

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

Additional Budget Estimates Hearings – 14 February 2006

Question: F1

Outcome 1, Output 1.2.3

Topic: Variations of expenses in the final outcomes for 2003-04 and 2004-05.

Hansard Page: F&PA 4,40

Senator Sherry asked:

The question relates to significant variations in expenses in the final outcomes. In 2003-04 the officer mentioned in respect of the 9.69 per cent variation the implementation of superannuation choice. I am interested to know how that policy – and that is not an actuarial issue – led to such a significant variation.

Answer:

One of the main contributors to this variation was changes to estimated expenses for superannuation.

These changes reflected the impact of regular updates in the estimated unfunded liability, based on actuarial advice. Increases in the unfunded liability cause an increase in nominal interest expenses.

Secondly, there was an adjustment to reflect a change in the timing of assumptions relating to the introduction of choice in the CSS and PSS. The estimates originally assumed choice would be extended to both the CSS and PSS and were updated to reflect this prior to the passage of the legislation. The subsequent delay in the start date for choice of funds for public sector schemes increased the Department of Finance and Administration's administered expenses, compared to the original estimates. The change relating to the deferral of choice was not classified as a change in policy, as it should have been when it was adjusted in 2003. Had this been accurately categorised, the variance from the first forward estimate year to Final Budget Outcome (FBO) would have been reduced from 9.69 per cent to 5.75 per cent in 2003-04. For the 2004-05 year the change in categorisation would have reduced the variance from 18.21 per cent to 14.85 per cent from the first forward estimate year to the FBO.