

# Treasury answers to questions on notice from the Senate Committee on School Funding Investment

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## Question on notice 1

**CHAIR:** Sure. You are getting a bit ahead of us, and we will get to that. The question we are trying to get to the bottom of is the Prime Minister's announcement on the 30th and 31st. We will take them as one. It was one announcement in two parts. I paraphrase. The Department of Education and Training and the acting secretary at the time, who is now the deputy secretary, I believe, made the observation that he became aware of those statements through the media—that they were not involved in preparing or briefing the Prime Minister on that and that PM&C were. It would be a matter for PM&C, but in other circumstances from time to time they have been involved in briefings. In this case they were not. Was Treasury involved in the briefings leading into that?

**Mrs Wilkinson:** We were not involved in briefing the Prime Minister. We have been involved in briefing the Treasurer throughout the entire period, leading up to and in preparation for COAG, but we have not been briefing the Prime Minister.

**CHAIR:** That is your job. You do not brief the Prime Minister.

**Mrs Wilkinson:** No.

**CHAIR:** And you do not brief PM&C?

**Mrs Wilkinson:** No.

**CHAIR:** Is it the same for Finance?

**Mr Thomann:** Ours is a similar situation.

**Mr Raether:** We obviously consulted as part of normal whole-of-government processes.

**CHAIR:** When you get asked?

**Mrs Wilkinson:** Yes.

**CHAIR:** With Treasury modelling or analysis, for the proposal that is put forward by the Prime Minister regarding alternative payment arrangements between the federal government and the states, is the modelling for that kind of thing what Fiscal Group does? Who does the modelling? Or is that macro? How would it work for that? Would that come under Nigel's group? How does it work?

**Mr Raether:** I think we would have to take it on notice, but I think our Revenue Group may have been involved, given their responsibilities for tax policy. We are from Fiscal Group, but we could check with our Revenue Group colleagues.

**CHAIR:** And what about Finance?

**Mr Thomann:** Taxation is purely Treasury's responsibility, so we had no involvement.

**Mrs Wilkinson:** But we can take that on notice.

**CHAIR:** Effectively, what you are saying—just to be correct here—is that Fiscal Group were not involved. Whether or not Revenue Group was involved is a matter for Revenue Group, and you are going to take on notice whether Revenue Group was or was not involved; correct?

**Mr Raether:** That is correct, yes.

## **Treasury answer to question on notice 1**

*As part of briefing the Treasurer on federation matters, Treasury undertook modelling and analysis of tax and fiscal implications.*

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## **Question on notice 2**

**CHAIR:** The secretary of the Department of Education and Training said this morning that the first that they were involved with or became aware of the Prime Minister's announcement on the 30th and 31st was through the media. Is that the same situation for Fiscal Group?

**Mr Raether:** When we became aware of the Prime Minister's announcement?

**CHAIR:** The education department said they were not involved in the formulation of that. They said that is a matter for PM&C.

**Mr Raether:** We are not involved in formulating an announcement for the Prime Minister.

**CHAIR:** Sure, but from time to time when government announcements are made that relate to other portfolio areas, ministers and departments are sometimes not given a heads-up. That is a fact. That is a matter for government—

**Mr Raether:** I can take it on notice. I do not think either of us was personally involved in drafting material for the Prime Minister. We would not normally.

**CHAIR:** No-one here was personally involved in drafting material. Whether there were others who were involved in drafting material, you cannot speak for others. You will find out if others were involved in drafting material.

**Mr Raether:** Yes.

## **Treasury answer to question on notice 2**

*Treasury was not involved in drafting announcement material for the Prime Minister in the lead up to COAG.*

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### Question on notice 3

**Senator GALLAGHER:** I do not want to know what the advice was. I am asking and what point. We have been told today that there were some options flagged in a white paper 12 months ago that essentially stopped with the change in prime ministers. The federation process, I think we can all accept, stalled. Then there was an idea floated in the week preceding the COAG meeting that flagged the possibility of a fairly substantial change in the way education funding has been provided historically. I am asking at what point Treasury became involved in that.

**Mr Raether:** I think we would have to take it on notice if you are asking the particular time when we sent up the briefing—

**Senator GALLAGHER:** That is all I am asking. I am not asking about the nature of the advice. I am asking at what point was Treasury either asked to provide work on or self-initiated work on that proposal. That is the question.

**Mr Raether:** I think we will take that on notice.

**Senator GALLAGHER:** So there is nobody here who can answer that?

**Senator O'NEILL:** Did you do work on that?

**Mr Raether:** It goes to the nature of our advice—

**Senator O'NEILL:** No, you either did or you did not. Did you do work on changes to education funding for the Treasurer?

**Mrs Wilkinson:** Throughout the course of the federation process, a range of options, a range of analysis and a range of work have been done. We have provided—

**Senator O'NEILL:** Because that was one of the options? So you have done work on that?

**Mrs Wilkinson:** That is in the papers, so we have provided advice throughout the period since the federation process began on the broad range of options that are available.

### Treasury answer to question on notice 3

*Treasury provided advice to the Treasurer throughout the duration of the federation process and leading up to COAG.*

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### Question on notice 4

**CHAIR:** The broad evidence that you have provided effectively says that a lot of these questions are more appropriately going to be placed with Prime Minister and Cabinet, who have more direct line item responsibility for a lot of these matters. We do not want to hold you up unnecessarily. On a slightly different matter—and correct me if this is in the wrong place because I imagine this might be more for the macro group—the Reserve Bank recently said that inflation is expected to remain low for some time; is that correct? Are you aware of that?

**Mr Raether:** I think both of us, unfortunately, would have to pass that to the macroeconomic group.

## Treasury answer to question on notice 4

*It is correct that the Reserve Bank of Australia has recently said they expect inflation to be low in the next couple of years. In the post-meeting statement on 5 April 2016, Governor Glenn Stevens said "Inflation is quite low. Recent information has confirmed that growth in labour costs remains quite subdued. Given this, and with inflation also restrained elsewhere in the world, inflation in Australia is likely to remain low over the next year or two."*

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## Question on notice 5

**CHAIR:** A final thing you can take on notice, Mr Raether—you will need to take this on notice, I believe. At the 2014-15 budget estimates, Treasury provided a 10-year projection of the impact of the government's school CPI indexation policy. It was question BET41 and Mr Ray, head of fiscal group, took away and came back with a 10-year projection. Obviously, we were hoping for the last two years as part of that, if we can get an updated version of the answer to that question. So the question was BET41—you wouldn't have that information with you, would you?

**Mr Raether:** I think I have the original BET41, but we would have to take on notice, if you wanted further figures.

**CHAIR:** What we would like to have is that same 10-year projection—obviously, there are the two latest years that we do not have; I believe it will be two years from 2014-15.

**Mrs Wilkinson:** We will take it on notice.

## Treasury answer to question on notice 5

*The change in Commonwealth recurrent funding for schools was in the 2014-15 Budget as a measure. Updated projections of previous Budget measures are not available.*