

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL ESTIMATES 2015-16

Finance Portfolio
9 February 2016

Department/Agency: Department of Finance
Outcome/Program: General
Topic: 2015-16 Portfolio Additional Estimates Statements

Senator: Wong

Question reference number: F141

Type of question: Written

Date set by the committee for the return of answer: Friday, 1 April 2016

Number of pages: 3

Question:

1. On page 13 of the 2015-16 Finance PAES, an additional \$1.1 billion appears to be required under the Superannuation Act 1990 – is that correct? Can the Department confirm why this additional amount is required? How will this amount be appropriated?
2. On page 13 of the 2015-16 Finance PAES, there is a decrease of \$472 million required under the Superannuation Act 1976 - is that correct?
 - a) Can the Department confirm why this additional amount is required?
 - b) How will this amount be appropriated?
3. On Page 18 of the 2015-16 Finance PAES, there is an increase of \$604 million in 2015-16 in relation to program 2.6 under “Superannuation Estimates update” – is that correct?
 - a) Why there has been that increase?
4. On Page 18 of the 2015-16 Finance PAES, there’s a line relating to Streamlining grants administration – transfer from the Digital Transformation Office – with \$3.7 million in 2015-16, with \$602,000 in 2016-17 and \$405,000 in 2017-18. Is that correct?
 - a) What is the reason for this transfer?
5. What is the “streamlining grants administration”? For what purpose was the around \$4.7 million transferred to Finance?
 - a) What is that amount of money being used for?
6. On Page 18 of the 2015-16 Finance PAES, there is a line relating to the transfer of Boardlinks from Finance to the Department of the Prime Minister and Cabinet.
 - a) Was this move part of the Administrative Arrangements Order change at the end of last year?
 - b) Was it publicly announced at all? If so, when?
7. Is there the presumption that the amount taken out of Finance (\$687,000) was transferred 100 per cent to PM&C?
8. On Page 18 of the 2015-16 Finance PAES, can the Department explain the two lines relating to transfer of functions associated with public data policy, including Gov 2.0 and

related matters to the Department of the Prime Minister and Cabinet and the Digital Transformation Office?

- a) What exactly has been transferred with that level of funding?
 - b) How many staff were transferred to PM&C and the DTO respectively?
9. Can the Department explain why annual departmental expenses for Financial Framework decrease each year over the forward estimates, as shown on page 29 of the 2015-16 Finance PAES??

Answer:

1.-2. Consistent with accrual accounting, the special appropriation calculations for defined benefit superannuation schemes are based on accrued expenses. They are not cash payments and do not directly relate to pensions or lump sums paid from the *Superannuation Act 1990* and *Superannuation Act 1976* special appropriations. Cash payments are shown at Page 61 of 2015-16 Finance Portfolio Additional Estimates Statements (PAES).

The accrued expenses for these special appropriations are made up of two components. The first component is referred to as the service cost, which is the cost of the additional benefits accrued by employees for an additional year of service. The second component is the interest expense, which reflects the fact that the present value calculation of the superannuation liability (for benefits already accrued up to the start of the year) will increase each year as the future obligation is discounted by one less year.

The increase of \$1.1 billion for *Superannuation Act 1990* and the decrease of \$472 million for *Superannuation Act 1976* reflect changes in the actuarial discount rate applied between Budget and PAES. Estimates for the Budget and forward years are based on the long term rate of 6 per cent per annum. At PAES the rate used for 2015-16 is 3.7 per cent per annum, which accords with Australian Accounting Standard 119 that requires the use of a discount rate based on the yield on long term government bonds at the commencement of the year.

The appropriation to cover these superannuation expenditure purposes is covered in the *Superannuation Act 1990* and the *Superannuation Act 1976*.

3. The increase of \$604 million for Superannuation Estimates update is largely attributed to the movements in *Superannuation Act 1990* and *Superannuation Act 1976* special appropriations accrued expenses, as explained above. There are a number of small movements in other defined benefit superannuation schemes and other superannuation expenses.

4. - 5

The government agreed that funding for this component of the 2015-16 budget measure “*Digital Transformation Agenda — Stage One and establishment of the Digital Transformation Office*” be transferred to Finance from the Digital Transformation Office as part of the 2015-16 PAES. The “*Streamlining Grants Administration*” was a component of this measure. The funding relates to development and implementation of a data warehouse for grants information.

6. No, this was not part of the September 2015 Administrative Arrangements Order announcement. This was not publically announced as it is an administrative matter.

7. Yes, the full amount taken from Finance was transferred to the Department of the Prime Minister and Cabinet.

8. The two lines in question relate to the transfer of “Gov 2.0 and related matters” as per the September 2015 Administrative Arrangements Order, from the Department of Finance to the Department of the Prime Minister and Cabinet (and the Digital Transformation Office, a portfolio body within the Prime Minister and Cabinet portfolio). Six staff in total were transferred across – two to the Department of the Prime Minister and Cabinet and four to the Digital Transformation Office.

9. Expenditure under this program is relatively constant over the budget and forward estimates, with the small reduction across the out years due to terminating measures.