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PAEC – Key Aspects 2011-12 Budget

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Mr MORRIS (Mornington) — I also take this opportunity to refer to a report from the Public Accounts and Estimates Committee, but a rather more recent one — that is, the report on the budget estimates, part 3. Parts 1, 2 and 3 provide feedback to the Parliament on the budget estimates process of interrogation of ministers, which is always polite of course, and hopefully provide a broad background and understanding of the matters that relate to the budget.

I have previously spoken about chapter 8 of the report, which relates to commonwealth-state relations, to the significant proportion of the state's income that we now receive from the commonwealth and to the very real risk that the state may become simply a service delivery arm of the commonwealth. Obviously we need to avoid that at all costs.

Today I want to speak particularly about the key aspects of the budget that are identified in chapter 2 of the report. It states at page 9:

... the government has highlighted the challenge of maintaining the sustainability of Victoria's financial standing.

Without financial sustainability almost nothing else matters. If you do not have the dollars, you cannot pay the wages, you cannot provide the services and you cannot build the infrastructure. You may as well not be here.

Financial sustainability is of critical importance, and it has been eroding for the past decade. We now need to take stock and deal with that.

Interim measures are identified in the budget, and they are to be supplemented by the formulation of a longer term strategic plan, which will be published either in the lead-up to next year's budget or as part of the budget process itself.

The delivery of election commitments is a particular feature of this year's budget. Funding is allocated across the forward estimates up to 2014–15, with output commitments totalling \$4.4 billion, which will provide for the vast majority of the government's election commitments in output areas. There is \$1.1 billion for asset commitments, which provides for almost half of the asset election commitments.

The government has also committed to fully fund remaining commitments during this term of government.

Efficiency savings targets total \$2.2 billion, and I will come back to that subject in a second.

Totally beyond anyone's control is the impact of the floods that happened in the early part of this year, and recovery costs for the state are expected to total some \$676 million. With \$115 million to be recovered from insurance, there is a net amount of \$561 million.

There is a \$6.1 billion investment in infrastructure plus an average of \$4.6 billion per year for the remaining three years of the forward estimates.

In the time remaining I will quickly run through the savings initiatives identified on page 21 of the report. There are savings of \$33.5 million through reduction of ministerial staff, \$85.8 million on media and marketing positions, \$185 million on consultants, \$255 million on government advertising, \$1 million on opinion polling, almost \$70 million on external legal advice, \$33 million on office floor space, \$722 million on supplies and consumables, \$50 million through the promotion of shared services, and \$131 million by capping head office expenses.

The total comes to almost \$1.6 billion.

The bottom line is that for the past decade the costs of government have risen at a far greater rate than the revenue that is available.

Today we find ourselves in an environment in which revenue remains sluggish at best and is likely to remain so for some time. If we do not confront the cost pressures, we will simply not be able to maintain the services and provide the infrastructure required for ordinary Victorians.
