

# GENERAL PURPOSE STANDING COMMITTEE NO. 1

Monday 28 November 2011

UNCORRECTED PROOF

Examination of proposed expenditure for the portfolio area

## TREASURY

The Committee met at 11.00 a.m.

### MEMBERS

Reverend the Hon. Fred Nile (Chair)

The Hon. G. Donnelly  
The Hon. J. A. Gardiner  
The Hon. M. Mason-Cox

The Hon. M. J. Pavey  
The Hon. W. Secord

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### PRESENT

#### NSW Treasury

**Mr P. Gaetjens**, *Secretary*

**Mr M. Ronsisvalle**, *Deputy Secretary, Budget and Financial Management Directorate*

**Mr K. Cosgriff**, *Deputy Secretary, Fiscal and Economic Directorate*

**Mr S. Brady**, *Deputy Secretary, Expenditure Review Directorate*

**Mr R. Timbs**, *Deputy Secretary, Commercial Management Directorate*

**Mr M. Roberts**, *Deputy Secretary, Economic, Environment and Communities*

**Dr C. McLiesh**, *Deputy Secretary, Human and Social Directorate*

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**CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat  
Room 812  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000**

**CHAIR:** I declare this hearing for the inquiry into the budget estimates 2011-12 open to the public. I thank the witnesses who have returned for the supplementary hearing. Today the Committee will examine the proposed expenditure for the Treasury portfolio. Before we commence I will make some comments about procedural matters. In accordance with the Legislative Council guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs.

In reporting the proceedings of this Committee, the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door. Any messages from attendees in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Transcripts of this hearing will be available on the web from tomorrow morning. The House resolved that answers to questions on notice must be provided within 21 days, which is 22 December 2011. I remind everyone to please turn off their mobile phones.

For the information of the witnesses, the Committee has agreed to the following format for the hearing: a sequence of questions to be asked alternating between the Opposition, crossbench and Government members in that order with 20 minutes allocated to each. As all the witnesses were sworn in at the initial budget estimates hearing they will give evidence today under their previous oaths or affirmations.

**PHILIP GAETJENS**, Secretary, NSW Treasury,

**MARK RONSISSVALLE**, Deputy Secretary, Budget and Financial Management Directorate, NSW Treasury,

**KEVIN COSGRIFF**, Deputy Secretary, Fiscal and Economic Directorate, NSW Treasury,

**STEPHEN BRADY**, Deputy Secretary, Expenditure Review Directorate, NSW Treasury,

**RICHARD TIMBS**, Deputy Secretary, Commercial Management Directorate, NSW Treasury,

**MATTHEW ROBERTS**, Deputy Secretary, Economic, Environment and Communities, NSW Treasury, and

**CARALEE McLIESH**, Deputy Secretary, Human and Social Directorate, NSW Treasury, on former oath:

**CHAIR:** I declare the proposed expenditure for the portfolio of Treasury open for examination. We will begin questions from the Opposition.

**The Hon. GREG DONNELLY:** Thank you all for making yourselves available to come back for a second time for additional questions. I take you to the issue of voluntary redundancies, which were announced in the budget. In the budget speech, as you would be aware, the Treasurer spoke about 5,000 redundancies over the forward estimates period. At the last hearing he acknowledged that number. At page 18 of that transcript we went through various areas where the numbers would initially come from. At page 18 you will see 489 from jails and courts, 262 from education, 248 from trade and investment, 214 from finance, 200 from transport, 173 from family services, 150 from health and 138 from Premier and Cabinet, which brings us to a total of 1,874. Could you provide us with an update on the implementation of the first tranche of redundancies that I have gone through in terms of numbers of people who have been made redundant? I direct my question to Mr Brady.

**Mr BRADY:** The numbers provided in our last hearing were provided by the Premier prior to the hearing. That was based on a survey of agencies and their current plans. Those numbers have not been updated since the last hearing. The numbers you have there are the current estimates for this financial year.

**The Hon. GREG DONNELLY:** Have there been any redundancies thus far?

**Mr BRADY:** The agencies are implementing their savings plans and the redundancies are part of those plans. We have had some applications through the Crown for funding of voluntary redundancies. As of last week we had 542 applications for voluntary redundancies, which were part of programs that had been indicated to the Crown of a further 813 voluntary redundancies. We currently have had 1,355 applications notified to Treasury for funding of those positions,. That is at this stage of the year.

**The Hon. GREG DONNELLY:** Those 1,355 are applications? They are not necessarily applications that have been accepted, is that the position?

**Mr BRADY:** I would have to take that question on notice to give you an accurate response.

**The Hon. WALT SECORD:** Could we have a breakdown of how many of those are in Sydney, Wollongong and Newcastle and how many are outside Sydney, Wollongong and Newcastle?

**Mr BRADY:** I will take that question on notice.

**The Hon. GREG DONNELLY:** What would be the cost to the Government of that 1,355 redundancies, which is the total you have mentioned? What is the calculation for that number?

**Mr BRADY:** The payout is in accordance with the excess employees policy. It is very much dependent upon the length of service of the employees. I cannot give you an accurate figure.

**The Hon. GREG DONNELLY:** Have calculations been done yet for that total?

**Mr BRADY:** That will be subject to the take-up of those programs. The 542, if they are actual acceptances, will be clear. The others will depend upon the profile of the workforce.

**The Hon. WALT SECORD:** Mr Brady, you must have a projection of what that 542 will translate into in dollars?

**Mr BRADY:** I cannot give you an accurate estimate of that at this stage, Mr Secord.

**The Hon. GREG DONNELLY:** Could we put that on notice?

**Mr BRADY:** Yes.

**The Hon. GREG DONNELLY:** A total of 5,000 additional redundancies has been targeted over the four-year forward estimates. Going back to the original 1,874, will there be a bringing forward of additional numbers in the 12-month financial year we are talking about or is that 1,874 the actual number being targeted for the current financial year?

**Mr BRADY:** As I mentioned earlier, that number was provided by agencies to the Premier prior to the last estimates hearing. We do not have any further update at this stage. The voluntary redundancies come as a result of the agencies implementing best savings strategies. So it occurs at the agency level.

**The Hon. WALT SECORD:** Of the 542 where is the largest single group from? Is it from jails and courts?

**Mr BRADY:** I do not have that information available to me at the moment.

**The Hon. WALT SECORD:** Could we have it on notice, please?

**Mr BRADY:** Yes.

**The Hon. WALT SECORD:** Could you spell out the timetable for the 542 applications plus the 1,355 notified? What is the timetable? Can you take us through the process? You must have a process?

**Mr BRADY:** Absolutely. The numbers I have quoted to you of applications to the Crown relate to funding sought from Treasury for those redundancy payments. Not all voluntary redundancies necessarily are funded through Treasury. Of those that seek funding, we were notified of a program and the requirement for potential funding. As those programs are announced to the workforce and as voluntary redundancy packages are taken up, those programs translate to specific funding requirements for the agencies.

**The Hon. WALT SECORD:** Can you give us a timetable, please?

**Mr BRADY:** It will very much depend on the way in which the agency is rolling out its voluntary redundancy program. There is not necessarily a fixed timetable.

**The Hon. WALT SECORD:** The 542 people who have put in applications must have been given an indication when the money will be deposited into their account when they are made redundant. There must be a time frame. Are we talking three weeks, 12 weeks?

**Mr BRADY:** I will have to take that question on notice, Mr Secord.

**The Hon. WALT SECORD:** Yes. What is your timetable for the difference between the 5,000 and the 1,874? What is the timetable for the 3,000 difference?

**Mr BRADY:** The intention is that the agencies deliver on their forward estimates. Embedded in those forward estimates are efficiency savings and other savings measures. The agencies have developed their own implementation plans for how they will achieve those efficiency targets. The way in which they go about implementing those is up to the agencies. We would anticipate there will be voluntary redundancies as part of those strategies. They will be managing the natural attrition through that process. I do not have a specific schedule of the way in which agencies anticipate rolling out the voluntary redundancies.

**The Hon. GREG DONNELLY:** In terms of what is in effect the second, third and fourth year of the program—if I can put it in those terms—it will be up to agencies to individually identify numbers of persons to

be made redundant and then an announcement will be made like that with respect to the first tranche of redundancies?

**Mr BRADY:** It is up to the agencies to develop their own savings strategies and implement those, so I have no visibility around the way in which that will occur. Have I answered your question?

**The Hon. GREG DONNELLY:** I will put it this way: A target of 5,000 has been set and announced by the Treasurer in his speech on the budget. There must be a process of monitoring the amount of people who are being made redundant beyond this first 12-month period. Presumably there must be a process of speaking to the agencies and, in a sense, explaining to them that the first lot has been done and we need to look at the next lot?

**Mr BRADY:** Absolutely. So the agencies have their savings targets and they have their plans that they are putting in place to implement those. They will be reporting back to us on a quarterly basis about how they are going about achieving those efficiency targets. As part of that we will be collecting information around the voluntary redundancies that they are implementing.

**The Hon. GREG DONNELLY:** Playing devil's advocate for a moment, if they say they are making efficiency savings and do not need to make redundancies does it mean they will not be quizzed about this issue of redundancies?

**Mr BRADY:** No, we will be monitoring the level of redundancies both through the applications that come through to the Crown for funding and also through regular reporting on a quarterly basis.

**The Hon. GREG DONNELLY:** The key way of monitoring is really the applications through to the Treasurer from the agencies in terms of numbers being put forward and—

**Mr BRADY:** And secondly we will also get quarterly reporting.

**The Hon. WALT SECORD:** At the moment you have 1,355 and your target is 5,000. That means there is a gap of 2,645.

**Mr BRADY:** It is three and a half years' of implementation of savings plans beyond where we are at now, which is almost six months.

**The Hon. WALT SECORD:** Will those 2,645 be made redundant if they do not voluntarily come forward?

**Mr BRADY:** Sorry, can you restate your question?

**The Hon. WALT SECORD:** You have the figure of 5,000, of which 1,355 people have either lodged an application or notified. That leaves 2,645 positions that need to be abolished. If 2,645 people do not come forward as voluntary redundancies will those positions be made redundant, meaning not voluntary redundancies?

**Mr BRADY:** The Government's policy is for voluntary redundancies. The agencies will be implementing their savings plans—the savings target that we are monitoring.

**The Hon. WALT SECORD:** Back to my first question: Of the 542 applications and 813 that have notified, equalling 1,355, when does the 90-day period take off, because the Treasurer said that they had 90 days to take unforced redundancies?

**Mr GAETJENS:** That would be information that comes from agencies. We are monitoring what happens in agencies, but agencies would know the details of the individuals.

**The Hon. WALT SECORD:** How about your agency? The Premier designated 214 people in your agency, or it says Finance.

**Mr GAETJENS:** This is Treasury.

**The Hon. WALT SECORD:** What is the difference between Treasury and Finance? Are there no redundancies from Treasury?

**Mr GAETJENS:** Treasury is one cluster; Finance and Service is another cluster.

**The Hon. WALT SECORD:** Will there be no voluntary redundancies in Treasury?

**Mr GAETJENS:** There could be some because, as other agencies, we will plan our own process to match our own requirements.

**The Hon. WALT SECORD:** You are saying that there will be voluntary redundancies in Treasury?

**Mr GAETJENS:** No, I am saying there could be.

**The Hon. GREG DONNELLY:** If we have a situation whereby the Premier makes an announcement and identifies areas where redundancies are taking place and the State sector employees and the public at large are told what to expect, and then we find that in addition to that which has been announced there could be redundancies in other areas, how do we get a grasp on the scope of where the redundancies are taking place? Treasury was not identified by the Premier in terms of an area where redundancies would take place.

**Mr GAETJENS:** I think as a general proposition you have had some clusters which involved quite a considerable amount of reorganisation within the clusters. As part of the exercises that would have been going on within those new clusters, they might be in a situation where they could have provided the knowledge of their plans to the Premier in relation to the information that was given at our previous estimates hearing. Treasury in itself basically was in a situation where there was little change in the Treasury cluster, apart from some elements moving to Finance and Services. So there were no particular plans at that stage. I am only recently in the job myself so for me to actually understand the agency and move on, there could be developments, but we have had no plans or specific plans at the moment.

**The Hon. WALT SECORD:** Moving on to the Jobs Action Plan, the Government pledged to create 100,000 jobs but since 26 March there has been a net loss of 16,000 jobs. How many companies have taken up the Jobs Action Plan?

**Mr COSGRIFF:** Nine hundred and eighty.

**The Hon. WALT SECORD:** How many jobs will that create?

**Mr COSGRIFF:** An amount of 4,576. I should say that is as of 31 October.

**The Hon. WALT SECORD:** How many of those are for part-time employment?

**Mr COSGRIFF:** The ratio is approximately two-thirds:one-third—that is, two-thirds full time and one-third part time.

**The Hon. WALT SECORD:** Are any of those jobs for less than 10 hours a week?

**Mr COSGRIFF:** I do not have that information.

**The Hon. WALT SECORD:** Can you take that on notice, please?

**Mr COSGRIFF:** Yes.

**The Hon. WALT SECORD:** Are there any jobs that are for less than one hour a week?

**Mr COSGRIFF:** I do not have that information.

**The Hon. GREG DONNELLY:** In regard to this differentiation between the contracts of employment, does part time also include casual employment for the purposes of the definition you use?

**Mr COSGRIFF:** I believe that is the case but I will check that and take it on notice.

**The Hon. WALT SECORD:** Of the 4,576 jobs, how many are in Sydney, Wollongong, and Newcastle, and how many are outside those areas?

**Mr COSGRIFF:** The numbers I have are divided into metropolitan and regional, and it is 3,423 metropolitan and 1,153 regional.

**The Hon. WALT SECORD:** What is the total cost of that? Is that the \$4,000 rebate?

**Mr COSGRIFF:** Yes.

**The Hon. JENNIFER GARDINER:** Does the definition of "regional" include Newcastle and Wollongong?

**Mr COSGRIFF:** Can I take that on notice? I think it does but I would need to confirm that.

**The Hon. WALT SECORD:** Will the Treasurer be releasing a 2011-12 half-yearly budget review this year?

**Mr GAETJENS:** Yes.

**The Hon. WALT SECORD:** What is the date of that review? It should be next week, should it not, or in two weeks?

**Mr GAETJENS:** I do not believe the Government has announced a date for it.

**The Hon. WALT SECORD:** But it is customary to announce it in December.

**Mr RONDISVALLE:** It is legislatively required be released before 31 December.

**The Hon. GREG DONNELLY:** Is work underway on that review?

**Mr GAETJENS:** Yes.

**The Hon. GREG DONNELLY:** In terms of the developments in the eurozone and the United States where there are the issues that you are well aware of, is that having any impact on the considerations being given in development of the half-yearly review?

**Mr GAETJENS:** Yes. We are continuing in a time I think of considerable uncertainty. There has been within Europe greater uncertainty even since the budget. The United States situation I think fiscally still remains in a delicate position for them also. We are, if you like, facing global headwinds I think both federally and for every State in terms of the economic climate in which we are developing our plans.

**The Hon. WALT SECORD:** Last night in Canberra the Federal Treasury indicated that the European financial crisis had ripped a further \$7 million from budget revenue, and it looks as though it will proceed with a mini-budget. Under what circumstances would the New South Wales Treasury recalibrate its budget? What would be the environment for that?

**Mr GAETJENS:** We would pay attention to what the Government has said but I think at the moment I am planning on a half-year review, and I have not heard anything different from the Government about it.

**The Hon. GREG DONNELLY:** The Treasurer has made no approach to you about developing a mini-budget in the current circumstances? There has been no discussion with you about that?

**Mr GAETJENS:** The discussions I have had have been about preparing a half-year review.

**The Hon. GREG DONNELLY:** The Treasurer has not held discussions with you about having to announce a mini-budget in the current financial year?

**Mr GAETJENS:** Due to my uncertainty with processes I will take that question of notice. But we have been asked for a half-year review.

**The Hon. GREG DONNELLY:** Can I ask that question in respect of any other Treasury officials present here today?

**The Hon. WALT SECORD:** Or, conversely, have you suggested a mini-budget?

**The Hon. MATTHEW MASON-COX:** Point of order: My point of order is that conversations between the Treasurer and officials are rightly confidential. This line of questioning is out of order. I ask that the Chair rule accordingly.

**The Hon. GREG DONNELLY:** To the point of order: This line of questioning is directly relevant to a supplementary hearing. We are approaching the end of the year. The issue of the current financial situation is on everyone's mind. Questions about the current budget and if there is any need to recalibrate it are important and perfectly in line.

**The Hon. MATTHEW MASON-COX:** Further to the point of order: Decisions in relation to government policy are the province of the Minister, or the Treasurer in this case; not the province of the bureaucrats who are present for this supplementary hearing.

**The Hon. GREG DONNELLY:** Further to the point of order: I am not asking the witnesses about their policy as Treasury officials; I am talking about whether there is a prospect of a mini-budget.

**The Hon. MATTHEW MASON-COX:** Further to the point of order: By doing so you are talking about government policy and I think the Treasury Secretary has made that very clear. Chair, would you rule on the point of order?

**CHAIR:** Normally it is up to Treasury officials to say in their reply that it is government policy and they cannot comment on it, but there may be some areas where comment can be made. Do you make that distinction?

**Mr GAETJENS:** In that case, it is government policy that there be a half-yearly review and that it be released by the end of December.

**CHAIR:** I have some general questions. There have been a number of reports that even though the solar panel rebate has been dramatically reduced it is still exceeding anticipated budget expenditure. Is that a fact? Will you update the Committee as to what is occurring in that area and what you anticipate could be the increased expenditure?

**Mr COSGRIFF:** The Solar Bonus Scheme is to run from January 2010 to December 2016. Based on information provided to us by the electricity distributors, the 2011-12 budget estimate was that it would cost \$1.75 billion. The key variable in the cost of the Solar Bonus Scheme is obviously the number of sunshine hours but also the location of the solar panels on people's roofs. From time to time the distributors get access to real-time data, which enables them to update their forecasts for the total amount of energy and the total costs that the Solar Bonus Scheme will incur. It is true that more recent estimates have led to a revision downwards of the amount of sunshine hours that are being achieved by the panels currently installed. Those numbers were recently reported by the Auditor-General at the Independent Pricing and Regulatory Tribunal [IPART] and, on face value, they indicate the total costs may potentially be less than the \$1.75 billion that we reported at budget time.

**CHAIR:** So there is no anticipated change and the current rebate will remain?

**Mr COSGRIFF:** That is a matter to be considered by the Government in the lead-up to the half-year review.

**CHAIR:** But you are not anticipating any change?

**Mr COSGRIFF:** I have not got that information in front of me. It is possible the numbers could change in light of the data we get from the distributors.

**CHAIR:** Questions have also been raised about the desalination plant—in particular, whether the plant has incurred additional costs to those originally anticipated in the budget. I believe it to be correct that payments must be paid to the operators even if the plant is not operational. Will you update the Committee as to the current situation with the desalination plant?

**Mr TIMBS:** I will answer that question. The operation of the desalination plant is a matter for Sydney Water but, as the Committee would be aware, the Government is looking at a potential long-term lease of the desalination plant. The conditions around that transaction and the contractual arrangements between the parties necessarily at this point must remain commercial in confidence because they will be part of a competitive bidding process that the Government will undertake in the new year.

**CHAIR:** The Treasurer said in the budget papers that the Government was hoping to have a turnaround or a \$5.2 billion budget surplus over four years. But in some areas the new Government has found greater costs than it anticipated—for example, through negotiation of the police, death and disability scheme I understand an additional \$100 million has been allocated to it. What impact will that have on the budget? In other words, is the Government still on target to achieve the \$5.2 billion surplus?

**Mr GAETJENS:** At the moment we are still planning to deliver the budget as its numbers are there. But to the extent that that assumption going in will be a change, then other things will have to be changed as well so we can stick as closely as possible to the budgetary forecast.

**CHAIR:** How will you do that? Will you reduce expenditure in other areas?

**Mr GAETJENS:** In a generic sense that could be one of the things we could look at. But we will be looking, together with the agencies, at a whole host of things to try and stick to the budget. That is my performance agreement with the Premier and it is the agreement of the agency heads with the Premier as well.

**CHAIR:** In the budget papers the Treasurer also stated that the Government would announce the final cost and route of the North West Rail Link by the end of 2011. We are very close to the end of 2011. What will the final cost be and has the route been announced?

**Mr GAETJENS:** That is a matter for the Minister for Transport and that cluster.

**CHAIR:** But you would be aware of the final cost figures as part of the budget?

**Mr GAETJENS:** As I said, that is a matter for the Minister for Transport. I can take a question on notice but at the moment it is a matter for the Minister for Transport.

**CHAIR:** Will the final cost be announced by someone in the Government before the end of December?

**Mr GAETJENS:** Again, that is a matter for the Government. I cannot provide a comment on that.

**CHAIR:** Will you take on notice what you anticipate will be the final cost to the Treasury? You must have some idea as part of the overall State budget?

**Mr GAETJENS:** That project is in and out of the forward estimates so we will take the question on notice.

**CHAIR:** The budget papers also announced that \$103 million would be allocated for a light rail to Dulwich Hill. Are you aware whether that allocation has been spent or how much has been spent?

**Mr ROBERTS:** I will take that on notice. The Government is going through a process in consultation with various stakeholders. The process is in train but I will come back to you with an answer.

**CHAIR:** From your point of view the \$103 million is still in the budget and has not been spent? I am not aware of any light rail being built to Dulwich Hill.

**Mr ROBERTS:** No, so there is a process in place and that the Government is going through it to ascertain the best process for those funds but at this stage I am not aware and I will come back to you with an answer on funding around that.

**CHAIR:** The Government has been dependent on income from the sale of Port Botany. Has the income been sufficient to fulfil your budget estimates?

**Mr GAETJENS:** I think it is accurate to say that that was announced in the budget. There is a process that has been commenced and this is a very early stage of that process. We cannot provide further information at this time.

**CHAIR:** Are the negotiations still proceeding?

**Mr GAETJENS:** Basically the first thing you do is have a scoping study. Tenders have been put out for that and at the moment I do not think they have come back in.

**Mr TIMBS:** Further to the Secretary's comment, at the moment we are running a procurement process to hire a financial adviser or advisers to assist the State with its consideration of the scoping and strategy study into Port Botany. The intent broadly is to report back to the Government in around April next year with that body of work. Following that I would expect the Government to further consider whether it wants to proceed with the transaction and, if it does, the basis on which it wants to proceed. To pick up on your earlier question, because this is all prospective none of this is actually included in any forward estimates at this point in time.

**CHAIR:** The budget papers also indicated that the Government had a target for increasing the employment of teachers, nurses and police. Do you have any progress figures as to how much of those targets have been achieved—the 900 teachers, for example—from an expenditure point of view? It obviously increases the education budget.

**Dr McLEISH:** Yes, funding for those commitments has been incorporated into the budgets of the relevant agencies and implementation has progressed. I do not have figures available right now on the exact numbers of employees. That is a matter best addressed by the relevant Ministers, but we can take it on notice and provide some of that information for you.

**CHAIR:** Thank you. Would the same apply to the progress being made in achieving the target of employing 2,475 new nurses?

**Dr McLEISH:** The same would apply. We can take that on notice and the relevant Ministers can provide more detail.

**CHAIR:** And similarly the 550 extra police. Will you take that on notice as well?

**Dr McLEISH:** Yes.

**CHAIR:** The budget papers also indicated the Government had a target of delivering 100,000 new jobs in New South Wales, including 40,000 in regional areas. Do you have any advice as to how much progress has been made in achieving that target?

**Mr COSGRIFF:** The numbers I referred to previously. The number of jobs created is 4,576 as of 31 October 2011.

**The Hon. GREG DONNELLY:** Before I ask my next question I indicate that I am very conscious of the ruling you made, Chair, preceding our questions about the half-yearly review. It is an area I want to revisit because I received some answers before you ruled on a particular point. I want to revisit this area because it is quite important. The question I asked before I was cut off was whether any of the Treasury officials here today has had any discussions with the Treasurer about the preparation of a mini-budget. That was my question.

**The Hon. MATTHEW MASON-COX:** Point of order: The member is flouting your ruling in relation to matters of government policy. The Treasury Secretary and officials made it clear in that regard.

**The Hon. GREG DONNELLY:** To the point of order: I am not talking about government policy; I am asking whether there have been any discussions between the Treasury officials present here today on that matter. What the Government does is its business and its policy. I am talking about whether discussions have been

taking place. It is perfectly within the ambit of this budget estimates supplementary hearing to ask such a question.

**CHAIR:** Perhaps you could make the question more specific so the Treasury officials can answer it.

**The Hon. GREG DONNELLY:** My question can be rephrased this way: Have any of the Treasury officials present here today had any direct discussions individually or collectively with the New South Wales Treasurer about the prospect of developing a mini-budget? That is the question—a mini-budget in the current financial year, bearing in mind the circumstances I have referred to about the eurozone and the American economy.

**CHAIR:** The question is whether the Treasury officials are working on a mini-budget or not.

**The Hon. MATTHEW MASON-COX:** Mr Chairman, I maintain that that flouts your ruling. That again, with the greatest respect, is a matter for the Government to decide. It is not a matter for Treasury officials to speculate on.

**The Hon. GREG DONNELLY:** This has got nothing to do with speculation. This is a direct question that can be answered with either a yes or a no with respect to discussions with the New South Wales Treasurer. It has got nothing to do with speculation. It is yes or no in terms of whether discussions have taken place and are taking place.

**The Hon. MATTHEW MASON-COX:** Mr Chairman, I submit the member is again flouting your ruling. These are areas for government policy and it is not appropriate for Treasury officials to be put in this difficult position by the Opposition in this way.

**CHAIR:** Can you make any response at all to that line of questioning? Are you in fact preparing a mini-budget? I suppose the answer is yes or no.

**Mr GAETJENS:** Chair, I will not go into any detail about discussions with the Treasurer, but Treasury as per usual is preparing and discussing with the Treasurer the preparation for a half-year review.

**The Hon. GREG DONNELLY:** My question is slightly more calibrated perhaps than the way in which the Chair has put it.

**The Hon. MATTHEW MASON-COX:** Point of order: I think the Treasury Secretary has answered the line of questioning and it is time to move on. I do not think it is useful to continue this repetition, which is not appropriate in these circumstances.

**The Hon. GREG DONNELLY:** I have directed my question to the Treasury officials here today, individually or collectively, in terms of any discussions. It was not a question about whether or not a decision has been taken about the preparation of a mini-budget but rather whether there have been any discussions with the Treasurer over the question of whether or not there should be a mini-budget. That is to be differentiated from the question the Chair put to the witnesses.

**The Hon. WALT SECORD:** It is a simple yes-no question.

**The Hon. MATTHEW MASON-COX:** Mr Chairman, I ask for your ruling on that. I thought we had dealt with this issue.

**CHAIR:** The Secretary to the Treasury did say that they are preparing their half-yearly review. He has answered that.

**The Hon. GREG DONNELLY:** With the greatest respect, my question was not to do with the half-yearly review. We understand the obligation to produce that review under State legislation. This is a question about whether or not representatives of Treasury here today individually or collectively have had discussions with the New South Wales Treasurer about the possibility of a mini-budget. That is the straight-up question.

**The Hon. WALT SECORD:** Matthew, let them answer the question. It is just a yes-no question.

**The Hon. MATTHEW MASON-COX:** I find that offensive. I am not distracting in any way—

**The Hon. WALT SECORD:** Yes, you are. You are purposely eating into our time—

**The Hon. MATTHEW MASON-COX:** I am asking for a ruling on government policy issues. The reality is that it is inappropriate for the Opposition to be asking questions about conversations with the Treasurer.

**The Hon. WALT SECORD:** We are not. We are asking a factual question: yes or no.

**The Hon. MATTHEW MASON-COX:** The Opposition is asking questions on government policy. I ask again that you rule on the line of questioning of members opposite because it is inappropriate.

**The Hon. GREG DONNELLY:** To the point of order: There cannot be anything more significant than consideration at this budget estimates supplementary hearing about the financial position in which the State finds itself with respect to the impact of what is happening in the eurozone and the United States and its potential impact on the New South Wales budget. There cannot be anything more significant than that being dealt with today. I am asking a straightforward question, not that there will be or will not be but, rather, whether there has been discussion with the Treasurer by Treasury officials, singularly or collectively, about whether or not there should be the preparation of a mini-budget in New South Wales. That is all I am asking.

**The Hon. MELINDA PAVEY:** Further to the point of order: I just make the point that the Treasury Secretary has answered the question by referring to the fact that within the next four weeks we will have a half-yearly budget review. They are the terms in which he wanted to answer the question. We are not playing for time. There are 13 minutes left. It is an appropriate way for the Treasury Secretary to answer that question. It is time that we move on.

**The Hon. GREG DONNELLY:** To the point of order: I go back to my point. There cannot be anything more important being discussed today at this budget estimates supplementary hearing than the issue of the financial position this State finds itself in with respect to developments overseas and whether those circumstances agitate consideration of whether there should be a mini-budget in this State. I am simply asking once again whether the officials present today, individually or collectively, have initiated discussions with the New South Wales Treasurer about whether consideration should be given to a mini-budget. It is their initiative, their question. It is not to the Treasurer, not the other way round. It is not what the Treasurer has initiated.

**The Hon. MATTHEW MASON-COX:** I reiterate that these are matters on which the Government will make decisions. It is not appropriate to ask the Treasury Secretary these questions, and I ask that you rule accordingly.

**CHAIR:** We are in a difficult position in terms of whether the Treasury Secretary can answer that line of questioning.

**The Hon. WALT SECORD:** It is a yes or no.

**CHAIR:** Have you had any instructions concerning preparation of a mini-budget as distinct from a half-yearly review?

**Mr GAETJENS:** I do not think I can add anything. This year the budget was delivered in September, not in May. We are in a situation where we have, by statute, a half-year review by the end of December. Those provisions in the statute will be complied with, I am sure. In terms of anything else, I am sure the Government will deliver, and Treasury will assist the Government to deliver, a half-year review. That is the extent of the response I can give.

**CHAIR:** That is the best answer you will get.

**The Hon. WALT SECORD:** Today is a special day for Treasury. It is the third-month anniversary of the announcement of the Waratah bonds issuance. In response to questions on notice to this Committee Treasury reported that as of 26 October there were 394 applications for Waratah bonds. I suspect that you are following with interest the financial developments in Europe and the sovereign debt crisis particularly in Greece, Italy and Portugal. It appears that Australian State Government bonds have been caught in the cross-fire of the escalating

sovereign debt crisis, with bond spreads blowing out relative to sovereign bonds. In Queensland the spread of the semi-government bonds issued by the Queensland Treasury have been particularly hard hit. In Saturday's *Financial Review* Treasury Corporation's Stephen Knight said that investors were not willing to take the risk. What has been the impact on the Waratah bonds?

**Mr COSGRIFF:** As the Treasurer said at the last estimates committee hearing, the monthly total of Waratah bonds was running at about \$8 million a month.

**The Hon. WALT SECORD:** Eight million a month.

**Mr COSGRIFF:** I have no update beyond that.

**The Hon. WALT SECORD:** In response to a question on notice you answered that as of 26 October there were 394 applications, so in fact you do have more information since the last estimates hearing. How much has been raised?

**Mr COSGRIFF:** Well, \$8 million over two years—approximately \$17 million.

**The Hon. WALT SECORD:** At what rate do you expect to reach the \$300 million mark?

**Mr COSGRIFF:** Sorry?

**The Hon. WALT SECORD:** The Treasurer said that he wants to raise \$300 million, and you claim that you are raising \$8 million a month at the moment. When do you plan to reach the \$300 million mark?

**Mr COSGRIFF:** We are in the early stages of the program. I cannot give you a categorical answer as to when the \$300 million will be achieved.

**The Hon. WALT SECORD:** Is Treasury considering an advertising campaign to resuscitate the Waratah bonds program to facilitate this?

**Mr COSGRIFF:** There is a campaign being managed by TCorp around the Waratah bonds program. There is no need to resuscitate it because it is achieving its targets.

**The Hon. WALT SECORD:** So would you deem 394 applications to be a success?

**Mr COSGRIFF:** It is a successful start to the program.

**The Hon. WALT SECORD:** When will you determine that the Waratah bonds will be in trouble if you think that is a successful start? What is your trigger point? They said they would raise \$300 million and they claim they have raised \$17 million. It is not going gangbusters, as the Treasurer claimed. I am just trying to get to the basis of this.

**Mr GAETJENS:** I think what you have here is the Government announcing the program and TCorp delivering the Waratah bonds, which in a period of greater risk may in fact become even more desirable. We are very early on in the stages of this program. I think it is premature to say that it has to be resuscitated or whatever. We will monitor the program and we will look at it again, but at these early stages I think it is too early to make any judgement about its status.

**The Hon. GREG DONNELLY:** Continuing the line of questions about the Waratah bonds, has Treasury done any forward estimates over the current financial year about what is hoped to be achieved in terms of sales in millions of dollars of Waratah bonds, in line with the announcement by the Treasurer or his expectations of the overall program?

**Mr COSGRIFF:** Treasury Corporation, which manages the program, has not set an overall borrowing target for a specific period of time.

**The Hon. GREG DONNELLY:** So all we can work with is a total over the forward estimates but on a financial year to financial year basis. Treasury has not done any work on what targets will be pursued to get to the end point?

**Mr COSGRIFF:** No. As the program develops you would expect that the uptake rate will change as the market develops and appreciates these different products.

**The Hon. GREG DONNELLY:** But is that something that we just hope will happen or is there some methodology or some work that is being done behind you being able to make that statement or that assertion?

**Mr COSGRIFF:** I think the judgement of the funds manager, Treasury Corporation, is that the Waratah bond program has the capacity to raise up to \$300 million.

**The Hon. GREG DONNELLY:** And that is over the four-year forward estimates period, is that correct?

**Mr COSGRIFF:** Yes.

**The Hon. WALT SECORD:** Has Treasury had any feedback from the industry about the Treasurer's decision to scrap the first home buyers grant for existing dwellings that comes into effect on 1 January?

**Mr GAETJENS:** I am not aware of any feedback. I will take that question on notice.

**The Hon. GREG DONNELLY:** My next question, which is directed to the Secretary to the Treasury, relates to Restart NSW. The Treasurer announced in the budget that infrastructure spending would be a priority for the Government, which I think we accept. At page 10 of his Budget Speech he announced expenditure of \$62.6 billion over the forward estimates period. In addition he explained that the Restart NSW program would be integral to the development of Infrastructure NSW. In relation to Restart NSW windfall revenues—when the budget was in surplus—he noted specifically that there would be some reliance on the long-term lease of the desalination plant and the Waratah bonds. He specifically identified three areas. Are we still focusing on those three areas when looking at the Restart key funding planks? Is that still the current position?

**Mr GAETJENS:** That is correct.

**The Hon. GREG DONNELLY:** Although the long-term lease of the desalination plant is yet to be finalised there is a question in my mind about the type of income that could be generated for the Government over the life of that lease. There has been talk about a 99-year lease for that plant. How significant would a 99-year lease contribution be for a government relying on that income to fund infrastructure?

**Mr GAETJENS:** The desalination plant currently is going through a process. I would prefer to take that question on notice, given that it currently is in play.

**The Hon. GREG DONNELLY:** That would be good. With respect to the lease of Port Botany and the work that is being done in regard to it, has a decision been made about the income that is derived from that lease going into the Restart NSW program, along with income derived from the long-term lease of the desalination plant?

**Mr GAETJENS:** My understanding is that proceeds from transactions are going to that place. With reference to your specific comments about Port Botany, given my newness in the job, I will also take that question on notice.

**The Hon. WALT SECORD:** I wish to ask some questions about relocation grants. As at 7 November, in response to a written question on notice from this Committee, it was revealed that only 117 families of the projected 6,700 families have taken up the relocation grant program. What is the current figure?

**Mr ROBERTS:** I do not have that information available to me at the moment but I am happy to come back with an answer.

**The Hon. GREG DONNELLY:** I refer to payroll tax rebates. Can you provide any additional information to the Committee about that part of the Government's policy initiatives?

**Mr GAETJENS:** Our thinking is that there is probably not much new that we can announce. Again, for the sake of completeness, we will take that question on notice.

**The Hon. WALT SECORD:** In the 2010-2011 financial year the State Government allocated \$10.1 million to provide clean drinking water and sewerage to Aboriginal communities across New South Wales under the Aboriginal Communities Water and Sewerage Program. Has that funding increased or decreased since the change of government in March?

**Dr McLEISH:** I will take that question on notice. I do not have that information in front of me now.

**The Hon. GREG DONNELLY:** On page 3 of the Treasurer's Budget Speech he made a comment about the importance of transparency with respect to finances in this State. Can you update the Committee with respect to his comments relating to his transparency theme in his Budget Speech? In future, in the budget papers that are presented to the Parliament, will there be a clear differentiation or delineation of funding from the Commonwealth in grants, funds or contributions made to the account of New South Wales?

**Mr GAETJENS:** Referring again to that paragraph in the Treasurer's Speech, we have had discussions with the Treasurer and we have talked about that. As the Treasurer announced in his Speech, currently we are reviewing that process. For us to undertake further work with the Government with respect to future budgets, at a sufficient period and at the right point in time we will provide some answers. I will take that question on notice and see what I can provide now. However, the Treasurer made that commitment in his Speech and I am sure it will be delivered.

**CHAIR:** In the budget papers the Government provided a \$7,000 grant to encourage people to relocate as part of the regional relocation grant scheme. What was the total amount that was allocated in the budget for that grant and what is the take-up? I understand that there has been a low rate of applications.

**Mr ROBERTS:** I will answer your last question first. I do not have the information relating to the take-up rate but will come back with an answer to that question which I will take on notice. With reference to the allocation of funds going forward, the Government provided expected costs of around \$47 million in 2011-12. That is the most available figure that we have.

**CHAIR:** That is the total amount that was allocated?

**Mr ROBERTS:** Yes. That is the take-up rate at this stage. However, I need to come back to you with information relating to what has been taken to date.

**CHAIR:** You cannot give the Committee a round figure of how much has been spent on it?

**Mr ROBERTS:** I do not have that information available; I will have to speak to the department.

**CHAIR:** Will you take that question on notice?

**Mr ROBERTS:** Definitely.

**CHAIR:** The same applies to the creation of Destination NSW, which has an allocation of \$40 million for extra tourism and events marketing funding over four years. What progress has been made with the expenditure of that \$40 million?

**Mr ROBERTS:** Again, that question is probably best referred to the relevant Minister. However, I am happy to take that question on notice if that is not possible.

**CHAIR:** There have been many reports dealing with the energy rebate issue that indicate, for various reasons, that the costs of electricity have risen much higher than most people were anticipating as a result of the carbon tax and other provisions. What impact has that rebate, which increased from \$145 to \$200 from the 1 July, had on low income households? What has been the take-up rate?

**Mr GAETJENS:** I will take that question on notice. The budget provides funding for agencies to do things. Most of the information that you are seeking is best provided by the agencies concerned. We will take that question on notice or refer the matter to the relevant Minister. We provide the central funding source, if you like, for these programs but the detail of and knowledge about those programs resides in the agencies themselves.

**CHAIR:** Are those agencies reporting to you progress relating to such expenditure? You would not wait until the end of the 12-month period would you?

**Mr GAETJENS:** No, there will be review at the time that they receive the funding. Part of that review will relate to whether or not they are keeping within budget. That might not necessarily tell us what the take-up rate is; it really is just a tracking of the financial process which might not provide us with further information. We will take the question on notice and get back to you.

**CHAIR:** It may not go down to that detail; would you just get a lump sum?

**Mr GAETJENS:** We get varying amounts of information on varying things but, again, I think I will probably take that question on notice. If it is a rebate it would probably then be affected by people's electricity usage and all these individual items come up to the total amount of money. It is a detail that we do not have with us at the moment.

**CHAIR:** But for your half yearly review would you have to anticipate getting progress reports in this month from each department that of the amount of money allocated they spent 50 per cent instead of 100 per cent or 20 per cent?

**Mr RONISVALLE:** As part of the preparation of the mid-year report agencies give us their revised projections for the balance of the financial year. I am not aware whether there has been any change in the projection for the item to which you are referring. Basically, we get information on what their projected dollar spend is, not necessarily how many people have taken it up or whether the scheme is successful.

**CHAIR:** I suppose that if that amount of money is a lower amount or less than what you anticipated, it would mean that fewer people have taken it up?

**Mr RONISVALLE:** That would probably be a reasonable conclusion to draw, but I do not know whether there is a revised projection for those items at the moment.

**CHAIR:** In the budget papers there was provision for local school communities to provide additional funding of \$62 million over four years for local public school upgrades and urgent maintenance, including \$15.6 million in 2011-12. Do you have any information as to whether the \$15.6 million is being expended? Would it be part of the half yearly review?

**Dr McLEISH:** We do not have that information at hand. It is a matter that the Minister for Education would deal with. Again, we can take the question on notice, but the Minister for Education would have that information.

**CHAIR:** Do you have a system in Treasury, like a checklist, where you tick off all the projected expenditures as they occur?

**Mr RONISVALLE:** Effectively, what happens is that a program may have a budget for the year, but that does not necessarily mean that the budget will be spent in equal amounts during the course of the year. A program in any initial months of the financial year may expend it at quite low levels, but it could be projected to increase during the course of the financial year. So the year-to-date expenditures on any particular program are not necessarily indicative of what the end outcome for the year will be.

**CHAIR:** That is the last of the questions I had. Does anyone have any questions they want to ask in the remaining 18 minutes?

**The Hon. GREG DONNELLY:** Yes.

**The Hon. MATTHEW MASON-COX:** That is very generous of you, Mr Chair.

**The Hon. GREG DONNELLY:** I return to a matter that I raised earlier and I am conscience of the rulings made by the Chair on this matter. My question is to Mr Ronisvalle first and to Mr Cosgrove second. It is the same question. Have you, as Treasury officers—

**The Hon. MATTHEW MASON-COX:** This is really descending into a farce. The member clearly is flouting your ruling. This question has been asked again and again. If he is going to use your time to continue this line of questioning, I ask that you retract your time to end this useless waste of time and we can end the hearing now.

**CHAIR:** I will allow the member to conclude his question.

**The Hon. GREG DONNELLY:** The only person who has answered this question is the Treasury Secretary. My question was directed to him or to other members present today. My question is directed to the two gentlemen to whom I have just referred. First, to Mr Ronsisvalle: Have you had any discussion with the New South Wales Treasurer about the possibility of a mini-budget for New South Wales?

**Mr RONISVALLE:** I cannot add anything else to what Phil Gaetjens has said.

**Mr COSGRIFF:** I have nothing to add beyond what the Secretary has said.

**The Hon. GREG DONNELLY:** I ask then for the Secretary to take those two questions on notice. First, have you or any other Treasury representatives present today had any discussion with the New South Wales Treasurer over the question of whether consideration should be given for the development of a mini-budget for New South Wales? Second, has the Treasurer of New South Wales initiated discussions with you, either singularly or collectively, over the development of a mini-budget for New South Wales? I put those two questions on notice.

**CHAIR:** It is up to you how you reply to those questions, which could be that they are Cabinet matters and you are not able to comment on them.

**The Hon. WALT SECORD:** In the Treasurer's Budget Speech he gives the figure of \$1.5 billion for the sale of the desalination plant. How much of that will be an upfront payment?

**Mr TIMBS:** As I indicated in answer to an earlier question, the actual transaction itself is in progress. Some of those matters are still to be determined. They will be determined as part of that transaction process. In short, we will not know until the conclusion of the transaction. The timetable at the moment for the transaction anticipates closure of that deal, if it is able to be closed, in about May next year.

**The Hon. WALT SECORD:** On 26 July the Treasurer announced the appointment of three advisers to oversee the sale of the desalination plant. What is the projected total cost of those three advisers to or for the transaction?

**Mr TIMBS:** I do not have that information available to me. That question would best be put to Sydney Water, which is in fact leading and managing this transaction as the asset that is being transacted is a subsidiary of Sydney Water.

**The Hon. WALT SECORD:** My next question is to the Secretary. On 16 November the Treasurer announced that the long-term lease of the desalination plant would free up much-needed funds, to use his words, "for priority projects, roads, schools, hospitals." How much have you budgeted for roads, schools and hospitals from the sale of the desalination plant?

**Mr GAETJENS:** I think the process is that if you release capital from the budget you can pay down debt, which provides debt to be used for other purposes. If you want to keep service delivery—

**The Hon. WALT SECORD:** So you can put it on the deficit? You are not putting it on roads, schools and hospitals; you are putting it on the debt.

**The Hon. MELINDA PAVEY:** Let the Treasury Secretary answer the question.

**The Hon. WALT SECORD:** I am sorry, you are right. Would you like me to repeat the question?

**Mr GAETJENS:** The point basically is that if you provide balance sheet flexibility, it releases resources to be used for other things, as the Treasurer said. He also said that in a prospective fashion. What you do is, if you provide the capacity you then are able to make announcements as to how you use that capacity. He

is giving some general comments there. Again, I am presuming that if he is saying something on behalf of government policy, then government policy will be implemented.

**The Hon. GREG DONNELLY:** I return to the question of Restart NSW, which is a priority issue for the Treasurer in funding infrastructure in New South Wales. On page 12 in the last paragraph of the Budget Speech under "Delivering Infrastructure" the Treasurer said:

*Restart NSW will be funded from a range of sources, including windfall revenue when in surplus, funds made available by the long term lease of the Sydney Desalination Plant and Waratah Bonds.*

Obviously, "including" means those three but, presumably, involves other sources of funds. Are you able to explain what the other sources of funds would be used in funding Restart NSW?

**Mr GAETJENS:** I think the Treasurer made the points in his speech—long-term lease of the desalination plant and Waratah bonds. I think "other sources" also means should other transactions take place, that could be another source. I do not think it was necessarily going to the breadth of sources; it was also going to a different, if you like, transaction within the same source of proceeds from a transaction.

**The Hon. GREG DONNELLY:** Three key parameters are set in there, but the word "including" made me wonder what other sources there might be which will be channelled into funding Restart NSW. If I understand you correctly, other transactions or proceeds of other transactions may be included as that funding?

**Mr GAETJENS:** My sense is that is right. I will take that on notice. Another source could be interest earned by the fund itself. I do not think it means anything but this is a speech by the Treasurer's and I will not put words into his mouth. I will take it on notice.

**The Hon. GREG DONNELLY:** The question is: What is the extent, the range, of the funding sources for Restart NSW? Three sources are identified in the speech. It is the difference between those three sources and the rest of the funding I am trying to identify?

**The Hon. WALT SECORD:** Has there been a surge in the purchase of existing dwellings by first home buyers since the Treasurer made the announcement in early September that he is scrapping the stamp duty on 31 December?

**Mr COSGRIFF:** I will have to take that on notice.

**The Hon. WALT SECORD:** Does Treasury expect to see an increase in the cost of newly constructed dwellings for first-time home buyers after 1 January?

**Mr COSGRIFF:** It depends on how much is passed through into price. I will take that on notice.

**The Hon. WALT SECORD:** Does Treasury expect a drop in purchase prices of existing dwellings by first-time home buyers when the new laws come into effect on 1 January.

**Mr COSGRIFF:** I will take that on notice.

**The Hon. GREG DONNELLY:** In the newspaper today the Treasurer is reported as saying with regard to infrastructure spending in New South Wales the proceeds for the sale of the long term-lease of electricity generators is expected to "net the State's coffers between \$3.3 and \$6.5 billion." That is the range he has given. I ask the Treasury Secretary, do you agree with that range stated by the Treasurer in the media today?

**Mr GAETJENS:** I have not seen the media as I had early meetings this morning. I will take what he said on notice. Without providing a comment on that, I think what he is attempting to do, in the nature of his budget speech, is to be transparent and give some sort of estimate. I will not go further than that. I can raise it with him and come back to you with a reply.

**The Hon. GREG DONNELLY:** I appreciate the answer you have given there. While you are doing that could you take on notice a question concerning the calculations the Treasurer gives with respect to the long-term lease of the desalination plant and the Port Botany container terminal, whereby the Treasurer says that up to \$4 billion is anticipated from those two transactions?

**CHAIR:** The basis of the question is whether those estimates are accurate?

**The Hon. GREG DONNELLY:** I am trying to establish the basis of these figures and where the basis is coming from, yes.

**The Hon. WALT SECORD:** To the secretary: Has a different accounting or financial management framework been put in place since the 26 March election and post the Lambert audit in April?

**Mr GAETJENS:** I will take that question in two parts. In terms of accounting process I think the answer to that is no. There are accounting standards which remain in place and I am sure unless they change we will not change. In terms of financial management processes, I think several announcements were made in the budget itself which I think actually change the framework and incentives to come out with particular outcomes. These changes that were made in the budget I think underlie a framework that would properly better give you the probability of the budgets being achieved. They go to changes to the budget itself in terms of removing tolerance limits. They go to removing the size of the Treasurer's Advance. They go to performance agreements between directors general and secretaries being put in place between us and the Premier, whereas previously those agreements were with Ministers. I understand under previous arrangements Ministers were able to tell their directors general or secretaries, or their title in those days, to exceed the budget. That has now been changed because of the relationships between agency heads and the Premier, as well as with the Minister.

There have been letters from the Premier to Ministers as well as letters from the Premier to the directors general, including me, as to the requirements the budget seeks from us. Other measures we have put in place include rollover arrangements. For example, where spending has changed within a particular year for particular reasons then rollovers can occur without giving rise to higher levels of expenditure in the later years of the forward estimates. In appropriations, the Government has put in place appropriations to senior cluster Ministers, so that the agencies within clusters then receive a grant from the coordinating Minister or agency. That is seen to put a bit more discipline into the process in terms of the performance and monitoring that Ministers and directors general are required to give within the clusters. Those are elements which have been changed and add to the framework and incentives that will encourage people to keep their outcomes within budget.

**The Hon. WALT SECORD:** You mentioned changes to the Treasurer's Advance. Can you explain what changes were made and why they were made?

**Mr GAETJENS:** The changes were made, including the Treasurer's Advance being reduced, as mentioned in the budget. It basically says that if we think these changes to financial management frameworks are going to add rigor to the process then that should enable less calls to be made at later times with respect to additional funding. We think a greater sense of discipline throughout the budget process will lead to fewer calls on the Treasurer's provision—I think it was the advance for the Minister for Finance in my former life, and Treasurer's advance here, they are two very similar things. Public budgeting has always been designed to cater for the unforeseen, unpredictable events that are unable to be forecast. That provides a contingency in the budget for things that can and do occur. We are certainly hoping that by reducing the size, by being more strict about access to those funds, as well as the other incentive mechanisms we have put in the financial management system, we can reduce the size of that advance.

**CHAIR:** Thank you again for your attendance. You have 21 days from when you receive the transcript to answer the questions on notice.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**