

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

1 June – 3 June 2010

**Question: BET 313**

**Topic:                    Developing & Monitoring Programs: Building the Education Revolution**

**Hansard Page: Written**

**Senator EGGLESTON asked:**

Fiscal Group has responsibility within Treasury for policy development in education and its mission statement is to ensure government spending arrangements are effective.

1. Please explain the Department's role in relation to the Building the Education Revolution – a program that had a \$1.7 billion blow out and the effectiveness of which has been questioned around the country?
2. What was the department's role in development of this program before it was announced in February 2009?
3. How was the Department involved in developing this policy?
4. How long was it given to analyse the policy and provide advice?
5. What was the Department's understanding of how the policy had been costed?
6. When was the Department aware of the need for the additional \$1.7 billion?
7. Was the Department's advice sought about the about the request for additional funding?
8. If it was, what was the Department's advice?
9. What was the department's ongoing role in this program?
10. How did the Department monitor the program?
11. What did the department do?
12. When was the department first aware of problems in the program?
13. Does the Department think the Building the Education Revolution was value for money and good policy?
14. In particular, does it believe that the \$16.2 billion spent on this program involved resources being shifted from lower value to higher value uses?

**Answer:**

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**Question 1.** The Treasury provided advice to ministers in the context of the decision making process, consistent with its role as a central agency.

**Question 2.** The Treasury provided advice to ministers on the proposed program in the context of the decision making process.

**Question 3.** See answers to questions 1 and 2.

**Question 4.** The Treasury provided advice in the context of the Government's development of the Nation Building and Jobs Plan. Treasury became aware of a proposal on school infrastructure spending in the context of need for fiscal stimulus in mid January 2009. Further to this, Treasury also provided advice in late 2008 on a school infrastructure proposal.

**Question 5.** The Treasury understands that the Department of Finance and Deregulation agreed the costing with the relevant Department, in this case Department of Education, Employment and Workplace Relations (DEEWR). The basis of that costing is outlined in the Australian National Audit Office report, *Building the Education Revolution: Primary Schools for the 21<sup>st</sup> Century*, Audit Report No. 33 (2009-10).

**Question 6.** The Treasury became aware of the need for additional funding late in April 2009.

**Question 7.** Yes.

**Question 8.** The content and nature of the advice is a matter of policy.

**Question 9.** Under the framework for federal financial relations which commenced on 1 January 2009, the Treasurer is accountable for making accurate and timely payments to the States and Territories and portfolio Ministers are accountable for relevant Commonwealth policy associated with National Partnerships.

The Building the Education Revolution (BER) program is a National Partnership payment to the States and is administered by DEEWR.

The Treasury (on behalf of the Treasurer) is accountable for reporting estimates, making payments and financial reporting of the BER on advice from DEEWR (on behalf of the Minister for Education) and financial reporting.

**Question 10.** See also answer to question 9.

The relevant portfolio Minister is responsible for approving projects and assessing progress of States against the performance benchmarks before payments are made. The BER is part of the Nation Building and Jobs Plan. Under the National Partnership Agreement on the Nation Building and Jobs Plan, the States are required to maintain

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their existing effort in the areas under the Plan that are receiving additional Commonwealth funding which includes capital expenditure on schools, and ensure that the capital investments under the Plan are additional to such effort.

In order to monitor State spending Heads of Treasuries have established expenditure benchmarks the States are required to report against.

The States are required to report on their expenditure against these expenditure benchmarks on a quarterly basis. Treasury requests this information, collates it and provides it to the Heads of Treasuries. Heads of Treasuries in turn provide this information to the Ministerial Council for Federal Financial Relations.

The Ministerial Council for Federal Financial Relations will make an assessment against these benchmarks. The Commonwealth may impose sanctions on States which do not meet their benchmark level of spending. These sanctions include making the shortfall public, requiring the State to return the shortfall to the Commonwealth, halting further funding for that State or withdrawing an equivalent amount to the reduced effort from future payments from the Commonwealth.

**Question 11.** It is not clear what this question relates to.

**Question 12.** It is not clear what this question relates to.

**Question 13.** The Treasury's views on fiscal stimulus and the characteristics of effective stimulus programs are on the public record. This includes a speech by Dr David Gruen titled 'The Return of Fiscal Policy', which refers to the components of the stimulus packages.

**Question 14.** This question asks the Treasury to comment on government policy.