estimates by a Parliamentary Committee is appropriate because:

- the Parliament, (through the Parliamentary Committees Act), has given the Committee the function to inquire into, consider and report on the budget estimates;
- Parliament now has a separate budget and is classified as a budget sector body in the Budget Papers. The form and content of the Departmental Statement for Parliament's Budget is the same as all others, that is it includes annual budget estimates, output measures and objectives;
- the Parliament has agreed (when passing its own appropriation Bill) that its budget be subject to the same level of expenditure restraint as has been applied to departments generally, therefore it has not sought special or different treatment for its budget;
- the Australian Senate's Estimates Committee regularly invites parliamentary officers, such as the President (and departmental officers) to public estimates hearings;
- the Committee's inquiry into the budget of the Parliament is no different in principle to the Auditor-General conducting an audit of the Parliament under the Audit Act. Both comprise a key part of the State's accountability framework. The Auditor-General currently performs an audit of the Parliament at least annually; and
- the Committee, for example, has received a response to its estimates questionnaire for the Office of the Governor, Auditor-General, Ombudsman, the Public Service Commissioner and the Department of Premier and Cabinet. All of whom accept the Committee's role in respect of the budget estimates but could argue a case for special or different

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

treatment. The only budget estimates for which the Committee has not received a response to its questionnaire is that of the Parliament.

Nevertheless doubt regarding the appropriateness of the Committee exercising an estimate scrutiny function over Parliament's budget clearly exists.

The Committee believes, therefore, that the Parliament should specifically address the issue of the appropriateness of its budget being subject to the same estimates scrutiny as all other appropriations, and by whom.

Recommendation 3.1

It is recommended that the Parliament determine whether its budget estimates should be subject to the same Parliamentary estimates scrutiny as are all other budget estimates, and if appropriate, who should have responsibility for such scrutiny.

3.2 Matters considered at Public Hearing

3.2.1 Overview

At the public hearing with the Presiding Officers several significant matters were discussed with the Committee, including the issue of internal audit, Parliament House itself, and productivity savings in the Parliamentary Budget.

3.2.2 Internal Audit

Part 5 of the 'Audit (Financial Management) Regulations 1993' sets out mandatory requirements with respect to the establishment and maintenance of internal control standards, audit committees and internal audit functions in departments. The Committee considers internal audit to be a fundamental part of effective and efficient resource management and supports the mandatory requirement for departments to establish and maintain sound internal audit and internal control functions. However, the Committee notes that this mandatory requirement does not apparently extend to the Parliament and its five departments.

The Presiding Officers advised at public hearing that they rely upon reports from the heads of the Parliamentary Departments and that budgeted expenditure is periodically examined. While agreeing that an internal audit function is desirable, the Presiding Officers were concerned that the present level of staff resources did not allow the designation of an internal auditor.

Having regard to the generally accepted desirability of internal audit, and given the Presiding Officers' preference for an internal audit function, the Committee considers that the Parliament should:

- (i) establish an internal audit committee to oversee audit, internal control and accountability; and
- (ii) establish an internal audit function through a full or part-time appointment or by contracting out, whichever represents the most cost effective and efficient solution.

Recommendation 3.2

The Committee recommends that the Parliament establish its own audit committee and internal audit function.

3.2.3 Parliament House

At public hearing, the Presiding Officers made the points in respect of Parliament House that:

- some parts of Parliament House are more than 140 years old and it is in a state of deterioration;
- the standard of accommodation and the crowding within Parliament House leaves a lot to be desired when compared with other Parliaments;
- fourteen members of Parliament have offices outside the main building in a relocatable building known as the chook house; and
- Parliamentary Committees are forced to lease office space in Nauru House.

The Presiding Officers' Report for 1992-93 discusses the pressing need for maintenance and capital works at Parliament House. Their report concluded:

"In May 1992, the House Committee, under the active encouragement of our predecessors, adopted a construction programme for the completion of Parliament House.

The programme envisaged completion of the South Wing, the North Wing and rehabilitation of Parliament House by the Centenary of Federation in the year 2001.

We support that recommendation, but believe that priority should be given to the development of members' accommodation."

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

An appropriate and adequately maintained building is important for the proper operation of the Parliament. In particular, members need accommodation which will assist, rather than hinder, their ability to discharge their parliamentary responsibilities.

Finding 3.1

The Committee finds in support of the Presiding Officers' view that priority should be given to the development of member's accommodation at Parliament House.

3.2.4 Productivity Savings in the Parliamentary Budget

In the Second Reading for the Appropriation (Parliament 1993-94, No.1) Bill, the Treasurer said:

"The appropriations contained in the bill reflect the same level of expenditure restraint as has been applied to departments generally. Annual Parliamentary appropriations for future years will continue to be reviewed for additional expenditure restraint in line with the approach taken for departments. This is necessary to achieve the government's medium-term objective of a balanced current account."

At public hearing the Presiding Officers referred to the application of the annual 1.5% productivity saving requirement to Parliament's Budget. The Presiding Officers believed that its application to the Parliamentary Budget did not take into account the nature of Parliament and in particular the following comments were made.

"Mr Speaker - The standard 1.5 annual productivity saving has been applied to most of the discretionary items. The point we are trying to leave with the Committee is that we cannot apply that 1.5 annual productivity saving over the whole budget because it is not within our control."

"Mr President - Like salaries or like the static expenditure for electorate offices. So, the discretionary items are very small, but the productivity rate is over the whole."

(Minutes of Evidence, 15/12/93, pp 15)

In common with departments, the setting of the agreed discretionary expenditure base, against which annual productivity savings are calculated, can be a matter of significant debate.

The process for setting the Parliaments Budget is a matter which the Presiding Officers also addressed in their Report for 1992-93:

"As a result of the efforts of our predecessors and the Parliament of Victoria Committee, the Parliament now has a separate annual appropriation.

This is a significant development and is the first step towards achieving some form of autonomy and independence for the budget of Parliament.

As a number of commentators have observed, it is repugnant for a Parliament to have to go cap in hand to the Executive for adequate funding for its constitutional functions.

In Victoria, the process has matured somewhat, with discussions on budgetary issues now involving the Treasurer and the Minister of Finance, with Senior Parliamentary officers and ourselves. The interest of the Ministers in the proper functioning of Parliament in tight financial times is greatly appreciated.

However, the process needs to develop further to enhance the objective of the independence of Parliament from the executive arm of government.

The level of funding for the Parliament's operations has never been of a size which has enabled it to properly fill its role as an independent legislature under the doctrine of separation of powers.

By way of contrast, other Parliaments have gained a much higher priority from the public purse and this is exemplified by an examination of the budgets of those Parliaments. We are indeed the poor relation when it comes to proportion of government expenditure on the Parliament, in comparison with other Parliaments in Australia."

The Committee is of the view that the Government's overall budgetary strategies should continue to be taken into consideration in determining the budget of Parliament. This position is consistent with the view the Committee applied in its second report to Parliament (November 1993) in respect of the budget of the Office of the Auditor-General.

Finding 3.2

The Committee finds that the budget for Parliament should continue to be set in accordance with the Government's overall budgetary strategies with due recognition of the special nature of Parliament.

COMMITTEE ROOM
11 May, 1994

**A REPORT ON A MATTER RELATED TO THE AUDITOR-GENERAL'S
REPORT ON THE
1992-93 FINANCE STATEMENT**

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT_____

THE STATE'S CONTINGENT LIABILITIES

In November 1993, the Committee presented its second report to Parliament being its response to the performance audit of the Auditor-General conducted by Mr Fergus Ryan.

In the report the Chairman noted:

"... there is considerable opportunity to enhance the management of the public sector if the Auditor-General concentrates his audit resources in those areas which represent the greatest risk and/or are the most significant to the public sector as a whole. This will involve the regular review and assessment of the critical processes within the central agencies."

Views expressed by the Committee included:

- the Auditor-General is best placed to assess the adequacy of risk management within the central agencies given his legislative responsibilities and the collective knowledge of the Victorian public sector within the Audit Office;
- the Public Accounts and Estimates Committee, as the primary contact between the Auditor-General and the Parliament, should contribute to the Auditor-General's assessment of risk within the public sector; and
- in order to evaluate risk within the public sector, the Auditor-General's officers must have unrestricted access to all information held within the central agencies.

Whilst the Committee was preparing its report, a submission was received from a ratepayer of the City of Frankston, Mr Colin C. Baird. Mr Baird expressed serious concerns regarding the financial implications of the Council's involvement in the Quayside shopping complex in Frankston and expressed a belief that the State is exposed, through this venture, to the possibility of a large financial loss possibly involving tens of millions of dollars. This belief was partly based on guarantees provided by the State to the Commonwealth Bank in respect of debts due to the former State Bank of Victoria, being the venture's borrowing source.

Subsequently, Mr Baird and fellow ratepayers were invited to a public hearing as part of the Committee's inquiry into Mr Ryan's report.

The Chairman, who is the member for Frankston, removed himself from the Chair in the interests of probity and propriety as the matters discussed related directly to his electorate.

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT _____

Mr Baird asked the Committee at public hearing, during September 1993, to consider four issues:

- (i) the extent to which the Council and the State are exposed to financial risk, both now and in the years ahead;
- (ii) the alleged lack of commercial competence of the Council;
- (iii) the alleged extent to which the Minister has been "snowed" by elements of the council bureaucracy and by officers of the Office of Local Government; and
- (iv) the alleged absence of public accountability by the Council.

The Committee's primary concern was with the first issue raised by Mr Baird because of the risk management implications and the potential exposure to the State. These matters were relevant to the Committee's inquiry into the performance audit of the Auditor-General.

The Committee subsequently wrote to the City of Frankston seeking a response to five questions. These appear below along with the Council's replies of October 1993:

- (1) Is, or could the State become liable to meet part or all of any deficiency should one arise from the Quayside Shopping Complex in Frankston, and if so through what mechanism does the State become liable?

"The State is not liable to meet part or all of any deficiency should one arise from the Quayside Shopping Centre. In addition, in the Ministerial approvals of July 1988 and August 1992, it was stated that the approvals did not represent a guarantee or acceptance of responsibility by the State Government in relation to liabilities incurred or in relation to any aspects of the project or of future funding of the proposal.

It is important to note that there is no suggestion that Quayside is in a default situation in respect to the loan facility with the Commonwealth Bank. The facility is subject to annual review by the Bank and at this stage there is no suggestion that the Bank will withdraw support for the facility."

- (2) Did the Council have any discussions with the Department of the Treasury, or any other department, regarding the risk management processes or controls that department's may have in place regarding the Quayside Shopping Complex in Frankston?

"The State Government's approvals provided pursuant to Section 193 of the Local Government Act placed certain responsibilities on Council to keep the minister informed '... on the

THE STATE'S CONTINGENT LIABILITIES

progress of the proposed redevelopment ...'. The Council has complied with these reporting requirements and in addition maintains a continued liaison with Office of Local Government officers:

Extensive discussions were held with both Treasury and Office of Local Government officers during the investigative phase of the development in 1986/87 and again in 1991 and 1992, and it is reasonable to assume that both divisions of the Government were satisfied otherwise the necessary approvals would not have been forthcoming."

- (3) Does the Council have sufficient resources to meet any liability that may arise from the Quayside Shopping Complex in Frankston?

"The Council is a 49% shareholder in Quayside Pty Ltd, the land trustee, and its liability is limited to the land which it contributed as equity to the project plus a loan of \$470,000 to Quayside Pty Ltd for the construction of the Balmoral colonnade. The loan is being repaid with principal and interest. In addition to the Quayside Balmoral land, three parcels namely Central Park, 122-124 Young Street and the Davey/Young/Playne Street land have reverted to Council's ownership subject to a continuing mortgage to the Commonwealth Bank. These mortgages will be released when the Quayside Balmoral loan/debt ratio reaches the Bank's lending criteria which is estimated to occur in 1998/99.

The worst scenario is, therefore, the loss of the Council lands subject to mortgage plus the unpaid balance of the loan of \$470,000. This is an unlikely scenario given a wide range of outcomes the Council could negotiate with the Commonwealth Bank and I again emphasise the fact that there is no suggestion that Quayside is in a default situation with the Commonwealth Bank.

The Council has no legal obligation to meet any liability or shortfall that may arise now or in the future from the Quayside Shopping Centre other than as stated above, i.e. the land contributed to the joint venture and the loan of \$470,000 to Quayside Pty Ltd."

- (4) How likely is it that the Council and/or the State will need to make up a deficiency related to the Quayside development now and in the future?

"Neither the Council nor the State are guarantors and therefore neither have any legal obligations to make up any deficiency related to the Quayside redevelopment now or in the future.

Quite apart from the Commonwealth Bank's reporting requirements, both Quayside and the Council have ensured that the finances of Quayside are closely monitored by virtue of regular cash

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT_____

flow projections and sensitivity analysis extending for at least the next 10 years.

It cannot be imagined that any situation will arise whereby the State Government would be required to make up a deficiency for the reasons previously enunciated."

(5) Who is the loan guarantor, if any, for the Development?

"(i) Galvin Construction Group Pty Ltd, Alan John Galvin and Marjorie Frances Galvin (guarantee dated 22/6/89); and

(ii) Quayside Pty Ltd (guarantee dated 18/8/89)."

The Committee also wrote to the Minister for Local Government with similar questions, and posed the first question to the Auditor-General.

The Minister for Local Government's November 1993 reply advised that approvals under the Local Government Act state explicitly that they do not represent a guarantee or acceptance of liability by the State Government in relation to liabilities incurred, or in relation to any aspects of the project or the future funding of the proposal, and accordingly:

"I am advised that the State is not liable as a consequence of the approvals under the municipal enterprise provisions of the Local Government Act to meet any deficiency should one arise from the operations of the Quayside Shopping Complex."

In closing the Minister also stated:

"You also sought my views on the appropriateness of the Auditor-General investigating the matters raised by Mr Baird directly with the Frankston City Council. That is an option which the Committee could pursue and I would be happy to assist by using, if necessary, the powers available to me under the Local Government Act to ensure that the Auditor-General has full access to the Council's records and accounts on the Quayside project. However, I believe that the Council would co-operate with any examination by the Auditor-General in the same way as it did in agreeing to have an independent review by Coopers and Lybrand."

The Auditor-General's reply to the Committee, during November 1993, included:

"I note that the State may have an indirect/contingent financial exposure in relation to the development. Specifically, the project was financed by the former State Bank of Victoria under a tax effective arrangement. When the State Bank was sold to the Commonwealth Bank in 1990, the sale conditions, which formed part of the State Bank (Succession of

THE STATE'S CONTINGENT LIABILITIES

Commonwealth Bank) Act 1990, specifically provided for the preservation of the taxation benefits associated with this financing. Accordingly, should these benefits not be realised due to a change in the current position of the Australian Taxation Office and, as a result, the Council is unable to meet any additional obligations to the Bank, the State will become liable to fund such additional obligations of the Council.

In addition, pursuant to the State Bank (Succession of Commonwealth Bank) Act 1990, the Treasurer has provided a general indemnity to the Commonwealth Bank against certain losses arising from any act done or omitted to be done by the former State Bank prior to its sale. Audit understands that to date, the Commonwealth Bank has not lodged any claim against the State under this indemnity in respect of the Quayside development financing.

Apart from the above indirect exposures, perusal of the Local Government Act 1989, the Development Agreement (as amended) and other relevant documents made available to audit by the Department of the Treasury and the Office of Local Government, did not reveal any evidence indicating any further financial exposures to the State."

The Committee wrote to the Commonwealth Bank of Australia asking what security or other comfort the Bank has for its loans in respect of the development. The Commonwealth Bank replied, during November 1993, that the State Government has not, to its knowledge, given any guarantee to, nor is it otherwise obliged to, the Bank in respect of the specific transactions involved in the Quayside Development and to which the Bank or its subsidiary is a party, but there may be arrangements or obligations between other parties, including the Frankston Council, and the State about which the Bank has no knowledge. The Bank also stated:

"The merger of State Bank of Victoria with Commonwealth Bank of Australia took place pursuant to an agreement, the terms of which appear as Schedule 1 to the State Bank (succession of Commonwealth Bank) Act 1990. Pursuant to the terms of the agreement the Treasurer of the State of Victoria gave to the Commonwealth Bank of Australia certain guarantees, warranties and indemnities.

It may be that, depending on certain developments, the Treasurer would become liable to Commonwealth Bank of Australia under the above mentioned agreement as a result of State Bank of Victoria entering into certain transactions relating to the Quayside Development. No doubt Treasury would be very familiar with the nature of the Treasurer's obligations under the agreement and perhaps you could discuss this aspect with Treasury."

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT_____

During the Committee's consideration of this matter the Auditor-General issued his report on the 1992-93 Finance Statement, which stated:

"Assurances again cannot be given to the Parliament as to the full extent of the State's contingent liabilities. However, action has commenced to review the processes and records presently utilised to identify, monitor and report on these exposures."

The Auditor-General noted that contingent liabilities of the Government arise from the issue of guarantees and other forms of financial support. The Auditor-General's previous reports on the Finance Statement have commented on deficiencies in the Department of the Treasury's processes for recording and managing the State's contingent liabilities. Due to these deficiencies he has been unable in the past to provide the Parliament with an unqualified assurance as to the full extent of the State's contingent obligations.

The Auditor-General also found during 1992-93, that inadequate action had been taken to improve the completeness of the Department's records. However, the Department did engage a private sector accounting firm in August 1993 to review the processes and records presently utilised to identify, monitor and report on the State's contingent liabilities. This is a serious matter that the Committee will continue to monitor.

At a public hearing during December 1993, as part of the Committee's inquiry into the 1993-94 Budget Estimates, the Minister for Local Government gave a commitment to monitor the Quayside Development and other municipal enterprises.

On the basis of the Minister's commitment, and the Auditor-General's ongoing review of the State's contingent liabilities the Committee believes that the risk of any financial loss to the State arising from the Quayside shopping complex in Frankston is currently subject to adequate control. The risk of financial loss to the State remains the Committee's primary concern of all matters raised initially by Mr. Baird. The Committee has however, referred all matters originally raised by Mr. Baird to the Auditor-General and the Minister for Local Government.

Finding 1.1

The Committee may undertake a separate inquiry into the management and reporting of the State's contingent liabilities at a later date. In the interim, the Committee welcomes the Minister for Local Government's commitment to monitor municipal enterprises.

Finding 1.2

The Committee finds that on the basis of the Minister's commitment and the Auditor-General's ongoing review of the State's contingent liabilities that the risk of any financial loss to the State from the Quayside shopping complex in Frankston is currently subject to adequate control.

COMMITTEE ROOM

11 May, 1994

LIST OF WITNESSES

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

The following list is a complete list of witnesses for the Committee's inquiry into the 1993-94 Budget Estimates and Outcomes. The list has not been restricted to that evidence commented upon in the Committee's interim report. A final report is intended to be tabled in the 1994 Spring Session of Parliament.

Department of Arts, Sport and Recreation - 21 September 1993

The Hon H. Storey, QC, MLC, Minister for Gaming; and Ms Karin Puels, Ministerial Adviser.

Department of Education - 25 October 1993

The Hon. D. Hayward, MLA, Minister for Education; Mr S. Kenmar, Ministerial Adviser; Mr G. Spring, Director of School Education; Mr G. Drury, General Manager, Finance and Administration; Mr J. Rosewarne, Finance and Administration; Mr J Pascoe, General Manager, People Services Division; and Mr F. Peck, General Manager, Strategic Policy and Planning, Directorate of School Education

Department of Finance - 12 November 1993

The Hon I. Smith, MLA, Minister for Finance; Mr D. Thomas, Secretary; and Mr T. Daly, Deputy Secretary.

Department of Health and Community Services - 4 November 1993

The Hon M. Tehan, Minister for Health; Dr J. Paterson, Secretary; and Mr D. Anderson, Assistant Director, Financial Strategy and Projects, Office of the Secretary.

Department of Planning and Development - 21 September 1993

The Hon M. Birrell, MLC, Minister for Major Projects; Mr R. Roennfeldt, Director, Office of Major Projects; and Mrs W. Smith, Ministerial Adviser.

Department of Planning and Development - 8 December 1993

The Hon R. Hallam, Minister for Local Government, Minister for Regional Development and Minister Responsible for WorkCover; Mr Y. Blacher, Director, Office of Local Government; and Mr A. Lindberg, Chief Executive Officer, Victorian WorkCover Authority.

Department of Transport - 29 October 1993

The Hon A. Brown, MLA, Minister for Public Transport; Mr J. McMillan, Secretary; Mr S. Stanko, Deputy Secretary; and Mr. I. Dobbs, Chief Executive Officer, Public Transport Corporation.

Department of Treasury - 17 September, 1993

The Hon A. Stockdale, MLA, Treasurer of Victoria; Dr M. Vertigan, Secretary; Dr D. Sams, General Manager, Finance Group; Mr T. Martin, General Manager, Expenditure Management and Review Division; and Mr P. Coatman, Ministerial Adviser.

Parliament - 15 December 1993

The Hon. J. E. Delzoppo, MLA, Speaker of the Legislative Assembly; and The Hon. B. A. Chamberlain, MLC, President of the Legislative Council.

Roads and Ports - 22 September 1993

The Hon. W. R. Baxter, MLC, Minister for Roads and Ports; Mr J. McMillan, Secretary; Mr S. Stanko, Deputy Secretary; Mr C. Jordan, Chief Executive, Roads Corporation; and Mr D. Thompson, Manager (Resources), Roads Corporation.

**A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT
ON THE 1992-93 FINANCE STATEMENT**

Ratepayers of the City of Frankston - 22 September, 1993

Mr C. C. Baird, Mr J. McAllester, Mr R. Andrews and Mr M. Van Es.

The City of Frankston - 12 November, 1993

Mr A. H. Butler, Chief Executive Officer.

Department of Planning and Development - 8 December 1993

The Hon R. Hallam, Minister for Local Government and Mr Y. Blacher, Director, Office of Local Government.

LIST OF PERSONS OR ORGANISATIONS PROVIDING SUBMISSIONS

INTERIM REPORT ON THE 1993-94 BUDGET ESTIMATES

All budget sector entities, (excluding Parliament), responded to the Committee's annual estimates questionnaire. In addition some departments provided further information upon request by the Committee.

A MATTER RELATED TO THE AUDITOR-GENERAL'S REPORT ON THE 1992-93 FINANCE STATEMENT

- Mr C. C. Baird, Mr J. McAllester, Mr R. Andrews, Mr G. Graham and Mr M. Van Es, ratepayers of the City of Frankston.
- Mr C. A. Baragwanath, Victorian Auditor-General.
- Mr A. H. Butler, Chief Executive Officer, City of Frankston.
- The Hon R. Hallam, Minister for Local Government and Mr Y. Blacher, Director, Office of Local Government, Department of Planning and Development.
- Mr P. G. Hateley, Senior Manager, Commonwealth Bank.

REPORTS OF THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

REPORT	TITLE	DATE
1	Private Investment in the Provision of Public Infrastructure	November 1993
2	The Performance Audit of the Auditor General of Victoria	November 1993
3	1992-93 Budget Estimates and Outcomes	November 1993
4	A Report on Activities - 1993	May 1994
5	Victorian Public Hospitals - Arrangements with Contracted Doctors	May 1994