

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

November Estimates Hearings 2003-04 – 4 November 2003

Question: 31A

Outcome 1 Sustainable Government Finances, Output 1.1.1 Budget Advice

Topic: Baby Bonus Estimates

Hansard page: N/A

Written Question on Notice: 4 November 2003

Senator Forshaw asked:

How does the Department reconcile this explanation with other sources of information, which show that the number of families making claims on the Baby Bonus is significantly less than estimated by the Treasury? For example, the Bonus was estimated to impact on more than 900,000 families by the fifth year. However, information received through the Senate Estimates process, and the government's own revised budget information, shows the number of claims in the first year to be only 154,000, in comparison with the Treasurer's estimated uptake rate of 245,000.

Can the Department provide the specific details, which quantify the impact that the Baby Bonus has had on the monthly financial statements.

Is the Department able to provide revised estimates for the Baby Bonus for 2004-05 and 2005-06?

Answer:

The statement in the monthly reporting that 'more individuals being entitled to and claiming the Baby Bonus' compares the current year to date actual amount with the same period last year. The growth in the Baby Bonus reflects the timing of the scheme's commencement. In 2002-03 taxpayers were claiming for the 2001-02 income year, and would have received the baby bonus for the full year only if they gave birth on commencement of the bonus, on 1 July 2001 all others would have received a reduced benefit reflecting their part year eligibility. However, in the 2002-03 income year (claimed in 2003-04) these same claimants were caring for their child for the full year and were entitled to the full offset.

The estimated impact in the fifth year of 900,000 families represents a cumulative number based on the assumption of a 100% take-up rate.

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The Secretary of the Treasury, in publicly releasing the costing for the First Child Tax Refund (Baby Bonus) on 6 November 2001, issued a caveat on the costing noting that the actual cost may well be lower than estimated because take-up may not be 100%. The caveat also noted that income distributions used to model the costing might understate the extent to which mothers with preschool children return to work.

\$58 million was spent on the baby bonus from 1 July 2003 to 31 August 2003.

The revised estimates for the Baby Bonus for 2004-05 and 2005-06 are included in the 2003-04 Mid-Year Economic and Fiscal Outlook, as a component of the aggregate estimate of Australian government expenses for Social Security and Welfare (see Mid-Year Economic and Fiscal Outlook 2003-04, Table 20).

Date: 8 December 2003
Cleared by (SES): Ian McPhee
Group/Branch: FMG/Financial Reporting
Contact Officer: Leanne Yannopoulos
Telephone No: 6215 2040

Date: 5 December 2003
Cleared by (SES): Robert Butterworth
Group/Branch: Budget Group, Central Agencies Branch
Contact Officer: Melanie Littlejohn
Telephone No: 6215 3157

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ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

November Estimates Hearings 2003-04 – 4 November 2003

Question: 31B

Outcome 1 Sustainable Government Finances, Output 1.1.2 Financial Reporting

Topic: Monthly Financial Statements

Hansard page: N/A

Written Question on Notice: 4 November 2003

Senator Forshaw asked:

Page 2 [of the Minister for Finance and Administration's Media Release of 3 November 2003 – 31/2003] says that another reason for the variation is higher cash used for operations due to Defence suppliers for 'significant software licence payments' in July and August.

Can the Department explain whether this payment was an unanticipated payment, or whether it was a case of a payment being much higher than budgeted or anticipated?

Can the Department provide details of the software in question? I.e. what is it used for, when was it installed, was the process managed by Defence or outsourced?

Is the department able to quantify the purchase in dollar terms?

Answer:

The software licence payments in the Defence August 2003 financial accounts were significantly overstated as a result of an error in Defence's end of month accounts.

In fact there was no payment beyond that budgeted. This error has been corrected in Defence's September 2003 financial accounts.

Date:	5 December 2003
Cleared by (SES):	Robert Butterworth
Group/Branch:	Budget Group, Defence and Intelligence Branch
Contact Officer:	Chris Knott
Telephone No:	6215 2003