Public Accounts and
Estimates Committee

2021–22 and 2022–23 financial and performance outcomes

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About the Committee

Functions

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003* (the Act).

The Committee comprises nine members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances
- the annual estimates or receipts and payments and other Budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council
- audit priorities for the purposes of the *Audit Act 1994*.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General and the Parliamentary Budget Office.

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Chair's foreword

Scrutinising the Victorian Government's expenditure, revenue raised and outcomes delivered is a core function of the Public Accounts and Estimates Committee and is undertaken on an annual basis. This work is important because it strengthens the accountability of government departments and agencies to the Parliament and the Victorian community. The Committee also scrutinises Parliament itself and the work of Court Services Victoria.

This report covers not one, but two financial years (2021–2023), due to the state election that was held in November 2022. Government departments and public sector agencies spent approximately $190 billion in 2021–22 and 2022–23.

Major external events, including the COVID-19 pandemic, affected the economic outlook and performance of the state over the two financial years, with Budget deficits posted across both financial years. Despite this the Victorian Government achieved three of its four medium-term fiscal strategy goals.

The health and education departments combined accounted for nearly half of general government sector expenditure in 2021–23. This report discusses the challenges faced by both departments in meeting their performance targets during and post the COVID-19 pandemic. When examining the Department of Health, the Report examines the progress in establishing priority primary care centres, the department's performance in mental health services and the role of public private partnerships in delivering essential health infrastructure.

In relation to the Department of Education, the Committee explored the capital investment in building schools and delivering upgrades, Disability Inclusion Reform, student absences and overcoming the challenge of teacher attraction and retention.

I have only touched here on the two major areas of expenditure. There are another twelve chapters in this report that delve into the challenges faced and managed by government departments and key agencies in delivering public services and key infrastructure such as roads, prisons, public transport and child protection services.

I would like to sincerely thank my colleagues on the Committee for their commitment to the Committee's work and diligent attention to this report. I would also like to acknowledge the support provided by the Committee Secretariat including that of Caroline Williams, Executive Officer, and Charlotte Lever, Lead Analyst, for this Inquiry.

I commend the report, including its 140 findings and 56 recommendations, to the Parliament.

S Connolly

Sarah Connolly MP
Chair

Executive summary

Chapter 2—Whole of Government

Major state, national and international events impacting Victoria's economic outlook and performance over 2021–22 and 2022–23 included the emergence of the Delta and Omicron variants of COVID-19, the October 2022 flood event, and ongoing challenges with local and international supply chains, that were affected by Russia's invasion of Ukraine.

Victoria's real gross state product (GSP) increased over 2021–22 (6.3%) and 2022–23 (2.6%), signalling a rebounding economy after the impact of the COVID-19 pandemic during 2019–20 and 2020–21. Employment data also reflected an improving labour market, with an unemployment rate of 4.3% in 2021–22 and 3.7% in 2022–23. In 2021–22 wages in Victoria increased by 2.4%, and increased further by 3.4% in 2022–23, which was the highest annual growth rate in over ten years.

The consumer price index results for 2021–22 (4%) and 2022–23 (6.9%) reflected high prices growth from supply chain disruptions. Cost of living relief measures available to the State and Commonwealth Governments were discussed at the public hearing with Department of Treasury and Finance (DTF) officials.

After returning to positive population growth in 2021–22 (1.3%), Victoria's population growth rebounded to pre-pandemic levels in 2022–23, when the 2.7% growth rate saw the State's population reach 6,812,500 people.

The Government made positive progress over 2021–22 and 2022–23 in three out of the four steps of the medium-term fiscal strategy. In terms of step one—creating jobs, reducing unemployment and restoring economic growth—the results for key labour market and gross state product growth indicators over 2021–22 and 2022–23 reflect a recovering economy after the COVID-19 pandemic lockdowns and border closures of 2020–21. For steps two (returning to an operating cash surplus) and three (returning to operating surpluses), while the cash outcome and the net result from transactions were still in deficit, these were reduced over the two years.

The progress of the fourth step—stabilising debt levels—was unclear to the Committee, as the Government has not defined what constitutes 'stabilisation'. The Committee has recommended that for step four of the medium-term fiscal strategy, the Government set a numerical indicator defining stabilisation in net debt, such as a target for net debt as a percentage of gross state product figure, as well as setting a timeframe for what constitutes the 'medium-term'.

General government sector (GGS) revenue for 2021–22 was $83 billion and increased by 2% over the following year. For both financial years, grants comprised the largest revenue component, totalling $41.8 billion in 2021–22 and $40.1 billion in 2022–23.

Taxation formed the second largest revenue source for the two financial years, raising $30.5 billion in 2021–22 and increasing by 5.9% to reach $32.4 billion in 2022–23.

GGS expenses for 2021–22 were $96.8 billion and $93.6 billion in 2022–23. Employee expenses were the largest expense component for both years, increasing by $2.2 billion or 7.3% between 2020–21 and 2021–22 to reach $32.2 billion, partially driven by increases in health sector staff required for the COVID-19 response that year. Employee expenses grew 4.3% in 2022–23 to reach $33.6 billion.

The net result from transactions for 2021–22 was a deficit of $13.8 billion. This was a $767 million improvement on the previous financial year's net result from transactions posted in the 'peak' of the COVID-19 pandemic. In 2022–23, the net result from transactions was an $8.8 billion deficit, a $4.9 billion (35.8%) positive increase on the previous year's result, reflecting increases in revenue (including higher than expected payroll tax and the mental health and wellbeing levy) and a fall in grant expenditure as the COVID-19 pandemic passed.

In 2021–22 Government infrastructure investment (GII) was $18.7 billion and increased to $21.8 billion in 2022–23. GII has increased by an annual average rate of 21% since 2020–21.

Net debt increased by $27.2 billion or 37.5% between June 2021 to June 2022 to reach $100 billion (19.4% of GSP), reflecting extra borrowings the Government made to fund COVID-19 response measures, as well as additional funds sought for the Government's infrastructure program. Net debt increased by $15 billion or 15.1% over the following year to reach $115 billion (20.3% of GSP) by June 2023.

Treasurer's Advances (TAs) are payments that the Treasurer can make to departments each year before parliamentary sanction is obtained to meet any urgent or unforeseen claims for funding. In 2021–22 the Treasurer approved $15.1 billion in payments via TAs, of which $10 billion or 66.1% were attributable to COVID-19. Most TAs made in 2021–22 went to the Department of Jobs, Precincts and Regions (with $5 billion or 50.3% of the total funds attributed to COVID-19) and the Department of Health (DH) (with $3.3 billion or 33.4% of the total funds attributed to COVID-19). In 2022–23 $12.2 billion in TAs were paid, with the Department of Transport and Planning receiving the most payments ($3.8 billion or 31.4%), followed by DH ($2 billion or 16.5%) and the Department of Justice and Community Safety ($1.7 billion or 13.6%).

Many well established and ongoing Government output and asset initiatives received TAs over 2021–22 and 2022–23. The Committee believes it would be worthwhile for the Parliament and the community to be provided with further information on why TAs were granted for these initiatives, explaining what was urgent or unforeseen. To that end the Committee has made recommendations for changes to the Model Report so that departments can:

- provide an explanation for any Treasurer's Advance payments they receive and

- DTF can disaggregate the list of TA payments to departments in future Annual Financial Reports under the relevant urgent and/or unforeseen event or emergency that caused the payment to be sought and made.

Chapter 3—Department of Health

In 2021–22 the Department of Health's (DH) budget was $23.4 billion. Actual expenditure was $27.6 billion, a 17.9% variance. This variance was driven by the Health Protection and Admitted Services outputs and was predominantly explained by funding for COVID-19 initiatives. In 2022–23 DH recorded a 9.8% overspend, with actual expenditure of $27.5 billion. This was again driven by the Admitted Services output. In 2022–23 DH was no longer responding to the acute phase of the COVID-19 pandemic.

In 2021–22 DH accessed $4 billion in Treasurer's Advances, 84% of which was attributable to the COVID-19 pandemic. In 2022–23 Treasurer's Advances decreased to $2 billion. From the information provided to the Committee, it is unclear how DH's Treasurer's Advances were utilised for urgent and unforeseen claims only.

In 2021–22 DH met or exceeded 53% of its performance measures, while in 2022–23 it met or exceeded 48%. Over both years several outputs did not achieve 50% of their performance measures. According to DH, the department's performance in 2021–22 mostly reflected COVID-19 impacts, including lockdowns and the cessation of some of DH's activities. However, in 2022–23 performance measures were not met due to recovery from the pandemic and workforce challenges. DH emphasised that it broadly met its quality measures but faced challenges meeting its activity and workforce measures.

Between mid-2022 and 2023 DH established 28 Priority Primary Care Centres (PPCCs) across Victoria, for patients who needed urgent care but not an emergency response, diverting patients away from emergency departments (ED) experiencing record demand. Additionally, PPCCs aimed to fill the gap in general practitioner (GP) availability and ameliorate the high cost of visiting a GP. As of November 2023, 6,000 Victorians were using PPCCs each week, with data showing 53% of patients attending a PPCC would have attended an ED if a centre had not been available, indicating patients are being diverted. Several other factors are key to influencing wait times and increased attendance in EDs, which are not addressed by diverting urgent patients to PPCCs. DH has evaluated the efficacy of PPCCs and the Committee recommends this evaluation be published.

DH has not met its performance measure 'Percentage of departures from emergency departments to a mental health bed within 8 hours' over a 13-year period. Since 2014–15 performance has been steadily declining to 39.5% in 2022–23. Mental health presentations in EDs are known for a high level of acuity and waiting for a mental health bed in an ED can exacerbate a mental health crisis. Data provided shows that between 2021–22 and 2022–23 there has been a significant increase in patients in

Victoria waiting more than 24 hours and more than 48 hours for a mental health bed in EDs. DH highlighted that an undersupply of mental health beds was influencing wait times. The Royal Commission into Victoria's Mental Health System highlighted the demand for bed-based services and the need to increase the number of mental health beds, recommending the Victorian Government invest in at least 170 new acute beds. In response, the Government has committed $801 million to establish 260 new beds across the system. This project is ongoing.

Public private partnerships (PPP) have been used to deliver large healthcare infrastructure projects for many years in Victoria. There are also several Victorian hospitals that are operating under a 25-year PPP, where a private entity, usually a consortium, operates and maintains the infrastructure and provides non-core services. There are several reported benefits of PPPs including value for money, innovation, and risk transferal to the private sector. However, challenges with this procurement method have also been reported, with several high-profile failures of PPPs across the country. The Committee identified several gaps in reporting on Victoria's PPPs, including transparency regarding how a PPP was selected from all possible procurement methods and the lack of comparative information between tenderers and what each offers. Finally, there is no 'whole of life' reporting on PPP projects and their outcomes. A number of recommendations have been made to increase public information on the selection and outcomes of PPP projects.

Chapter 4—Department of Education

The Department of Education and Training (DET) became the Department of Education (DE) on 1 January 2023, with responsibility for the Training and Skills and Higher Education portfolios transferring to the Department of Jobs, Skills, Industry and Regions. In 2021–22 DET recorded an underspend of 1.5%, utilising $15.7 billion of its $15.9 billion budget. In 2022–23 DE's actual result was a 4.2% overspend. This was predominantly explained by new funding decisions post-budget impacting the Early Childhood Education and Support Services Delivery outputs.

DE has a significant capital program, mainly directed to building new schools and school upgrades. In 2022–23, 56 of its projects had a revised total estimated investment (TEI), increasing the TEI of the 56 projects by 22.9%. Additionally, 66 projects had a revised completion date when compared to the completion date at announcement. Two projects were delayed for two years, while the remainder were delayed for less than two years for several reasons including material shortages and delays and construction management issues.

Allocated $1.6 billion in the 2020–21 Budget, DE's Disability Inclusion (DI) reform continued to be rolled out in Victorian schools across 2021–22 and 2022–23. As part of the reform, DE is implementing three new measures. The first, Disability Inclusion Profiles, were completed for 3,700 students by mid-2023, while DE estimates DI reform will support 55,000 students once complete. Second is a new, three-tiered funding model for schools, which allows for school-wide adjustments in order to be more inclusive and responsive to the needs of students with a disability. By 2025, the new funding model will be accessible to all government schools. Finally, DE is undertaking system-wide initiatives to increase the capability of school workforces to deliver inclusive education. Considering the significance of reform, it will be vital for DE to report on and evaluate DI reform with a focus on student and parent experiences and how it has improved the educational outcomes for students with a disability.

DE's 2022–23 Annual Report highlights that the mean number of student absence days grew across all measured year levels in the 2022 calendar year. A similar trend was also observed for Victorian Aboriginal students in 2022. Attendance at school is a critical factor to success in school, with absence having short- and long-term impacts on children and young people. DE advised that attendance rates are highly correlated with disadvantage, while much of the growth in student absence in 2022 related to health reasons and parental choice. However, compared to the rest of Australia, Victoria had the highest attendance rates and the highest Indigenous attendance rate in 2022. DE undertook several activities to promote student attendance but noted students feeling safe and welcome in school was key to boosting attendance. DE's two performance targets for student connectedness to school were not met in 2022–23.

Education workforce attraction and retention was a key challenge for DE in 2021–22 and 2022–23. DE concentrated on five key areas in both years regarding the teaching workforce. DE provided evidence to demonstrate which areas of Victoria were experiencing low application rates for positions, leading to staffing issues. Additionally, the Committee found that initial teacher graduates are expected to decrease to 2027, while currently 20% of new teaching registrants leave the profession within five years. DE has introduced several initiatives to support teacher attraction and retention, however, the Committee recommends DE undertake a review of the initiatives in place since 2020–21 to identify which ones are the most effective.

Chapter 5—Department of Justice and Community Safety

The Department of Justice and Community Safety's (DJCS) output expenditure in 2021–22 was $10.7 billion, 23.5% over the original budget of $8.6 billion. The overspend was driven by an additional $300 million in funding provided to WorkSafe, expenses relating to the Victorian Stolen Generations Redress Scheme and a $2.6 billion overspend in the Emergency Management Capability output, which included funding for COVID-19 Quarantine Victoria operations and the Emergency Services Telecommunications Authority (ESTA). DJCS's output expenditure in 2022–23 was $9.5 billion, 6.8% over the original budget of $9.5 billion.

In 2021–22 DJCS accessed $1.8 billion in Treasurer's Advance (TA) payments, and $1.7 billion in 2022–23. Significant TA payments included $1.2 billion in 2022–23 for natural disaster relief and grant assistance, Victorian flood recovery initiatives, and primary producer flood recovery grants in response to the October 2022 floods in Victoria. TA payments were also made to Victoria Police for recurring expenditure to support its operations in 2021–22 ($219.7 million) and 2022–23 ($205.3 million).

TA payments received by DJCS in 2021–22 and 2022–23 continue the trend of high supplementary funding to the department since 2020–21.

In both financial years, DJCS achieved or exceeded targets for approximately half of its performance measures with the impact of COVID-19 frequently listed as an explanation for underperformance, particularly in relation to measures involving prisoner supports, police services, and liquor and gambling inspections.

While the Auditor-General has made a number of recommendations to strengthen the *Prison Disability Support* initiative, DJCS has committed to implementing some of these, with the balance subject to funding and resourcing constraints. It will be beneficial for DJCS to publish an evaluation of the program and provide information about how it will assess long-term outcomes, particularly in relation to recidivism.

While there is a high level of attendance in training and employment programs and a high level of completion of vocational education and training modules across Victoria's correctional system, prisoners can have difficulties fully completing their qualifications. The Committee has recommended DJCS develop a performance measure for qualification completion and develop and implement a digital access policy for Victorian prisons, to improve training outcomes for prisoners. The Committee has also recommended DJCS evaluate the outcomes of its training programs, to determine whether they are effective in helping people find meaningful employment post-release.

It is difficult to assess the effectiveness of prisoner education, training and rehabilitation programs as their funding falls within large scale output initiatives for the wider corrections system in the budget papers. Therefore, the Committee has also recommended the current $1.5 billion Prisoner Supervision and Support output, which covers all adult correctional operational and staffing funding, be divided into two smaller outputs: 'prisoner supervision' covering corrections activity such as staffing and operational expenses, and 'prisoner support and rehabilitation' covering education, training and rehabilitation programs.

ESTA was replaced by Triple Zero Victoria in December 2023 in response to one of the recommendations made in the Ashton review of ESTA's capability and service. Another recommendation made in the Ashton review—developing outcomes-based performance measures in addition to the existing timeliness measures relating to call response times—has yet to be implemented.

Chapter 6—Department of Transport and Planning

The former Department of Transport (DoT) was replaced by the Department of Transport and Planning (DTP) on 1 January 2023.

In 2021–22 DoT's output expenditure was $7.7 billion, an overspend of $812.2 million (11.8%) compared to its budget of $6.9 billion. DTP's actual output spending in 2022–23 was $9.1 billion, representing an overspend of $1.6 billion (21.5%). In both years, the Transport Infrastructure and Train Services outputs reported significant overspends.

DoT accessed $2.2 billion in Treasurer's Advances in 2021–22, including $574.9 million (26.7%) related to COVID-19, representing 14.2% of the total Treasurer's Advance funding accessed by the Whole of Victorian Government (WoVG). In 2022–23 DTP received $3.8 billion in Treasurer's Advances, the largest amount of any Victorian Government department at 31.4% of total Treasurer's Advance funding for the WoVG. The Committee notes DTP received Treasurer's Advances for a number of initiatives which were not urgent or unforeseen.

In 2021–22 and 2022–23 DoT/DTP revised the total estimated investment (TEI) of 38 capital projects, resulting in a net increase of $11.7 billion when compared to original TEIs. DoT/DTP also revised the estimated completion date of 39 projects, of which 23 were delayed by between one and five years. DoT/DTP completed most of its 34 capital projects in 2021–22 and 2022–23 under budget, however, 15 projects exceeded the original TEI which resulted in a combined net increase in costs of $779.2 million. DoT/DTP completed 16 capital projects either on time or ahead of schedule in 2021–22 and 2022–23. These 16 projects cost an additional $623.6 million combined when compared to original TEIs.

DoT/DTP achieved or exceeded 63% of its performance measures in 2021–22 and 62% in 2022–23. Targets not met in 2021–22 and 2022–23 included measures relating to road vehicle and driver regulation, public transport patronage, bridge strengthening and replacement projects, tram and VLocity rolling stock availability, major regional rail improvement projects and the *Road Smart* program, *Multi-Purpose Taxi* program and *Mode Shift Incentive Scheme*.

In 2022–23 DTP continued to develop and deliver seven precincts, including Arden and Sunshine. The Victorian Government will support and encourage at least six per cent affordable housing in new developments in the Arden precinct, which is set to accommodate between 15,000 and 20,000 residents by 2051. The Sunshine precinct also aspires to accommodate 70,000 residents. However, DTP has not yet specified its target for the proportion of affordable housing in the precinct. The Committee has made two recommendations to DTP to report annually on the total proportion of affordable housing expected to be delivered in Arden and Sunshine. It will also be beneficial for DTP to review existing performance measures related to its development and delivery of precincts and its objective of building prosperous and connected communities.

Development Victoria, a statutory authority which carries out property development and social and economic capital works, sold 510 homes in 2021–22 and 214 in 2022–23. Of these, 37% of the properties sold in 2021–22 were classified as affordable housing, which declined to 21% in 2022–23. In 2021–22 there were also 65,945 new residential building approvals, which decreased in 2022–23 to 55,119. This represents a shortfall of 17.6% and 31.1% respectively when compared to the annual target set out in *Victoria's Housing Statement*.

In 2021–22 and 2022–23 DoT/DTP invested in advertising and discounted travel to encourage the return to public transport after the COVID-19 pandemic. Despite these initiatives, the department did not meet its performance measure targets in both years for public transport patronage across all modes of transport. However, the department did observe a gradual increase between 2021–22 and 2022–23, with the total number of passengers growing by 166.5 million (61.9%).

Chapter 7—Department of Families, Fairness and Housing

In 2021–22 the Department of Families, Fairness and Housing's (DFFH) budget was $6.4 billion. Actual expenditure was $7 billion. The variance was driven by several outputs that recorded high variances including Housing Assistance, and Child Protection and Family Services. In 2022–23, DFFH's actual expenditure was $4.9 billion against a budget of $4.6 billion.

In 2021–22 DFFH achieved or exceeded 56% of its performance measures. Of the performance measures not achieved, 27% exceeded a 5% variance. In 2022–23 it achieved or exceeded 68% of its performance measures. In 2021–22 DFFH's poorest performing outputs were Housing Assistance, and Child Protection and Family Services. In 2022–23 DFFH improved its performance for Child Protection and Family Services, while performance for Housing Assistance declined.

In 2021–22 and 2022–23 DFFH placed the majority of children in care into kinship care, reflecting DFFH's intent to place children with relatives or their social network. Aboriginal and Torres Strait Islander children are overrepresented in out-of-home care, with Victoria recording the highest rates in Australia as at June 2023, with 102.9 per 1,000 Aboriginal and Torres Strait Islander children in care compared to 4.6 per 1,000 for non-Indigenous children. DFFH is encouraging the transfer the cases of Aboriginal and Torres Strait Islander children in care to Aboriginal Community Controlled Organisations as part of its effort to reduce overrepresentation, which has shown higher rates of success in family reunification.

The number of foster carer households have been declining since 2021. There are multiple factors influencing this decline including generational changes and financial considerations. While foster carers in Victoria receive regular payments from the state depending on the age of the child and supplementary allowances in certain circumstances, Victoria provides one of the lowest base foster care allowances in Australia.

The Royal Commission into Family Violence report was published in 2016, and the Victorian Government announced that it had implemented all 227 recommendations in early 2023. DFFH is responsible for several key initiatives in family violence service delivery, including Men's Behaviour Change Programs (MBCPs) and providing housing to victims fleeing family violence. The Committee found that there are no quality performance measures related to MBCPs, and there is sufficient evidence on how effective these programs are. It will be important for DFFH to establish measures to demonstrate the outcomes of MBCPs. Further, DFFH did not meet any of its performance measures related to housing and family violence in 2021–22 and 2022–23.

While DFFH allocated more housing to people impacted by family violence than ever before in 2022–23, wait times for public rental housing for those experiencing family violence have increased.

The replacement of Melbourne's 44 public housing towers was announced through the Victorian Government's 2023 Housing Statement and is part of its response for improving and increasing the quality and quantity of social housing. DFFH provided several reasons for the demolition of the towers, including poor disability access and energy inefficiency, and concrete delamination. However, limited information about the need for replacement of the towers has been released to the public, and only partial information is available concerning timelines and the relocation of tenants during reconstruction. The Committee has made several recommendations relating to the evidence base for the project, what type of housing will be established, and how tenants will be communicated with and assisted.

Chapter 8—Department of Jobs, Skills, Industry and Regions

In 2021–22 the Department of Jobs, Precincts and Regions (DJPR) recorded a 305.4% overspend, with an actual spend of $11.2 billion compared to its budget of $2.8 billion. This was explained by DJPR's various programs that provided funding to businesses and communities in response to the COVID-19 pandemic and related restrictions.

In 2022–23 DJPR was renamed the Department of Jobs, Skills, Industry and Regions (DJSIR). Several machinery of government changes impacted the department, including the transfer of the Training and Skills and Higher Education portfolios into DJSIR. In 2022–23 DJSIR recorded a marginal overspend of $10.7 million over its budget of $4.9 billion.

As a consequence of the pandemic funding provided by DJPR to businesses and communities, DJPR accessed $5.5 billion in Treasurer's Advances (TAs) in 2021–22. Five billion was attributable to COVID-19, representing 50.3% of all TAs provided to departments associated with the pandemic in that year. The Victorian Auditor-General's Office found that it was likely funding provided through DJPR's COVID-19 programs was subject to some fraud, due to a lack of post-payment checks on funding provided.

In 2021–22 DJPR achieved or exceeded 64% of its performance measures. In 2022–23 DJSIR improved on this result, achieving or exceeding 71% of its measures. Several outputs which performed poorly during the COVID-19 pandemic saw improved performance in 2022–23, including outputs associated with creative industry agencies and tourism.

During 2021–22 and 2022–23 the Victorian Government made a significant investment in establishing a messenger RNA (mRNA) industry in Victoria. An agency was established within DJSIR to lead this work. Other accomplishments included securing international investment, providing financial and research support to medical research companies, and providing grants and managing research grant projects. A significant accomplishment was securing a ten-year partnership with Moderna, through which the company will establish an mRNA manufacturing facility and headquarters in Victoria. The funding provided to Moderna to secure the manufacturing facility has not been disclosed publicly. As such, it will be important for DJSIR to outline the expected economic outcomes of the partnership to increase public understanding of how the partnership benefits Victorians.

Funding for the Moderna partnership and facility has not been disclosed due to claims of commercial-in-confidence by the Government. In 2022–23 the funding allocation for two other DJSIR output initiatives were also not published in the budget papers due to being classified as commercial-in-confidence. Further, DJPR/DJSIR paid approximately $912 million in 2021–22 and 2022–23 in commercial-in-confidence grants. During the Committee's recent inquiries, claims of commercial confidentiality have been both prevalent and sometimes inconsistent. In several cases, commercial information has been published at later dates by both parties of commercial arrangements. The Committee notes that commercial confidentiality is a nebulous concept and without appropriate definition, it can have the ability of undermining the accountability and transparency of public spending. As a result, the Committee has recommended the Government develop a clear definition and framework for claims of commercial-in-confidence.

Chapter 9—Department of Energy, Environment and Climate Action

The Department of Energy, Environment and Climate Action (DEECA) replaced the former Department of Environment, Land, Water and Planning (DELWP) following machinery of government changes effective 1 January 2023.

In 2021–22 DELWP's actual output expenditure was $209.6 million (7.3%) higher than its budget of $2.9 billion. DELWP's overspend in 2021–22 was primarily driven by the Management of Public Land and Forests output and the Environment and Biodiversity output. DEECA exceeded its allocated budget in 2022–23 by $979.5 million (32.6%), largely due to the Energy output and further funding received for the *Power Saving Bonus* initiative.

In 2021–22 and 2022–23 Victoria's four metropolitan water corporations paid a total of $301 million in dividends and capital repatriations to the general government sector, followed by $80.2 million in dividends in 2022–23. Most of the water corporations that provided information to the Committee did not meet performance indicator targets for volumes of recycled water or effluent treatment and re-use due to La Niña conditions and above average rainfall, among other factors.

DELWP/DEECA achieved or exceeded 59% of its performance measures in 2021–22 and 71% in 2022–23. In both years the department did not meet its targets for several performance measures by variances exceeding 20%, including measures related to the

ResourceSmart Schools program, revegetation works for habitat connectivity, solar photovoltaic rebates and waterway vegetation works.

Managing the impacts of biodiversity loss was one of the most significant challenges faced by the department over both financial years. However, DEECA has not yet reported on its annual progress in delivering *Biodiversity 2037*—the Victorian Government's strategy to protect biodiversity and halt the decline of threatened species—for 2021 or 2022. Available data suggests DEECA is not meeting or maintaining *Biodiversity 2037*'s annual targets to control pest herbivores, pest predators or weeds in priority areas and that it is failing to deliver sufficient hectares of new permanently protected areas of native vegetation on private land. The Committee recommended DEECA review *Biodiversity 2037*'s contributing targets and publish its annual progress reports for 2021 and 2022. The Committee also recommended DEECA consider legislative changes to the *Flora and Fauna Guarantee Act 1988 (Vic)* to establish minimum timeframes to prepare and review biodiversity conservation action statements.

As of June 2023, the Solar Homes program had supported the installation of 246,960 solar systems, or 31.7% of the program's overall target. DEECA will need to install an average of 106,308 solar systems annually over the next five years to achieve the program's overall target. Consumer demand for the Solar Homes program in 2021–22 and 2022–23 was impacted by COVID-19, supply chain constraints, increases in solar system prices and low confidence in business conditions. However, the program still delivered cost savings to consumers, reduced emissions, supported the creation of jobs and increased the proportion of households in Victoria with rooftop solar.

In 2022 DEECA released the *Gas Substitution Roadmap*, which sets out the Victorian Government's plan to decarbonise the natural gas sector. DEECA estimates consumers can save on energy bills by converting existing dual-fuel homes to all-electric, or by building new all-electric homes compared to building dual-fuel homes. However, these annual savings do not incorporate the one-off appliance and installation costs of all-electric systems. To track the implementation of the *Roadmap*, it will be beneficial for DEECA to develop and report annually against targets that measure natural gas usage by households and businesses, consumer savings, emissions reductions and jobs created as a result of the *Roadmap*.

Chapter 10—Court Services Victoria

In 2021–22 Court Services Victoria's (CSV) actual expenditure was $817 million compared to its budget of $755 million. In 2022–23 CSV recorded an underspend, as its budget was $816 million while actual expenditure was $789 million.

In 2021–22 and 2022–23 all of CSV's 19 completed capital projects were finished on- or under-budget. Only two completed projects were finished with a delay of more than a year. In 2022–23, one existing project, *Specialist family violence integrated court* had a revised total estimated investment, rising from $35 million to $73.9 million due to a revised project scope.

In 2022–23 CSV achieved or exceeded 26% of its performance measures. In 2022–23 it achieved or exceeded 41% of its performance measures. In 2021–22 the largest variances between CSV's targets and actual results related to average cost per case and on-time case processing. Many measures were not met in 2021–22 and 2022–23 due to the impact of the COVID-19 pandemic on Victoria's court system.

During the COVID-19 pandemic and across 2021–22 and 2022–23, the Victorian Civil and Administrative Tribunal (VCAT) had a large increase in new cases and pending matters, particularly in its Residential Tenancies List. CSV and VCAT received funding in both budgets to combat pending cases in general, and specific funding to reduce the backlog in the Residential Tenancies List. CSV noted that several factors had contributed to the backlog in the Residential Tenancies List, including retirement of VCAT members, legislative changes, and an increase in case initiations. Most pending cases with long wait times were bond and compensation matters, which can have a significant impact on individuals. CSV advised a new approach to the List had been devised to reduce its backlog, whereby old cases were separated from new initiations, with stricter deadlines for new initiations. Those with older cases continued to experience long wait times to finalise their matters through the Residential Tenancies Division. VCAT intends to clear its backlog for all lists by the end of the 2024 calendar year.

Chapter 11—Department of Government Services

The Department of Government Services (DGS) was established on 1 January 2023 to improve how Victorians and businesses engage with government and to accelerate digital transformation and corporate services reform across the Victorian Public Service. Following machinery of government changes several functions and offices from existing Victorian Government departments were transferred to DGS.

In 2022–23 DGS's output expenditure was $785 million, representing a variation of $279.6 million (55.3%) compared to the department's budget of $505.4 million. All of DGS's outputs exceeded their allocated budgets, except for the Services to Government output, which did not have a published budget or comparative target prior to the department's establishment.

In 2022–23 DGS met 58% of the performance measures published in its Annual Report. DGS did not achieve its targets for ten of the 15 performance measures under the Regulation of the Victorian Consumer Marketplace output in 2022–23. Six of these failed to meet DGS's targets by a variation of more than 20%.

At the hearings the Committee was told incidents of cybercrime in Australia are now reported around every six minutes, an increase of 23% over the last year, with almost one in four of these attacks impacting someone in Victoria. Victoria's five-year cyber strategy, *A Cyber Safe Victoria*, was released in April 2021 and the first progress report by Victorian Chief Information Security Officer (CISO) on the delivery of strategy was released in February 2023. Some of the achievements of 2022–23 include establishing the first of the Security Operations Centres and implementing the Domain-based Message Authentication, Reporting and Conformance capability across 91% of email services.

The Committee found that publication of annual Mission Delivery Plans that outline the implementation of the cyber strategy and the CISO's annual statement on the Strategy's progress have not been timely, and that updates and information on data breaches affecting Victorian Government agencies are not all listed on the central vic.gov.au website. The Committee has made two recommendations aimed at addressing these issues.

As part of the rental law changes enacted in 2021, tenants who receive a notice from their landlord of a rent increase and who believe that the increase is higher than the market range can apply to Consumer Affairs Victoria (CAV) to have the rent increase reviewed. At the hearings the Committee was told CAV received 5,448 requests for rent reviews over 2022–23, a 120% increase over the previous year. CAV was unable to show how many of the 2022–23 rent review requests demonstrated an unreasonably high rental increase, as the data will be available in 2023–24.

Chapter 12—Department of Treasury and Finance

In 2021–22 the Department of Treasury and Finance's (DTF) actual output expenditure was $523.3 million, an underspend of $85.2 million compared to its budget of $608.5 million. This was primarily driven by the Invest Victoria output, which was 53.5% under budget due to the timing of grant payments. In 2022–23 DTF's budget was $391.3 million. Its actual expenditure was $711.9 million, representing a $320.6 million overspend. DTF's overspend in 2022–23 was largely due to the Economic and Policy Advice output, which was 271.9% over budget, primarily due to providing supplementary funding to WorkSafe Victoria.

DTF accessed $976.2 million in Treasurer's Advances in 2021–22, including $268.4 million (27.5%) related to COVID-19, and $1.6 billion in 2022–23. DTF did not report on the proportion of Treasurer's Advance funding related to COVID-19 in 2022–23. The Committee recommended DTF provide further clarification around COVID-19-related Treasurer's Advances on its website. The Committee also identified issues with DTF's reporting of the reasons for accessing Treasurer's Advances to fund two budget initiatives, the Social Housing Growth Fund and the Victorian Homebuyer Fund.

In 2021–22 DTF achieved or exceeded 83% of its performance measures, and 80% in 2022–23. Across both years, DTF did not meet its targets for three performance measures by variances above 20%: the ratio of outstanding debt, the accuracy of estimating state taxation revenue and the employment growth rate in the state budget.

The 2021–22 Budget introduced the Mental Health and Wellbeing Levy, a payroll tax surcharge on wages paid in Victoria for businesses with national payrolls above $10 million. In 2021–22 the levy raised $397.5 million and $1.1 billion in 2022–23, all of which was received and expended by the Department of Health. The Committee recommended that DTF improve and support future monitoring and evaluations of the outcomes of the levy.

The vacant residential land tax raised $21.1 million total in 2022 and 2023, including $9.6 million arising from compliance investigations by the State Revenue Office (SRO). Analysis by the Parliamentary Budget Office indicates that most vacant property owners are not self-reporting or being identified through SRO compliance activities, and as such are not paying the vacant residential land tax. The Committee recommended that DTF explore ways of publicly reporting on the effectiveness of its tax policies in achieving intended outcomes, including the impact of the vacant residential land tax on increasing the supply of housing and rental properties.

Owners of zero and low emissions vehicles (ZLEVs) who paid the road-user charge between July 2021 and October 2023 will receive a full refund, including payment fees and interest, after a High Court decision which ruled the charge was invalid. In 2021–22 and 2022–23 the ZLEV road-user charge raised $5.1 million. To ensure transparency regarding the refund of the charge, DTF should publish information about the amount reimbursed to customers in the next budget.

The Victorian Homebuyer Fund is a shared equity scheme supporting Victorians to enter home ownership by reducing the size of a deposit required to purchase a property. The program has grown from a shared equity fund of $500 million to support roughly 3,000 applicants, to $2.1 billion to support over 13,000 applicants. In 2021–22 and 2022–23 DTF financed 4,302 property sales, retaining a total shared equity of $667 million. The Committee made a number of recommendations to the SRO to improve its reporting on the capital gains or losses, number of applicants and settled properties, and shared equity held by the Victorian Government.

Chapter 13—Department of Premier and Cabinet

In 2021–22 and 2022–23 the Department of Premier and Cabinet (DPC) overspent compared to its budget. The 2021–22 result was primarily attributed to new funding decisions made in the year and higher operating costs. In 2022–23, funding to hold the 2022 State Election contributed to higher expenditure which was offset by delays in initiatives, which pushed unused appropriations to the following year.

In 2021–22 DPC achieved or exceeded 77% of its performance measures. In 2022–23 it achieved or exceeded 80% of its performance measures.

The National Agreement on Closing the Gap was signed in July 2020, and it established 17 socioeconomic outcomes with 19 targets to reach by 2031, with an overall goal of overcoming the inequality experienced by Aboriginal and Torres Strait Islander people. DPC leads, coordinates and reports on whole-of-government actions for Closing the Gap. According to DPC, Victoria's progress on Closing the Gap is mixed. Victoria is currently improving its progress for most of the actions. Outcomes are worsening in the area of child protection, while measuring progress for several outcomes is hampered by missing data.

In 2022–23, $29.1 million was provided to DPC's Traditional Owner Engagement and Cultural Heritage Management Programs output. A key part of this output is the management of Cultural Heritage Management Plans (CHMPs), which are often required by Victorian legislation when a high‑impact activity is taking place in an area of cultural heritage sensitivity. Registered Aboriginal parties evaluate and approve CHMPs, and DPC directly evaluates applications itself in certain circumstances. The Committee has recommended improved reporting on the timeliness of CHMP approvals.

Chapter 14—Parliament

In 2021–22 the Parliament of Victoria had a budget of $208.3 million, while actual expenditure was $194.5 million. In 2022–23 Parliament recorded an overspend of two per cent. This was predominantly driven by the Legislative Assembly, Legislative Council and Parliamentary Investigatory Committees outputs exceeding their budgets.

In 2021–22 and 2022–23 Parliament achieved or exceeded 97% and 94% of its performance measures respectively. Parliament has met or exceeded most of its performance measures with similar results each year since 2010–11. As such, it would be beneficial for Parliament to review its performance measures to ensure they are sufficiently challenging.

In 2021–22 and 2022–23 cyber security threats and higher information and communication technology costs were a key challenge for the Parliament. The Department of Parliamentary Services (DPS) blocks ten million connection requests from suspicious sources each week, and 62% of incoming emails due to spam, phishing and Malware. After receiving $8.6 million in the 2021–22 Budget to improve its cyber security, DPS has put in place several security upgrades including running phishing simulations.

Operation Watts, an investigation undertaken by the Independent Broad‑based Anti‑corruption Commission and the Victorian Ombudsman, found evidence that substantiated claims of misuse of electorate and ministerial office staff for factional work, among other findings. As the Secretary of DPS is the delegated employer of electorate officers (EO) in Victoria, a number of the investigation's recommendations were directed toward DPS. DPS has received $8.5 million to implement the recommendations and has made progress in several areas. This has included requiring Members of Parliament to declare a conflict of interest during the EO recruitment process or when requesting an appointment. DPS has also updated and reviewed its processes for recruiting EO staff to promote an open and merit‑based process. DPS continues to implement the relevant recommendations.

Findings and recommendations

1 Introduction

FINDING 1: The Committee has previously recommended that the Department of Education develop performance measures to report on access, demand and quality of mental health and wellbeing programs. In the 2023–24 Budget, two such measures were included that reported on the number of schools supported by various mental health programs. **6**

RECOMMENDATION 1: The Department of Education continue to develop new performance measures that report on access, demand and quality of mental health and wellbeing programs, including the *Mental health practitioners in secondary schools* initiative. **7**

RECOMMENDATION 2: The Department of Transport and Planning introduce a new quantity performance measure that reports on the number of new trams added to the network. **7**

RECOMMENDATION 3: The Department of Families, Fairness and Housing report consistently in future annual reports on the number of social housing dwellings under construction and delivered each financial year as part of the *Social Housing Growth Fund*. **8**

2 Whole of Government

FINDING 2: Victorian real gross state product (GSP) increased by 6.3% in 2021–22, after two years of negative GSP growth due to the impact of the COVID-19 pandemic. In 2022–23, real GSP growth was 2.6% and was driven by increases in activity in industries that had been impacted by COVID-19 related lockdowns such as accommodation and food services and transport, postal and warehousing. **15**

FINDING 3: Victoria's unemployment rates for 2021–22 (4.3%) and 2022–23 (3.7%) were less than the original Budget estimates made by the Department of Treasury and Finance (DTF). The COVID-19 pandemic did not impact the unemployment rate as much as DTF predicted at the height of the COVID-19 emergency, when it was thought it would peak at 10 or 11%. **16**

FINDING 4: The original Budget forecasts for the consumer price index (CPI) for 2021–22 (1.5%) and 2022–23 (2.5%) were well below the actual results of 4% and 6.9% respectively. The CPI results reflected high prices growth from supply chain disruptions due to the COVID-19 pandemic, followed by international pressures brought on by Russia's invasion of Ukraine. **18**

FINDING 5: While price increases on grocery items such as fruit and vegetables, bread and dairy products contributed to inflation over 2021–22 and 2022–23, the Commonwealth is the relevant level of government to introduce and implement effective cost-of-living relief measures. As a result of this the Victorian Government does not plan on introducing price regulation policies on essential items, such as groceries, or to set price ceiling targets to curb excessive increases. **18**

FINDING 6: After experiencing negative population growth during the COVID-19 pandemic in 2020–21, Victoria experienced positive population growth in 2021–22 and experienced population growth above pre-pandemic levels in 2022–23, when the State's population increased by 181,100 people. **19**

FINDING 7: The Government made positive progress over 2021–22 and 2022–23 in three out of the four steps of the medium-term fiscal strategy. The progress of the fourth step regarding stabilising debt levels is unclear, as 'stabilisation' has not been defined by the Government. **21**

RECOMMENDATION 4: For step four of the medium-term fiscal strategy, the Government:

- set a numerical indicator that defines stabilisation in net debt, such as a target net debt as a percentage of gross state product figure, and
- set a timeframe that defines the 'medium term' in which to achieve debt stabilisation

in the next set of budget papers when it discusses the progress towards the aims of the fiscal strategy. **21**

FINDING 8: General government sector revenue for 2021–22 was $83 billion and increased by 2% over the following year to reach $84.7 billion in 2022–23. **23**

FINDING 9: Grants comprised the largest revenue component for both 2021–22 ($41.8 billion) and 2022–23 ($40.1 billion). The higher figure for 2021–22 includes Commonwealth Government grants for *Business Support Payments* to Victorian businesses that were financially impacted by COVID-19. **23**

FINDING 10: Taxation was the Government's second highest source of revenue after grants, reaching $30.5 billion in 2021–22, and increasing to $32.4 billion in 2022–23. In 2021–22 land transfer duty was $10.4 billion, 54.4% more than the original Budget estimate of $6.7 billion. In 2022–23 land transfer duty was $8.7 billion, reflecting a fall in property settlement volumes over the year as interest rate rises began to impact property sales. **25**

FINDING 11: General government sector expenses for 2021–22 were $96.8 billion and $93.6 billion in 2022–23. The fall in expenses was due to decreases in grants and other operating expenses from the Commonwealth Government. Extra grant payments related to business support during the pandemic were made in 2021–22, along with extra other operating expenses to cover additional purchasing for rapid antigen tests and personal protective equipment combatting the Omicron wave. **26**

FINDING 12: Employee expenses were the largest expense component for both 2021–22 and 2022–23. They were $32.2 billion in 2021–22, an increase of $2.2 billion or 7.3% over the previous year, reflecting the increase in health sector staff required for the COVID-19 response. Employee expenses reached $33.6 billion in 2022–23. In addition to increases in staff for the COVID-19 response, other reasons for the increase in employee expenses include higher staff renumeration levels as per enterprise bargaining agreements and changes to the superannuation guarantee. **28**

FINDING 13: In 2021–22 government infrastructure investment (GII) was $18.7 billion and increased to $21.8 billion in 2022–23. Since 2020–21, GII has increased by an annual average rate of 21%. **30**

FINDING 14: Net debt increased by $27.2 billion or 37.5% between June 2021 to June 2022 to reach $99.9 billion, or 19.4% of gross state product (GSP). By June 2022, net debt increased by $15 billion to reach $115 billion or 20.3% of GSP. Increases in net debt over the year to June 2022 were driven by extra borrowings to fund the COVID-19 response measures, as well as the Government's infrastructure program. Extra borrowings were also made between June 2022 and June 2023 to fund the Government's capital program. **30**

FINDING 15: Revenue for the public financial corporations (PFC) sector was $11.7 billion in 2021–22 and increased to $12.5 billion in 2022–23. Expenses were $13.2 billion in 2021–22 and $15.7 billion in 2022–23. As a result of the increase in expenses in 2022–23, the PFC sector's net result from transactions was a doubling of the deficit from 2021–22 to a $3.2 billion deficit in 2022–23. **31**

FINDING 16: Revenue for the public non-financial corporations (PNFC) sector was $10.7 billion in 2021–22 and $10.8 billion in 2022–23. Expenses were $10 billion in 2021–22 and increased to $10.7 billion in 2022–23. The net result from transactions for the PNFC sector was a $714 million surplus in 2021–22, falling to a smaller surplus of $97 million in 2022–23. 32

FINDING 17: The State of Victoria's net result from transactions for 2021–22 was a $15.3 billion deficit. The deficit was reduced over 2022–23 when the State of Victoria's net result from transactions was $12.7 billion. 33

FINDING 18: The State of Victoria's net debt was $64.7 billion in June 2022, an increase of 30.7% over the June 2021 figure. In June 2023 the State of Victoria's net debt increased by 17.7% to reach $76.1 billion. 35

FINDING 19: While the Treasury Corporation of Victoria's current profile is dominated by fixed rate and low interest debt, $90.8 billion of debt must be refinanced in 2023–24 and 2032–33, when interest rates are likely to be significantly higher, leading to higher interest payments and costs to the State. 35

FINDING 20: Victoria's credit rating is currently AA with a stable outlook by Standard and Poor's and Aa2 with a stable outlook by Moody's Investors Service. 35

FINDING 21: The superannuation liability for the State of Victoria was $19.8 billion in 2021–22 and decreased to $18.9 billion in 2022–23 reflecting an improvement in market sentiment and better investment portfolio returns. 36

FINDING 22: In 2021–22, the Treasurer approved $15.1 billion of payments in Treasurer's Advances (TA), $10 billion (66.1%) of which were attributed to COVID-19. The Department of Jobs, Precincts and Regions received the most TA payments, including $5 billion or 50.3% of the COVID-19 payments, followed by the Department of Health with $3.3 billion or 33.4% of COVID-19 payments. 38

FINDING 23: In 2022–23, $12.2 billion in Treasurer's Advances were paid, with the Department of Transport and Planning receiving the most payments ($3.8 billion or 31.4%), followed by the Department of Health ($2 billion or 16.5%) and the Department of Justice and Community Safety ($1.7 billion or 13.6%). 38

FINDING 29: In Australia and Victoria, the supply of general practitioners does not meet demand, leading to access issues. It is unclear how the Department of Health is fulfilling staffing needs in Priority Primary Care Centres considering the current environment of healthcare workforce shortages. **54**

FINDING 30: Priority Primary Care Centres have a role to play in reducing wait times in emergency departments (ED) and increasing access to urgent primary care for Victorians. However, there are several other factors that influence ED wait times and patient presentations that are equally as important, such as funding levels, the prevalence of chronic disease and access to primary health care in the community. **55**

RECOMMENDATION 7: The Department of Health publish the evaluation of Priority Primary Care Centres, due for completion by November 2023, on its website by mid-2024. **55**

FINDING 31: The Department of Health has not met its target for the performance measure 'Percentage of departures from emergency departments to a mental health bed health bed within 8 hours' over a 13-year period, recording a low of 39.5% in 2022–23. Waiting for a mental health bed via emergency departments can exacerbate mental health crises for those patients experiencing them. **57**

FINDING 32: The undersupply of mental health beds in Victoria and demand for inpatient bed-based services outstripping supply were two key reasons why the Department of Health did not meet its target for percentage of departures from emergency departments to a mental health bed within eight hours by large margins in 2021–22 and 2022–23. **57**

FINDING 33: In metropolitan and rural emergency departments in Victorian hospitals, mental health-related presentations waiting more than 24 and more than 48 hours has increased significantly between 2021–22 and 2022–23. The clinically recommended time is within eight hours. **59**

FINDING 34: Between 2021–22 and 2022–23 several metropolitan emergency departments had significant growth in the number of mental health presentations that departed into a mental health bed in more than 24 and 48 hours. These included Dandenong, Footscray, Mercy Werribee and MMC Clayton hospitals. **59**

FINDING 35: In response to the 2021 Royal Commission into Victoria's Mental Health System, the Victorian Government has invested $801 million to establish 260 new acute mental health beds. **60**

FINDING 36: While the number of specialist mental health beds grew by 7.5% (109 beds) between 2018–19 and 2022–23, data relating to transfers from emergency departments to mental health beds indicate the new mental health beds are yet to have a marked impact on wait times. **61**

FINDING 37: Of the seven hospitals procured or to be procured using a public private partnership (PPP), the estimated cost savings of using this procurement method are modest, ranging between 0.5 and 15.5%. The government expects additional value for money benefits to be realised through utilising a PPP for these projects, such as additional capacity, environmental sustainability and economic growth. **64**

RECOMMENDATION 8: The Department of Treasury and Finance and Partnerships Victoria publish the business cases for all public-private partnership projects. **65**

RECOMMENDATION 9: The Department of Treasury and Finance and Partnerships Victoria publish comparative value for money information on non-successful tenders for public private partnership projects, to demonstrate the best tender was chosen. **65**

RECOMMENDATION 10: The Victorian Government report on its public private partnerships (PPP) that are in operation at least every three years, outlining whether the expected benefits of the PPP (including the actual vs estimated savings and 'additional value for money benefits') have been fully realised and to what extent, how the private partner is performing in the delivery of its ongoing obligations and how the State has benefited from the partnership. **65**

4 Department of Education

FINDING 38: In 2022–23 the Department of Education had 66 capital projects with a revised completion date, as compared to the completion date at announcement. Twenty-three projects were delayed for a year or more, while two projects were delayed for two years. **72**

FINDING 39: The rollout of Disability Inclusion profiles are a key part of the Department of Education's Disability Inclusion reform. By mid-2023, 3,700 students had completed profiles. It is estimated Disability Inclusion reform will support 55,000 students once complete. **75**

FINDING 40: The Department of Education advises that the quality of education for students with a disability has been improved through its Disability Inclusion reform. With reform in its early stages, there is currently no public information available regarding the outcomes of the reform for students with a disability. **77**

RECOMMENDATION 11: The Department of Education include performance measures relating to the outcomes of Disability Inclusion reform in the next budget papers. This should include measures that relate to how or by how much the reform has improved student outcomes and student and parent experiences regarding the Disability Inclusion package. **77**

RECOMMENDATION 12: The Department of Education publish the review into Disability Inclusion undertaken in 2022. **77**

RECOMMENDATION 13: The Department of Education undertake a full evaluation of the Disability Inclusion reform after the roll out has been completed and publish the evaluation, focusing on outcomes of the reform on all impacted parties, with the outcomes for students with a disability as the focus. **77**

FINDING 41: Between 2021 and 2022, the average number of days absent per full-time student equivalent grew between 39% and 58% across Years 5–12. School absence rates are highly correlated with disadvantage. **79**

FINDING 42: The Department of Education's performance measures related to average days lost due to absence for Aboriginal students demonstrates that absence across all year levels has increased in the 2022 calendar year compared to 2021. **79**

FINDING 43: According to the Department of Education, the main drivers of increased student absence days in 2022 were health-related reasons and parental choice. **80**

FINDING 44: According to the Department of Education (DE), when students feel safe, welcomed and included at school attendance is higher. While DE implemented several initiatives in 2022–23 aimed at supporting student engagement and connectedness, its two performance measures related to students' opinion of their connectedness with the school did not meet the department's performance targets. **80**

FINDING 45: In 2021–22 and 2022–23 the Department of Education (DE) endeavoured to improve teacher attraction and retention through five key pillars—attracting people into teaching, supporting schools to recruit teachers, supporting early career teachers, retaining current teachers and providing career pathways for more experienced teachers. As part of these efforts, DE provided incentives for 400 teaching positions in hard-to-staff rural and regional areas of Victoria. Of the 2021–22 cohort 79% remained in the same school. In the 2022–23 cohort, 93% remained at the same school. **83**

RECOMMENDATION 14: The Department of Education undertake a review of its teaching workforce attraction and retention initiatives since 2020–21 and publish it. The review should focus on which initiatives were the most effective in attracting and retaining teachers. **85**

5 Department of Justice and Community Safety

FINDING 46: The amount of funding the Department of Justice and Community Safety has accessed through Treasurer's Advances has increased considerably over the last three financial years, compared to Treasurer's Advances accessed prior to 2020–21. This has included:

- $1.2 billion in Treasurer's Advances made in 2022–23 for unforeseen and urgent events such as natural disaster relief and grant assistance, Victorian flood recovery initiatives, and primary producer flood recovery grants in response to the October 2022 floods in Victoria
- payments of over $200 million in 2021–22 and 2022–23 for Victoria Police operational activity that may not have been unforeseen or urgent, which is a prerequisite for Treasurer's Advance payments under the Resource Management Framework. **94**

FINDING 47: An inquiry into the *Prison Disability Support Initiative* by the Victorian Auditor-General made a number of recommendations to strengthen the program, including improving staff training and conducting an outcomes evaluation on whether it has reduced recidivism. The Department of Justice and Community Safety committed to implementing some of the Auditor-General's recommendations, with the balance subject to funding and resourcing constraints. **99**

RECOMMENDATION 15: The Department of Justice and Community Safety publish an evaluation of the *Prison Disability Support Initiative* and provide information about how it will assess its long-term outcomes, particularly in relation to recidivism. **99**

FINDING 48: While there is a high level of attendance in training and employment programs and a high level of completion of vocational education and training modules across Victoria's correctional system, limitations include:

- limited access to digital skills and technology-based training
- difficulty for prisoners in fully completing qualifications, as opposed to components of qualifications in the form of modules. **101**

RECOMMENDATION 16: The Department of Justice and Community Safety develop a performance measure for vocational education and training qualification completion in addition to module completion. **101**

RECOMMENDATION 17: The Department of Justice and Community Safety develop and implement a digital access policy for Victoria prisons as per the recommendation made by the Legislative Council's Legal and Social Issues Committee as part of its March 2022 Inquiry into Victoria's Criminal Justice System. **101**

RECOMMENDATION 18: The Department of Justice and Community Safety evaluate the outcomes of its training programs, to see whether the programs have effectively helped former prisoners find meaningful employment post-release. **101**

RECOMMENDATION 19: The Department of Justice, Community Safety split the existing Prisoner Supervision and Support cost output into the two smaller outputs of:

- 'Prisoner supervision' covering functional activity within the corrections system such as staffing and operational expenses
- 'Prisoner support and rehabilitation' covering education, training and rehabilitation programs funded and conducted across the correctional system. **102**

RECOMMENDATION 20: The Department of Justice and Community Safety develop further performance measures to assess the impact of education, training and rehabilitation programs available to, and undertaken by, the Victorian prisoner population, including a measure on the success of these programs on prisoners' employment outcomes post-release. **103**

FINDING 49: It is unclear whether Triple Zero Victoria (formerly Emergency Services Telecommunications Authority (ESTA)) will be developing outcomes-based performance measures in addition to the existing timeliness measures relating to call response times. This is despite the Government supporting the reform of ESTA's performance measures as recommended in the Emergency Services Telecommunications Authority Capability and Service Review and the Public Account and Estimates Committee's *Report on the 2022–23 Budget Estimates*. Triple Zero Victoria was established in December 2023. **109**

6 Department of Transport and Planning

FINDING 50: Whilst the Committee acknowledges the merits of the Department of Transport and Planning providing information related to its lowest-performing performance measures, it emphasises the importance of reporting on and identifying programs that did not deliver the planned outcomes. **113**

FINDING 51: The Department of Transport (DoT)/Department of Transport and Planning (DTP) accessed $2.2 billion in 2021–22 and $3.8 billion in 2022–23 in Treasurer's Advances, representing 14.2% and 31.4% of the total Treasurer's Advances accessed by Victorian Government departments in both years. Of the $6 billion in Treasurer's Advances accessed by DoT/DTP over both years, $1 billion was for *COVID-19 Impacts on the Transport Network* and $165 million for *Victoria's Flood Recovery Program*. **118**

FINDING 52: The Department of Transport/Department of Transport and Planning received Treasurer's Advance funding for a number of initiatives in 2021–22 and 2022–23 that were not urgent or unforeseen. Without adequate and timely reporting on the reasons for accessing Treasurer's Advances, the public and the Parliament cannot be assured that departments are appropriately adhering to the regulations governing the use of Treasurer's Advances. **118**

FINDING 53: In 2021–22 and 2022–23 the Department of Transport/Department of Transport and Planning revised the total estimated investment (TEI) for 38 capital projects which resulted in a net increase of $11.7 billion or 30.7% when compared to the TEI at the projects' announcement. The *2023–24 Budget Update* also included an additional $12.1 billion in asset funding for capital works related to the North East Link. **119**

FINDING 54: In 2021–22 and 2022–23 the Department of Transport/Department of Transport and Planning revised the estimated completion date of 39 projects, 13 of which were delayed less than a year and three of which are scheduled for completion earlier than the project's original estimated completion date. The remaining 23 projects were delayed by between one and five years. **120**

FINDING 55: The Department of Transport/Department of Transport and Planning completed most of its 34 capital projects in 2021–22 and 2022–23 under budget. Fifteen projects exceeded the original total estimated investment (TEI), resulting in a combined net increase of $779.2 million across all completed projects when compared to the original combined TEIs. **121**

FINDING 56: The Department of Transport/Department of Transport and Planning completed 34 capital projects in 2021–22 and 2022–23, of which 16 were completed ahead of schedule. However, the 16 projects completed early also accounted for an overspend of $623.6 million compared to the total estimated investment at announcement. **122**

FINDING 57: The Department of Transport/Department of Transport and Planning achieved or exceeded 63% of its performance measures in 2021–22 and 62% in 2022–23. In both years, the department failed to meet 26% of its measures by a variance exceeding 5% of the department's targets. **122**

FINDING 58: Victoria's population is estimated to increase from 6.6 million in June 2022 to between 9.3 million and 13.8 million by 2071. Melbourne is also expected to surpass Sydney as Australia's largest city, reaching a population of between 6.5 million and 9.9 million by 2071. This significant population growth poses challenges for the Department of Transport and Planning in delivering infrastructure, services and housing. **124**

FINDING 59: Precincts are areas identified as having existing or potential capacity to drive and accommodate Melbourne's economic prosperity and future population growth. Due to machinery of government changes, the Department of Transport and Planning (DTP) now leads the whole-of-government delivery and coordination of Priority Precincts and National Employment and Innovation Clusters. In 2022–23 DTP was focused on delivering seven precincts: Arden, Docklands, Fishermans Bend, Footscray, Parkville, Sunshine and the Richmond to Flinders Street Corridor. **124**

FINDING 60: The Victorian Government will support and encourage the provision of at least 6% affordable housing in new developments in the Arden precinct. Applicants to the *Development Facilitation Program* must deliver 10% affordable housing to access the streamlined pathway. The Government has also committed to delivering a minimum of 10% affordable housing in new developments on state-owned land. However, according to the City of Melbourne, approximately 25% of all new dwellings in the Arden precinct will need to be affordable to meet the municipality's future housing needs. **127**

FINDING 71: The Department of Families, Fairness and Housing is using new ways to address the overrepresentation of Aboriginal and Torres Strait Islander children in out-of-home care. These include funding a trial and introducing a new performance measure in the Budget to track the number of children in care managed by an Aboriginal Community Controlled Organisation. **143**

FINDING 72: The Department of Families, Fairness and Housing has reported a steady decrease in the proportion of children in foster care from 2018–19 to 2022–23, while the Foster Care Association of Victoria reported a year-over-year decrease in new accredited carer households and a year-over-year increase in exiting carer households between March 2021 and March 2023. **144**

FINDING 73: Victoria provides among the lowest of all foster care allowances in Australia. **145**

FINDING 74: The Department of Families, Fairness and Housing (DFFH) has undertaken some steps to support carers—such as the one-time allowance payment and the Care Support Help Desk. However, DFFH has not yet announced or implemented any other long-term changes that will help attract and retain foster carers. **146**

RECOMMENDATION 25: The Department of Families, Fairness and Housing develop a performance measure that reports on the quality of family violence perpetrator programs in Victoria. **149**

FINDING 75: There is an inadequate evidence base to understand the effectiveness of the Department of Families, Fairness and Housing's perpetrator programs in reducing incidents of family violence in Victoria. The Department of Justice and Community Safety is currently undertaking a longitudinal evaluation into *Men's Behaviour Change Programs* to be published in June 2025. **149**

FINDING 76: The Department of Families, Fairness and Housing (DFFH) did not meet any of its targets regarding housing and family violence in 2021–22 and 2022–23. Furthermore, DFFH did not indicate to the Committee when it will be able to meet its targets or when the waiting list for public housing for clients who have received priority access due to family violence will reduce. **150**

FINDING 77: While wait times for public rental housing for clients who have received a priority access housing or priority transfer allocation due to family violence increased in 2022–23, the Department of Families, Fairness and Housing allocated more housing to people impacted by family violence than ever before that same year. Long wait times are attributed to increased reporting of family violence and supply and demand of public rental housing. **150**

RECOMMENDATION 26: The Department of Families, Fairness and Housing conduct and publish research into what specific infrastructure and resources are needed to provide victim-survivors of family violence with housing in a timely manner. **151**

FINDING 78: The demand for social housing currently outstrips the supply and as part of *Victoria Housing Statement: The decade ahead: 2024–2034* released in September 2023 it will retire and rebuild Melbourne's 44 public housing towers. The Government has stated that this will increase the quantity and quality of social housing, but there is no publicly available information stating how this will be realised. **152**

RECOMMENDATION 27: The Department of Families, Fairness and Housing and Homes Victoria publish information on its website regarding:

- the breakdown of housing types (public, community, market, and affordable) that will be constructed as part of the public housing tower retirement project
- how the breakdown of housing types will be different after the project's conclusion, from its current iteration
- how many people will be accommodated in each type of housing
- how the project will expand capacity of the towers by 20,000 people. **152**

FINDING 79: There are a number of reasons why Melbourne's 44 public housing towers are being demolished and rebuilt, including: delamination of concrete, disability access, noise insulation, ventilation, sustainability and thermal discomfort, waste and recycling, energy inefficiency and constant breakdown causing disruption to renters. As a whole, the buildings do not meet modern standards and are coming to the end of their operational life. **153**

RECOMMENDATION 28: The Department of Families, Fairness and Housing or Homes Victoria publish the condition and/or engineering reports on Melbourne's 44 public housing towers on its website to enhance transparency regarding the basis for the tower replacement project. **154**

RECOMMENDATION 29: The Department of Families, Fairness and Housing or Homes Victoria release information on their websites outlining the rationale for retiring and rebuilding Melbourne's public housing towers versus refurbishing them and an estimated cost breakdown of the retirement project. 154

FINDING 80: There is currently limited public information about what Homes Victoria has communicated to current tenants about the retirement of Melbourne's public housing towers, including timelines and logistics for current tenants to move into different accommodation. 155

RECOMMENDATION 30: Homes Victoria publish on its website the steps it has taken to advise public housing tower residents of the retirement of Melbourne's public housing towers and future relocations, including what assistance is being provided to relocate and measures taken to ensure the properties that tenants relocate to are suitable and local, if desired. 155

8 Department of Jobs, Skills, Industry and Regions

FINDING 81: Between 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Region's employee expenses grew by 52.8% to $1.2 billion due to machinery of government changes. Actual full-time equivalent employees declined by 40.2% between 30 June 2022 and 30 June 2023, also due to machinery of government changes. 162

FINDING 82: In 2021–22 the Department of Jobs, Precincts and Regions accessed $5.5 billion in Treasurer's Advances, which were predominantly used to distribute grants and financial support to businesses and the community to manage the impact of COVID-19 restrictions. The Victorian Auditor-General's Office found that as there were no sufficient post-payment checks on these grants, it was likely that fraud had occurred in the disbursement of COVID-19 grants and financial support. 164

FINDING 83: In 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions funded approximately 50 mRNA investment and research projects at a cost of $36.9 million. The full cost is unknown as several projects are listed as commercial-in-confidence and funding is not disclosed. 168

RECOMMENDATION 31: The Department of Jobs, Skills, Industry and Regions publish summary information about the outcomes of all projects funded by mRNA grant programs and update this information at appropriate milestones throughout the project. **168**

FINDING 84: In 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions took several significant steps to establishing an mRNA industry in Victoria. This included forming a ten-year partnership with Moderna to establish an mRNA manufacturing facility and its headquarters, securing international investment from a number of international biotech companies, creating partnerships with overseas jurisdictions and providing grants to research projects. **169**

RECOMMENDATION 32: The Department of Jobs, Skills, Industry and Regions publish an assessment of the expected economic benefits of the ten-year partnership with Moderna, accounting for all phases of the partnership, and information regarding the outcomes delivered by the partnership to date. **169**

FINDING 85: In 2022–23 the funding allocation for three of the Department of Jobs, Skills, Industry and Regions' (DJSIR) output initiatives was classified in the budget papers as 'commercial-in-confidence'. It is unclear if or how DJSIR will report on the funding allocation for these initiatives in the future. **171**

FINDING 86: The Department of Jobs, Precincts and Regions (DJPR)/Department of Jobs, Skills, Industry and Regions (DJSIR) paid $395.4 million in 2021–22 and $516.6 million in 2022–23 in commercial-in-confidence grants to a wide range of organisations and individuals. Commercial-in-confidence grants accounted for 3.8% of all grants paid by DJPR/DJSIR in 2021–22 and 27.6% in 2022–23. **172**

RECOMMENDATION 33: The Department of Jobs, Skills, Industry and Regions publish the details of 'commercial-in-confidence' grants itemised by both grant program and grant recipient in future annual reports. **172**

RECOMMENDATION 34: The Department of Treasury and Finance update its *2023–24 Model Report for Victorian Government Departments* to include guidance around the disclosure of commercial-in-confidence grants in annual reports, specifying that the disclosure of the grant recipient and grant program is required. **173**

FINDING 87: The difficulty of defining 'commercial-in-confidence' further complicates the already difficult question of how to balance accountability and transparency over the use of public funds, against justified concerns of confidentiality and necessary protections against legal action and financial damage. **174**

FINDING 88: During the Committee's Inquiry into the 2021–22 and 2022–23 Financial and Performance Outcomes and past inquiries, Ministers and departmental officials have classified a range of information relating to various projects and initiatives as 'commercial-in-confidence', and as a result have withheld or declined to disclose that information to the Committee. In several cases, information which was said to be 'commercial-in-confidence' has subsequently been published by either the Victorian Government or private companies. **176**

RECOMMENDATION 35: The Victorian Government publish a clear definition and framework for 'commercial-in-confidence' and 'commercially sensitive' to provide clarity and transparency for the Parliament around the reasons for withholding commercial information. **176**

FINDING 89: Since the launch of the *Creative State: Screen Industry Strategy 2021–25* in 2021, VicScreen has secured over 22,000 project jobs in Victoria and added over $825 million to the Victorian economy. **177**

FINDING 90: The 2022–23 Budget included $54 million over five years for the *NBCUniversal Partnership* initiative, which included securing Victoria's largest ever screen production in for the State, a TV series called *Metropolis.* The *Metropolis* project was cancelled in 2023 due to the Writer's Guild Association strike in the United States. **178**

RECOMMENDATION 36: The Department of Jobs, Skills, Industry and Regions publish information on its website regarding the *NBCUniversal Partnership,* including information on current projects under the partnership, how much funding has already been invested in the partnership, and how much was invested in the *Metropolis* production and the future of the project. **179**

9 Department of Energy, Environment and Climate Action

RECOMMENDATION 37: Victorian Government Departments, the Parliamentary Departments and Court Services Victoria provide a breakdown of the additional funding received when accounting for discrepancies between budgeted and actual revenue in response to the Committee's future general questionnaires. **185**

FINDING 91: In 2021–22 Victoria's four metropolitan water corporations paid a combined total of $301 million in dividends and capital repatriations to the general government sector, followed by $80.2 million in dividends in 2022–23. Budgeted capital repatriation payments, totalling $209.9 million for 2022–23 were deferred to 2023–24 at the request of the Department of Treasury and Finance. 187

FINDING 92: Most of the water corporations that provided information to the Committee did not meet performance indicator targets in 2021–22 and 2022–23 for the volume of recycled water or effluent treatment and re-use, largely due to La Niña conditions and higher than average rainfall reducing demand for recycled water as well as closures of treatment plants and incidents of blue green algae. 188

FINDING 93: The Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action achieved or exceeded 59% of its 147 performance measures in 2021–22 and 71% of its 161 performance measures in 2022–23. 189

FINDING 94: In both 2021–22 and 2022–23 the Department of Environment, Land, Water and Planning/Department of Energy, Environment and Climate Action failed to meet its targets for a number of measures by significant variances, including for the ResourceSmart Schools program, revegetation works for habitat connectivity, solar photovoltaic rebates for households and businesses, and waterway vegetation works. 189

FINDING 95: Managing the impacts of biodiversity loss was one of the most significant challenges the former Department of Environment, Water, Land and Planning and Department of Energy, Environment and Climate Action faced in 2021–22 and 2022–23. 191

FINDING 96: *Biodiversity 2037* is the Victorian Government's 20-year strategy to protect biodiversity and halt the decline of threatened species. The Department of Energy, Environment and Climate Action (DEECA) is required to report on the annual progress of actions and targets associated with *Biodiversity 2037*. However, DEECA is yet to publish its annual progress reports for both 2021 and 2022 due to delays in compiling information and data from various organisations. 191

FINDING 97: The Department of Energy, Environment and Climate Action is not providing timely assurance to the Government or the public as to whether it is effectively delivering or meeting the targets set out in *Biodiversity 2037*. 191

RECOMMENDATION 38: The Department of Energy, Environment and Climate Action, as a priority, publish the *Biodiversity 2037* annual progress reports for 2021 and 2022. 191

FINDING 98: Over the first five years of *Biodiversity 2037*, the former Department of Environment, Land, Water and Planning and the Department of Energy, Environment and Climate Action's annual delivery of on-ground management actions to control pest predators, pest herbivores and weeds in priority areas were, on average, between 51.6% and 78.1% below the targets outlined in *Biodiversity 2037*. 193

RECOMMENDATION 39: The Department of Energy, Environment and Climate Action, as a priority, review the contributing targets outlined in *Biodiversity 2037* and consider additional contributing targets if necessary. 193

FINDING 99: The *Flora and Fauna Guarantee Act 1988* (Vic) requires the Department of Energy, Environment and Climate Action (DEECA) to prepare action statements for all threatened species of flora and fauna. In 2022–23 DEECA released 100 action statements and in 2023–24 it expects to complete another 500, leaving 1,000 to be released. 194

RECOMMENDATION 40: The Department of Energy, Environment and Climate Action consider legislative changes that stipulate timelines for preparing and reviewing action statements under the *Flora and Fauna Guarantee Act 1988* (Vic). 194

FINDING 100: The *Solar Homes* program has supported the installation of 246,960 solar systems, or 31.7% of the programs overall target, during the first five years of the ten-year-long program. The Department of Energy, Environment and Climate Action will need to install 106,308 systems annually during the remaining five years to achieve its target. 195

FINDING 101: Consumer demand for the *Solar Homes* program was impacted by COVID-19, supply chain constraints, increases in solar system prices and low confidence in business conditions in 2021–22 and 2022–23, which led to the Department of Energy, Environment and Climate Action failing to meet its targets for several associated performance measures. 197

FINDING 102: The *Solar Homes* program delivered cost savings to consumers, reduced emissions, supported the creation of jobs and increased the proportion of households with rooftop solar in 2021–22 and 2022–23. These outcomes are not reflected in any of the Department of Energy, Environment and Climate Action's performance measures. **198**

FINDING 103: Since its inception in August 2018 the *Solar Homes* program has resulted in the reduction of approximately 2.4 million tonnes in CO^2 emissions, equating to roughly 3% of Victoria's annual net emissions. This impact is significant considering the residential sector accounts for only around 7.6% of Victoria's annual net emissions. **198**

RECOMMENDATION 41: The Department of Energy, Environment and Climate Action develop performance measures that report on the outcomes of the *Solar Homes* program rather than its outputs. **198**

FINDING 104: In 2022 the Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action (DEECA) released the *Gas Substitution Roadmap*, setting out the Victorian Government's strategic plan to decarbonise the natural gas sector. DEECA has also released the *Gas Substitution Roadmap Update*, which reports on the Victorian Government's progress in implementing the policy changes and actions detailed in the Roadmap. **199**

FINDING 105: The Department of Energy, Environment and Climate Action (DEECA) estimates that new all-electric homes can save $1,020 on energy bills annually, and $2,250 with solar panels, compared to new dual-fuel (gas and electric) homes. DEECA also estimates that converting an existing dual-fuel home with solar panels to all-electric would result in annual energy bill savings of $1,790, not including one-off appliance and installation costs of approximately $13,200 after the solar hot water rebate and Victorian Energy Upgrades incentive. **201**

RECOMMENDATION 42: The Department of Energy, Environment and Climate Action develop and report annually against targets that measure natural gas usage by households and businesses—such as reporting on the number of homes electrified each year or the proportion of Victorian homes connected to the reticulated gas network—consumer savings, emissions reductions and jobs created as a result of the *Gas Substitution Roadmap* in future updates. **201**

10 Court Services Victoria

FINDING 106: Court Services Victoria's (CSV) operations were heavily impacted by the pandemic, and CSV responded by modifying services. CSV experienced challenges in case clearance outcomes and pending matter numbers, but there were improvements between 2021–22 and 2022–23. **204**

FINDING 107: In 2021–22 and 2022–23, the majority of Court Services Victoria's (CSV) completed capital projects were finished on-time and on-budget. However, CSV has nine existing capital projects with revised completion dates. The total estimated investment of the *Specialist family violence integrated court* project more than doubled from its initial estimate. **206**

FINDING 108: Court Services Victoria achieved or exceeded 26% of its performance measures in 2021–22, and 41% in 2022–23. **207**

FINDING 109: From June 2020 to June 2023 the Victorian Civil and Administrative Tribunal's (VCAT) Residential Tenancies List's case load grew by 353%. Although VCAT implemented the *Backlog Recovery Program* to reduce the List's case load and has had some success in this area, the Residential Tenancies List remains an outlier among VCAT's lists with its high number of pending matters. **210**

FINDING 110: The Residential Tenancies List had a median time of six weeks in 2022–23 for case lodgement to finalisation, well below the Victorian Administrative Tribunal's average median time of 25 weeks for all lists. However, the time for finalising 80% of cases in the Residential Tenancies List was 26 weeks in 2022–23, an increase of 188.9% from 2019–20. **211**

FINDING 111: While the timeliness of completed cases from the Residential Tenancies List worsened by 188.9% between 2019–20 and 2022–23, there was a 6.4% decrease in initiations of cases in the same time period. However, between 2021–22 and 2022–23 specifically, initiations increased by 15.9% leading to delays in completing cases on the Residential Tenancies List. **212**

FINDING 112: The Victorian Civil and Administrative Tribunal has separated older and newer cases in the Residential Tenancies List, to prioritise newer cases and not add to the existing backlog. However, this has resulted in some individuals with older cases experiencing lengthy wait times. Further, it is unclear if older cases involving vulnerability or safety concerns are being finalised in the new timeframes. **213**

11 Department of Government Services

FINDING 113: In 2022–23 the Department of Government Services (DGS) did not achieve its targets for ten of the 15 performance measures under the Regulation of the Victorian Consumer Marketplace output. Six of these failed to meet DGS's targets by a variation of more than 20%, including targets related to dispute resolution, client satisfaction and timeliness of services for the Dispute Settlement Centre of Victoria, and information and advice provided and court and administrative actions undertaken by Consumer Affairs Victoria. 221

FINDING 114: The publication of annual Mission Delivery Plans that outline the implementation of *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* and the Victorian Government Chief Information Security Officer's annual statement on the Strategy's progress have not been timely. 225

RECOMMENDATION 43: The Department of Government Services publish the annual Mission Delivery Plans outlining the following year's implementation priorities for *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* at the start of every financial year. 225

RECOMMENDATION 44: The Victorian Government Chief Information Security Officer publish the annual statement on *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* progress at the end of every financial year. 225

FINDING 115: Updates and information on data breaches affecting Victorian Government agencies are not comprehensively listed on the central vic.gov.au website, with individual agencies that have experienced cyber attacks providing details on their own websites. 226

RECOMMENDATION 45: In addition to individual Victorian Government agencies that have experienced data breaches providing updates on their websites, the central vic.gov.au webpage provide the latest information on cyber security incidents on all agencies and departments across the Victorian public sector, with links to relevant affected agencies. 226

FINDING 116: The number of requests for rent increase reviews conducted by Consumer Affairs Victoria increased by 120% over the previous year to reach 5,448 for 2022–23. However, the number of these requests that demonstrated an unreasonably high rental increase is not yet known. 227

12 Department of Treasury and Finance

RECOMMENDATION 48: The Department of Treasury and Finance ensure future responses to the Committee's financial and performance outcomes questionnaires contain comprehensive answers regarding the reasons for accessing Treasurer's Advances. **237**

FINDING 123: The Department of Treasury and Finance achieved or exceeded 83% of its performance measures in 2021–22 and 80% in 2022–23. **239**

FINDING 124: In 2021–22 and 2022–23 the Department of Treasury and Finance failed to meet its targets for three performance measures relating to the ratio of outstanding debt, the accuracy of estimating state taxation revenue and the employment growth rate in the state budget. **239**

FINDING 125: The mental health and wellbeing levy raised $1.5 billion over 2021–22 and 2022–23, an increase of $311.1 million (26.1%) compared to the amount originally forecast in the 2021–22 Budget. The Department of Health received and expended the full $1.5 billion raised by the levy over both years, however, the Department of Treasury and Finance did not report on the specific initiatives and outputs this entailed or outcomes achieved. **240**

RECOMMENDATION 49: The Department of Treasury and Finance report on the specific departments, outputs and/or mental health services or initiatives funded by the mental health and wellbeing levy in future annual reports, to improve and support future monitoring and evaluations of the outcomes of the levy. **241**

FINDING 126: The Department of Treasury and Finance allocated $9.6 million in the 2017–18 Budget for the State Revenue Office (SRO) to implement the vacant residential land tax and to undertake associated compliance and monitoring activities, followed by $55.7 million in the 2019–20 Budget to expand the SRO's wider compliance programs. **242**

FINDING 127: The vacant residential land tax was forecast to raise $80 million over the financial years between 2017–18 and 2020–21. However, in 2022 and 2023 the tax raised only $21.1 million, including $9.6 million arising from compliance investigations by the State Revenue Office. **242**

FINDING 128: The Department of Treasury and Finance does not have data on the number of properties liable for the vacant residential land tax that did not pay the tax in 2021–22 or 2022–23. However, estimates by the Parliamentary Budget Office indicate that most vacant property owners may not be self-reporting or paying the tax to the State Revenue Office. **242**

FINDING 129: The Department of Treasury and Finance does not report on the effectiveness or impacts of the vacant residential land tax, in particular its impact on owners' decisions to sell or rent their properties and on the supply of housing and rental properties or changes in property and rental prices. **243**

RECOMMENDATION 50: The Department of Treasury and Finance explore ways to publicly report on the effectiveness and impacts of its tax policies including whether the taxes result in the intended outcomes or objectives, such as the impact of the vacant residential land tax on increasing the supply of housing and rental properties and decreasing property or rental prices. **243**

FINDING 130: The zero and low emissions vehicles (ZLEV) road-user charge raised $5.1 million over 2021–22 and 2022–23, roughly $13.9 million (73.1%) less than originally forecast in the 2020–21 Budget. According to VicRoads, ZLEV owners who paid the road-user charge will receive a full refund, including payment fees and interest, following a High Court ruling the charge invalid in October 2023. **245**

RECOMMENDATION 51: The Department of Treasury and Finance report on the total amount reimbursed to customers who paid the zero and low emissions vehicles road-user charge, including a breakdown of the additional interest paid in the 2024–25 Budget. **245**

FINDING 131: Since it was announced in the 2020–21 Budget, the *Victorian Homebuyer Fund* has grown from $500 million to $2.1 billion. The scheme was originally expected to support roughly 3,000 applicants and has been revised upwards to 13,000. **247**

FINDING 132: In 2021–22 and 2022–23 the *Victorian Homebuyer Fund* made financial contributions to roughly 4,302 property sales, with the Government retaining a total shared equity of $667 million. **247**

RECOMMENDATION 52: In its annual review of the *Victorian Homebuyer Fund* the State Revenue Office report on:

- the capital gains or losses realised through property sales, refinancing or equity buybacks
- the cumulative total number of approved applications, settled properties and total shared equity held by the Government
- the number of applicants and number of settled properties owned by Aboriginal and Torres Strait Islander peoples. **247**

13 Department of Premier and Cabinet

FINDING 133: The Department of Premier and Cabinet achieved or exceeded 77% of its performance measures in 2021–22 and 80% in 2022–23. **254**

FINDING 134: The Victorian Government is working to advance the Closing the Gap targets. As at June 2023, the Productivity Commission assessed Victoria as improving on 12 targets, worsening on one (children in the child protection system) and having insufficient or out-of-date information to judge the remaining six targets. **257**

FINDING 135: The Department of Premier and Cabinet (DPC) plays a leading, coordinating and reporting role with regards to the *National Agreement on Closing the Gap*. While DPC has had achievements in aspects of its role—namely coordinating and reporting—its success in leading progress toward Closing the Gap is unclear, given Victoria's mixed results against national targets and outcomes. **258**

FINDING 136: The proportion of Cultural Heritage Management Plans that were evaluated by Registered Aboriginal Parties rather than by the Department of Premier and Cabinet increased between 2021–22 and 2022–23. **259**

FINDING 137: The Department of Premier and Cabinet has not published complete, consistent data on the timeliness of its approval process for Cultural Heritage Management Plans. **260**

RECOMMENDATION 53: The Department of Premier and Cabinet include a performance measure on the timeliness of processing Cultural Heritage Management Plans in the next budget. **260**

14 Parliament

RECOMMENDATION 54: To promote transparency and model best practice, the Parliamentary Departments respond to question two of the Committee's financial and performance outcomes questionnaire, which relates to the best performing and least performing programs that delivered outcomes to the community in the previous financial year. **264**

RECOMMENDATION 55: From 2023–24, the Parliamentary Departments include explanations for variations on meeting or not meeting performance measure targets in its annual reports, as per the Model Report. **265**

FINDING 138: In 2022–23 the Parliamentary Department's actual expenditure was $210.3 million, 2% over its 2022–23 Budget. In comparison, the actual result for 2021–22 was $194.5 million, representing a 7% underspend compared to the 2021–22 Budget. **266**

RECOMMENDATION 56: The Parliamentary Departments review their performance measures and targets to ensure they are sufficiently challenging. **268**

FINDING 139: Parliament was provided $8.6 million in the 2021–22 Budget for cyber security upgrades, which have allowed it to undertake several activities to increase its cyber security. **269**

FINDING 140: During 2022–23, the Department of Parliamentary Services progressed its work implementing the relevant recommendations arising from the Operation Watts report. This included work to create greater awareness and appropriate management of perceived or actual conflicts of interest when Members of Parliament (MPs) hire electorate officers (EOs). Work has also been undertaken to improve the recruitment of EOs by improving the accessibility and delivery of information to MPs about engaging EOs, adding an EO careers page on the Parliament's website to provide more information about the role, and implementing a candidate capability assessment to promote a competitive and merit-based recruitment process. **272**

Acronyms

ABS	Australian Bureau of Statistics
ACCO	Aboriginal Community Controlled Organisation
AEMO	Australian Energy Market Operator
AGPC	Australia Grand Prix Corporation
AMA	Australian Medical Association
AV	Ambulance Victoria
CAC	Capital asset charge
CAV	Consumer Affairs Victoria
CBD	Central business district
CEO	Chief Executive Officer
CHMP	Cultural Heritage Management Plan
CISO	Chief Information Security Officer
CIV	Capital improved value
CO2-e	Carbon dioxide equivalent
CPI	Consumer price index
CQV	COVID-19 Quarantine Victoria
CSV	Court Services Victoria
CV	Corrections Victoria
DBI	Domestic building insurance
DE	Department of Education
DEECA	Department of Energy, Environment and Climate Action
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DFFH	Department of Families, Fairness and Housing
DFP	Development Facilitation Program
DGS	Department of Government Services
DH	Department of Health
DI	Disability Inclusion
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DJSIR	Department of Jobs, Skills, Industry and Regions
DMARC	Domain-based Message Authentication, Reporting and Conformance
DoT	Department of Transport

DPC	Department of Premier and Cabinet
DPS	Department of Parliamentary Services
DSCV	Dispute Settlement Centre of Victoria
DTF	Department of Treasury of Finance
DTP	Department of Transport and Planning
DV	Development Victoria
ED	Emergency department
EO	Electorate officer
ESOs	Emergency services organisations
ESSS DB	Emergency Services Superannuation Scheme Defined Benefit
ESTA	Emergency Services Telecommunications Authority
F1	Formula One
FCAV	Foster Care Association of Victoria
FFG Act	*Flora and Fauna Guarantee Act*
FPO	Financial and performance outcomes
FRV	Fire Rescue Victoria
FSV	Family Safety Victoria
FTE	Full-time equivalent
GEO	GEO Healthcare
GGS	General government sector
GII	Government infrastructure investment
GP	General practitioner
GSP	Gross state product
HR	Human resources
HV	Homes Victoria
IBAC	Independent Broad-based Anti-corruption Commission
IGEM	Inspector-General of Emergency Management
IIP	Infrastructure Investment Program
ITE	Initial teacher education
km	Kilometre
LSIC	Legal and Social Issues Committee
MBCP	Men's Behaviour Change Program
MoG	Machinery of government
MP	Member of Parliament
mRNA	Messenger RNA
Mt	Million tonnes
NDIS	National Disability Insurance Scheme

NEIC	National Employment and Innovation Cluster
NFP	Non-financial public
PAEC	Public Accounts and Estimates Committee
PDH	Porter Davis Homes
PDSI	Prison disability support initiative
PFC	Public financial corporation
PNFC	Public non-financial corporation
PPCC	Priority Primary Care Centres
PPE	Personal protective equipment
PPP	Public private partnership
PROP	Post Release Opportunities Program
PROV	Public Record Office Victoria
PSB	Power saving bonus
PSC	Private sector comparator
PSD	Program for Students with Disabilities
PSDI	Prisoner Disability Support Initiative
PSP	Precinct structure plans
PV	Photovoltaic
RAP	Registered Aboriginal Party
RAT	Rapid antigen test
RMF	Resource Management Framework
SDP	Single Digital Presence
SOC	Security Operations Centre
SoE	State of the Environment report
SRO	State Revenue Office
SSF	State Super Funds
TA	Treasurer's Advance
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TCV	Treasury Corporation of Victoria
TEI	Total estimated investment
WoVG	Whole of Victorian Government
VAGO	Victorian Auditor-General's Office
VCAT	Victorian Civil and Administrative Tribunal
VEC	Victorian Energy Compare
VEFU	Victorian Economic and Fiscal Update
VET	Vocational education and training

VGAAR	Victorian Government's Aboriginal Affairs Report
VHR	Victorian Housing Register
VIT	Victorian Institute of Teaching
VMIA	Victorian Managed Insurance Authority
VO	Victorian Ombudsman
VPP	Victorian Planning Provisions
VPS	Victorian Public Service
VSBA	Victorian Schools Building Authority
ZLEV	Zero and low emissions vehicle

Chapter 1
Introduction

1.1 Background

On behalf of the Parliament, the Committee's Inquiry into the financial and performance outcomes (FPO) assesses how effective and efficient the public sector was in delivering the initiatives and infrastructure investments outlined in the Budget. In the case of this report, the two financial years 2021–22 and 2022–23 are scrutinised due to the timing of the State election in November 2022. The FPO inquiry complements the Committee's scrutiny of the budget estimates by assessing what the Government achieved, compared to what it intended to achieve.

This report sets out the Committee's analysis, findings and recommendations regarding the Government's financial and performance outcomes for 2021–22 and 2022–23. Over the two financial years general government sector (GGS) total expenses were $190.4 billion.

1.2 Objectives

The aim of the Committee's inquiry into the 2021–22 and 2022–23 financial and performance outcomes is to benefit the Parliament and the community by:

- promoting accountability of Victorian Government departments and agencies
- improving the transparency and clarity in the reporting of public sector performance
- clarifying the challenges and key issues managed by departments and agencies, and how well they were managed
- providing more meaningful information about the outcomes delivered by the public sector in 2021–22 and 2022–23, how outcomes compared to internal targets and how government activity and expenditure benefited the Victorian community.

1.3 The inquiry process

To assist the Committee with their deliberations, as part of this inquiry a questionnaire was sent to all departments and their agencies, Court Services Victoria (CSV) and the Parliament of Victoria prior to the start of the public hearings. The questionnaire was sent on 3 October 2023 with responses due by 10 November 2023, and included questions covering 2021–22 and 2022–23. Topics in the questionnaire included:

- programs that delivered the most important outcomes in the community, and programs that did not deliver their intended outcomes

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- utilisation of Treasurer's Advances and why Advances were required
- cost, completion and scope changes to capital projects
- explanations for any variances in revenue and expenses compared to the Budgets and the previous years.

New questions that formed part of the questionnaire included:

- for all departments: questions on funding received from central contingency, climate change responses and the impact of unforeseen events on financial performance
- for the Department of Families, Fairness and Housing (DFFH): additional questions on the National Disability Insurance Scheme and disability services provided by the department
- for the Department of Treasury and Finance (DTF): an additional question about the revenue received from the Mental Health and Wellbeing levy and a new question about interest expense.

The Committee held public hearings from 20 to 24 November 2023, with the Secretaries of all departments, the Chief Executive Officer of CSV and the Clerks of the Legislative Assembly and Council appearing. In preparing this report, the Committee primarily used evidence presented at the public hearings, annual reports, information provided by departments in the questionnaires and responses provided to questions taken on notice. Information gathered during the inquiry is published on the Committee's website.[1]

Under the *Financial Management Act 1994* (Vic), Victorian Government departments and public bodies have annual reporting obligations.[2] Annual reports prepared by departments and public bodies must be tabled in Parliament before 31 October each year and include financial statements audited by the Victoria Auditor-General's Office, and a report of operations.[3] Annual reports are a key accountability mechanism as they provide data and analysis to the Parliament and community on whether departments have met their annual and medium-term goals and objectives, and internal targets for performance.

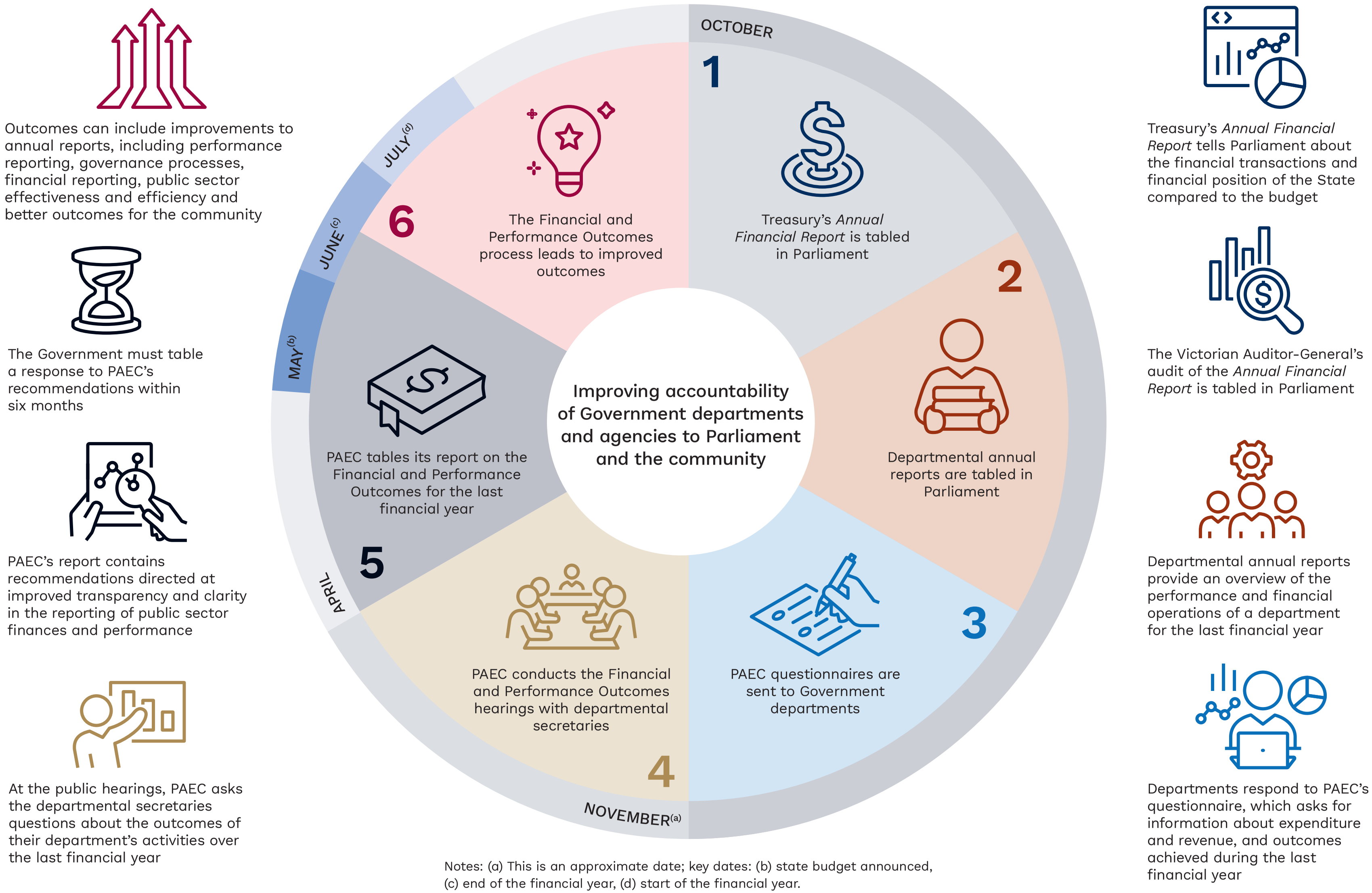
The FPO inquiry process is illustrated in Figure 1.1.

1 Public Accounts and Estimates Committee, *Inquiry into the 2021–22 and 2022–23 Financial and Performance Outcomes,* 2024, <https://www.parliament.vic.gov.au/get-involved/inquiries/inquiry-into-the-2021-22-and-2022-23-financial-and-performance-outcomes> accessed 20 February 2024.

2 Department of Treasury and Finance, *The Resource Management Framework Part 1 of 2 – Main document – effective 1 July 2023,* Melbourne, December 2023, p. 7.

3 Department of Treasury and Finance, *2022–23 Model Report for Victorian Government Departments,* Melbourne, April 2023, p. 4.

Figure 1.1 Public Accounts and Estimates Committe FPO inquiry process



Notes: (a) This is an approximate date; key dates: (b) state budget announced, (c) end of the financial year, (d) start of the financial year.

Source: Public Accounts and Estimates Committee

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1.4 Key findings of this report

While the COVID-19 pandemic continued to have an impact on the State's financial performance in 2021–22 and made forecasting economic conditions difficult, the Victorian economy began to recover by the end of 2022–23. Key economic indicators such as population growth, employment and unemployment showed strong recovery from the impacts of the pandemic and associated Government interventions. However, in line with international economic conditions Victoria experienced high inflation and increased prices for certain consumer goods and household utility bills in 2022–23.

In 2021–22 the Victorian Government committed to a four-step fiscal strategy with a view to returning to a budget surplus after recent deficits, resulting from the Government's COVID-19 response. Across 2021–22 and 2022–23 positive progress was made in relation to the fiscal strategy, however progress toward stabilising debt levels is unclear, as there is no numerical indicator associated with such stabilisation.

In 2021–22 GGS expenses were $96.8 billion, while revenue was $83 billion.[4] The net result from transactions was a deficit of $13.8 billion. In 2022–23, expenses totalled $93.6 billion, while revenue was $84.7 billion.[5] The net result from transactions was an $8.8 billion deficit. While higher expenditure in 2021–22 was driven by the Government's COVID-19 response, the Committee notes that expenses declined only marginally in 2022–23, even though the Government was no longer confronting the acute stage of the pandemic.

In 2021–22 $15.1 billion was provided in Treasurer's Advance (TA) funding, of which 66.1% was attributable to the COVID-19 response.[6] In 2022–23, $12.2 billion in TA funding was provided to departments, a marginal reduction from the previous year. During 2022–23, the Government used some of the TA funding to respond to the Victorian flood event in October 2022.[7] The Committee has found that further information provided on TAs, including why they are allocated for certain initiatives and how they conform to the requirement of being urgent and unforeseen, would result in better transparency for the Parliament and the Victorian community. The Committee has made recommendations to that effect.

In 2021–22 all departments, CSV and Parliament on average achieved or exceeded approximately 62% of the performance measures published in their annual reports.[8] In 2022–23, the approximate result was a marginal improvement of 65% of published measures achieved or exceeded.[9] Both years were an improvement on the 2020–21

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4 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 8 (Committee calculation).

5 Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 8 (Committee calculation).

6 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 147–151 (Committee calculation).

7 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 161–167 (Committee calculation).

8 All departments, Court Services Victoria and Department of Parliamentary Services, *Annual Reports 2021–22,* 2022, Melbourne (Committee calculation).

9 All departments, Court Services Victoria and Department of Parliamentary Services, *Annual Reports 2022–23,* 2023, Melbourne (Committee calculation).

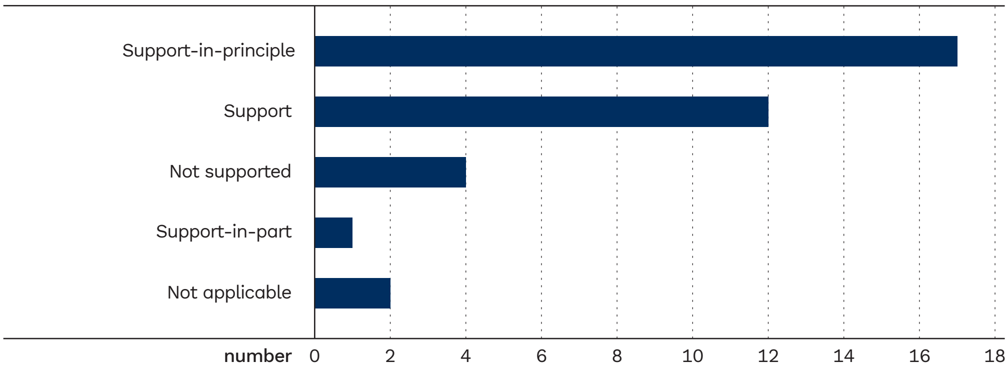
result, during which 59% of measures were not met on average.[10] In 2021–22 and 2022–23 the lowest performing department or entity was CSV, achieving 26% and 41% of its measures respectively.[11] Many measures were not met in 2021–22 and 2022–23 due to the impact of the COVID-19 pandemic on Victoria's court system.

In this report the Committee has made 56 recommendations. Two recommendations relate to clarifying and enhancing reporting on TAs. A number of recommendations ask departments to undertake and publish full evaluations of specific programs or initiatives to enhance understanding of whether an initiative is reaching its aims. A number of recommendations are also made regarding improving public reporting on programs and initiatives through reviewing and adding new performance measures and objective indicators. Further recommendations address Public Private Partnerships (PPP), directed towards more comprehensive reporting on the benefits of PPPs both when the procurement method and tender is selected, through to the continued operation of the PPP once the infrastructure is completed.

1.5 The Government's response to the Committee's recommendations

In April 2022 the Committee made 36 recommendations in its *Report on the 2020–21 Financial and Performance Outcomes.*[12] Of the 36 recommendations, most were supported or supported-in-principle. Two recommendations were addressed by the Parliament of Victoria separate to the Government response.[13] A summary is shown in Figure 1.2.

Figure 1.2 Government response to recommendations made in the *Report on the 2020–21 Financial and Performance Outcomes*



Source: Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, 21 September 2022.

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10 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2020–21 Financial and Performance Outcomes*, April 2022, p. 4.

11 Court Services Victoria, *Annual Report 2021–22,* Melbourne, 2022, pp. 29–33; Court Services Victoria, *Annual Report 2022–23,* Melbourne, 2023, pp. 33–37 (Committee calculation).

12 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2020–21 Financial and Performance Outcomes*, pp. xxiii—xiv.

13 Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, 21 September 2022.

Below the Committee analyses the Government's response to three pertinent recommendations from its *Report on the 2020–21 Financial and Performance Outcomes*.

1.5.1 Recommendation 13

The Committee recommended the Department of Education and Training—now the Department of Education (DE)—develop 'performance measures related to its mental health and wellbeing programs, including the *Mental health practitioners in secondary schools* and the *Mental health in primary schools* programs'.[14] DE introduced the new performance measure, 'Number of school campuses supported by the Mental Health in Primary Schools program' in the 2023–24 Budget.[15] However, DE has not yet developed new performance measures related to the *Mental health practitioners in secondary schools* initiative, despite the program receiving additional funding in the 2022–23 Budget.[16]

The Committee notes that DE undertook a comprehensive review of its performance measures for inclusion in the 2023–24 Budget and added 42 new performance measures.[17] In its *Report on the 2023–24 Budget Estimates,* the Committee found issues with DE's new performance measure, 'Number of school campuses supported by the Mental Health in Primary Schools program'.[18] The 2023–24 Budget also included the measure 'Number of schools supported by the Schools Mental Health Fund'.[19] It is important DE continue to develop new performance measures relating to new mental health and wellbeing programs—including the existing *Mental health practitioners in secondary schools*—however, the Committee reiterates that such measures should report on access to, demand for and the quality of these programs, rather than just the quantity.

FINDING 1: The Committee has previously recommended that the Department of Education develop performance measures to report on access, demand and quality of mental health and wellbeing programs. In the 2023–24 Budget, two such measures were included that reported on the number of schools supported by various mental health programs.

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14 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2020–21 Financial and Performance Outcomes*, p. 79.

15 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* Melbourne, 2023, p. 134.

16 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2022–23 Budget Estimates,* August 2022, p. 57.

17 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2023–24 Budget Estimates,* October 2023, pp. 63–66.

18 Ibid., p. 65.

19 Ibid., p. 135.

RECOMMENDATION 1: The Department of Education continue to develop new performance measures that report on access, demand and quality of mental health and wellbeing programs, including the *Mental health practitioners in secondary schools* initiative.

1.5.2 Recommendation 16

The Committee made a recommendation to the Department of Transport (DoT)—now the Department of Transport and Planning (DTP)—to 'develop quantity and timeliness performance measures to monitor the progress of the *Next Generation Trams* capital program'.[20] The Government supported this recommendation in-principle, but noted the performance of capital projects is reported on in the budget papers and DoT's website. The Government also stated the Office of Projects Victoria publishes the status of major infrastructure projects on its website.[21]

DTP has not developed new performance measures that report on the *Next Generation Trams* project. However, DTP introduced new quantity performance measures in the 2023–24 Budget that report on the number of new metropolitan and regional trains added to the network in response to another recommendation by the Committee.[22] It is therefore appropriate that DTP also introduce a performance measure that reports on the number of new trams added to the network. This will allow for a better understanding of the outcomes of the *Next Generation Trams* project, and any other projects DTP undertakes to add trams to the transport network.

RECOMMENDATION 2: The Department of Transport and Planning introduce a new quantity performance measure that reports on the number of new trams added to the network.

1.5.3 Recommendation 34

The Committee recommended that DTF publish 'the actual number of community housing dwellings delivered through the Social Housing Growth Fund' in future annual reports.[23] This was not supported by the Government given the addition of a new performance measure—'Social Housing dwellings committed by the Social Housing Growth Fund Grants Program'—in the 2022–23 Budget (actual result of 980 against

20 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes*, p. 97.

21 Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, p. 7.

22 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* pp. 320–321.

23 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes*, p. 185.

a target of 500 in 2022–23).[24] The Government's response to the Committee advised the total number of community housing dwellings at the end of each year is published in the Victorian Housing Registrar's Annual Report.[25]

Neither the performance measure nor the Victorian Housing Registrar's Annual Report monitor the number of new dwellings delivered annually by the *Social Housing Growth Fund.* DFFH's Annual Report 2021–22 indicates construction had begun on over 1,500 dwellings with 36 'already providing housing where it is needed' as part of the fund.[26] However, DFFH's Annual Report 2022–23 did not provide an update on the number of dwellings currently under construction or the number that have been completed as part of the *Social Housing Growth Fund*.[27]

RECOMMENDATION 3: The Department of Families, Fairness and Housing report consistently in future annual reports on the number of social housing dwellings under construction and delivered each financial year as part of the *Social Housing Growth Fund*.

1.6 Report structure

This report presents the findings and recommendations of the Committee as a result of its Inquiry into the 2021–22 and 2022–23 Financial and Performance Outcomes. The report comprises 14 chapters, including this introductory chapter.

Chapter two considers the economic performance of Victoria in 2021–22 and 2022–23, comparing the State's economic outcomes over the two years compared with the initial budgetary forecasts.

Chapters three to 14 scrutinise the financial and performance outcomes by department or entity in descending size of budget allocation. Each chapter includes an overview of the department or entity, information about performance as compared to the performance measures published in annual reports, and a financial and capital spend analysis (where relevant). Key issues identified during the Committee's inquiry are examined for each department or entity.

24 Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, p. 16; Department of Treasury and Finance, *Annual Report 2022–23*, Melbourne, 2023, p. 22.

25 Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, p. 16.

26 Department of Families, Fairness and Housing, *Annual Report 2021–22*, Melbourne, 2022, p. 42.

27 Department of Families, Fairness and Housing, *Annual Report 2022–23*, Melbourne, 2023, p. 44.

Chapter 2
Whole of Government

2.1 Overview

The chapter examines the economic performance of Victoria in 2021–22 and 2022–23. The State's economic outcomes over the two years are compared with the initial budgetary forecasts.

The impact of the State's economic performance on the financial outcomes for 2021–22 and 2022–23 are discussed across the State of Victoria's three financial sectors. These are:

- the general government sector (GGS), comprising all government departments, statutory authorities and other agencies
- the public non-financial corporation (PNFC) sector, which is comprised of entities that are largely funded by user fees and charges including water supply companies, housing and transport organisations
- the public financial corporation (PFC) sector, comprising government entities that provide financial services to other government entities such as the Victorian Funds Management Corporation, Treasury Corporation of Victoria (TCV) and the Victorian Managed Insurance Authority (VMIA).[1]

1 Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 17.

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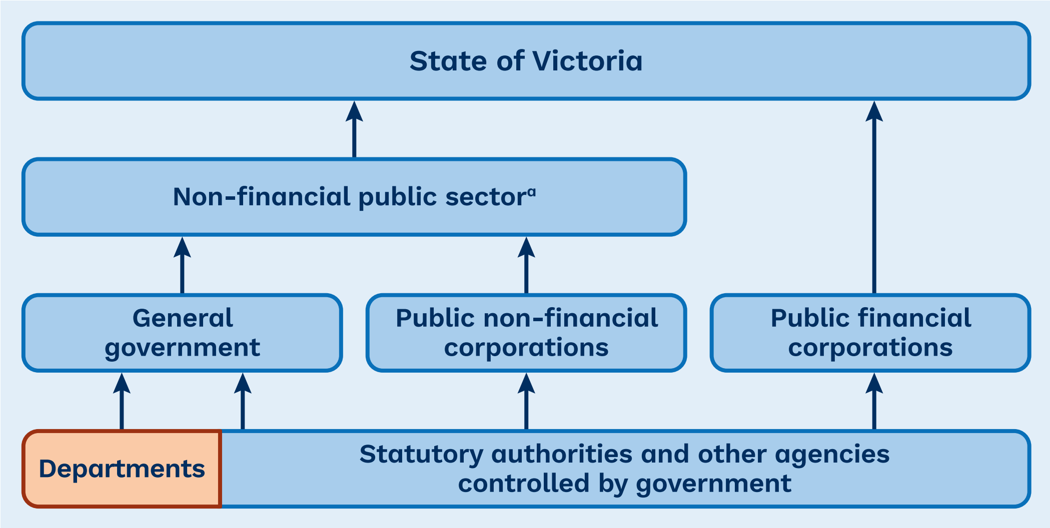
Figure 2.1 The State of Victoria's financial sectors



a. The non-financial public (NFP) sector represents the consolidation of the general government and PNFC sectors. Financial outcomes for the NFP sector are not examined in this inquiry.

Source: Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 32.

The analysis of the financial outcomes includes comparing the actual results with the original and revised budget estimates for the revenue, expenses, net result for transactions and net debt position of the three sectors over 2021–22 and 2022–23.

The chapter also contains a discussion of the status of the Government's fiscal strategy, Victoria's debt position, credit rating, superannuation liability and the use of Treasurer's Advances (TAs) to fund unforeseen or unexpected events.

2.2 2021–22 and 2022–23 overview

This timeline demonstrates a series of major state, national and international events that impacted the State's economic outlook and performance, as well as Victoria's budget planning and financial position.

Figure 2.2 Timeline showing key events in Victoria and significant international and federal events, May 2021 to April 2023

May 2021

11 May 2021 | World Health Organisation designates the Delta variant of COVID-19 a variant of concern.

20 May 2021 | 2021–22 Budget handed down.

July 2021

15 July 2021 | Delta variant emerges and lockdown announced. COVID-19 restrictions in place including compulsory mask wearing, stay at home orders still in place (leave only for food, work, caregiving, exercise, education or getting vaccinated), Home learning for most school students. Applies to Melbourne. Regional Victoria not under lockdown.

September 2021

Lockdown restrictions expected remain in place to 23 September 2021.

Some regional centres go into lockdown due to outbreaks, including:
- Ballarat—15 September for 7-day lockdown
- Geelong, Surf Coast and Mitchell Shires—19 September for 7-day lockdown.

October 2021

22 October 2021 | COVID-19 lockdown restrictions lifted in Victoria as target of 70% of population double vaccinated is reached.

29 October 2021 | More restrictions lifted as Victoria reaches 80% of population double vaccinated.

November 2021

18 November 2021 | Further restrictions lifted including density limits in homes and restaurants.

26 November 2021 | World Health Organisation designates the Omicron variant of COVID-19 a variant of concern.

30 November 2021 | Quarantine arrangements bolstered in response to new Omicron strain of the Coronavirus.

December 2021

10 December 2021 | 2021–22 Budget Update delivered.

31 December 2021 | Victorian Government closes border with NSW in response to increasing COVID-19 numbers. New Years Eve celebrations restricted.

January 2022

7 January 2022 | Rapid antigen test (RAT) reporting system introduced in Victoria.

16 January 2022 | First Bulk order of RAT tests by Victorian Government arrives.

24 January 2022 | Supermarkets experiencing workforce shortages.

February 2022

16 February 2022 | Victorian Government announces agreement with 'Commonwealth Games Federation and Commonwealth Games Australia to enter exclusive negotiations to bring the 2026 Commonwealth Games to the state'.

24 February 2022 | Russia invades Ukraine.

April 2022

12 April 2022 | Victorian Government announces regional Victoria to host Commonwealth Games.

May 2022

3 May 2022 | 2022–23 Budget delivered.

21 May 2022 | Federal election held.

June 2022

25 June 2022 | Major ministerial reshuffle announced.

October 2022

12 October 2022 | Pandemic declaration for Victoria ended.

15 October 2022 | Major flood events in Victoria. Areas affected include Rochester (Campaspe River) and Footscray (Maribyrnong River).

November 2022

10 November 2022 | Pre-election Budget Update released.

26 November 2022 | Victorian election held and Andrews Government returned.

December 2022

5 December 2022 | New cabinet announced.

March 2023

Porter Davis Building company goes into liquidation.

April 2023

20 April 2023 | Victorian Government announces Porter Davis domestic building insurance (DBI) compensation scheme via Victorian Managed Insurance Authority (VMIA).

The anticipated impact of the Omicron variant in late 2021, for example, saw the Department of Treasury and Finance (DTF) recast the 2021–22 mid-year budget estimates for line items such as grants and grant expenses in anticipation of higher Commonwealth grants to fund the health services response (purchasing of personal protective equipment (PPE) and rapid antigen tests (RATs)) and business support.[2] The initial impacts regarding the Omicron variant were not realised, however, and the actual budget outcomes for 2021–22 showed some distinct differences between original estimates and budget update figures made earlier in the year.[3]

Notable differences between original budget estimates, mid-year revisions and end of financial year actual results are discussed where relevant in the following sections on the outcomes over 2021–22 and 2022–23 for the state economy, the financial outcomes of the three sectors comprising the State of Victoria, together with the impact of external factors such as the COVID-19 pandemic and the major Victorian flood events in October 2022.

2.3 Victorian economic performance

While the presence of the Delta and Omicron strains of the COVID-19 virus throughout 2021–22 made forecasting economic conditions difficult, by the end of 2022–23 key indicators such as the number of people employed, the unemployment rate and population growth showed a strong recovery from the immediate and wide impacts of the pandemic.[4] In line with national and international economic conditions, Victoria experienced high inflation over 2022–23 reflecting ongoing challenges with local and international supply chains post-COVID-19 and the impact of Russia's invasion of Ukraine.[5] At the local level, increases in prices of household utility bills and certain consumer goods (such as groceries and petrol), together with increasing borrowing costs for mortgage holders reflecting cash rate rises made by the Reserve Bank of Australia throughout 2022–23, demonstrate continuing cost of living pressures on households.[6]

Overall, however, as the Secretary of DTF noted to the Committee at the public hearings, while the economy 'faces new challenges … it is worth making the point that the Victorian economy has recovered very well from what was the biggest economic shock since the Great Depression'.[7]

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2 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 2, 10.

3 See 'other operating expenses'. Source: Ibid., p. 8.

4 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023-24 Budget Update*, 18 December 2023 <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 2 January 2024; Australian Bureau of Statistics, *National, state and territory population, June 2023*, 14 December 2023, <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release#states-and-territories> accessed 3 January 2024.

5 Department of Treasury and Finance, *2021–22 Financial Report*, p. 2.

6 Australian Bureau of Statistics, *Monthly Consumer Price Index Indicator*, released 10 January 2024, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/nov-2023> accessed 15 January 2023; Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 and 2022-23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence*, p. 37.

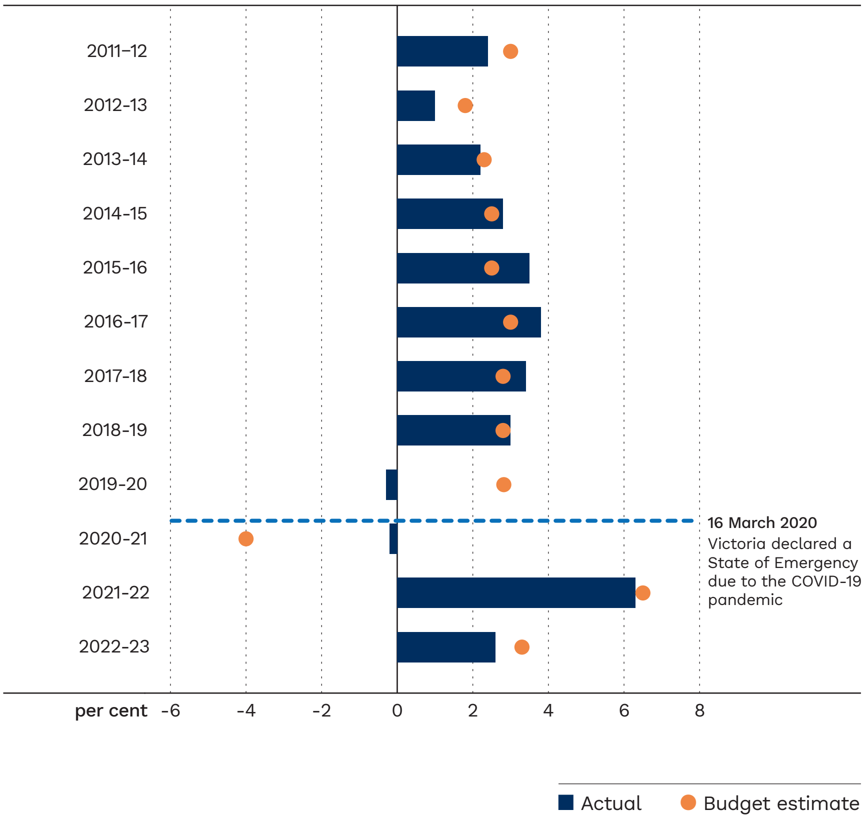
7 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 2.

2

2.3.1 Gross state product

Victoria's real gross state product (GSP) increased over 2021–22 (6.3%) and 2022–23 (2.6%).[8] While the positive growth rates for both financial years signalled a rebounding economy after the impact of the COVID-19 pandemic during 2019–20 and 2020–21 when Victoria experienced negative real GSP growth, both actual results for 2021–22 and 2022–23 were less than the original budget forecasts.[9]

Figure 2.3 Annual Victorian real gross state product (GSP) growth, 2011–12 to 2022–23



Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*, 18 December 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 2 January 2024; Hon Daniel Andrews MP, *State Of Emergency Declared In Victoria Over COVID-19*, media release, Melbourne, 16 March 2020.

In terms of the sectors contributing to Victoria's economic growth for 2022–23, services industries that were impacted by COVID-19 experienced the greatest year on year growth, with the value of accommodation and food services increasing by 29.5% and arts and recreation services increasing by 11%. Transport, postal and warehousing grew

8 Real GSP measures the total market value of the State's goods and services using constant price estimates, removing the impact of inflation on prices. Source: Parliament of Australia, Parliamentary Library, *Gross domestic product*, n.d., <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/MSB/feature/FeatureGDP> accessed 18 January 2024; Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*.

9 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update.*

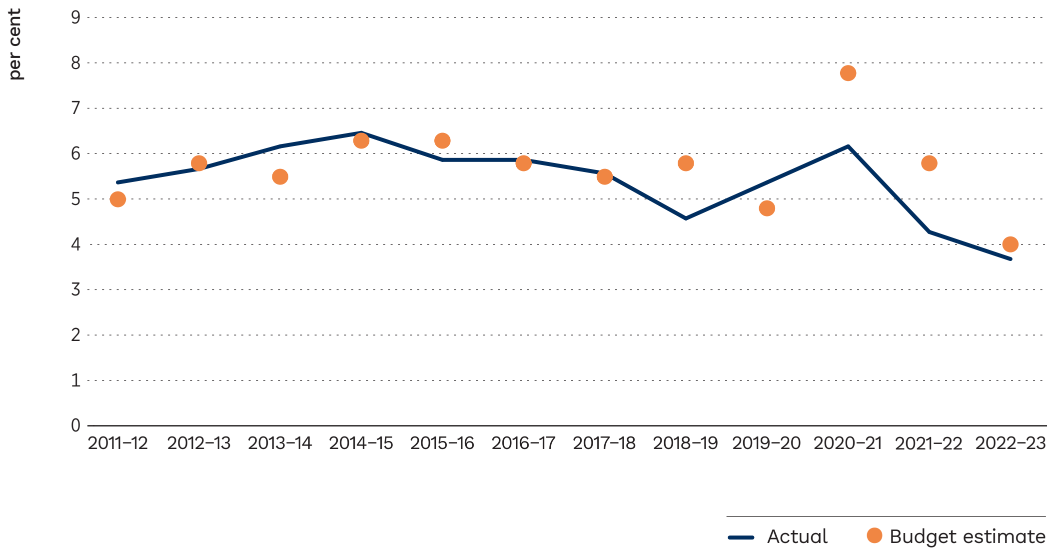
by 13.6%, reflecting the renewed take up of international travel as border restrictions were eased.[10]

FINDING 2: Victorian real gross state product (GSP) increased by 6.3% in 2021–22, after two years of negative GSP growth due to the impact of the COVID-19 pandemic. In 2022–23, real GSP growth was 2.6% and was driven by increases in activity in industries that had been impacted by COVID-19 related lockdowns such as accommodation and food services and transport, postal and warehousing.

2.3.2 Labour market and employment outcomes

In 2021–22 Victoria's unemployment rate was 4.3%, falling to 3.7% for 2022–23.[11] The number of people employed in Victoria also grew by 3.9% in 2021–22 and 4% in 2022–23 to reach to 3,564,000.[12] This reflects an improving labour market after the COVID pandemic.

Figure 2.4 Victorian unemployment rate, 2011–12 to 2022–23



Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023-24 Budget Update*, 18 December 2023 <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 2 January 2024.

The Secretary of DTF explained the increase in the unemployment rate at the height of the pandemic in 2020–21 was:

> nowhere near as much as we thought. We were all, as treasuries around the country, including the Commonwealth Treasury, forecasting unemployment was going to peak at probably 10 or 11 per cent.[13]

10 Australian Bureau of Statistics, *Australian National Accounts: State Accounts*, 21 November 2023, <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#victoria> accessed 2 January 2024.

11 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*.

12 Ibid.

13 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 19.

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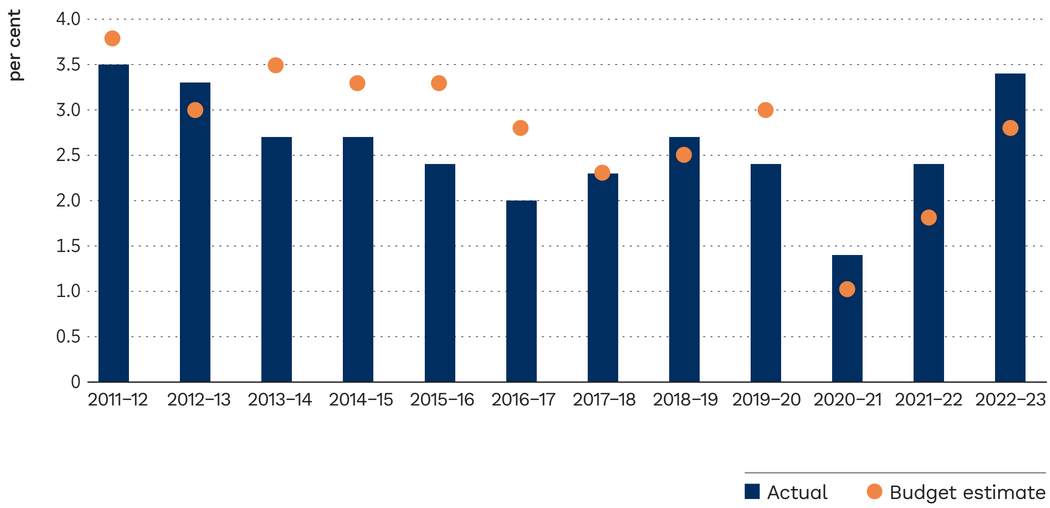
FINDING 3: Victoria's unemployment rates for 2021–22 (4.3%) and 2022–23 (3.7%) were less than the original Budget estimates made by the Department of Treasury and Finance (DTF). The COVID-19 pandemic did not impact the unemployment rate as much as DTF predicted at the height of the COVID-19 emergency, when it was thought it would peak at 10 or 11%.

2.3.3 Wage price index

In 2021–22 wages in Victoria increased by 2.4%, continuing to increase in 2022–23 by 3.4%, which was the highest annual growth rate in over ten years.[14] In addition to the strong labour market conditions over 2021–22 and 2022–23, the higher-than-expected result also reflects the larger than usual minimum wage increase decision made by the Fair Work Commission in June 2022.[15]

Figure 2.5 Victorian annual wage price index change, 2011–12 to 2022–23



Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*, 18 December 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 3 January 2024.

2.3.4 Consumer price index

The consumer price index (CPI) is used as a measure to demonstrate the impact of inflation, which DTF noted was 'a key challenge' to the Victorian economy.[16]

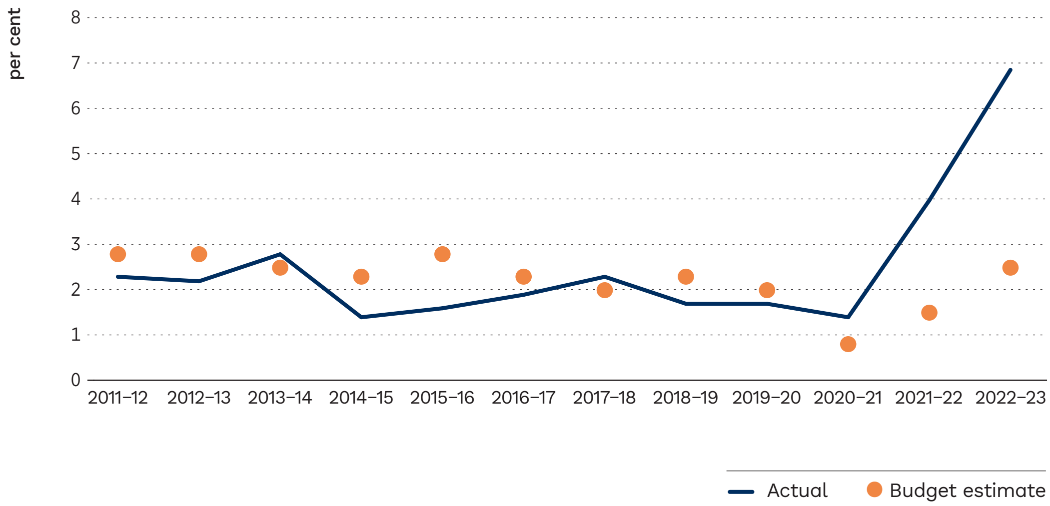
14 Department of Treasury and Finance, *2021–22 Financial Report*, p. 2; Department of Treasury and Finance, *2022–23 Financial Report*, p. 2.

15 Department of Treasury and Finance, *2022–23 Financial Report*, p. 2; Fair Work Ombudsman, *Minimum wage increases today*, media release, Canberra, 1 July 2022.

16 Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 and 2022–23 Financial and Performance Outcomes hearing presentation, supplementary evidence received Monday 20 November 2023, p. 7.

The original Budget CPI forecasts for 2021–22 and 2022–23 were well below the actual results. DTF explained that while the initial high prices growth was a result of supply chain disruptions due to the COVID-19 pandemic, this was compounded by international pressures brought on by Russia's invasion of Ukraine.[17]

Figure 2.6 Annual consumer price index (CPI) change, Melbourne,[a] 2011–12 to 2022–23



a. CPI figures are only collected at the national and capital city level. As a result, DTF uses the Melbourne CPI figure as a proxy for Victoria.

Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*, 18 December 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 3 January 2024.

Goods and services that contributed to inflation included petrol, fruit and vegetables and new dwelling purchases by owner-occupiers over 2021–22, with prices for these items starting to fall over 2022–23. Items that placed upward pressure on inflation over 2022–23 included electricity and gas, insurance, dairy products, bread and other cereal items and rents.[18]

The Committee asked DTF whether the Government plans or has received advice on introducing price regulation policies on essential items, such as groceries, or to set price ceiling targets to curb excessive increases.[19] The Committee was informed the department is 'not supportive of price caps and controls'.[20] The Commonwealth Government subsequently announced an independent review into the food and grocery code of conduct to take place over 2024.[21]

17 Department of Treasury and Finance, *2022–23 Financial Report*, p. 2.

18 Australian Bureau of Statistics, *Monthly Consumer Price Index Indicator*, 10 January 2024, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/nov-2023> accessed 15 January 2023.

19 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence*, p. 34.

20 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 34.

21 Commonwealth Government, Treasury, *Food and Grocery Code of Conduct Review 2023–24 – Terms of reference*, 2023, <https://treasury.gov.au/review/food-and-grocery-code-of-conduct-review-2023/terms-of-reference> accessed 15 January 2023.

The Committee was told that while 'the Commonwealth Government has a lot more levers with respect to cost-of-living measures than state and territory governments have' the most effective measure the State Government can take is to inject less money into the Victorian economy, which reduces aggregate demand and places downward pressure on inflation.[22] An example was given of the falling level (in nominal terms) of the Government's infrastructure investment (GII), which is estimated to decline from $22.4 billion in 2023–24 to $16.9 billion at the end of the current forward estimates period in 2026–27.[23] This is considered 'a reasonably significant percentage reduction over the next four years' and 'is less money being injected into the Victorian economy over the next four years from the government, and that is probably the only way that governments at the state and territory level can tackle inflation'.[24]

FINDING 4: The original Budget forecasts for the consumer price index (CPI) for 2021–22 (1.5%) and 2022–23 (2.5%) were well below the actual results of 4% and 6.9% respectively. The CPI results reflected high prices growth from supply chain disruptions due to the COVID-19 pandemic, followed by international pressures brought on by Russia's invasion of Ukraine.

FINDING 5: While price increases on grocery items such as fruit and vegetables, bread and dairy products contributed to inflation over 2021–22 and 2022–23, the Commonwealth is the relevant level of government to introduce and implement effective cost-of-living relief measures. As a result of this the Victorian Government does not plan on introducing price regulation policies on essential items, such as groceries, or to set price ceiling targets to curb excessive increases.

2.3.5 Population

Victoria experienced high levels of population growth in the years leading up to the pandemic. With the closure of international borders over 2020 and 2021 and an increase in outward state migration, particularly to Queensland, Victoria's population decreased by 1% in 2020–21.[25] Population growth returned in 2021–22 (1.3%) and the reintroduction of Australia's overseas migration programs from late 2021 saw Victoria's population increase by 181,100 people over the year to 2022–23 to reach 6,812,500, a growth rate of 2.7%.[26]

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22 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 34.

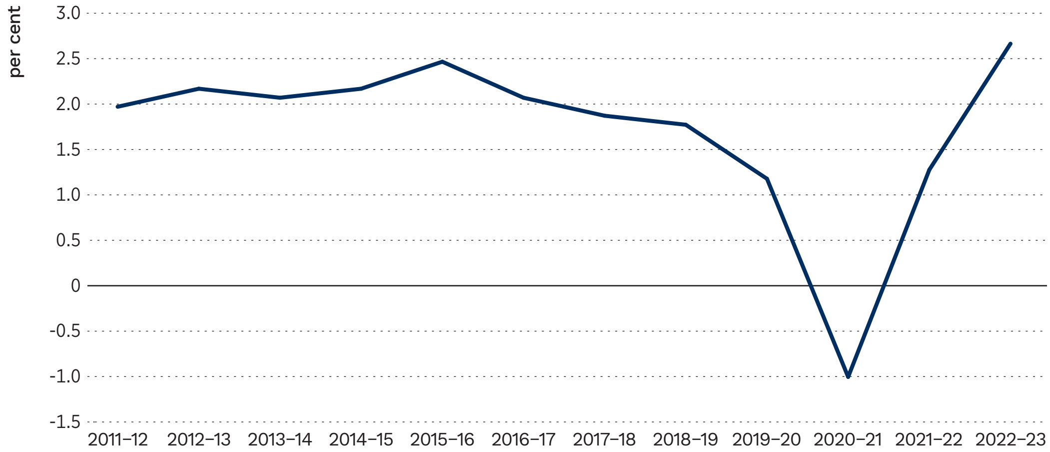
23 Department of Treasury and Finance, *Budget Paper No. 2: 2023–24 Strategy and Outlook,* Melbourne, 2022, p. 5; Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 34.

24 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 34.

25 Department of Treasury and Finance: *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*; Australian Bureau of Statistics, *Regional internal migration estimates, provisional*, 3 August 2021, <https://www.abs.gov.au/statistics/people/population/regional-internal-migration-estimates-provisional/mar-2021#victoria> accessed 18 January 2024.

26 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*; Australian Bureau of Statistics, *National, state and territory population, June 2023*, 14 December 2023, <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release#states-and-territories> accessed 3 January 2024.

Figure 2.7 Victorian population change, 2011–12 to 2022–23



Source: Australian Bureau of Statistics, *National, state and territory population, June 2023*, 14 December 2023, <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/latest-release#states-and-territories> accessed 3 January 2024.

FINDING 6: After experiencing negative population growth during the COVID-19 pandemic in 2020–21, Victoria experienced positive population growth in 2021–22 and experienced population growth above pre-pandemic levels in 2022–23, when the State's population increased by 181,100 people.

2.4 Fiscal strategy

In 2021–22 the Government committed to a four-step fiscal strategy to be implemented over the medium term, with a view to returning the Budget to surplus after recent deficits that were a result of the Government's COVID-19 response. These deficits reflect 'the combined impact of lower revenue and increases in critical expenditure to support the State's health and economic recovery effort'.[27]

DTF nominated 'global economic uncertainty due to COVID-19' as the greatest challenge it faced in 2021–22 when providing 'detailed analysis and advice to the Government on the four-step fiscal strategy and presenting opportunities to ensure progress towards these goals'.[28] For 2022–23, the global economic environment featuring 'high inflation, increased cost of living pressures and the rising input costs of businesses' was nominated as the department's greatest challenge.[29]

Improving results across the two financial years show the labour market recovered positively after the COVID-19 pandemic lockdowns and border closures of 2020–21.[30] The economy began to recover in 2021–22 after the previous year's negative GSP

27 Department of Treasury and Finance, *Budget Paper No. 2: 2021–22 Strategy and Outlook,* Melbourne, 2021, p. 4.

28 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 16 November 2023, p. 133.

29 Ibid., p. 134.

30 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*.

growth, with state final demand bouncing back.[31] The 2022–23 outcomes for the economic growth indicators were not as pronounced as the previous year's but were nevertheless positive and in line with pre-pandemic year on year growth levels.[32]

The cash outcome, while still in deficit, was reduced over 2021–22 and 2022–23, as was the net result from transactions, both indicators used for the fiscal strategy's steps two and three—returning to an operating cash surplus and operating surpluses.[33]

The results for the strategy's final step—stabilising debt levels—show GGS net debt comprising 19.4% of GSP in 2021–22 and 20.3% in 2022–23. This amounted to a $15 billion or 15% year on year increase in net debt.[34]

The previous Committee noted in the *Report on the 2021–22 Budget Estimates* that the 'fourth step of the fiscal strategy does not provide a numerical indicator to define 'stabilisation' in net debt', and that a timeframe had not been provided in which to achieve the stabilisation.[35] The same point was made regarding step four of the fiscal strategy by the Auditor-General in his examination of the State's finances for 2022–23.[36]

Table 2.1 Fiscal strategy—status of Victorian Government's four-step plan, 2021–22 and 2022–23

Step	2021–22 outcome	2022–23 outcome
1. creating jobs, reducing unemployment and restoring economic growth	• Employment: 3.9% • Unemployment rate: 4.3% • Growth in real GSP: 6.3% • Growth in state final demand: 7.4%	• Employment: 4% • Unemployment rate: 3.7% • Growth in real GSP: 2.6% • Growth in state final demand: 8%
2. returning to an operating cash surplus	• Net cash flows from operating activities: -$8.9 billion	• Net cash flows from operating activities: $4.3 billion
3. returning to operating surpluses	• Net result from transactions: -$13.8 billion	• Net result from transactions: -$8.8 billion
4. stabilising debt levels	• $100 billion on 30 June 2022 representing 19.4% of GSP	• $115 billion on 30 June 2023 representing 20.3% of GSP

Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update*, 18 December 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators> accessed 2 January 2024; Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022. pp. 1, 6, 8; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 1, 6, 8.

The Committee believes it would be worthwhile for the Government to provide further details regarding step four of the fiscal strategy, so the Parliament can be assured the increase in debt accrued in response to the COVID-19 pandemic and its repayments

31 Ibid.; Department of Treasury and Finance, *2022–23 Financial Report*, p. 1.

32 Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data – 2023–24 Budget Update* (Committee calculation).

33 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 2, 8.

34 Ibid., p. 6 (Committee calculation).

35 Public Accounts and Estimates Committee, *Report on the 2021–22 Budget Estimates,* Melbourne, October 2021, p. 8.

36 Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23*, Melbourne, November 2023, p. 18.

are manageable and are not adversely impacting the Government's services delivery program. Specifically, this means the Government should publish a numerical indicator to define stabilisation in net debt, such as a target net debt as a percentage of GSP figure, and a timeframe in which to achieve this in the next set of budget papers when it discusses the progress towards the aims of the fiscal strategy.

FINDING 7: The Government made positive progress over 2021–22 and 2022–23 in three out of the four steps of the medium-term fiscal strategy. The progress of the fourth step regarding stabilising debt levels is unclear, as 'stabilisation' has not been defined by the Government.

RECOMMENDATION 4: For step four of the medium-term fiscal strategy, the Government:

- set a numerical indicator that defines stabilisation in net debt, such as a target net debt as a percentage of gross state product figure, and
- set a timeframe that defines the 'medium term' in which to achieve debt stabilisation

in the next set of budget papers when it discusses the progress towards the aims of the fiscal strategy.

2.5 General government sector

The GGS comprises all government departments, offices and other bodies that provide services free of charge, or at significantly below the cost of production, to the Victorian community. The following section outlines the GGS's financial performance for 2021–22 and 2022–23.

2.5.1 Revenue

GGS revenue for 2021–22 was $83 billion and increased by 2% over the following year to $84.7 billion.[37] For both financial years, grants comprised the largest revenue component, totalling $41.8 billion in 2021–22 and $40.1 billion in 2022–23.[38] Taxation formed the second largest revenue source for the two financial years, raising $30.5 billion in 2021–22 and increasing by 5.9% to reach $32.4 billion in 2022–23.[39]

Other sources of revenue included:

- sales of goods and services
- other revenue and income

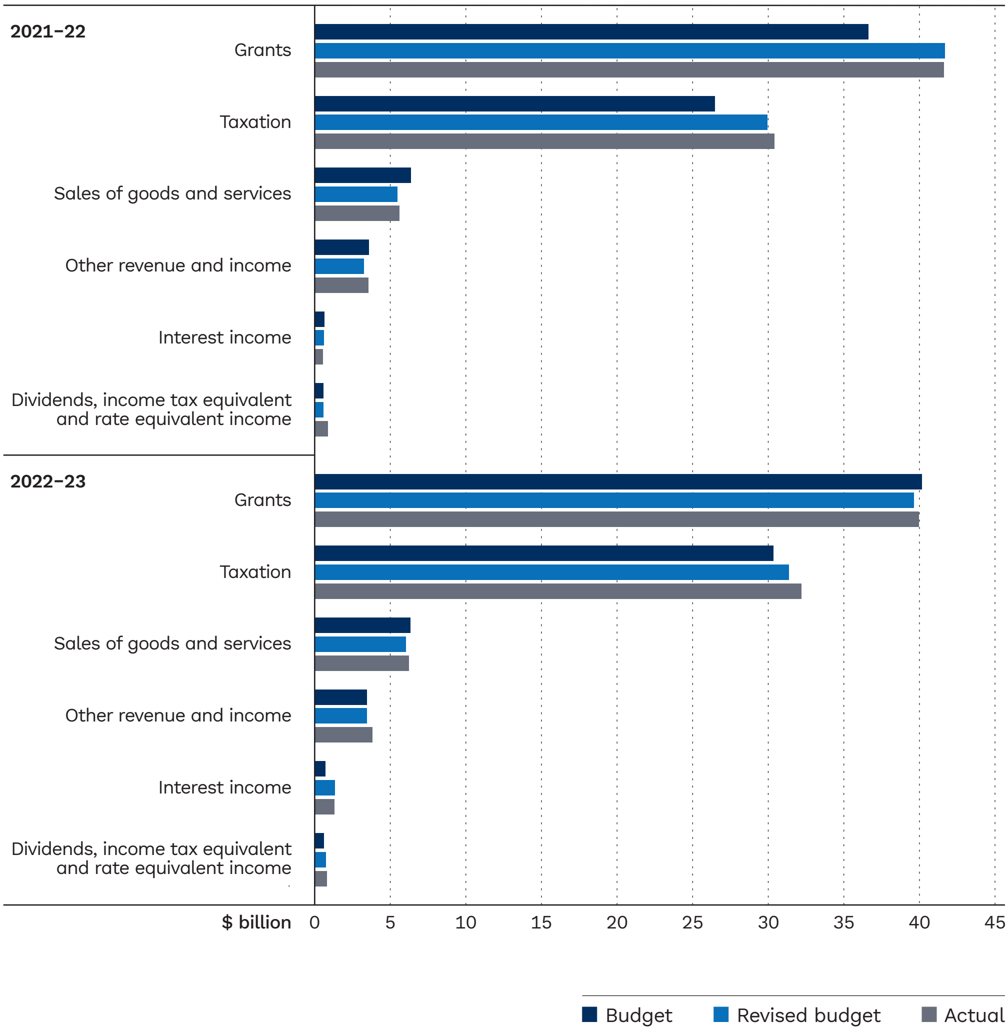
37 Department of Treasury and Finance, *2021–22 Financial Report*, p. 8; Department of Treasury and Finance, *2022–23 Financial Report*, p. 8 (Committee calculation).

38 Ibid. (Committee calculation).

39 Department of Treasury and Finance, *2022–23 Financial Report*, p. 8 (Committee calculation).

- interest income, which raised $557 million in 2021–22 and increased to $1.3 billion in 2022–23.[40] This increase over the two years reflects higher returns on financial assets held in the GGS and interest rates increases[41]
- dividends, income tax equivalent and rate equivalent income, earning $885 million in 2021–22 and $820 million in 2022–23.[42] The decline was due to no dividend being received from TCV in 2022–23.[43]

Figure 2.8 Budget estimate, revised budget estimate and actual components of revenue, 2021–22 and 2022–23



Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 8; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 8; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances,* Melbourne, 2021, p. 7; Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances,* Melbourne, 2022, p. 7.

40 Ibid.

41 Ibid., p. 9.

42 Ibid., p. 8.

43 Ibid., p. 9.

FINDING 8: General government sector revenue for 2021–22 was $83 billion and increased by 2% over the following year to reach $84.7 billion in 2022–23.

Grants

Grant revenue increased by 13.1% over 2020–21 to 2021–22 and included $3.1 billion in Commonwealth Government grants for *Business Support Payments* to Victorian businesses that were financially impacted by COVID-19. These grants were administered by the Department of Jobs, Precincts and Regions (DJPR).[44]

FINDING 9: Grants comprised the largest revenue component for both 2021–22 ($41.8 billion) and 2022–23 ($40.1 billion). The higher figure for 2021–22 includes Commonwealth Government grants for *Business Support Payments* to Victorian businesses that were financially impacted by COVID-19.

Taxation

Taxation was the Government's second highest source of revenue after grants in 2021–22 and 2022–23. Taxation revenue increased by $6.9 billion, or 29.4%, between 2020–21 and 2021–22 to reach $30.5 billion. The 2021–22 actual result was $4 billion, or 15%, over the original budget estimate of $26.6 billion. This was driven by higher-than-expected land transfer duty (also known as stamp duty) in the final quarter of the 2021–22 financial year, reaching $10.4 billion, 54.4% more than the original Budget estimate of $6.7 billion.[45]

In 2022–23 taxation increased by $1.8 billion or 6% to reach $32.4 billion. Land transfer duty was once again the highest taxation source, however, the amount decreased by $1.6 billion or 15.7% on the previous year's high, amounting to $8.7 billion. This reflects a fall in property settlement volumes over the year as interest rate rises began to impact property sales.[46]

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44 Department of Treasury and Finance, *2021–22 Financial Report*, p. 8; Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 106 (Committee calculation).

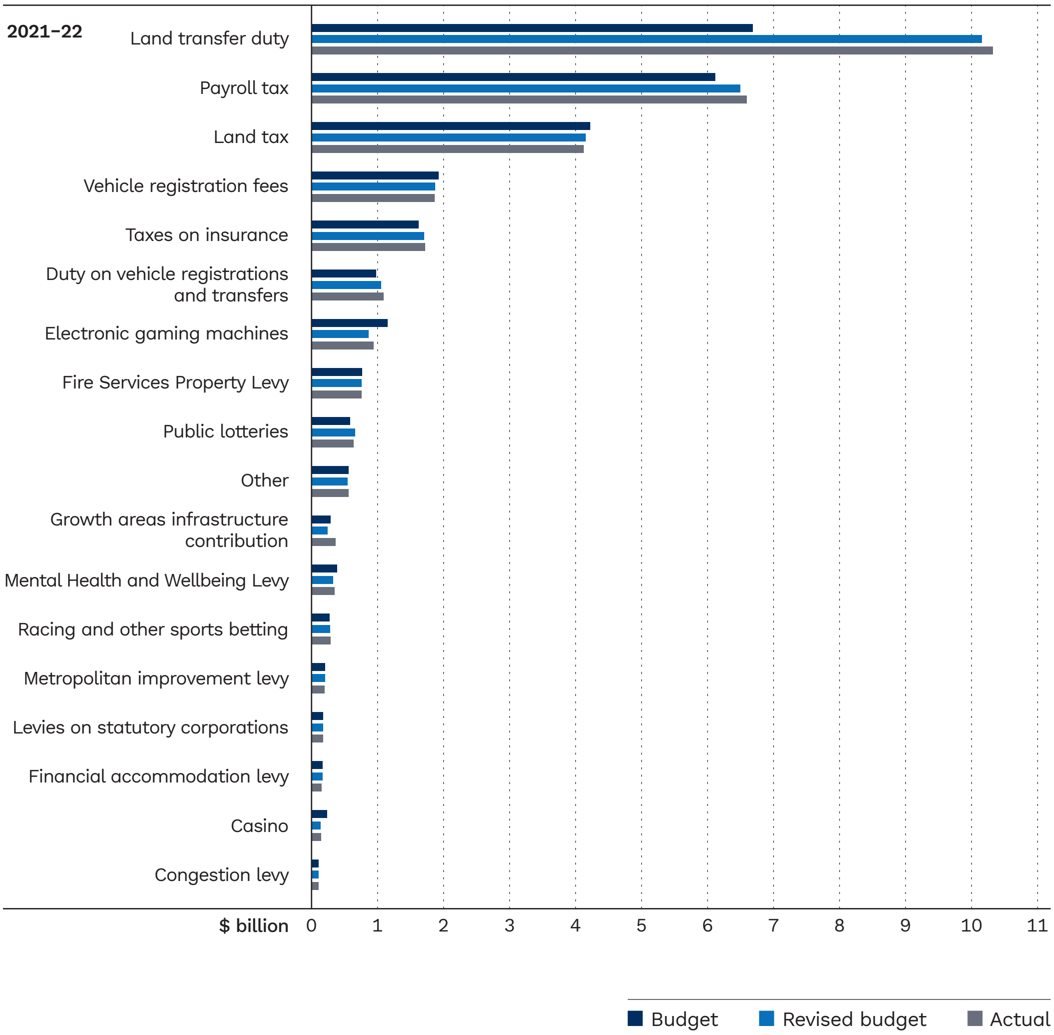
45 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 8–9; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances,* Melbourne, 2021, p. 19 (Committee calculation).

46 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 8–9 (Committee calculation).

Payroll tax was $6.6 billion in 2021–22 and increased by $774 million or 11.7% to reach $7.4 billion in 2022–23. The payroll tax returns over 2022–23 were 8.5% higher than the original budgeted figure and 3.4% higher than the revised budget figure, reflecting the recovering labour market.[47]

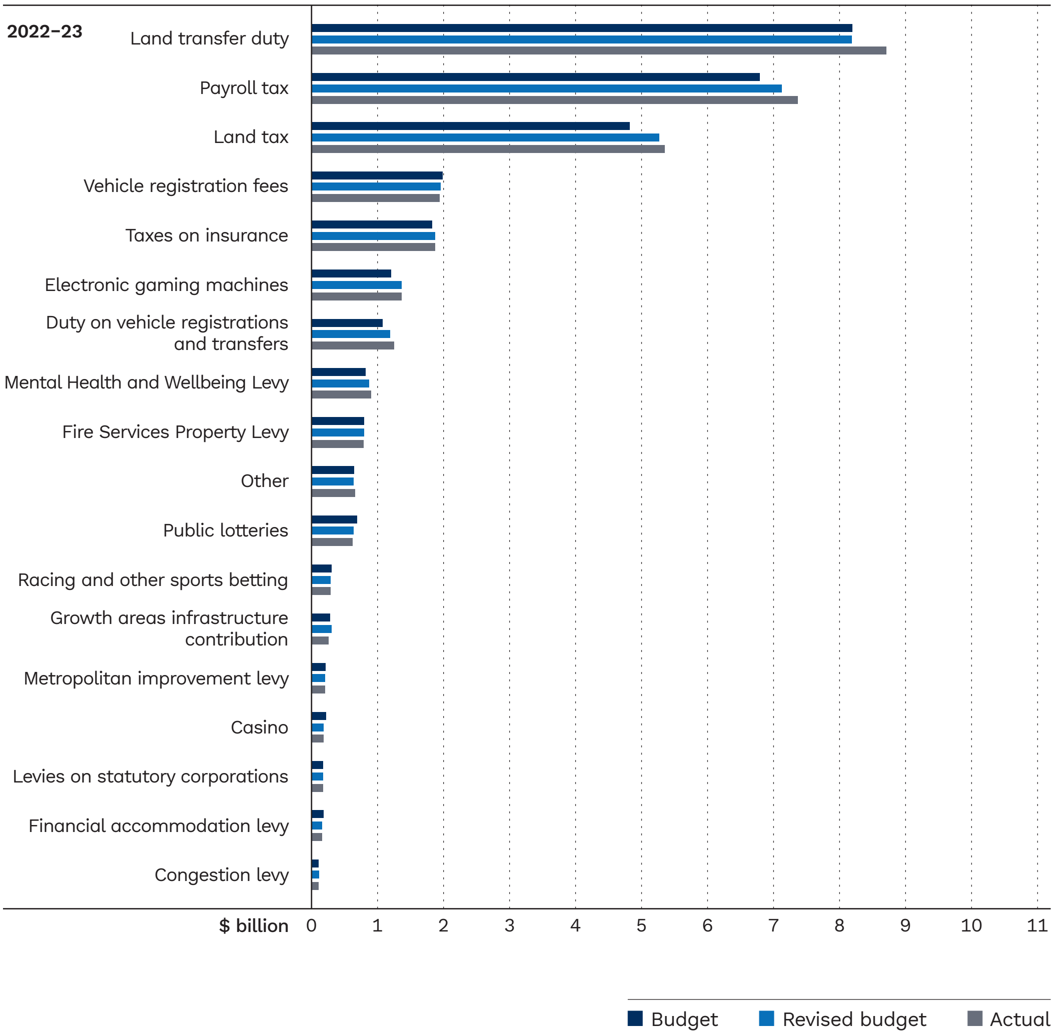
The mental health and wellbeing levy came into effect on 1 January 2022 and collected $349 million in 2021–22 and $904 million in 2022–23.[48]

Figure 2.9 Budget estimate, revised budget estimate and actual components of taxation, 2021–22 and 2022–23[a]



47 Ibid., p. 9; Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances,* p. 18 (Committee calculation).

48 Department of Treasury and Finance, *2022–23 Financial Report*, p. 9.



a. Figure does not display other gambling taxes, metropolitan planning levy and liquor licence fees which combined raised $58 million in 2021-22 and $60 million in 2022-23. Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 9.

Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 9; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 9; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances,* Melbourne, 2021, p. 19; Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances,* Melbourne, 2022, p. 18.

FINDING 10: Taxation was the Government's second highest source of revenue after grants, reaching $30.5 billion in 2021–22, and increasing to $32.4 billion in 2022–23. In 2021–22 land transfer duty was $10.4 billion, 54.4% more than the original Budget estimate of $6.7 billion. In 2022–23 land transfer duty was $8.7 billion, reflecting a fall in property settlement volumes over the year as interest rate rises began to impact property sales.

2.5.2 Expenses

GGS expenses for 2021–22 were $96.8 billion and $93.6 billion in 2022–23.[49] Expenses in 2021–22 increased by $9.6 billion or 11% from the previous year and were $10.6 billion, or 12.3%, higher than the original 2021–22 Budget estimate. The increase in expenses over 2021–22 was driven by increases in grants, which totalled $25.1 billion but were originally budgeted at $17.3 billion. This included $6.1 billion in *Business Support Payments*.[50]

The COVID-19 response also explains the increase in other operating expenses for 2021–22, $2.5 billion more than the original budget estimate. There was an expected increase in this line item at the time of the revised budget when it was revised upwards to $29.8 billion, as the Government expected the additional consumption of RATs and PPE to combat the Omicron wave.[51]

Spending on grant expenses decreased by $6.0 billion, or 24%, between 2021–22 and 2022–23, reflecting the passing of the immediate emergency posed by the COVID-19 pandemic.[52]

Similarly, other operating expenditure decreased by $115 million or 0.4% over the previous year to be $27.8 billion in 2022–23.[53]

FINDING 11: General government sector expenses for 2021–22 were $96.8 billion and $93.6 billion in 2022–23. The fall in expenses was due to decreases in grants and other operating expenses from the Commonwealth Government. Extra grant payments related to business support during the pandemic were made in 2021–22, along with extra other operating expenses to cover additional purchasing for rapid antigen tests and personal protective equipment combatting the Omicron wave.

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49 Ibid. p. 8; Department of Treasury and Finance, *2021–22 Financial Report*, p. 8.

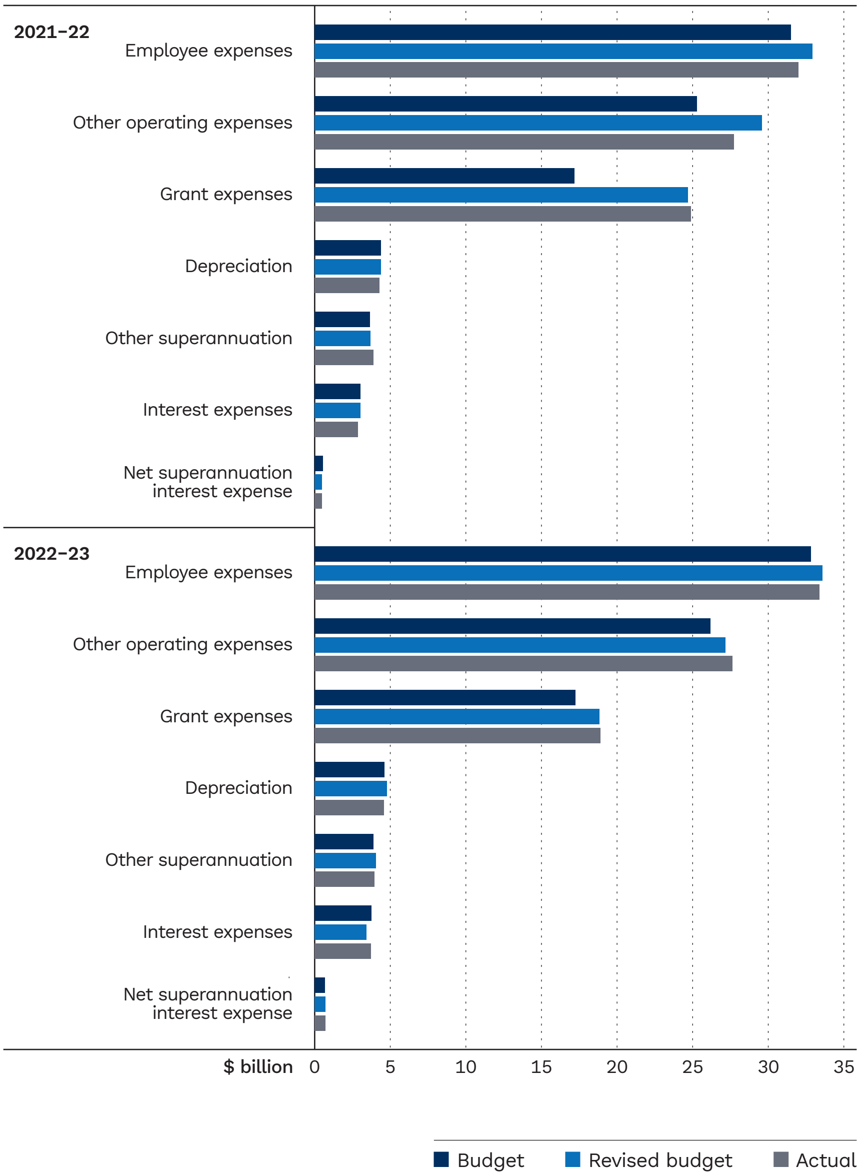
50 Department of Treasury and Finance, *2022–23 Financial Report*, p. 8; Department of Treasury and Finance, *2021–22 Financial Report*, p. 8; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22,* p. 7; Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 106 (Committee calculation).

51 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 2, 8; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22,* p. 7 (Committee calculation).

52 Department of Treasury and Finance, *2022–23 Financial Report*, p. 8.

53 Ibid.

Figure 2.10 Budget estimate, revised budget estimate and actual components of expenses, 2021–22 and 2022–23



Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 8; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 8; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances,* Melbourne, 2021, p. 7; Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances,* Melbourne, 2022, p. 7.

Employee expenses

Employee expenses were the largest expense component for both years.[54] Employee expenses increased by $2.2 billion or 7.3% between 2020–21 and 2021–22 to reach $32.2 billion, reflecting the increase in health sector staff required for the COVID-19 response over the 2021–22 financial year.[55] Employee expenses continued to increase

54 Ibid.; Department of Treasury and Finance, *2021–22 Financial Report*, p. 8.

55 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 3, 8 (Committee calculation).

in 2022–23, albeit at a lower rate (4.3%), reaching $33.6 billion. DTF has stated that in addition to the extra staffing requirements the Government faced as a result of the COVID-19 response, increasing renumeration levels in line with enterprise bargaining agreements also explained the growth in employee expenses.[56] Changes to the superannuation guarantee over 2021–22 (whereby it increased from 9.5% to 10%) and 2022–23 (increasing from 10% to 10.5%) also contributed to increasing employee expenses in the GGS.[57]

While employee expenses increased over the two years, the actual results were less than the revised budget estimates, with the 2021–22 result ($32.2 billion) $939 million or 3% less than the revised estimate and the 2022–23 result ($33.6 billion) $221 million less than the revised estimate.[58] The Committee was told the underspend was partly due to workplace shortages experienced in the Victorian public sector, whereby government departments have difficulty in filling vacancies, leading to lengthy recruitment times and prolonged periods of staff filling roles in an acting capacity.[59]

FINDING 12: Employee expenses were the largest expense component for both 2021–22 and 2022–23. They were $32.2 billion in 2021–22, an increase of $2.2 billion or 7.3% over the previous year, reflecting the increase in health sector staff required for the COVID-19 response. Employee expenses reached $33.6 billion in 2022–23. In addition to increases in staff for the COVID-19 response, other reasons for the increase in employee expenses include higher staff renumeration levels as per enterprise bargaining agreements and changes to the superannuation guarantee.

2.5.3 Net result

The net result from transactions—from which the commonly applied 'budget deficit/surplus' term and figure are derived—for 2021–22 was a deficit of $13.8 billion.[60] This was a $767 million improvement on the previous financial year's net result from transactions, a $14.5 billion deficit, posted in the 'peak' of the COVID-19 pandemic.[61]

In 2022–23 the net result from transactions was an $8.8 billion deficit.[62] This was a $4.9 billion (35.8%) positive increase on the previous year's result, reflecting increases in revenue (including higher than expected payroll tax and the mental health and wellbeing levy) and a fall in grant expenditure as the COVID-19 pandemic passed.[63]

56 Ibid., p. 3; Department of Treasury and Finance, *2022–23 Financial Report*, p. 3.

57 Australian Taxation Office, *Super guarantee*, 16 October 2023, <https://www.ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/super-guarantee> accessed 10 January 2024; Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 10.

58 Department of Treasury and Finance, *2021–22 Financial Report*, p. 8; Department of Treasury and Finance, *2022–23 Financial Report*, p. 8.

59 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 10

60 Department of Treasury and Finance, *2021–22 Financial Report*, p. 8.

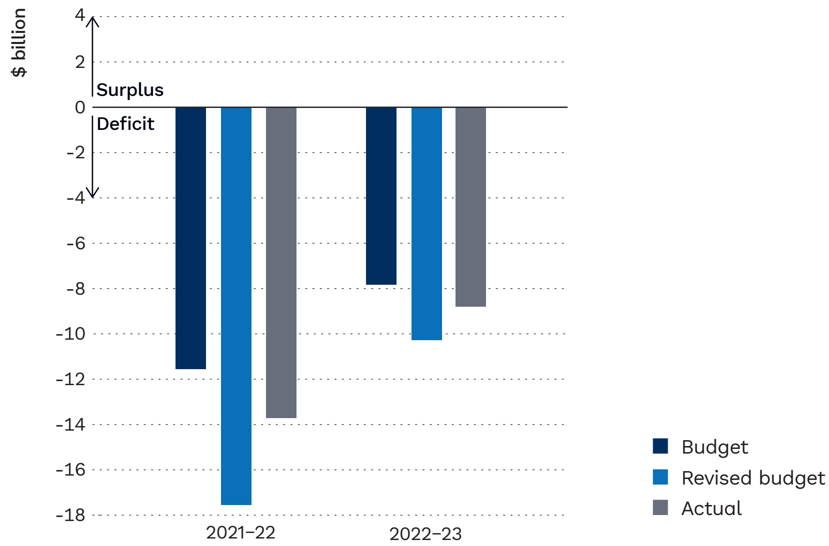
61 Ibid.

62 Department of Treasury and Finance, *2022–23 Financial Report*, p. 6.

63 Ibid. (Committee calculation).

Figure 2.11 shows the budget, revised budget and actual result achieved by the Government over 2021–22 and 2022–23 and demonstrates the difficulty of forecasting budget outcomes during the COVID-19 pandemic.

Figure 2.11 Budget estimate, revised budget estimate and actual net result from transactions, 2021–22 and 2022–23



Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, p. 6; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 6; Department of Treasury and Finance, *Budget Paper No. 5: 2021–22 Statement of Finances,* Melbourne, 2021, p. 7; Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances,* Melbourne, 2022, p. 7.

2.5.4 Government infrastructure investment

Major infrastructure projects completed in 2021–22 and 2022-23 include *the Western Roads Upgrade*, *Echuca-Moama Bridge*, the *Monash Freeway Upgrade – Stage 2* and the *Victorian Heart Hospital*.[64] GII is calculated to determine how much the Government's infrastructure and capital works projects cost over the year.[65] In 2021–22 GII was $18.7 billion and increased to $21.8 billion in 2022–23.[66]

While the level of GII remained relatively stable over 2017–18 to 2019–20 when it was around the $12.3 billion mark, from 2020–21 onwards GII has increased by an annual average of 21%.

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64 Ibid., p. 14; Department of Treasury and Finance, *2021–22 Financial Report*, p. 13.

65 GII is comprised of general government net infrastructure investment (net of asset sales) and an estimate of construction related outflows for Partnerships Victoria projects (a measure of PPP-funded infrastructure projects spend).

66 Department of Treasury and Finance, *2021–22 Financial Report*, p. 13; Department of Treasury and Finance, *2022–23 Financial Report*, p. 14.

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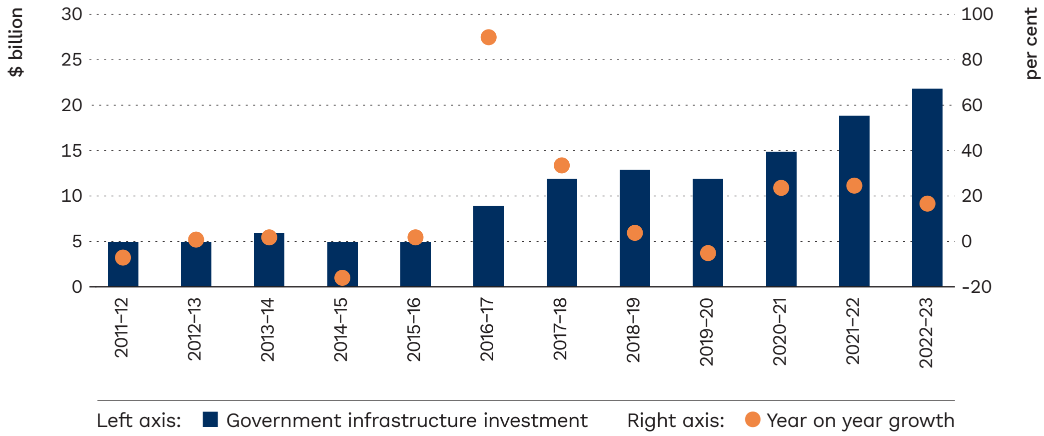
Figure 2.12 Victorian Government infrastructure investment, 2011–12 and 2022–23



Source: Department of Treasury and Finance, *Other Financial Aggregates: Net infrastructure investment*, 18 December 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates> accessed 5 January 2024.

FINDING 13: In 2021–22 government infrastructure investment (GII) was $18.7 billion and increased to $21.8 billion in 2022–23. Since 2020–21, GII has increased by an annual average rate of 21%.

Net debt

Net debt increased by $27.2 billion or 37.5% between June 2021 to June 2022 to reach $100 billion (19.4% of GSP).[67] The increase in net debt over 2021 and 2022 reflects extra borrowings the Government made to fund COVID-19 response measures, as well as additional funds sought for the Government's infrastructure program.[68]

Net debt increased by $15 billion or 15.1% over the following year to reach $115 billion (20.3% of GSP) by June 2023.[69] DTF noted that the increase in net debt reflects extra borrowings to finance Victoria's capital program, but that the proceeds of the VicRoads Modernisation joint venture used to establish the Victorian Future Fund should partially offset the State's net debt.[70]

FINDING 14: Net debt increased by $27.2 billion or 37.5% between June 2021 to June 2022 to reach $99.9 billion, or 19.4% of gross state product (GSP). By June 2022, net debt increased by $15 billion to reach $115 billion or 20.3% of GSP. Increases in net debt over the year to June 2022 were driven by extra borrowings to fund the COVID-19 response measures, as well as the Government's infrastructure program. Extra borrowings were also made between June 2022 and June 2023 to fund the Government's capital program.

67 Department of Treasury and Finance, *2021–22 Financial Report*, p. 6 (Committee calculation).

68 Ibid., p. 7.

69 Department of Treasury and Finance, *2022–23 Financial Report*, p. 6 (Committee calculation).

70 Ibid., p. 7.

2.6 State of Victoria

The following section outlines the financial performance for the PNFC and PFC sectors over 2021–22 and 2022–23, and combines the financial outcomes for the three sectors to give the net result from transactions for the State of Victoria.

2.6.1 Public financial corporations sector financial performance

For the PFC sector:

- Revenue was $11.7 billion in 2021–22 and increased to $12.5 billion in 2022–23. The increase was a result of high 'dividend income and realised capital gains for the State's insurance agencies due to stronger than expected investment market performance'.[71]
- Expenses were $13.2 billion in 2021–22 and increased by $2.4 billion or 18.5% to $15.7 billion in 2022–23. The increase was due to increased claims to the State's insurance agencies and higher interest expenses for TCV (discussed further in Box 2.1).[72]
- As a result of the increase in expenses in 2022–23, the PFC sector's net result from transactions increased from the $1.5 billion deficit posted in 2021–22 to $3.2 billion deficit in 2022–23.[73]

FINDING 15: Revenue for the public financial corporations (PFC) sector was $11.7 billion in 2021–22 and increased to $12.5 billion in 2022–23. Expenses were $13.2 billion in 2021–22 and $15.7 billion in 2022–23. As a result of the increase in expenses in 2022–23, the PFC sector's net result from transactions was a doubling of the deficit from 2021–22 to a $3.2 billion deficit in 2022–23.

2.6.2 Public non financial corporations sector financial performance

For the PNFC sector:

- revenue was $10.7 billion in 2021–22, increasing to $10.8 billion in 2022–23
- expenses were $10 billion in 2021–22, and increased to $10.7 billion in 2022–23
- the net result from transactions was a $714 million surplus in 2021–22, falling to a smaller surplus of $97 million in 2022–23.[74]

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71 Ibid., p. 22.

72 Ibid., pp. 22–23 (Committee calculation).

73 Ibid., p. 23.

74 Ibid., p. 18.

FINDING 16: Revenue for the public non-financial corporations (PNFC) sector was $10.7 billion in 2021–22 and $10.8 billion in 2022–23. Expenses were $10 billion in 2021–22 and increased to $10.7 billion in 2022–23. The net result from transactions for the PNFC sector was a $714 million surplus in 2021–22, falling to a smaller surplus of $97 million in 2022–23.

Box 2.1 Impact of insurance claims on Victoria's PFC and PNFC sectors

The impact of and recovery from the COVID-19 pandemic, uncertainty across international financial markets, the collapse of the Porter Davis Homes (PDH) building company and the October 2022 flood event resulted in a challenging environment for Victoria's finance and insurance agencies over 2021–22 and 2022–23.

In its response to the Committee's questionnaire, the public financial corporation insurance agency the Victorian Managed Insurance Authority (VMIA) noted that the challenges over 2021–22 included:

- developing 'bespoke insurance products to cover communicable disease exposures, including for Event Cancellation insurance'
- finding appropriate reinsurance cover in a 'volatile' market
- continuing to administer insurance claims under lockdown conditions, which included trialling virtual inspections for domestic building insurance (DBI) claims.

In 2022–23 VMIA 'responded to the largest residential domestic building insurance (DBI) insolvency in the State's history'. It processed 2,200 claims connected to the PDH company insolvency as well as administering 'deposit only claims' and providing support to PDH customers that did not have required DBI policies at the time of the company's collapse. VMIA also processed claims connected to the 2022 flood event, which included 'loss assessment, payment of claims, and facilitating recovery activities post-flood'. Net claims for the VMIA increased from $576 million in 2021–22 to $913 million in 2022–23 as a result of the PDH collapse and the 2022 floods. The increase over the last two years of 'insurance events' and subsequent rise in insurance claims has resulted in increases in premiums.

PNFC insurer WorkSafe Victoria, which administers the State's workers compensation scheme, received operating grants from the Government of $450 million in 2021–22 and $300 million in 2022–23 in order to maintain its financial sustainability. WorkSafe noted that the 'growth in claims expenses continues to place pressure on the financial sustainability of WorkSafe's insurance scheme' and 'the deficit between the premium charged by WorkSafe and the cost of claims incurred by WorkSafe continued to deteriorate'. The increase in expenses has been driven by 'the number of mental injury claims and the weekly costs of mental injury claims' and 'a high rate of growth in the number of physically injured workers receiving weekly payments'. The Victorian

(Continued)

Box 2.1 (Continued)

Government announced increases to WorkSafe premiums in 2023. The *WorkCover Scheme Modernisation Bill* was passed in Parliament. A Legislative Council Committee reported on the Bill in the first parliamentary sitting week of 2024.

Source: Victorian Managed Insurance Authority, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 25–26, 30, 54–55; WorkSafe Victoria, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 17 November 2023, pp. 25–27, 31; Hon Danny Pearson MP, Minister for WorkSafe and the TAC, *Delivering a Sustainable WorkCover Scheme for Victorians*, media release, Melbourne, 31 October 2023; Department of Treasury and Finance, *Budget Paper No. 2: 2023–24 Strategy and Outlook*, Melbourne, 2022, p. 81; Parliament of Victoria, Legislative Council Economy and Infrastructure Committee, *Inquiry into the Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Bill 2023,* February 2024; Victorian Legislation, *Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Bill 2023,* 2024, <https://www.legislation.vic.gov.au/bills/workplace-injury-rehabilitation-and-compensation-amendment-workcover-scheme-modernisation> accessed 5 March 2023.

2.6.3 Net result from transactions for the State of Victoria

Combining the net results from transactions for the three sectors over 2021–22, and allowing for inter-sector eliminations, the State of Victoria's net result from transaction for that year was a $15.3 billion deficit.[75] Inter-sector eliminations account for transfers made between the financial sectors (for example, on assets or outputs operated jointly by a GGS and PNFC entity), preventing duplication in the financial statements.[76] As a result of inter-sector eliminations, the State of Victoria's net result from transactions will not equal the sum of the general government, PNFC and PFC sectors' net result from transactions.

For 2022–23, the State of Victoria's net result from transactions was a deficit of $12.7 billion, a decrease over the previous year, with the improving net result from the GGS offsetting the PFC sector's worsening deficit position and the PNFC's smaller surplus.[77]

FINDING 17: The State of Victoria's net result from transactions for 2021–22 was a $15.3 billion deficit. The deficit was reduced over 2022–23 when the State of Victoria's net result from transactions was $12.7 billion.

75 Department of Treasury and Finance, *2021–22 Financial Report*, p. 17.

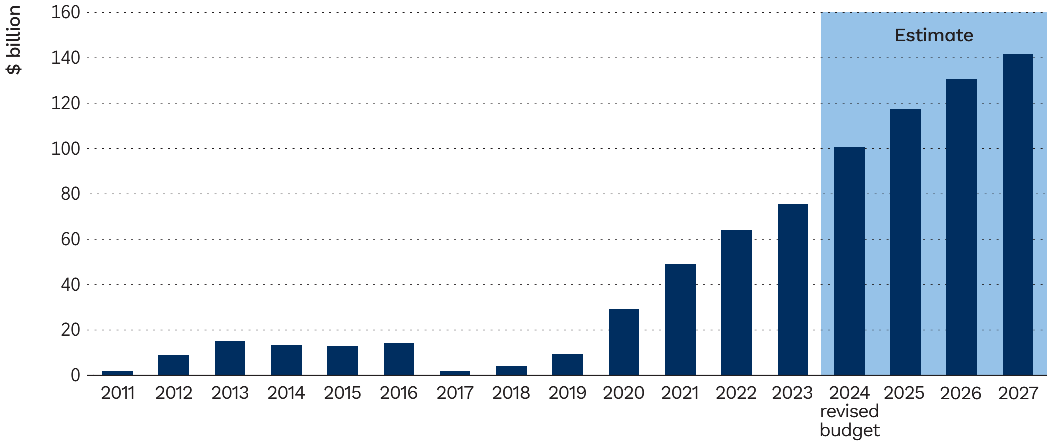
76 Department of Treasury and Finance, *Budget Paper No. 2: 2023–24,* p. 79; Department of Treasury and Finance, *2022–23 Financial Report*, p. 26.

77 Ibid., p. 25.

Net debt

Net debt for the State of Victoria was $64.7 billion in June 2022, an increase of 30.7% over the June 2021 figure.[78] In June 2023, the State of Victoria's net debt increased by 17.7% to reach $76.1 billion.[79] Figure 2.13 shows the escalation of the State of Victoria's net debt position, together with the latest budget estimates for net debt across the forward estimates period ending in June 2027.

Figure 2.13 State of Victoria net debt, 30 June 2011 to 30 June 2023, and net debt estimate for 30 June 2024 to 30 June 2027



Source: Department of Treasury and Finance, *Historical Financial Tables—Consolidated Balance Sheet Whole of State*, 11 January 2024, <https://www.dtf.vic.gov.au/state-financial-data-sets/aggregate-financial-statements> accessed 11 January 2024.

The impact of rising interest rates on the Government's borrowings and debt position was discussed by the Committee with DTF officers at the inquiry hearings. The Committee was informed by the department that:

- The interest expenses related to the Government bond debt issuance is fixed, set at the date the bonds were issued. This means that growth in interest expenses is driven by new debt issuance and the refinancing of previously held stock.[80]
- Treasury use a 'forward-yield curve' to assist in calculating future interest repayments. As a result, market expectations for interest rate rises or decreases are factored into DTF's repayment estimates.[81]
- While it is the case that when 'you are spending 4.9 per cent on interest, then that is 4.9 per cent that is not available for the government of the day to spend on other things', the Government's infrastructure program is the key driver of debt over the next four years. The Secretary of DTF noted that 'it is not as if that money is being spent and you are getting nothing in return', and even though 'you are spending

78 Department of Treasury and Finance, *Aggregate Financial Statements: Historical financial statements – whole of State: Consolidated balance sheet*, 11 January 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/aggregate-financial-statements> accessed 11 January 2024 (Committee calculation).

79 Ibid. (Committee calculation).

80 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 23.

81 Ibid.

> more each year on interest … you are getting tens of billions of dollars more investment in infrastructure projects'.[82]

The Auditor-General's *Report on the Annual Financial Report of the State of Victoria: 2022–23* noted that currently 'fixed-rate debt issued at a low interest rate, including debt issued during the COVID-19 pandemic, dominates the overall profile of TCV's current debt' (more than 88% of debt borrowed by TCV and lent to the state at 30 June 2023).[83] However, the report also notes that the State needs to refinance $38.7 billion of debt by 30 June 2027, part of a $90.8 billion refinancing of fixed-rate debt by TCV that must occur between 2023–24 and 2032–33.[84] The Auditor-General further noted the likelihood that refinance debt will be 'at a significantly higher interest rate, which will result in a higher interest payment and increase the state's cost to service the debt', presenting 'a significant financial sustainability challenge'.[85]

FINDING 18: The State of Victoria's net debt was $64.7 billion in June 2022, an increase of 30.7% over the June 2021 figure. In June 2023 the State of Victoria's net debt increased by 17.7% to reach $76.1 billion.

FINDING 19: While the Treasury Corporation of Victoria's current profile is dominated by fixed rate and low interest debt, $90.8 billion of debt must be refinanced in 2023–24 and 2032–33, when interest rates are likely to be significantly higher, leading to higher interest payments and costs to the State.

Victoria's credit rating

Victoria's credit rating is currently AA with a stable outlook by Standard and Poor's and Aa2 with a stable outlook by Moody's Investors Service.[86] The Secretary of DTF informed the Committee that DTF routinely briefs the Treasurer on information and updates from the rating agencies, and that costings of specific infrastructure do not influence the ratings, as 'the way the rating agencies treat their assessment is more at the aggregate level.'[87]

FINDING 20: Victoria's credit rating is currently AA with a stable outlook by Standard and Poor's and Aa2 with a stable outlook by Moody's Investors Service.

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82 Ibid., p. 22.

83 Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23*, p. 23.

84 Ibid., p. 24.

85 Ibid.

86 Department of Treasury and Finance, *State Credit Rating*, 7 June 2023, <https://www.dtf.vic.gov.au/economic-and-financial-updates/state-credit-rating> accessed 11 November 2023.

87 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 4.

2.6.4 Superannuation

The superannuation liability for the State of Victoria was $19.8 billion in 2021–22 and $18.9 billion in 2022–23.[88] The State of Victoria's superannuation liability covers defined benefit plans and defined contribution plans.[89]

For defined benefit plans, the State provides superannuation benefits to fund members based on their years of service and final average salary. The State's defined benefit plans (State Super Funds (SSF), Emergency Services Superannuation Scheme Defined Benefit (ESSS DB), and Health Super Division of Aware Super (Health Super)) are no longer open to new members.[90]

The value of the superannuation liability is subject to a number of assumptions regarding wage growth and inflation. Superannuation returns are also impacted by market volatility and bond yield movements.[91] The impact of COVID-19 and geopolitical tensions including the Russia/Ukraine conflict resulted in volatility across global financial markets over 2021–22 and the first half of 2022–23, translating into negative superannuation investment portfolio returns.[92] However, market sentiment improved over the second half of 2022–23 and this resulted in better returns for that year.[93] An increase in the Commonwealth Government bond yield in 2022–23 (which underlies the superannuation valuation assumptions and impacts the discount rate) also contributed to the reduction in the superannuation liability between 2021–22 and 2022–23.[94]

The Government has a financial target to fully fund the superannuation liability by 2035.[95] In 2021–22 it made a contribution of $1 billion to the State Superannuation Fund, followed by a $607 million contribution in 2022–23.[96]

FINDING 21: The superannuation liability for the State of Victoria was $19.8 billion in 2021–22 and decreased to $18.9 billion in 2022–23 reflecting an improvement in market sentiment and better investment portfolio returns.

88 Department of Treasury and Finance, *2021–22 Financial Report*, p. 90; Department of Treasury and Finance, *2022–23 Financial Report*, p. 100.

89 Department of Treasury and Finance, *2022–23 Financial Report*, p. 100.

90 Ibid., pp. 100, 102.

91 Ibid., p. 104.

92 Department of Treasury and Finance, *2021–22 Financial Report*, p. 93.

93 Department of Treasury and Finance, *2022–23 Financial Report*, p. 104.

94 Ibid.

95 Department of Treasury and Finance, *Budget Paper No. 2: 2023–24*, p. 7.

96 Department of Treasury and Finance, *2021–22 Financial Report*, p. 5; Department of Treasury and Finance, *2022–23 Financial Report*, p. 5.

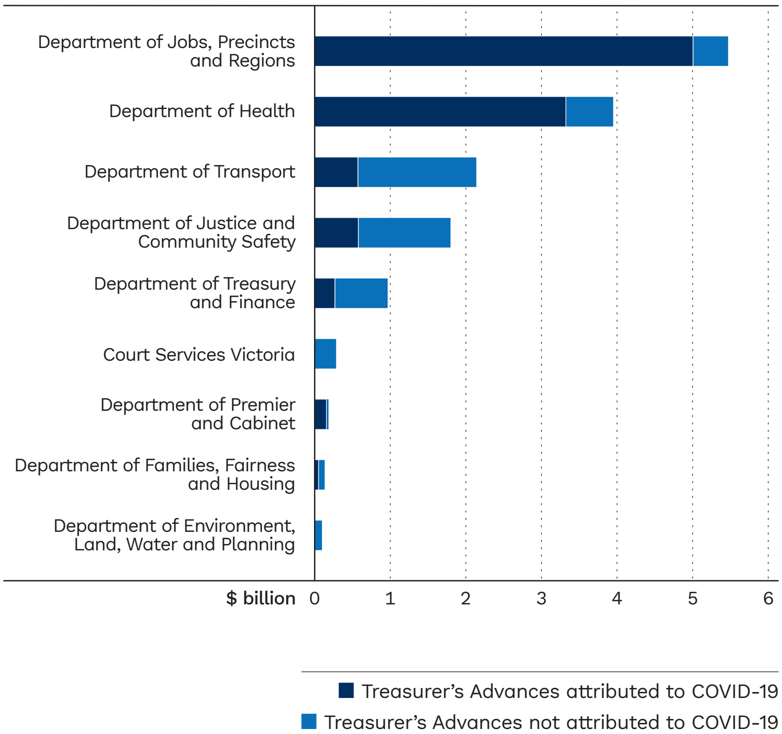
2.7 Other issues

2.7.1 Treasurer's Advances

TAs are a 'specific appropriation made available to the Treasurer each year as part of the annual Appropriation Act, to meet any "… urgent claims that may arise before parliamentary sanction is obtained"'.[97] The *Resource Management Framework* (RMF) further explains that the most common reasons departments have for asking DTF for urgent funding are for emergencies such as pandemics or natural disasters, or as a response to an external event, such as a Commonwealth Government decision.[98]

In 2021–22 the Treasurer approved $15.1 billion in payments via TAs, of which $10 billion or 66.1% were 'attributable to COVID-19'.[99] TAs that year were mostly made to DJPR (with $5 billion or 50.3% of the funds attributed to COVID-19) and the Department of Health (DH) (with $3.3 billion or 33.4% of the funds attributed to COVID-19).[100]

Figure 2.14 Treasurer's Advance payments by department, 2021–22



Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 147–151.

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97 Department of Treasury and Finance, *Resource Management Framework*, Melbourne, July 2023, p. 91.

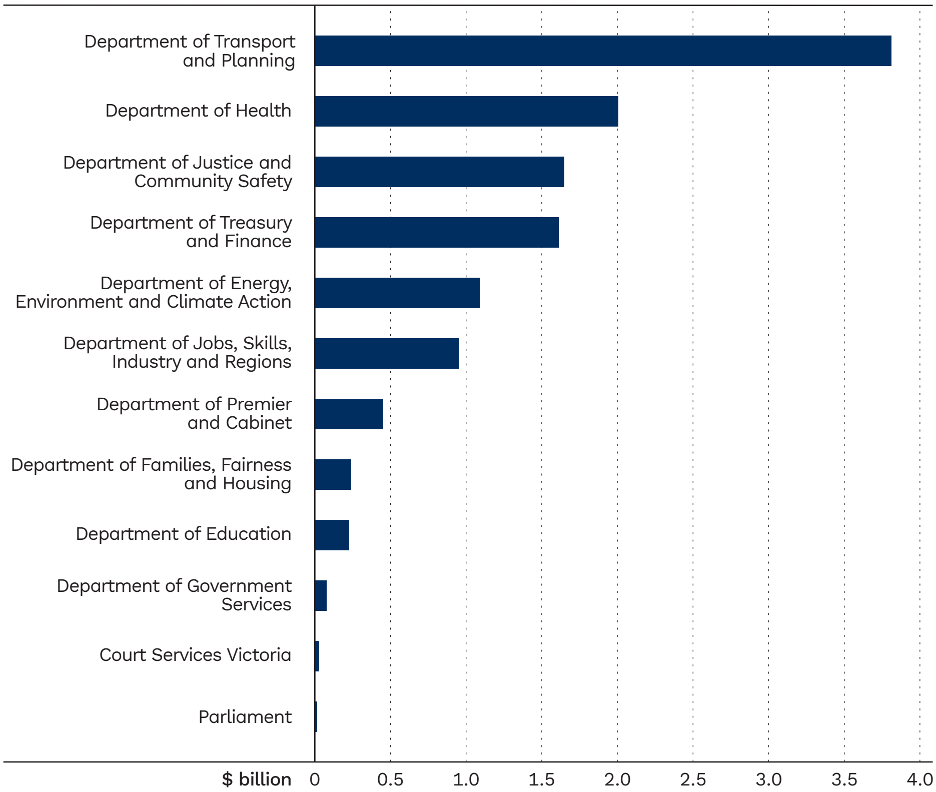
98 Ibid.

99 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 147–151 (Committee calculation).

100 Ibid. (Committee calculation).

In 2022–23, the Financial Report did not separate out COVID-19-related TA payments. That year, $12.2 billion in TAs were paid, with the Department of Transport and Planning receiving the most payments ($3.8 billion or 31.4%), followed by DH ($2 billion or 16.5%) and the Department of Justice and Community Safety ($1.7 billion or 13.6%).[101]

Figure 2.15 Treasurer's Advance payments by department 2022–23



Source: Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 161–167.

FINDING 22: In 2021–22, the Treasurer approved $15.1 billion of payments in Treasurer's Advances (TA), $10 billion (66.1%) of which were attributed to COVID-19. The Department of Jobs, Precincts and Regions received the most TA payments, including $5 billion or 50.3% of the COVID-19 payments, followed by the Department of Health with $3.3 billion or 33.4% of COVID-19 payments.

FINDING 23: In 2022–23, $12.2 billion in Treasurer's Advances were paid, with the Department of Transport and Planning receiving the most payments ($3.8 billion or 31.4%), followed by the Department of Health ($2 billion or 16.5%) and the Department of Justice and Community Safety ($1.7 billion or 13.6%).

The Victorian Auditor-General examined the use of TAs in the *Accessing Emergency Funding to Meet Urgent Claims* report, tabled in November 2020. While the

101 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 161–167 (Committee calculation).

Auditor-General found the existing processes for accessing and allocating TAs were consistent with the legislation, the Auditor-General also found there would be benefits to having more explicit documentation requirements and definitions expressed in the RMF.[102]

Specifically, the Victorian Auditor-General's Office (VAGO) found that the terms 'urgent' and 'unforeseen' were not clearly defined in the RMF and found instances where TA's were used to fund expenditure that recurs (in the instance it used, to Victoria Police).[103] One of the four recommendations made by VAGO was that the RMF is updated to 'clarify the meaning of 'urgent and unforeseen' in relation to requests for Treasurer's Advance funding'.[104]

The RMF for 2022–23 contains definitions and examples for 'urgent and unforeseen' expenditure.[105] The impact of the COVID-19 pandemic on accessing emergency funding in the form of TAs was also easily discernable in the *2021–22 Financial Report* with payments made in connection to the pandemic response listed separately from other TA payments made that year.[106] These are welcome developments.

FINDING 24: Following the Auditor-General's examination of Treasurer's Advances, improvements have been made to the *Resource Management Framework* to give greater clarification to the circumstances in which Treasurers Advances can be made. The *2021–22 Financial Report* also listed Treasurer's Advances payments that were attributable to the COVID-19 pandemic and response.

However, the Committee notes:

- COVID-19 response-related payments were still being made throughout 2022–23 (e.g. the Department of Government Services received $2 million for COVID-19 Administration)[107] yet these were not separated out in the 2022–23 Financial Report from other TA payments made to departments.
- Other unforeseen emergencies, such as the October 2022 flood events, were also not separated out, with several types of payments being made to departments in relation to the October 2022 flood response.[108]
- The payment that received the highest TA funding out of all departments in 2022–23 was DTP's Level Crossing Removal Program with $1.2 billion.[109] The Committee was informed by DTP officials that 'often Treasury and Finance choose to use

102 Victorian Auditor General's Office, *Accessing Emergency Funding to Meet Urgent Claims,* Melbourne, November 2020, p. 17.

103 Ibid., pp. 24–25.

104 Ibid., p. 5.

105 Department of Treasury and Finance, *Resource Management Framework*, p. 85.

106 Department of Treasury and Finance, *2021–22 Financial Report*, pp. 147–151.

107 Department of Treasury and Finance, *2022–23 Financial Report*, p. 162.

108 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 11.

109 Department of Treasury and Finance, *2022–23 Financial Report*, p. 162.

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Treasurer's advances to manage cash flow movements in the financial year'.[110] The Committee was further informed that the Level Crossing Removal Program was well ahead of schedule and under budget, and that this 'at times accelerates works and needs cash advances to keep the works going…and that [TAs] is just a tool that Treasury and Finance decide themselves to use to fund our commitments'.[111]

- Other well established and ongoing Government output and asset initiatives were listed, including the Department of Education's Free Kinder program ($107 million), the Department of Energy, Environment and Climate Action's $250 Power Saving Bonus ($642 million), the Department of Families, Fairness and Housing's Big Housing Build ($72 million) and the Department of Jobs, Skills, Industry and Regions' Jobs for Victoria program ($88 million).[112]

In the *Report on the 2020–21 Financial and Performance Outcomes*, the previous Committee recommended that:

> When Treasurer's Advances are used to fund budget initiatives rather than normal appropriation funding, the Department of Treasury and Finance provide the reasons for providing funding in that way in the Financial Report.[113]

This recommendation was supported in principle by the Government, noting in its response that 'mandatory requirements to access Treasurer's Advance are outlined in the Resource Management Framework. This advice and any further guidance will be reviewed to support appropriate use of the Treasurer's Advance'.[114]

The Committee believes it would be worthwhile for the Parliament and the community to be provided with further information on the nature of why TAs were made for these initiatives, explaining what was urgent or unforeseen. Furthermore, in the event of natural disaster such as a major weather event, or another pandemic/public health emergency, separating out TA payments made in relation to these events, as appears in *2021–22 Financial Report*, would assist with transparency.

RECOMMENDATION 5: The Department of Treasury and Finance amend future Model Reports so that departments must provide an explanation of the causes of any Treasurer's Advance payments they receive over the financial year in their annual reports.

110 Mr Kevin Devlin, Director-General, Major Transport Infrastructure Authority, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence*, p. 18.

111 Ibid.

112 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 161–163.

113 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes*, April 2022, p. 181.

114 Government of Victoria*, Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2020–21 Financial and Performance Outcomes*, 21 September 2022, p. 15.

RECOMMENDATION 6: The Department of Treasury and Finance disaggregate the list of Treasurer's Advance payments to departments in future Annual Financial Reports under the relevant urgent and/or unforeseen event or emergency that caused the payment to be made, as per the 'Payments attributable to COVID-19' tables that were published in the *2021–22 Financial Report*.

Chapter 3
Department of Health

3.1 Overview

The Department of Health's (DH) vision is that 'Victorians are the healthiest people in the world'. Its mission is to 'achieve the best health, wellbeing and safety of all Victorians so that they can live a life they value'.[1]

DH has seven objectives, which are:

- keep people healthy and safe in the community
- care closer to home
- keep improving care
- improve Aboriginal health and wellbeing
- move from competition to collaboration
- a stronger workforce
- a health system you can count on.[2]

3.1.1 Machinery of government changes

The machinery of government (MoG) changes affecting the Department of Health are illustrated in Figure 3.1.

1 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, p. 219.

2 These objectives were updated in 2022–23. Source: Department of Health, *Annual Report 2021–22,* Melbourne, 2022, p. 11; Department of Health, *Annual Report 2022–23,* Melbourne, 2023, p. 12.

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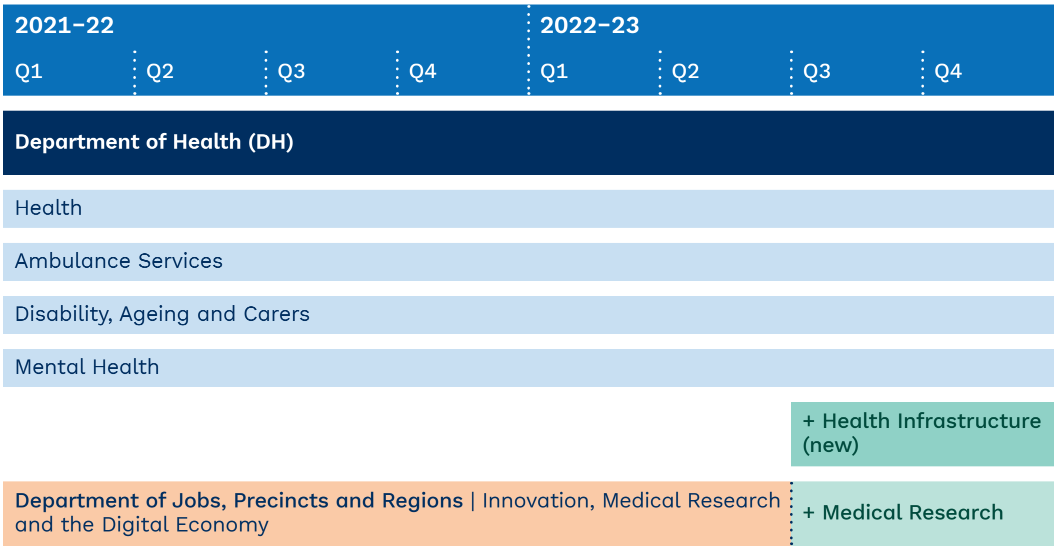
Figure 3.1 Department of Health—machinery of government changes, 2021–22 and 2022–23



3.2 Outcomes and challenges

DH was asked by the Committee to identify its programs that did not deliver their planned outcomes and key challenges faced by the department in 2021–22 and 2022–23. DH's responses demonstrate the impact COVID-19 had on the healthcare system during both financial years, and DH's efforts to respond to these impacts.

DH did not provide details of its least performing programs as requested but instead its lowest-performing performance measures.[3] In 2021–22 these included 'Number of patients admitted from the elective surgery waiting list', 'Emergency patient waiting times' and 'Ambulance patient transfer waiting times', all of which did not deliver their planned outcomes due in part or in full to the impact of the COVID-19 pandemic.[4]

In 2022–23 the 'Number of patients admitted from the elective surgery waiting list' target was not met due to workforce challenges, hospital pressures resulting from the pandemic and delays in capital projects as a result of supply and procurement challenges in the construction industry.[5]

The measure 'Mental Health Clinical Care—Emergency patients admitted to a mental health bed within 8 hours' did not deliver the planned outcomes in 2022–23 due to the 'demand for inpatient bed-based services continuing to exceed what the system can provide', requiring some people to receive treatment through emergency departments or general medical wards.[6] This is discussed further in Section 3.6.

3 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 15 November 2023, pp. 35–38.

4 Ibid., pp. 35–36.

5 Ibid., p. 37.

6 Ibid., p. 38.

In regard to DH's main challenges in 2021–22, DH included the ongoing response to the COVID-19 pandemic and increases in planned surgery waiting lists, resulting from lower capacity due to the COVID-19 pandemic.[7] The challenges that affected the least performing programs also had an impact across the department.[8]

A key challenge for DH in 2022–23 was the financial sustainability of the health sector, which DH stated was compounded by the impact of COVID-19 on staffing and the cost of consumables. DH advised it had taken action to manage the challenge which included:

- developing and updating reform options for government to address the 'underlying financial sustainability issue'
- increased collaboration between DH and health services relating to financial risk and performance
- increased understanding of cost and revenue changes 'across the system to support decision-making'.[9]

DH did not state how successful these actions were in improving the financial sustainability of the Victorian healthcare sector.

3.3 Financial analysis

3.3.1 Output expenditure

In 2021–22 DH's budget was $23.4 billion. Actual expenditure was $27.6 billion, a 17.9% ($4.2 billion) variance.[10] This overspend was predominantly driven by the Health Protection ($1.8 billion or 327.4% over budget) and Admitted Services ($2.6 billion or 20.2% over budget) outputs.[11] Both variances were primarily explained by funding for COVID-19 initiatives.[12] The Drug Prevention and Control output recorded a 25.2% underspend compared to its 2021–22 Budget, due to 'delays caused by the COVID-19 response'.[13]

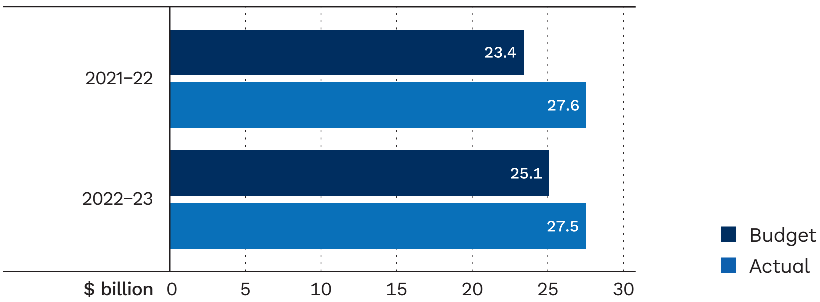
In 2022–23, DH's budget was $25.1 billion. Actual expenditure was $27.5 billion, a 9.8% ($2.5 billion) variance.[14] In 2022–23 the variance was predominantly driven by the Admitted Services output, which had a 12.7% ($1.8 billion) overspend reflecting funding increases for policy initiatives and additional funding to support the health sector.[15] Limited further detail was provided in DH's Annual Report to explain the $1.8 billion variance.

7 Ibid., p. 292.
8 Ibid., pp. 292–300.
9 Ibid., p. 296.
10 Department of Health, *Annual Report 2021–22,* pp. 40–58 (Committee calculation).
11 Ibid., pp. 42, 56 (Committee calculation).
12 Ibid.
13 Ibid., p. 49.
14 Figures do not add due to rounding. Source: Department of Health, *Annual Report 2022–23,* pp. 50–68 (Committee calculation).
15 Department of Health, *Annual Report 2022–23,* p. 52 (Committee calculation).

A number of outputs recorded overspends for 2022–23 due to 'funding increases associated with government policy initiatives', including Emergency Management (+35%), Health Protection (+66.6%) and Medical Research (+75.3%).[16] No further explanation was provided as to why such initiatives were not funded through the 2022–23 Budget. The Committee also notes that the 2022–23 actual spend was relatively similar to 2021–22, yet DH was no longer responding to the acute phase of the COVID-19 pandemic.

FINDING 25: In 2021–22 the Department of Health's (DH) output expenditure was $27.6 billion. In 2022–23, it was $27.5 billion. While actual expenditure was similar in both years, in 2022–23 DH was no longer responding to the acute phase of the COVID-19 pandemic.

Figure 3.2 Department of Health—budget versus actual, 2021–22 and 2022–23[a]



a. Figures for 2022–23 include the Medical Research output, added to the department on 1 January 2023.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2023, p. 220; Department of Health, *Annual Report 2021–22,* Melbourne, 2022, pp. 40–58; Department of Health, *Annual Report 2022–23,* Melbourne, 2023, pp. 50–68 (Committee calculation).

3.3.2 Revenue and expenses

Revenue

In 2021–22 DH's actual output appropriations decreased by 16% ($3.1 billion) to $15.9 billion in 2021–22.[17] DH explained the variance in revenue was due to MoG changes and the creation of the Department of Families, Fairness and Housing in February 2021, and reduced appropriation due to the cessation of the capital asset charge. This decrease was offset by additional funding for the COVID-19 health response and contingency releases.[18]

16 Ibid., pp. 66–67.

17 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 185 (Committee calculation).

18 Ibid.

DH's grant revenue also grew by 14% in 2021–22 to $9.9 billion as a result of Commonwealth funding under the National Partnership on COVID-19 response, which was used to fund health service activities related to the pandemic response.[19]

In 2022–23 DH's actual output appropriations again decreased by 7% ($1.1 billion) to $14.8 billion.[20] DH advised this was due to a change in appropriation source from output to special appropriation for two revenue sources.[21] DH's special appropriations increased by 57% to $3 billion due to revenue received from the Mental Health and Wellbeing Levy, introduced in January 2022.[22] As discussed further in Chapter 12, DH received and expended the full amount of revenue raised by the levy in 2021–22 and 2022–23 but no further information was provided by the Department of Treasury and Finance (DTF) on what programs or initiatives the levy funded.[23] Through future questionnaires, the Committee will ask DH for further information on revenue, expenditure and outcomes delivered through the levy.

Over both financial years DH recorded significant variances in its actual revenue compared to its budget estimate, with the department's response to the COVID-19 pandemic influencing these results.[24] In 2021–22 DH's actual result for output appropriation revenue was 32% above the budget estimate. In 2022–23 it was 18% above the budget estimate.[25] Over both years, DH advised COVID-19 was a 'major driver'.[26]

Expenses

The impact of COVID-19 on DH's financial results can also be seen in the variance between its actual expenses between 2020–21 and 2021–22. Employee benefits grew by 8% to $15.9 billion in 2021–22 and other operating expenses grew by 7% to $10.1 billion.[27]

In 2022–23 DH's employee benefits increased by 8% to $17.1 billion due to increased costs from a higher full-time equivalent staff total, enterprise agreements and higher employee benefits. The payments included winter retention, surge and one-off payments to eligible healthcare workers.[28] While the impact of COVID-19 on actual expenses was less apparent in DH's response to the questionnaire for 2022–23, DH also advised that variances to total expenses between budget and actual were predominantly driven by COVID-19 in both 2021–22 and 2022–23.[29]

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19 Ibid. (Committee calculation).

20 Ibid., p. 187 (Committee calculation).

21 Ibid.

22 Ibid. (Committee calculation).

23 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 16 November 2023, pp. 150–151.

24 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 189, 190, 217–218.

25 Ibid., pp. 189–190 (Committee calculation).

26 Ibid., p. 219.

27 Ibid., p. 192 (Committee calculation).

28 Ibid., p. 194 (Committee calculation).

29 Ibid., p. 219.

FINDING 26: COVID-19 was a major driver in the Department of Health's variance between budgeted and actual amounts for total revenue and income from transactions, total expenses from transactions and net result from transactions in 2021–22 and 2022–23.

3

3.3.3 Overall financial performance

A summary of the department's overall financial performance is set out in Table 3.1.

Table 3.1 Department of Health—summary of comprehensive operating statement, 2021–22 and 2022–23[a]

	2021–22			2022–23		
Controlled items	Budget ($ billion)	Actual ($ billion)	Variance (%)	Budget ($ billion)	Actual ($ billion)	Variance (%)
Income from transactions	25.0	30.4	21.7	26.8	29.9	11.5
Expenses from transactions	25.2	29.0	15.4	27.0	30.1	11.8
Net result	**(0.2)**	**1.4**	**–**	**(0.1)**	**(0.2)**	**–**

a. Table may not add due to rounding.

Source: Department of Health, *Annual Report 2021–22,* Melbourne, 2022, p. 224; Department of Health, *Annual Report 2022–23,* Melbourne, 2023, p. 232.

3.3.4 Treasurer's Advances

In 2021–22 DH accessed $4 billion in Treasurer's Advances, of which $3.3 billion (84%) was attributable to the COVID-19 pandemic.[30] The largest Treasurer's Advance received by DH in 2021–22 was $883.5 million for the *COVID-19 health response.*[31] The funding was used for the response to the 'projected COVID-19 caseload'.[32]

In 2022–23 DH accessed $2 billion in Treasurer's Advances, representing 16.5% of all Advances provided to the general government sector. In 2022–23 DTF did not separate COVID and non-COVID related Advances,[33] however, DH accessed Advances for COVID-19 related initiatives including:

- COVID-19 testing and vaccination services and engagement—$73.6 million
- Elective surgery catch up plan—$64.2 million
- COVID-19 health response—$15 million
- Rapid antigen tests—$6.1 million.[34]

30 Department of Treasury and Finance, *2021–22 Financial Report,* Melbourne, 2022, pp. 147–151 (Committee calculation).

31 Ibid., p. 151.

32 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 42.

33 Department of Treasury and Finance, *2022–23 Financial Report,* Melbourne, 2023, pp. 162–167 (Committee calculation).

34 Ibid., pp. 162–163.

In response to the Committee's questionnaire DH was asked why additional funding was required for each Treasurer's Advance provided. DH advised what the additional funding was used for, but not why it was required. Further, from DH's responses it was unclear how or whether the Treasurer's Advance funding fulfilled the requirement of being for 'urgent or unforeseen claims'.[35] For example, $964.4 million was provided in 2022–23 for *Additional resources provided to health services,* with DH stating: 'Additional funding required to support service delivery levels and performance in Victoria's hospitals'. No information was supplied regarding why and what elements of Victoria's hospitals needed further funding to support service delivery levels and performance, and why this funding was not provided through the regular budget cycle.[36]

FINDING 27: In 2021–22 the Department of Health accessed $4 billion in Treasurer's Advances. In 2022–23, it accessed $2 billion. From the information provided to the Committee, it is unclear how this funding conforms with the requirements that Treasurer's Advances are for 'urgent and unforeseen claims' only.

3.3.5 Capital expenditure

DH has a significant capital program. In 2021–22 DH's capital program totalled $9.4 billion and in 2022–23 it totalled $12.9 billion.[37] In its response to the questionnaire DH provided information regarding variances to capital projects. To 30 June 2023, 15 projects had a revised total estimated investment (TEI). The TEI of these projects at announcement was $3 billion, which grew to $6.1 billion (a 102% variance) as at 30 June 2023.[38]

The projects with the largest percentage increase from TEI at announcement to revised TEI at 30 June 2023 were:

- Ten new community hospitals to give patients the best care
- Building a world class hospital for Frankston families
- Royal Victorian Eye and Ear Hospital Redevelopment.

However, all had large increases due to their TEI at announcement only including funding for planning and development.[39]

35 Department of Treasury and Finance, *The Resource Management Framework Part 1 of 2 – Main Document,* Melbourne, 2023, p. 21.

36 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 57.

37 Department of Treasury and Finance, *Budget Paper No. 4: 2021–22 State Capital Program,* Melbourne, 2021, p. 26; Department of Treasury and Finance, *Budget Paper No. 4: 2022–23 State Capital Program,* Melbourne, 2022, p. 27 (Committee calculation).

38 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 113–120 (Committee calculation).

39 Ibid., pp. 119, 134, 138.

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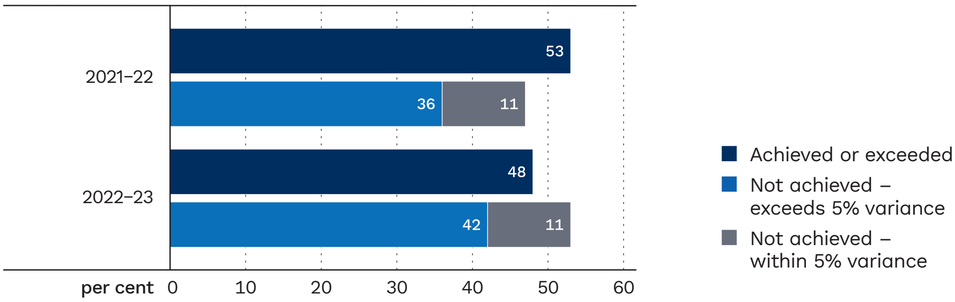
3.4 Performance information

In 2021–22 DH achieved or exceeded 53% of the performance measures published in its 2021–22 Annual Report. The department failed to meet 11% of its measures within a 5% variance and did not meet 36% of its measures exceeding a 5% variance.[40] In 2022–23 DH's performance declined, as illustrated in Figure 3.3.[41]

Figure 3.3 Department of Health—performance measure results, 2021–22 and 2022–23



Source: Department of Health, *Annual Report 2021–22,* Melbourne, 2022, pp. 40–58; Department of Health, *Annual Report 2022–23,* Melbourne, 2023, pp. 50–68 (Committee calculation).

In 2021–22 nine outputs achieved 50% or less of their total performance measures.[42] The lowest performing outputs were:

- Emergency Services (22% achieved or exceeded)
- Small Rural Services—Acute Health (25% achieved or exceeded)
- Home and Community Care Program for Younger People (33% achieved or exceeded).[43]

In 2022–23 16 outputs achieved 50% or less of their performance measures.[44] The lowest performing outputs were:

- Ambulance Non-Emergency Services (20% achieved or exceeded)
- Emergency Services (22% achieved or exceeded)
- Residential Aged Care, Aged Care Assessment, Home and Community Care Program for Younger People, Drug Treatment and Rehabilitation and Medical Research—all achieving or exceeding 33% of their measures.[45]

40 Department of Health, *Annual Report 2021–22,* pp. 40–58 (Committee calculation).

41 Department of Health, *Annual Report 2022–23,* pp. 50–68 (Committee calculation).

42 Department of Health, *Annual Report 2021–22,* pp. 40–58 (Committee calculation).

43 Ibid. (Committee calculation).

44 Department of Health, *Annual Report 2022–23,* pp. 50–68 (Committee calculation).

45 Ibid. (Committee calculation).

A number of performance measures were not met in 2021–22 and 2022–23, including:

- Number of patients admitted from the elective surgery waiting list
- Unplanned readmission after treatment for acute myocardial infarction[46]
- Proportion of ambulance patient transfers within 40 minutes
- Emergency patients treated within clinically recommended ‘time to treatment’
- Aged care assessments
- Proportion of emergency (Code 1) incidents responded to within 15 minutes—statewide
- Number of drug treatment activity units—residential services
- Emergency patients admitted to a mental health bed within eight hours
- Participation rate of women in target age range screened for breast cancer.[47]

The Secretary emphasised that DH’s performance in 2021–22 mostly reflected COVID-19 related lockdowns and the cessation of some of DH’s activities during the year.[48] The Secretary added that in 2022–23 performance measures were not met for slightly different reasons, including recovery from the pandemic and workforce challenges related to retention, recruitment and replacement of the healthcare workforce.[49]

While performance measures in DH’s annual reports are divided into quantity, quality and timeliness measures, the Secretary advised that DH also considers its performance measures through the broad categories of activity, quality and workforce. The Secretary stated that while DH confronted challenges around meeting activity and workforce measures, its achievement of quality measures were on the whole higher than its overall performance.[50] Broadly this is the case, however DH experienced challenges in meeting quality measures in significant and key areas such as readmissions into hospital after surgery, the number of category two and three planned surgeries being delivered, the quality of mental health services and emergency department waiting times and patient experience.[51] DH has undertaken a number of initiatives to address quality performance in these areas over 2021–22 and 2022–23.[52]

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46 Myocardial infarction is the medical term for a heart attack. Source: Niranjan Ojha & Amit S. Dhamoon, ‘Myocardial Infarction’, *National Library of Medicine,* 8 August 2023, <https://www.ncbi.nlm.nih.gov/books/NBK537076> accessed 8 February 2024.

47 Department of Health, *Annual Report 2021–22,* pp. 40–58; Department of Health, *Annual Report 2022–23,* pp. 50–68.

48 Professor Euan Wallace, Secretary, Department of Health, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2024, *Transcript of evidence,* p. 10; Department of Health, *Annual Report 2021–22,* pp. 40–58.

49 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 10.

50 Ibid., Department of Health, *Annual Report 2022–23,* pp. 50–68.

51 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2024, *Transcript of evidence,* pp. 10–13.

52 Ibid.

FINDING 28: In 2021–22 and 2022–23 the Department of Health underperformed against several of its performance measure targets. These areas included hospital readmission, the number of planned surgeries undertaken, mental health service delivery and emergency department wait times and patient experience. This performance is explained in part by the COVID-19 pandemic and its flow-on effects, such as workforce challenges.

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3.5 Key issue—Priority Primary Care Centres

Between mid-2022 and the end of 2023 DH established 28 Priority Primary Care Centres (PPCC).[53] Established close to busy emergency departments (ED) across Victoria, PPCCs provide general practitioner-led (GP) care to patients who need urgent care, but not an emergency response.[54] PPCCs offer bulk-billing and treat conditions such as mild infections and burns, suspected fractures and broken bones.[55]

The 28 centres were rolled out progressively and funded throughout 2022–23. According to the Government, $90 million has been invested into PPCCs as at December 2023.[56] This included Commonwealth Government funding, $32.5 million through a Treasurer's Advance and one year of funding in the 2023–24 Budget to continue service delivery.[57] The amount of Commonwealth Government funding provided is unclear.

The Secretary explained PPCCs had been established to divert primary care and triage category 4 and 5 work from EDs in the context of record demand and increased wait times, in an effort to reduce wait times in EDs.[58] The Secretary also advised the Committee that PPCCs were responding to changes in healthcare access and utilisation, stating that GPs are less accessible than they once were and in most cases, no longer provide urgent care out of hours.[59] Additionally, the high cost of visiting a GP and lack of access to GPs has also been highlighted by the Government.[60]

These issues are national and well established, with organisations such as the Royal Australian College of General Practitioners and the Australian Medical Association

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53 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 2; Hon Daniel Andrews MP, *Priority primary care centres to ease demand on hospitals,* media release, Melbourne, 21 August 2022.

54 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 7; Department of Health, *Priority Primary Care Centres,* 25 October 2023, <https://www.health.vic.gov.au/priority-primary-care-centres> accessed 1 February 2024.

55 Better Health Channel, *Priority Primary Care Centres,* 12 January 2024, <https://www.betterhealth.vic.gov.au/priority-primary-care-centres#bhc-content> accessed 1 February 2024; Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* pp. 6–7.

56 Hon Mary-Anne Thomas MP, *Major milestone for Victoria's priority primary care centres,* media release, Melbourne, 20 December 2023.

57 Ibid.; Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* Melbourne, 2023, pp. 54, 58; Hon Colin Brooks MP, *More priority primary care centres open,* media release, Melbourne, 12 January 2023; Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 63.

58 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 63, 89; Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 7; Hon Daniel Andrews MP, *Priority primary care centres to ease demand on hospitals.*

59 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* pp. 8–9.

60 Hon Colin Brooks MP, *More priority primary care centres open.*

(AMA) highlighting the increase in 'gap' charges for GP appointments, a high demand for GPs that is not met by supply and difficulty accessing GP appointments for many.[61] However, DH emphasised that PPCCs were not intended to replace established relationships with GPs, but to provide urgent primary care.[62] Primary or GP-level care is the responsibility of the Commonwealth Government.[63]

DH advised that as of November 2023, 6,000 Victorians were using PPCCs every week and a total of 160,000 visits were recorded since August 2022.[64] By December 2023 PPCCs recorded a total of 250,000 presentations since opening in mid-2022.[65] DH also added that its data showed 53% of PPCC patients would have attended an ED if a centre had not been available.[66] Compared to the number of category 4 and 5 patients generally treated in EDs, these numbers are significant. The latest available data shows over 164,000 people triaged into category 4 and 5 were treated in Victorian EDs between July and September 2023.[67] Based on the data provided by DH and using the 6,000 patients presenting to PPCCs a week figure to calculate, an extra 38,000 people (23.2%) may have been treated in an ED, had PPCCs not been available.[68]

However, it remains unclear whether PPCCs are meeting their overall aims. While patients are being diverted from EDs, available data related to EDs that may be impacted by the operation of PPCCs for the four quarters September 2022 to September 2023 show mixed results. Data shows the number of patients treated in category 4 and 5 in EDs was relatively stable across the period.[69] The percentage of ED patients treated within the recommended time has improved by approximately 9% but is still 10% under target.[70] Positively, the median wait time for patients in EDs improved from 23 minutes to 16 minutes.[71] Positive trends in ED data cannot be solely attributed to the operation of PPCCs, but it is clear their operation contributed to reduced ED presentations.

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61 Royal Australian College of General Practitioners, *Out-of-pocket costs rise as bulk billing plummets: Survey,* 8 January 2024, <https://www1.racgp.org.au/newsgp/professional/out-of-pocket-costs-rise-as-bulk-billing-plummets> accessed 1 February 2024; Australian Medical Association, *The general practitioner workforce: why the neglect must end,* Canberra, 2022, p. 2; Australian Medical Association, *AMA's plan to improve access to GPs,* 3 October 2022, <https://www.ama.com.au/improve-access-to-gps> accessed 1 February 2024.

62 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 8.

63 Department of Health and Aged Care, *What we're doing about primary care,* 3 April 2023, <https://www.health.gov.au/topics/primary-care/what-we-do> accessed 1 February 2024.

64 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* pp. 2, 6–7.

65 Hon Mary-Anne Thomas MP, *Major milestone for Victoria's priority primary care centres,* media release, Melbourne, 20 December 2023.

66 Ms Jodie Geissler, Deputy Secretary, Commissioning and System Improvement, Department of Health, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2024, *Transcript of evidence,* p. 8.

67 Victorian Agency for Health Information, *Patients treated by urgency category—Patients treated,* 2024, <https://vahi.vic.gov.au/emergency-care/patients-treated-urgency-category> accessed 1 February 2024.

68 Ibid. (Committee calculation).

69 Ibid.

70 Victorian Agency for Health Information, *Patients treated by urgency category—Percentage of patients treated within time,* 2024, <https://vahi.vic.gov.au/emergency-care/patients-treated-urgency-category> accessed 1 February 2024.

71 Victorian Agency for Health Information, *Waiting time to treatment—Median wait time,* 2024, <https://vahi.vic.gov.au/emergency-care/waiting-time-treatment> accessed 1 February 2024.

Considering the well-publicised GP access issues across Australia and the overall lack of GPs leading to reduced access, it is unclear to the Committee how DH is fulfilling PPCC staffing needs and how sustainable the model is. DH advises that GP clinics are being 'commissioned as PPCCs' and will 'deploy their existing workforce' to staff them, working with their local Primary Health Network to ensure 'a sustainable workforce model'.[72] It is unclear whether this means that commissioned GP clinics will no longer see non-urgent patients. During the hearings DH advised that existing GPs who were not working additional hours were mobilised to staff PPCCs.[73]

FINDING 29: In Australia and Victoria, the supply of general practitioners does not meet demand, leading to access issues. It is unclear how the Department of Health is fulfilling staffing needs in Priority Primary Care Centres considering the current environment of healthcare workforce shortages.

Additionally, several sources have emphasised that factors such as hospital funding, chronic disease and limited access to primary health care in the community are key factors influencing wait times and increased attendance at EDs.[74] DH's 2022–23 Annual Report explains the performance measure for ED patients treated within the clinically recommended 'time to treatment' was not met due to increased demand, patient complexity, supply constraints, workforce pressures and infection control measures.[75] It is likely a number of these factors would not be impacted by diverting category 4 and 5 patients.

The AMA asserts that lower-urgency patients are not the main factor driving issues in EDs, stating:

> While rates of ED presentations that are lower urgency are sometimes used as a proxy measure of access to primary healthcare, these measures are often conflated to be the most pressing issue for EDs and primary care. GP type presentations to EDs are managed relatively quickly and are not resource intensive. The more significant issue is the chronic underfunding of general practice and primary care that reduces access to appropriate care over time, causing a person's acute or chronic condition to deteriorate, which results in requirements for high level of care via emergency department and hospital admission.[76]

72 Department of Health, *Priority Primary Care Centres: Key messages,* March 2023, <https://www.health.vic.gov.au/sites/default/files/2023-03/ppcc-key-messages-march-2023.docx> accessed 1 February 2024.

73 Professor Euan Wallace, Secretary, Department of Health, *Transcript of evidence,* p. 7.

74 Australian Medical Association, *Public hospitals: Cycle of crisis,* Canberra, 2021, p. 23; BMC Health Services Research, *Understanding patient preferences for emergency care for lower triage acuity presentations during GP hours: a qualitative study in Australia,* 29 November 2022, <https://bmchealthservres.biomedcentral.com/articles/10.1186/s12913-022-08857-8> accessed 1 February 2024; Royal Australian College of General Practitioners, *'Never been so strained': Call for change as ED presentations spike,* 9 November 2022, <https://www1.racgp.org.au/newsgp/professional/never-been-so-strained-call-for-urgent-change-as-e> accessed 1 February 2024.

75 Department of Health, *Annual Report 2022–23,* p. 53.

76 Australian Medical Association, *The general practitioner workforce: why the neglect must end,* Canberra, 2022, p. 10.

While PPCCs have a role to play in addressing issues such as wait times in EDs and allowing patients to access timely urgent care, there are several, system-wide factors that contribute to the issues experienced in Victoria's healthcare system at all levels.

FINDING 30: Priority Primary Care Centres have a role to play in reducing wait times in emergency departments (ED) and increasing access to urgent primary care for Victorians. However, there are several other factors that influence ED wait times and patient presentations that are equally as important, such as funding levels, the prevalence of chronic disease and access to primary health care in the community.

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DH undertook an evaluation of 25 PPCCs that was to be completed at the end of November 2023. It assessed whether PPCCs have 'increased access to primary care services for people requiring urgent care, but not an emergency response; and, reduced primary care type presentations to emergency departments partnered with PPCCs'.[77] This evaluation will be useful in determining the effectiveness of PPCCs and their continued utilisation as part of the Victorian healthcare system.

RECOMMENDATION 7: The Department of Health publish the evaluation of Priority Primary Care Centres, due for completion by November 2023, on its website by mid-2024.

3.6 Key issue—wait times for mental health beds

The department noted that in 2021–22 and 2022–23, the measure 'Percentage of departures from emergency departments to a mental health bed health bed within 8 hours' was not met.[78] Since 2010–11, the performance measure's target has been between 75 and 80%, which has not been met over a 13-year period.[79] Performance has been steadily declining since 2014–15 and reached a 13-year low of 39.5% in 2022–23, as demonstrated in Figure 3.4.[80]

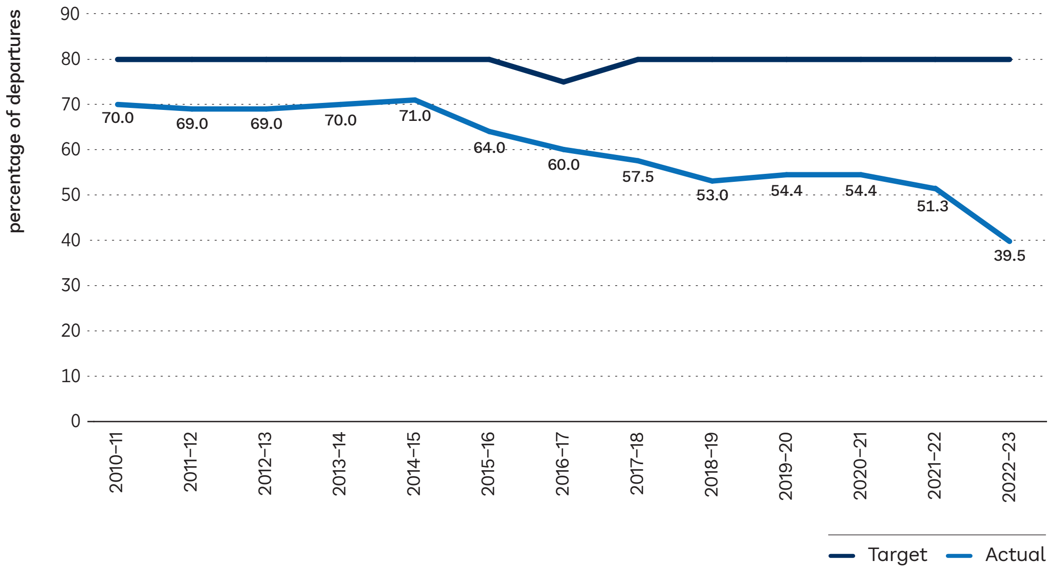
77 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 250.

78 Ms Katherine Whetton, Deputy Secretary, Mental Health and Wellbeing, Department of Health, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2024, *Transcript of evidence,* p. 13.

79 Department of Treasury and Finance, *Departmental performance statements—Department of Health,* 18 September 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements> accessed 29 January 2024; Department of Health, *Annual Report 2022–23,* p. 64.

80 Department of Treasury and Finance, *Departmental performance statements—Department of Health;* Department of Health, *Annual Report 2022–23,* p. 64.

Figure 3.4 Department of Health—percentage of departures from emergency departments to a mental health bed within 8 hours, 2010–11 to 2022–23



Source: Department of Treasury and Finance, *Departmental performance statements—Department of Health,* 18 September 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements> accessed 29 January 2024; Department of Health, *Annual Report 2022–23,* Melbourne, 2023, p. 64.

This performance measure and the outcomes are significant for several reasons. Victoria's population is growing rapidly, recording a 21.5% increase between 2011 and 2021 according to the national census.[81] The resident population of Victoria is expected to grow from 6.5 million people in 2021 to 8.4 million in 2036.[82] This suggests that there is and will continue to be an increasing demand for mental health beds, which is in part driving wait times for such beds in EDs.

Further, mental health presentations to EDs are known for high levels of clinical acuity (i.e. a need for urgent treatment).[83] There is strong evidence to suggest that the standard models of emergency care are not always safe for people experiencing a mental health crisis and mental health care provided in EDs is often unsuitable.[84] According to a study from Victoria University, patients who are experiencing a mental health crisis and are left to wait in unsupported environments have an increased risk of agitation and behavioural disturbances, which can present a risk to both the patient and ED staff.[85] Victoria's Royal Commission into the Mental Health System has stated

81 Australian Bureau of Statistics, *2011 Census data shows a snapshot of Victoria,* media release, Canberra, 21 June 2012; Australian Bureau of Statistics, *Victoria2021 Census All persons QuickStats,* n.d., <https://www.abs.gov.au/census/find-census-data/quickstats/2021/2> accessed 8 February 2024 (Committee calculation).

82 Department of Transport and Planning, *Victoria in Future,* 19 December 2023, <https://planning.vic.gov.au/guides-and-resources/data-and-insights/victoria-in-future> accessed 8 February 2024.

83 Royal Commission into Victoria's Mental Health System, *Final Report Volume 1: A new approach to mental health and wellbeing in Victoria,* Melbourne, 2021, p. 539.

84 Victoria University, Mitchell Institute, *Nowhere else to go: why Australia's health system results in people with mental illness getting 'stuck' in emergency departments,* Melbourne, 2020, p. 40; Australasian College for Emergency Medicine, *Submission to the Royal Commission into Victoria's Mental Health System,* 5 July 2019, <https://acem.org.au/getmedia/5166a643-ca48-4894-94cf-8c0cbd58b2e7/SUB422_ACEMSubmissionRCVMHSJuly05> accessed 29 January 2024, p. 4.

85 Victoria University, Mitchell Institute, *Nowhere else to go* p. 40; Australasian College for Emergency Medicine, *Submission to the Royal Commission into Victoria's Mental Health System,* p. 4.

that 'Waiting long periods in high-stimulus emergency department environments, often for little therapeutic contact, can exacerbate mental health crises'.[86]

FINDING 31: The Department of Health has not met its target for the performance measure 'Percentage of departures from emergency departments to a mental health bed health bed within 8 hours' over a 13-year period, recording a low of 39.5% in 2022–23. Waiting for a mental health bed via emergency departments can exacerbate mental health crises for those patients experiencing them.

DH outlined several factors that resulted in longer wait times for mental health beds and the department not meeting its performance measure target over both financial years. As a principle factor, DH advised that while EDs are often an entry point for patients into the mental health system, Victoria has an undersupply of mental health beds.[87] DH's Annual Report and its response to the questionnaire also outline that demand for inpatient bed-based services exceeds supply and that high demand in the north-west and south-east metropolitan and Hume areas influenced performance in 2021–22, while across both years bed closures influenced performance results.[88]

FINDING 32: The undersupply of mental health beds in Victoria and demand for inpatient bed-based services outstripping supply were two key reasons why the Department of Health did not meet its target for percentage of departures from emergency departments to a mental health bed within eight hours by large margins in 2021–22 and 2022–23.

DH provided data from 2018–19 to 2022–23 for mental health-related ED presentations that departed into a mental health bed broken down by wait time. The data shows the number of patients waiting more than four hours, more than 24 hours and more than 48 hours to depart to a mental health bed, broken down by each ED in Victoria.[89] It shows that over the past five years, the number of patients waiting more than 24 and 48 hours has grown significantly in both metropolitan and regional Melbourne, especially between 2021–22 and 2022–23.[90] This is represented in Figures 3.5 and 3.6.

The data shows that in metropolitan EDs between 2021–22 and 2022–23, patients waiting more than 24 hours grew by 85%, while patients waiting more than 48 hours grew by 251%. For rural EDs, patients waiting more than 24 hours grew by 632%. Patients waiting more than 48 hours grew from less than five to approximately 35 patients in total.[91]

86 Royal Commission into Victoria's Mental Health System, *Final Report Volume 1,* p. 539.

87 Ms Katherine Whetton, Deputy Secretary, Mental Health and Wellbeing, Department of Health, *Transcript of evidence,* p. 13.

88 Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 36–38.

89 Professor Euan Wallace, Secretary, Department of Health, 2021–22 and 2022–23 Financial and performance outcomes hearing, questions on notice received 14 December 2023, pp. 9–11.

90 Ibid.

91 Ibid. (Committee calculation).

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Figure 3.5 Victorian metropolitan emergency departments—number of mental health-related presentations that departed into a mental health bed in more than 24 and 48 hours, 2018–19 to 2022–23

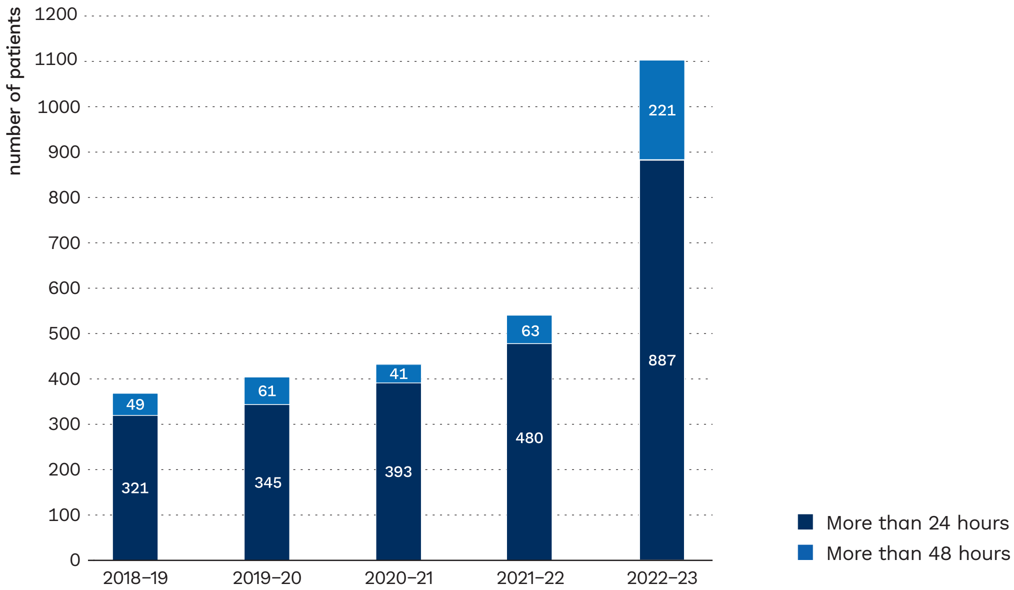
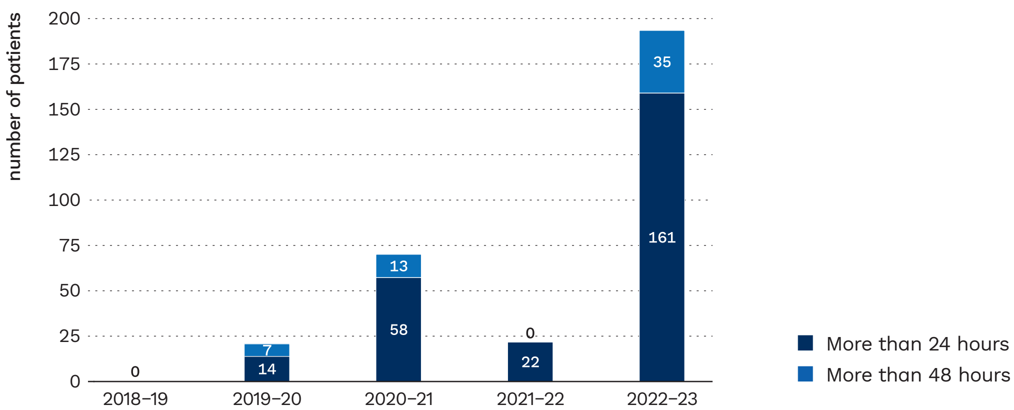


Figure 3.6 Victorian rural emergency departments—number of mental health-related presentations that departed into a mental health bed in more than 24 and 48 hours, 2018–19 to 2022–23



Notes:

- Suppression rules have been applied to the data by the Department of Health. Where presentations at an individual emergency department were less than five in a given year, they were not provided and have not been included in the data for both Figures 3.5 and 3.6. As such, actual numbers of presentations that departed into a mental health bed in more than 24 and 48 hours are likely higher.
- The Department of Health noted in the provided data there is some replication of presentations. Those patients represented in the 'More than 24' and 'More than 48' hours brackets are also included in the previous bracket's data.

Source: Professor Euan Wallace, Secretary, Department of Health, 2021–22 and 2022–23 Financial and performance outcomes hearing, questions on notice received 14 December 2023, pp. 9–11 (Committee calculation).

FINDING 33: In metropolitan and rural emergency departments in Victorian hospitals, mental health-related presentations waiting more than 24 and more than 48 hours has increased significantly between 2021–22 and 2022–23. The clinically recommended time is within eight hours.

Over the five years data was provided for, the metropolitan ED with the most presentations waiting more than 24 and 48 hours was Sunshine hospital, with 889 and 132 presentations respectively.[92] For rural Victoria, Latrobe hospital had 115 presentations waiting for more than 24 hours and 35 presentations waiting for more than 48 hours over the five years.[93]

Several metropolitan EDs had notable increases in presentations waiting more than 24 hours or more than 48 hours to depart into a mental health bed between 2021–22 and 2022–23, as shown in Table 3.2.

Table 3.2 Select Victorian metropolitan emergency departments—number of mental health related emergency department presentations that departed into a mental health bed in more than 24 and 48 hours, 2021–22 and 2022–23

	More than 24 hours			More than 48 hours		
Emergency Department	**2021–22**	**2022–23**	**Growth (%)**	**2021–22**	**2022–23**	**Growth (%)**
Dandenong	54	132	144.4	8	24	200.0
Footscray	47	162	244.7	9	58	544.4
Mercy Werribee	51	176	245.1	11	42	281.8
MMC Clayton	42	98	133.3	7	24	242.9

Notes:

- Suppression rules have been applied to the data by the Department of Health. Where presentations at an individual emergency department were less than five in a given year, they were not provided and have not been included in the data for Table 3.2. As such, actual numbers of presentations that departed into a mental health bed in more than 24 and 48 hours are likely higher.
- The Department of Health noted in the provided data there is some replication of presentations. Those patients represented in the 'More than 24' and 'More than 48' hours brackets are also included in the previous bracket's data.

Source: Professor Euan Wallace, Secretary, Department of Health, 2021–22 and 2022–23 Financial and performance outcomes hearing, questions on notice received 14 December 2023, pp. 9–11 (Committee calculation).

FINDING 34: Between 2021–22 and 2022–23 several metropolitan emergency departments had significant growth in the number of mental health presentations that departed into a mental health bed in more than 24 and 48 hours. These included Dandenong, Footscray, Mercy Werribee and MMC Clayton hospitals.

92 Ibid. (Committee calculation).

93 Ibid. (Committee calculation).

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The Royal Commission into Victoria's Mental Health System spoke extensively about bed-based services for mental health treatment and acute level mental health beds, including the factors that have led to increased wait times in EDs for mental health beds. These included:

- strong growth in emergency department presentations by people needing mental health care between 2008–09 and 2019–20
- pressures on EDs and acute inpatient units in hospitals
- underinvestment in mental health services in the community
- insufficient acute beds to meet demand, as outlined above.[94]

The Royal Commission's interim report recommended that the government invest in 170 additional acute mental health beds for adults and young people 'to address an urgent deficit in acute beds numbers'.[95] An additional 170 beds would allow Victoria to maintain its 2019–20 ratio of 18.5 mental health beds per 100,000 population to the year 2031–32.[96] As a result, the Commission's final report identified a need to invest in a further 100 mental health beds to address demand pressures and support mental health reform.[97]

In response, the Government has committed $801 million to the *Mental health beds expansion program,* which will provide 260 new acute mental health beds across Victoria.[98] DH's *Victorian mental health and wellbeing services annual report 2022–23* states that the first five of 35 new acute beds were opened as part of the Specialist Women's Mental Health Service and a further five were opened in two Shepparton health services.[99] While new acute mental health beds continue to be delivered, the data on wait times for transfers to mental health beds, as outlined above, demonstrates the addition of new beds is yet to have a noticeable impact on wait times overall.

The *Victorian mental health and wellbeing services annual report 2022–23* outlines the number of specialist mental health beds in Victoria over a five-year period, which shows the number of admitted beds grew from 1,455 to 1,564 (+109 or 7.5%) between 2018–19 and 2022–23.[100]

FINDING 35: In response to the 2021 Royal Commission into Victoria's Mental Health System, the Victorian Government has invested $801 million to establish 260 new acute mental health beds.

94 Royal Commission into Victoria's Mental Health System, *Final Report Volume 1,* pp. 510, 539.

95 Ibid., p. 583.

96 Royal Commission into Victoria's Mental Health System, *Interim Report,* Melbourne, 2019, p. 429.

97 Royal Commission into Victoria's Mental Health System, *Final Report Volume 1,* p. 593.

98 Hon Gabrielle Williams MP, *More mental health beds across Victoria,* media release, Melbourne, 13 August 2023.

99 Department of Health, *Victoria's mental health and wellbeing services annual report 2022–23,* Melbourne, 2023, p. 9.

100 Ibid., p. 67 (Committee calculation).

FINDING 36: While the number of specialist mental health beds grew by 7.5% (109 beds) between 2018–19 and 2022–23, data relating to transfers from emergency departments to mental health beds indicate the new mental health beds are yet to have a marked impact on wait times.

3.7 Key issue—hospital infrastructure and public private partnerships

Public private partnerships (PPP) are a type of procurement model between the public and private sectors. In the Victorian context, the State Government pays a private provider or group of private providers (consortium) to deliver infrastructure and related services over an extended period. In most cases the private provider will build, operate and maintain a facility or piece of infrastructure to specified standards over a long term. The private provider usually finances the project up front, while the government pays the provider for certain milestones met and services delivered.[101]

PPPs have been used to deliver infrastructure projects across healthcare, water and transport infrastructure in Victoria over many years. There are several guidelines and frameworks which dictate how PPPs are managed from end-to-end, including the *National PPP Policy and Guidelines*—a national framework for PPPs—and the Partnerships Victoria procurement models, which supplement the national framework with Victorian-specific guidelines.[102] Partnerships Victoria provides policy guidance for PPPs, while DTF supports, reviews and monitors projects and advises government on PPP policy and project issues.[103]

Several hospitals are operated under a 25-year PPP for non-core services, including Bendigo Hospital, Casey Community Hospital, the Royal Children's Hospital and the Royal Women's Hospital.[104] Over the last few years new hospital projects have been announced which will involve a PPP, for example the Frankston Hospital Redevelopment and the new Footscray and Melton Hospitals.[105]

There are several reported benefits of using PPPs for large infrastructure projects. These benefits also apply to hospital projects and were outlined by DH when discussing

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101 Department of Infrastructure, Transport, Regional Development, Communication and the Arts, *National Guidelines for Infrastructure Project Delivery: Public-Private Partnerships,* 2024, <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/infrastructure-investment-project-delivery/national-guidelines-infrastructure-project-delivery> accessed 29 January 2024.

102 Ibid.; Organisation for Economic Co-Operation and Development, *Dedicated Public-Private Partnership Units—A survey of institutional and governance structures,* 2010, p. 81; Department of Treasury and Finance, *Partnerships Victoria,* 20 September 2023, <https://www.dtf.vic.gov.au/infrastructure-investment/partnerships-victoria> accessed 29 January 2024.

103 Organisation for Economic Co-Operation and Development, *Dedicated Public-Private Partnership Units,* p. 82.

104 Department of Treasury and Finance, *Partnerships Victoria projects,* 20 September 2023, <https://www.dtf.vic.gov.au/partnerships-victoria/partnerships-victoria-projects> accessed 29 January 2024.

105 Ibid.

the delivery of the $2.2 billion new Footscray Hospital.[106] According to DH, PPPs represent the best value for money, they deliver innovation through a competitive tender process, incentivise meeting deadlines, project budgets and delivering ongoing maintenance for the term of the PPP, and share risk across all partners with most of the design, construction and maintenance risk transferred to the private sector.[107] DH reported several of these benefits would be realised through the PPP for the Footscray Hospital.[108] The 'innovation' to be delivered through the project includes a Victoria University education and research space, additional points of care, additional car parking, measures for long-term sustainability and value creation from other services provided on site, such as retail services.[109]

While the listed benefits from PPPs are widely reported, there are a number of challenges associated with PPP procurement methods, especially in the long term. An inquiry undertaken by the Productivity Commission noted that outcomes of PPPs in Australia have been mixed, with notable failures including the Latrobe Regional Hospital in Victoria.[110] While risks may be shared, the State maintains a residual risk for the delivery of services should a PPP fail.[111] Previous PAEC Committees have reported on issues relating to PPPs and have made recommendations regarding transparency and PPP projects.[112]

Value for money

Partnerships Victoria publishes useful information on PPP projects which enhance transparency and accountability. This includes finalised contracts and project summaries, which detail the tender process, project milestones, financial outcomes of the project and commercial features including each party's obligations and the allocation of risk.[113]

A key factor in selecting a partner to deliver a PPP project is value for money, which through Partnerships Victoria's process involves an analysis of each proposal from the private sector compared against a State-managed delivery option, known as a Private

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106 Mr Chris Hotham, Deputy Secretary, Health Infrastructure, Department of Health, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2024, *Transcript of evidence*, p. 34.

107 Ibid., p. 35; Department of Health, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 175–177.

108 Mr Chris Hotham, Deputy Secretary, Health Infrastructure, Department of Health, *Transcript of evidence*, pp. 35, 36.

109 Ibid., p. 36.

110 Productivity Commission, *Public Infrastructure: Overview,* Canberra, 2014, pp. 6–7.

111 Stephen Duckett, 'Public-private hospital partnerships are risky business', *The Conversation,* 30 July 2013, <https://theconversation.com/public-private-hospital-partnerships-are-risky-business-16421> accessed 29 January 2024.

112 For example, the previous Committee recommended a global figure of PPP payment commitments for the next 30 years be contained in the budget papers and that a template for Partnerships Victoria be developed to present to the public using a consistent terminology on summary financial payment information for PPP projects. Source: Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates,* September 2018, pp. 86–87; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates,* October 2019, pp. 67–68.

113 Department of Treasury and Finance, *Partnerships Victoria projects*; Victorian Health Building Authority, *New Footscray Hospital Project Summary May 2021,* Melbourne, 2021, p. 3.

Sector Comparator (PSC).[114] Value for money considerations go beyond cost, to look at the overall value of each proposal.[115] The PSC, value of the awarded private sector contract, estimated savings of the PPP and additional value for money benefits of Victoria's hospital PPP projects are outlined in Table 3.3.

Table 3.3 Public private partnership hospital projects—value for money factors

Project	Public sector comparator ($ million)	Private sector contract ($ million)	Estimated savings	Additional value for money benefits as published
Projects in procurement and delivery[a]				
Frankston Hospital Redevelopment	2,098.4	2,087.9	$10.5 million or 0.5%	• Additional capacity beyond minimum scope requirements • Responds to lessons learned from the pandemic • Environmental sustainability • Value creation and capture • Employment and economic growth
New Footscray Hospital	3,878.0	3,296.0	$582.0 million or 15%	• Capacity beyond minimum scope requirements • Designing for pandemic response • Sustainability • Value creation and capture • Employment and economic growth
Projects in operation				
Bendigo Hospital	1,314.3	1,110.5	$203.9 million or 15.5%	• Innovation and optimised asset utilisation through enhanced user amenities (i.e., a car park, a hotel and retail outlets) • Risk transfer and whole of life costing of the project • Efficiencies through effective health planning and design
Casey Hospital Expansion Project	167.4	164.6	$2.8 million or 1.7%	• A number of benefits not included in the PSC such as: • Replacement of two existing theatres • Redevelopment of short stay unit • Additional car parking

(Continued)

114 The Public Sector Comparator (PSC) is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed in accordance with the output specification and risk allocation proposed for the public private partnership and is based on the most likely and efficient form of conventional (that is, non-public private partnership) delivery by the State. Source: Victorian Health Building Authority, *New Footscray Hospital Project Summary May 2021,* p. 27.

115 Ibid.

Project	Public sector comparator ($ million)	Private sector contract ($ million)	Estimated savings	Additional value for money benefits as published
Projects in operation (Continued)				
New Royal Children's Hospital Project	1,016.0	946.0	$70.0 million or 6.9%	• Enhanced amenities and facilities ie. food and retail, gym, hotel • Additional building area and shell space • World class, 'iconic' design
New Royal Women's Hospital	367.7	365.2	$2.5 million or 0.7%	• Not available—Project summary not provided/published
Victorian Comprehensive Cancer Centre	1,272.6	1,263.3	$9.3 million or 0.7%	• Provision of future expansion space • Enhanced user amenities • Innovation through commercialisation of core public services

a. New Melton Hospital not included as the consortia to deliver the project has not been finalised. Source: Victorian Health Building Authority, *New Melton Hospital,* 3 November 2023, <https://www.vhba.vic.gov.au/health/hospitals/new-melton-hospital> accessed 29 January 2024.

Source: Victorian Health Building Authority, *Frankston Hospital Redevelopment Project: Project Summary June 2022,* Melbourne, 2022, pp. 28–29; Victorian Health Building Authority, *New Footscray Hospital Project: Project Summary May 2021,* Melbourne, 2021, pp. 28–29; Partnerships Victoria, *Project Summary: Bendigo Hospital Project,* Melbourne, 2013, pp. 15–16; Department of Health and Human Services, *Casey Hospital Expansion Project: Project Summary–November 2017,* Melbourne, 2017, pp. 21–22; Department of Human Services, *Partnerships Victoria Project Summary: The New Royal Children's Hospital Project,* Melbourne, 2008, pp. 6–8; Victorian Auditor-General's Office, *The New Royal Women's Hospital—a public private partnership,* Melbourne, 2008, p. 37; Department of Treasury and Finance, *Royal Women's Hospital Project,* 16 May 2018, <https://www.dtf.vic.gov.au/partnerships-victoria-ppp-projects/royal-womens-hospital-project> accessed 29 January 2024; Partnerships Victoria, *Project Summary: Victorian Comprehensive Cancer Centre Project,* Melbourne, 2012, pp. 15–16, 17 (Committee calculation).

As shown, in a majority of cases the estimated savings between PPP and State-delivery are minimal, however, there are additional benefits delivered by the selected PPP tenders, which range from additional hospital capacity to risk transfer and economic growth and employment. However, some of these additional benefits are assumed through selecting a PPP process (i.e. risk transfer), while other are likely benefits of large-scale infrastructure rather than delivery through a PPP procurement method specifically (i.e. economic growth and employment). The information provided in the available project summaries on the additional value for money benefits also makes it difficult to understand how many of these projects are delivering innovation through the PPP.

FINDING 37: Of the seven hospitals procured or to be procured using a public private partnership (PPP), the estimated cost savings of using this procurement method are modest, ranging between 0.5 and 15.5%. The government expects additional value for money benefits to be realised through utilising a PPP for these projects, such as additional capacity, environmental sustainability and economic growth.

Reporting on public private partnerships

While the Committee commends the publication of hospital infrastructure PPP contracts and project summaries, there are several notable gaps in public reporting on PPPs that, if filled, would increase transparency regarding the PPP process from the tender stage to operation.

First, DTF and Partnerships Victoria do not provide detailed information regarding how a PPP was selected for an individual project over other procurement methods—an assessment that is completed at the business case-phase of a project.[116] Second, while Partnerships Victoria publishes information regarding the value for money assessment of a successful tender, it does not publish comparative information about non-successful tenders compared to the chosen partner. Publishing this information would increase transparency and understanding of how value for money was determined, and ensure the public understands it is receiving the best of all the available options.

RECOMMENDATION 8: The Department of Treasury and Finance and Partnerships Victoria publish the business cases for all public-private partnership projects.

RECOMMENDATION 9: The Department of Treasury and Finance and Partnerships Victoria publish comparative value for money information on non-successful tenders for public private partnership projects, to demonstrate the best tender was chosen.

Finally, while the government advises that each PPP project is expected to deliver benefits such as value for money, innovation, on-time delivery and better maintenance over the life of the project, this is not evident and does not appear to be tracked and publicly reported on. Neither is how the PPP partner performs once the infrastructure has been completed. In terms of hospital projects, the PPP partner delivers non-core services for the life of the contract. As such, there is no transparency regarding whether PPPs have met their desired outcomes, benefits or performance. To fill this gap, the government should report on its PPP projects in operation at least every three years, detailing where the expected benefits have been realised and where they have not, and why.

RECOMMENDATION 10: The Victorian Government report on its public private partnerships (PPP) that are in operation at least every three years, outlining whether the expected benefits of the PPP (including the actual vs estimated savings and 'additional value for money benefits') have been fully realised and to what extent, how the private partner is performing in the delivery of its ongoing obligations and how the State has benefited from the partnership.

116 Department of Treasury and Finance, *Investment Lifecycle and High Value High Risk Guidelines,* Melbourne, 2023, p. 58.

Chapter 4
Department of Education

4

4.1 Overview

The Department of Education's (DE) vision is:

> A great education for every child and young person – so they can thrive now, and in the future, for a fairer, smarter and more prosperous state.[1]

DE's objectives are to:

- raise development outcomes of three and four-year-old children prior to attending school
- raise learning, development, engagement and wellbeing outcomes for all Victorian students
- provide equitable and inclusive schooling to all Victorian students.[2]

4.1.1 Machinery of government changes

DE's vision statement and objectives were updated post-machinery of government (MoG) changes taking effect on 1 January 2023. As part of the changes the department was renamed from the Department of Education and Training (DET). The portfolios of Training and Skills and Higher Education were transferred to the newly established Department of Jobs, Skills, Industry and Regions.[3]

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1 Department of Education, *Annual Report 2022–23,* Melbourne, 2023, p. 2.

2 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* Melbourne, 2023, p. 124.

3 Department of Education, *Annual Report 2022–23,* p. 1.

Figure 4.1 Department of Education—machinery of government changes, 2021–22 and 2022–23

4.2 Outcomes and challenges

DE was asked to identify its programs that delivered the most important outcomes in the community across 2021–22 and 2022–23. These included *New Schools Construction*, *Free Kinder, Three-Year-Old Kindergarten,* the *Tutor Learning Initiative* and the *Mental Health Practitioners* initiative.[4]

DE also identified key challenges it faced in 2021–22 and 2022–23. The responses for both years were similar and included:

- responding to extreme weather and emergency situations and responding to the needs of school communities in areas affected by the October 2022 floods. This included education services that were damaged by the floods and the impact on the wellbeing of students[5]
- education workforce attraction and retention. DE managed additional demands on education services and workforces as a result of Victoria's growing population, the increased demand for early childhood educators in response to government reforms and national teacher workforce shortages. This is discussed further in Section 4.7.[6]

4.3 Financial analysis

4.3.1 Output expenditure

In 2021–22 DET recorded an underspend of 1.5% ($244 million) compared to its budget.[7] Based on its outputs post-MoG changes (excluding the Training and Skills and

4 Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 20 November 2023, pp. 9–15.

5 Ibid., pp. 285–287.

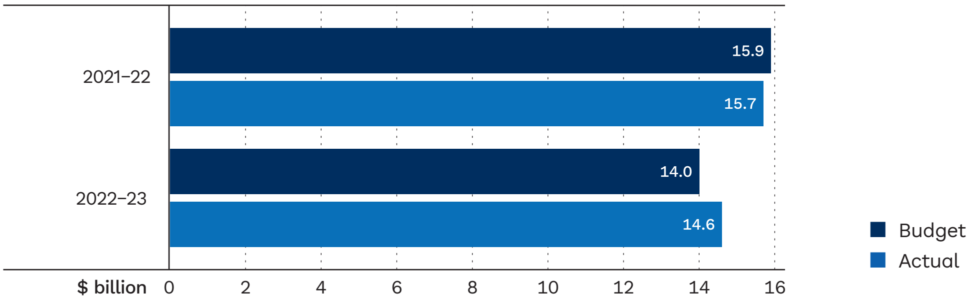
6 Ibid., pp. 285–288.

7 Department of Education and Training, *Annual Report 2021–22,* Melbourne, 2022, pp. 32–53 (Committee calculation).

Higher Education portfolios), DET's 2021–22 budget and actual result would have been $13.3 billion and $13.4 billion respectively.[8]

In 2022–23 DE recorded an overspend of 4.2% ($584.1 million) compared to its budget for all post-MoG change outputs.[9]

Figure 4.2 Department of Education and Training/Department of Education—budget versus actual, 2021–22 and 2022–23



Source: Department of Education and Training, *Annual Report 2021–22,* Melbourne, 2022, pp. 32–53; Department of Education, *Annual Report 2022–23,* Melbourne, 2023, pp. 25–36 (Committee calculation).

The underspend in 2021–22 was across all outputs, except School Education – Secondary and Support Services Delivery.[10] Support Services Delivery recorded a 14.2% variance compared to the budget, explained by new funding decisions during 2021–22. DE did not explain which funding decisions this included.[11]

The 4.2% overspend compared to the department's budget in 2022–23 was predominantly due to the Early Childhood Education and Support Services Delivery outputs, which recorded 13.6% and 9.8% variances respectively.[12] The variance in the Early Childhood Education output was explained by new funding decisions during 2022–23 including the *Best Start, Best Life* and *Free Kinder* initiatives, which were offset by some carryover and rephasing related to delays in capital grants to kindergarten operators.[13] A similar explanation was provided for the variance in the Support Services Delivery output, with new funding decisions relating to the *National Student Wellbeing* program.[14]

8 Ibid. (Committee calculation).

9 Department of Education, *Annual Report 2022–23,* pp. 25–36 (Committee calculation).

10 Department of Education and Training, *Annual Report 2021–22,* pp. 32–53 (Committee calculation).

11 Ibid., p. 52.

12 Department of Education, *Annual Report 2022–23,* pp. 27, 36.

13 Ibid., p. 27.

14 Ibid., p. 36.

4.3.2 Revenue and expenses

In 2021–22 DE's output appropriations declined by 8.1% to $14.8 billion, attributable to the removal of the capital assets charge for all departments in 2021–22, offset by new budget initiatives and additional funding for the COVID-19 response.[15]

In 2022–23 DE's output appropriations grew 1.1% to $15 billion due to 2022–23 Budget initiatives and indexation, offset by a decrease in appropriation due to MoG changes.[16] The additional revenue was utilised to support schools and students, to manage increased enrolments and to support kindergartens and kindergarten reform.[17]

Over both financial years DE's employee expenses (i.e. all costs related to employment, including salaries, wages and superannuation) grew year on year, in 2021–22 by 4.3% ($383.5 million) and in 2022–23 by 2.1% ($193.8 million).[18] The explanation provided for this growth included year-on-year increases in line with the applicable Enterprise Bargaining Agreement, additional teachers, on-costs to support enrolment growth, compounded by a rise in long service leave expenses and other on-costs.[19] DE noted that through increased expenditure, additional service delivery was provided with extra teachers, supporting enrolment growth and new government initiatives.[20] Between 30 June 2021 and 30 June 2023 DE's total full-time equivalent (FTE) government teaching service employees grew by 5.4% (by 3,717.5 FTE positions).[21]

Overall financial performance

Table 4.1 summarises DET's and DE's financial performance in 2021–22 and 2022–23 respectively.

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15 Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 153 (Committee calculation).

16 Ibid., p. 155 (Committee calculation).

17 Ibid.

18 Ibid., pp. 164–166 (Committee calculation); Department of Education, *Annual Report 2022–23,* p. 114.

19 Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 164–166.

20 Ibid.

21 Ibid., p. 221 (Committee calculation).

Table 4.1 Department of Education and Training/Department of Education—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	Budget ($ million)	Actual ($ million)	Variance (%)	Revised Budget[a] ($ million)	Actual ($ million)	Variance (%)
Income from transactions	16,456.9	16,188.3	-2.0	16,187.0	16,077.0	-1.0
Expenses from transactions	15,922.8	15,678.6	-2.0	15,556.0	15,528.0	-0.0
Net result	**534.1**	**509.8**	**-5.0**	**631.0**	**549.0**	**-13.0**

a. The 2022–23 revised budget reflects MoG changes effective 1 January 2023.

Source: Department of Education and Training, *Annual Report 2021–22,* Melbourne, 2022, p. 219; Department of Education, *Annual Report 2022–23,* Melbourne, 2023, pp. 174–175.

For both financial years DET and DE's comprehensive operating statement reflects a stable position as overall income exceeds expenses. However, for both years the budgeted net result was higher than the actual net result.

4.3.3 Capital expenditure

DE has an extensive and high-value capital program, which is focused on new school builds and school upgrades. In 2021–22 DET's total capital program equalled $6.5 billion, representing 9.1% of the total general government capital program.[22] In 2022–23, DE's capital program was worth $6.3 billion, representing 9.9% of the general government capital program.[23]

The Committee asked DE which of its capital asset initiatives had variances in total estimated investment (TEI), estimated completion date and scope of the project.[24] As at 30 June 2023, 56 projects recorded a revised TEI. The TEI at announcement for these projects was $1.4 billion, while the revised TEI was $1.7 billion, a 22.9% ($313.3 million) variance.[25] In dollar terms for each project the positive variance was minimal, ranging from $20.7 million to $400,000.[26] There were several reasons provided for cost variations to projects, which included 'market escalation in the construction sector', which affected 23 of the 56 projects.[27]

22 Department of Treasury and Finance, *Budget Paper No. 4: 2021–22 State Capital Program,* Melbourne, 2021, p. 26 (Committee calculation).

23 Department of Treasury and Finance, *Budget Paper No. 4: 2022–23 State Capital Program,* Melbourne, 2022, p. 27 (Committee calculation).

24 Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 58.

25 Ibid., pp. 69–78 (Committee calculation).

26 Ibid.

27 Ibid. (Committee calculation).

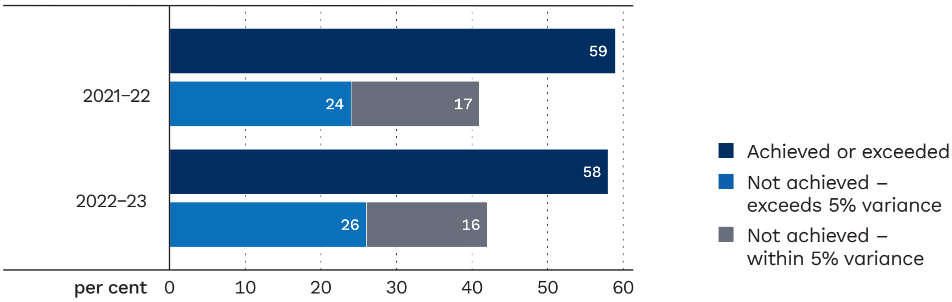
In 2022–23 DE also listed 66 capital projects with a revised completion date, as compared to the completion date at announcement of the project.[28] Twenty-three of these projects were delayed for a year or more. Two were delayed for two years—Fitzroy North Primary School due to an extensive update of the tender design and documentation and material shortages, and Sandringham College Stage 2 due to an increased scope of the project after the Bayside City Council committed significant additional funds for sporting infrastructure.[29] Reasons provided for the revised completion dates included construction issues specific to each project such as construction delays, issues procuring subcontractors, material shortages and delays, inclement weather impacting site conditions, updating tender design and documentation and construction management issues.[30]

FINDING 38: In 2022–23 the Department of Education had 66 capital projects with a revised completion date, as compared to the completion date at announcement. Twenty-three projects were delayed for a year or more, while two projects were delayed for two years.

4.4 Performance information

Across 2021–22 and 2022–23 DET and DE's performance in relation to performance measures published in its annual reports was broadly similar.[31] In 2021–22 DET met 59% of its performance measures and did not meet 41% of its measures.[32] In 2022–23 DE met 58% of its performance measures and did not meet 42%.[33]

Figure 4.3 Department of Education and Training/Department of Education—performance measure results, 2021–22 and 2022–23



Source: Department of Education and Training, *Annual Report 2021–22,* Melbourne, 2022, pp. 32–53; Department of Education, *Annual Report 2022–23,* Melbourne, 2023, pp. 25–36 (Committee calculation).

28 Ibid., pp. 78–86 (Committee calculation).

29 Ibid. (Committee calculation).

30 Ibid. (Committee calculation).

31 Department of Education and Training, *Annual Report 2021–22,* pp. 32–53; Department of Education, *Annual Report 2022–23,* pp. 25–36.

32 Department of Education and Training, *Annual Report 2021–22,* pp. 32–53 (Committee calculation).

33 Department of Education, *Annual Report 2022–23,* pp. 25–36 (Committee calculation).

DET's 2021–22 Annual Report advises a number of performance measures were not met in 2021–22 in part or in full as a result of the COVID-19 pandemic.[34] The impact of COVID-19 waned in 2022–23, with DE reporting less measures that were not met due to impacts related to the pandemic.[35]

Several measures relating to student absence in both primary and secondary years were not met over both financial years.[36] This is discussed further in Section 4.6. Other measures that were not met over both years included:

- Education and care services offering a funded kindergarten program assessed as exceeding the National Quality Standard. While the department did not meet this measure in 2021–22 due to the COVID-19 pandemic impacting assessment and ratings visits, in 2022–23 performance declined to 19.6% below target. DE advised the result was due to programs either meeting or being below the National Quality Standards, and changes made to the requirements of 'exceeding' the Standards.[37] It is not clear when or how these requirements were changed
- Measures related to students' opinion of their connectedness to school in Years 5 and 6 and Years 7–9. DE explained the results were influenced by the COVID-19 pandemic, adding the 'cumulative impacts' of the pandemic resulted in lower than target outcomes in 2022–23.[38]

4.5 Key issue—Disability Inclusion reform

Supporting school students with a disability is a key output and policy area for DE and one of great importance, considering one quarter of all Victorian students receive a reasonable adjustment at school due to disability.[39]

DE updated the Committee regarding the rollout of its Disability Inclusion (DI) reform package.[40] Funded in the 2020–21 Budget, the output initiative *Inclusion for all* (from here referred to as Disability Inclusion reform or DI) was allocated $1.6 billion over five years.[41] Labelled the 'biggest change to inclusive learning in the State's history' and a 'once in a generation reform' by the Treasurer and former Minister of Education respectively, DI aims to put in place a better funding and support model for students

34 Department of Education and Training, *Annual Report 2021–22,* pp. 32–53.

35 Department of Education, *Annual Report 2022–23,* pp. 25–36.

36 Ibid., pp. 29, 32; Department of Education and Training, *Annual Report 2021–22,* pp. 39, 44.

37 Department of Education and Training, *Annual Report 2021–22,* pp. 32–53; Department of Education, *Annual Report 2022–23,* pp. 25–36.

38 Ibid.

39 Victorian Auditor-General's Office, *Supporting Students with Disability,* Melbourne, 2023, p. 1.

40 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* pp. 19–20.

41 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service Delivery,* Melbourne, 2020, p. 28 (Committee calculation).

with a disability across all Victorian government schools to improve inclusive education practices.[42]

The DI reform was a result of a 2016 review into the Program for Students with Disabilities (PSD), which found that the PSD has significant weaknesses that made it challenging to 'support every student with disabilities to fully participate in education'.[43] DI is replacing the PSD, with an aim to transition to a model that identifies individual student's strengths, needs and required adjustments at school. DI also aims to support every student with a disability rather than funding only students identified for support, as the PSD did.[44]

As part of the DI reform, DE is rolling out over a five-year period three new measures, the progress of which DE spoke about during the hearings.[45] The first measure is DI profiles, which DE called 'a major aspect of reform'.[46] Completed by a Disability Inclusion facilitator, the student, their family and school staff provide information to create a written description of a student's strengths and needs at school.[47]

DE advised that DI profiles will progressively replace the PSD for calculating individual student funding, but undertaking the profile is not compulsory for any student.[48] However, schools need to prepare for, co-ordinate and participate in the profile process to receive DI Tier 3 funding—student-level funding that will allow schools to deliver individual adjustments to students with high and complex needs.[49] DE's website suggests Tier 3 funding is provided to students that require either substantial or extensive adjustments.[50] DE advised that schools must coordinate and participate in the DI profile process to access Tier 3 funding. Additionally, according to DE, the DI profile process differs to the PSD process as it is strengths-based and uses evidence to demonstrate the adjustments needed for the student.[51]

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42 Ibid., p. 26; Department of Treasury and Finance, *Budget Paper No. 1: 2020–21 Treasurer's Speech,* Melbourne, 2020, p. 9; Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 1; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates,* April 2021, p. 89.

43 Department of Education and Training, *Inclusive education for all students with disabilities and additional needs: The Government's response to the review of the program for students with disabilities,* Melbourne, 2016, p. 8.

44 Association for Children with a Disability, *Funding in government schools—Disability inclusion,* 2023, <https://www.acd.org.au/funding-in-government-schools-disability-inclusion> accessed 12 January 2023; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates,* pp. 89–90.

45 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 8; Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20.

46 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20.

47 Victorian Government, *Disability inclusion: A new approach for students with disability,* 11 November 2023, <https://www.vic.gov.au/disability-inclusion-extra-support-children-disability> accessed 12 January 2023.

48 Department of Education, *Disability Inclusion: Factsheet for secondary schools,* Melbourne, 2023, p. 1; Department of Education, *School Operations: Disability Inclusion Profile,* 16 November 2023, <https://www2.education.vic.gov.au/pal/disability-inclusion-profile/policy> accessed 16 January 2024.

49 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 9; Department of Education, *Disability Inclusion,* p. 1; Department of Education, *School Operations: Disability Inclusion Profile.*

50 Department of Education, *School operations: Disability Inclusion Funding and Support,* 12 July 2023, <https://www2.education.vic.gov.au/pal/disability-inclusion-funding-support/guidance/tier-3-student-level-funding> accessed 16 January 2024.

51 Department of Education and Training, correspondence, 22 February 2024.

DE advised DI profiles allowed schools to identify the adjustments needed for each student to support their education, with profiles for 3,700 students having already been completed by mid-2023.[52] It is unclear to the Committee what this number represents in terms of students who are eligible to complete a profile, but notes that after its full rollout, the Government estimated 55,000 students would receive extra support through the DI reform.[53]

FINDING 39: The rollout of Disability Inclusion profiles are a key part of the Department of Education's Disability Inclusion reform. By mid-2023, 3,700 students had completed profiles. It is estimated Disability Inclusion reform will support 55,000 students once complete.

The second measure is a new, three-tiered funding model for schools, based on increasing levels of student need for 'education adjustments and targeted support'.[54] DI reform has added a 'Tier 2' stream to allow schools to make whole-school adjustments to teaching and learning programs in order to be 'more inclusive and responsive to the needs of students with a disability'.[55] As such, this part of the reform aims to reach all students with disabilities, not only those who need extensive adjustments, as had been the case under PSD.[56] By June 2023, 850 government schools had transitioned to the new funding model, with a further 720 expected to participating over the next two years (1,570 total), to 2025.[57] As at February 2023 there were 1,566 government schools. By 2025, DI is expected to be rolled out to all government schools.[58]

The final measure is new 'system capability initiatives' to assist school workforces to practice inclusive education.[59] DE advised the Committee of several 'system-wide' initiatives including:

- the Diverse Learner's Hub, a website which aims to build expertise and provide resources to school leaders and teachers so they can better support students with autism and neurodiversity

52 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20; Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 14, 15.

53 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates,* p. 89.

54 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 9.

55 The three tiers of the DI funding model are Tier 1—Universal Funding provided for all students, Tier 2—School level funding provided to increase school capacity to deliver adjustments and inclusive practices for students with a disability, and Tier 3—as discussed above, Tier 3 relates to student-level funding for schools to provide adjustments for students with complex and high needs. Source: Ibid.; Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20.

56 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 8.

57 Department of Education, *Summary statistics snapshot Victorian schools 2023,* 2023, < https://www.education.vic.gov.au/Documents/about/department/summarystatssnapshot.pdf> accessed 16 January 2024; Ms Jenny Atta, Secretary, Department of Education, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 2.

58 Department of Education, *Summary statistics snapshot Victorian schools 2023.*

59 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 8.

- the Inclusion Outreach Coaching initiative, which looks to tap into the expertise of staff who work in specialist schools and have those staff coach their counterparts in mainstream schools
- scholarships in Masters of Inclusive Education programs and other relevant graduate certificates, to build expertise and capabilities of teaching staff. No further information was provided regarding how many scholarships for Master's programs are available, however DE's website suggests there have been ten rounds of applications.[60]

DE spoke about the effectiveness and evaluation of the DI program, advising that some changes to the rollout had been made in response to the Victorian Auditor-General's Report, *Supporting Students with Disability*.[61] The report looked at how DE was implementing DI in its first year, but did not look at outcomes for students with a disability.[62]

While there is information available to demonstrate what DE is doing and how it is undertaking DI reform, less is available regarding the outcome of the reforms, and whether DI is improving outcomes for students with a disability. DE advises 'the quality of education for students with a disability was improved' through DI.[63]

To measure DE's performance in this area, there was one performance measure directly associated with the reform in the 2022–23 Budget—Percentage of total government schools resourced through the Disability Inclusion funding and support model.[64] In 2023–24 DE added further performance measures, which measure teacher participation in further education related to disability and inclusion, the number of teachers who complete the Inclusive Classrooms learning module, and DI profiles completed as per specified timelines.[65]

While these performance measures are useful to understand the rollout of DI and how teachers are upskilling in regard to disability and inclusion, there are no measures associated with the student and parent experience of DI, for example, or the ultimate goal of improving outcomes for students with disability. Transparency regarding the outcomes of the reform would be enhanced with inclusion of such measures in future budget papers.

In regard to outcomes for students, parents, teachers and schools, a number of advocacy groups have raised concerns about the inclusion of students with a disability.

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60 Victorian Government, *Diverse Learners Hub,* 30 October 2023, <https://www.vic.gov.au/diverse-learners-hub> accessed 16 January 2024; Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20; Department of Education, *Master of Inclusive Education Program,* 10 January 2024, <https://www.schools.vic.gov.au/node/35917> accessed 18 January 2024.

61 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* pp. 19–20.

62 Victorian Auditor-General's Office, *Supporting Students with Disability,* p. 1.

63 Ibid.; Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 47.

64 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, p. 141.

65 Ibid.

These concerns include that while reform is being implemented, it had not reached many students, that in some circumstances reasonable adjustments continue to be denied, and that the planned reform will not confront all of the challenges faced by students with a disability.[66] The Committee understands that the reform is continuing to be rolled out across Victorian schools.

However, considering both the importance of reform and the significant amount of funding invested, it would be beneficial for DE to demonstrate the outcomes of reform for students with a disability. DE advised that an independent evaluation in 2022 demonstrated school workforces 'understand and feel positively about Disability Inclusion'.[67] This evaluation is not publicly available and the Committee was unable to access any other evaluations that investigated student outcomes.

FINDING 40: The Department of Education advises that the quality of education for students with a disability has been improved through its Disability Inclusion reform. With reform in its early stages, there is currently no public information available regarding the outcomes of the reform for students with a disability.

RECOMMENDATION 11: The Department of Education include performance measures relating to the outcomes of Disability Inclusion reform in the next budget papers. This should include measures that relate to how or by how much the reform has improved student outcomes and student and parent experiences regarding the Disability Inclusion package.

RECOMMENDATION 12: The Department of Education publish the review into Disability Inclusion undertaken in 2022.

RECOMMENDATION 13: The Department of Education undertake a full evaluation of the Disability Inclusion reform after the roll out has been completed and publish the evaluation, focusing on outcomes of the reform on all impacted parties, with the outcomes for students with a disability as the focus.

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66 Disability Discrimination Legal Service, *Submission No. 185,* submission to the Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the state education system in Victoria, 2023, p. 5; Disability Advocacy Victoria, *Submission No. 178,* submission to the Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the state education system in Victoria, 2023, p. 10; Association for Children with Disability, submission to the Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the state education system in Victoria, 2023, pp. 2, 5.

67 Victorian Government, *Disability Inclusion: a new approach for students with disability,* 19 January 2024, <https://www.vic.gov.au/disability-inclusion-extra-support-children-disability> accessed 22 January 2024.

4.6 Key issue—student attendance rates

DE's 2022–23 Annual Report shows that as part of measuring its objective of increasing the number of Victorians actively participating in education and training, the department measured student absence days across several year levels.[68] The data provided demonstrates that government school student absences rose across all year levels in the 2022 calendar year, reaching a five year high across all year levels, shown in Table 4.2.[69]

Table 4.2 Department of Education—mean number of student absence days per FTE (full-time equivalent) per year, 2018 to 2022

	2018	2019	2020	2021	2022	Variance 2021 to 2022 (%)
Year 5	15.6	16.4	13.6	14.9	23.6	+58
Year 6	16.3	17.3	13.8	15.7	24.3	+55
Years 7–10	20.4	21.3	18.9	22.7	29.2	+29
Years 11–12	16.9	17.3	14.8	16.8	23.4	+39

Source: Department of Education, *Annual Report 2022–23,* Melbourne, 2023, p. 22 (Committee calculation).

DE explained to the Committee that attendance is a 'critical enabler to success in school'.[70] School attendance is important for student social and academic development, while absence from school can have short- and long-term impacts on children and young people's 'essential competencies', including literacy and numeracy.[71]

DE advised the Committee that attendance rates are highly correlated with disadvantage, which can arise from different barriers, such as transport distances for rural and regional students.[72] Attendance data from the Australian Curriculum, Assessment and Reporting Authority (ACARA) for 2023 reflects this. ACARA found that attendance rates and levels increased with the level of socio-educational advantage of the school, were higher among students in major cities and were lower among students from an Aboriginal and Torres Strait Island background, which was reflected in the Victorian data.[73]

68 Department of Education, *Annual Report 2022–23,* pp. 16, 21–22.

69 Ibid.

70 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* p. 21.

71 Parliament of Australia, *School refusal,* 19 April 2023, <https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/rp2223/SchoolRefusal#_Toc132726539> accessed 12 January 2024.

72 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* p. 21.

73 Australian Curriculum, Assessment and Reporting Authority, *Student attendance,* 2024, <https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/student-attendance> accessed 12 January 2024.

FINDING 41: Between 2021 and 2022, the average number of days absent per full-time student equivalent grew between 39% and 58% across Years 5–12. School absence rates are highly correlated with disadvantage.

DE's performance measures for 'average days lost due to absence' for Aboriginal students also reflected this trend. The performance measures demonstrate that absences grew for Aboriginal students in 2022–23 compared to 2021–22, as shown below.[74]

Table 4.3 Average days lost due to absence for Victorian Aboriginal students—2018–19 to 2022–23 (calendar year)

Performance measures	2018–19	2019–20	2020–21	2021–22	2022–23	Variance 2021–22 and 2022–23 (%)
Average days lost due to absence for Aboriginal students in Years Prep to 6	24.6	25.9	26.7	28.4	34.7	+22
Average days lost due to absence for Aboriginal students in Years 7 to 12	36.1	36.8	37	41.3	48.7	+18

Source: Department of Treasury and Finance, *Departmental performance measures: Department of Education and Training,* 24 March 2023, <https://web.archive.org/web/20230324225722/https://www.dtf.vic.gov.au/sites/default/files/document/01-DET-2022.xlsx> accessed 12 January 2024; Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* Melbourne, 2023, pp. 379, 380, 382; Department of Education and Training, *Annual Report 2021–22,* Melbourne, 2022, pp. 44, 39 (Committee calculation).

FINDING 42: The Department of Education's performance measures related to average days lost due to absence for Aboriginal students demonstrates that absence across all year levels has increased in the 2022 calendar year compared to 2021.

DE explained why all student absence had grown in 2022, and the steps the department was taking to try and increase school attendance. DE advised the major drivers were health-related reasons and parental choice, adding that in Semester 1 of 2022 absence due to COVID-19 or influenza-related illness impacted attendance, as did health advice that students stay home if they had symptoms of COVID-19, to minimise potential transmission.[75]

Regarding increased absence of Aboriginal students in 2022–23, DE advised that illness from COVID-19 and influenza influenced the performance outcomes, with the

74 Department of Education, *Annual Report 2022–23,* p. 29.

75 Ibid., pp. 29, 32; Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* p. 22; Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 257.

added explanation that 'many Koori children live in multi-generational households. Some Koori families may have held concerns about sending their children to school because of the greater risk of COVID-19 exposure for older family members'.[76]

FINDING 43: According to the Department of Education, the main drivers of increased student absence days in 2022 were health-related reasons and parental choice.

DE emphasised that in 2023, Victorian government schools had the highest attendance rate of all states and territories at 88.6%.[77] Victoria also had the highest Indigenous attendance rate, at 81%.[78] DE advised it had implemented a range of initiatives to increase student attendance at government schools, which included working in partnership with regional and area based teams and schools individually, working with parents to increase attendance, and forming partnerships with communities and local elders in areas with 'higher concentrations of students from Aboriginal and Torres Strait Islander backgrounds' in an effort to ensure Victorian schools are a 'safe place' for those students.[79]

While DE outlined some of the activities it was undertaking to boost attendance across government schools, the department added that students feeling 'safe, welcomed and included at school' was key to boosting attendance, and DE was also putting a lot of work into that space.[80] DE's 2022–23 Annual Report highlights several initiatives aimed at supporting student engagement and connectedness, including the *Mental health in schools* reform, *Disability Inclusion* reforms, and the *Tutor learning initiative.*[81] However, DE's performance measures for student opinion of connectedness to school for Year 5–6 and Year 7–9 in 2022–23 were both below DE's targets.[82] For Years 5–6 DE had a target of 4.4 out of 5, achieving a result of 4.0. For Years 7–9, the target was 3.7 and the result was 3.3 in 2022–23.[83]

FINDING 44: According to the Department of Education (DE), when students feel safe, welcomed and included at school attendance is higher. While DE implemented several initiatives in 2022–23 aimed at supporting student engagement and connectedness, its two performance measures related to students' opinion of their connectedness with the school did not meet the department's performance targets.

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76 Department of Education, *Annual Report 2022–23,* pp. 29, 32; Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 258.

77 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* p. 22; Australian Curriculum, Assessment and Reporting Authority, *Student attendance,* 2024, <https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/student-attendance> accessed 12 January 2024.

78 Australian Curriculum, Assessment and Reporting Authority, *Student attendance.*

79 Mr Stephen Fraser, Deputy Secretary, School Education Programs and Support, Department of Education, *Transcript of evidence,* p. 22.

80 Ibid.

81 Department of Education, *Annual Report 2022–23,* p. 34.

82 Ibid., pp. 30, 34.

83 Ibid.

4.7 Key issue—teacher attraction and retention

'Education workforce attraction and retention' was a key challenge for DE in 2021–22 and 2022–23, noting both demand and supply-side challenges in attracting registered teachers to teaching roles and distributing registered teachers across the State.[84]

Teacher shortages are an ongoing and challenging issue in Victoria and around the country. In its *Report on the 2023–24 Budget Estimates,* the Committee outlined the issue, finding that a variety of factors are contributing to shortages including a competitive global market, a decline in the numbers of new graduate teachers, growing student populations, challenging work conditions and high workloads.[85]

During the hearings the Committee discussed the issue at length with DE. DE advised it was concentrating on what it calls the five key 'pillars'—attracting people into teaching, supporting schools to recruit teachers, supporting early career teachers, retaining current teachers and providing career pathways for more experienced teachers.[86]

4.7.1 Areas most affected by teacher shortages

DE maps supply and demand for teachers and educators across the State, which according to DE has shown the majority of schools are fully staffed, but some are facing significant pressure. The main areas of Victoria which are facing challenges regarding teacher supply and demand are in the growth corridors of Greater Melbourne and several areas of regional Victoria.[87]

DE provided the Committee with information on areas of Victoria which had the most significant challenges regarding attraction and recruitment to government schools in the 2022 calendar year.[88] Reproduced below, Table 4.4 shows the application rate for these areas of state. The application rate is the average number of applications received per teaching staff vacancy. Across all Victorian government schools, the average application rate was 5.3 in 2022.[89]

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84 Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire,* pp. 285–288.

85 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2023–24 Budget Estimates,* October 2023, pp. 55–57.

86 Mr David Robinson, Executive Director, Workforce Policy and Strategy, Department of Education, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 27.

87 Ms Jenny Atta, Secretary, Department of Education, *Transcript of evidence,* p. 3.

88 Ibid., pp. 11–12.

89 Ibid.

Table 4.4 Application rate in select areas of Victoria 2022—Victorian government schools

	Application rate	
Area[a b]	Primary	Secondary
Brimbank Melton	2.8	1.7
Goulburn	2.1	0.9
Hume Merri-bek	4.0	2.0
Inner Gippsland	3.2	1.8
Loddon	3.4	1.8
Mallee	2.4	1.0
Outer Gippsland	1.9	0.7
Ovens Murray	2.2	1.8
Wimmera South West	2.2	1.3
Western Melbourne	3.5	Not provided

a. Orange denotes areas in rural/regional Victoria

b. 'Area' denotes regions as per the Department of Educations regional model, rather than Local Council Areas. Source: Department of Education, *Regional model: Department of Education,* 16 August 2023, <https://www.vic.gov.au/regional-model-department-education> accessed 18 January 2024.

Source: Ms Jenny Atta, Secretary, Department of Education, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice received 6 December 2023, pp. 11–12.

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While the application rate shows how some regions in Victoria are struggling to recruit teachers, it does not demonstrate vacancies in these regions—a much more useful measure when discussing teacher shortages. DE's *Teacher supply and demand report* provides vacancy information by area per 10 staff. The report shows that many of the same areas in Victoria who had low application rates in 2022, also generally had high and increasing vacancy rates in 2021.[90]

When asked about how DE was specifically supporting teachers into hard to staff positions in rural and regional Victoria across 2021–22 and 2022–23, DE described an incentive program through which teachers received incentives of $25,000 for taking up regional positions and $50,000 for remote positions.[91] When asked about the outcomes of the program and whether it had been effective in filling hard to staff positions, DE advised that all 400 positions that had been funded had been filled in 2021–22 and 2022–23.[92] Of the 2021–22 cohort of 250 teachers, 79% remained at the same school and 92% remained in the teaching system. Of the 2022–23 cohort of 151 teachers, 93% remained at the same school and 97% remained in the system.[93]

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90 Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* Melbourne, 2021, pp. 39, 46.

91 Mr David Robinson, Executive Director, Workforce Policy and Strategy, Department of Education, *Transcript of evidence,* p. 4.

92 Ibid.

93 Ms Jenny Atta, Secretary, Department of Education, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice received 6 December 2023, pp. 13–14.

It is unclear what the impact of the program was on hard-to-staff rural and regional schools and the cohesion of the teaching workforce.

FINDING 45: In 2021–22 and 2022–23 the Department of Education (DE) endeavoured to improve teacher attraction and retention through five key pillars— attracting people into teaching, supporting schools to recruit teachers, supporting early career teachers, retaining current teachers and providing career pathways for more experienced teachers. As part of these efforts, DE provided incentives for 400 teaching positions in hard-to-staff rural and regional areas of Victoria. Of the 2021–22 cohort 79% remained in the same school. In the 2022–23 cohort, 93% remained at the same school.

4.7.2 Graduate teacher attraction and retention

DE highlighted declining enrolments in initial teacher education (ITE) and indications of increased attrition from teaching as key challenges affecting the supply of teachers in Victoria.[94] Attracting and retaining new teachers is a complex issue, and supply drivers include the number of new graduates, number of enrolments in undergraduate and postgraduate ITE courses, retention in ITE courses, employment destination after graduation and retention and attrition in the teaching workforce.[95]

In its latest report using data from 2019, Australian Teacher Workforce Data found Australia-wide, ITE completions were at their lowest since 2005, while first year attrition rates for ITE were increasing consistently since 2005.[96] According to DE forecasts, ITE graduates entering the profession in all settings are expected to decrease to 2027.[97] Forecasts for primary and secondary graduates between 2022–2027 are shown below in Figure 4.4. The average annual growth rate represented is -3% for primary and 2% for secondary graduates.[98]

94 Ms Jenny Atta, Secretary, Department of Education, *Transcript of evidence,* p. 3; Department of Education, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 222.

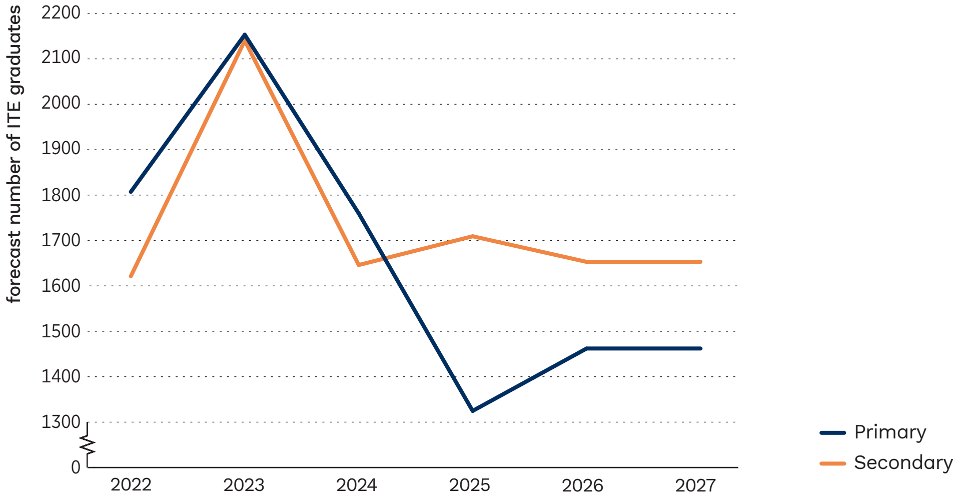
95 Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* pp. 57, 68.

96 Australian Teacher Workforce Data, *ATWD National Trends: Initial Teacher Education Pipeline,* 2023, <https://www.aitsl.edu.au/research/australian-teacher-workforce-data/atwdreports/national-trends-ite-pipeline> accessed 12 January 2024.

97 Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* p. 57.

98 Ibid. (Committee calculation).

Figure 4.4 Forecast initial teacher education (ITE) graduates, Victoria, 2022–2027



Source: Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* Melbourne, 2021, p. 57.

DE outlined several initiatives that were in place to attract new teachers to the profession, which included the *Teach the Future* communications campaign to raise the profile of teaching as a profession, and the *Teach Today* and *Teach Tomorrow* employment programs. These initiatives allow graduates to work in schools while they are undertaking their postgraduate degree in teaching, which according to DE, removes the financial burden of studying teaching and provides hands-on experience.[99] While DE outlined several initiatives and funding to attract new teachers, no further information was provided about the outcomes of these initiatives.

DE's *Victorian Teacher Supply and Demand Report 2021* also shows some significant attrition rates for early career teachers, which was discussed at the hearings. The report highlights that 20% of new Victorian Institute of Teaching (VIT) registrants leave within five years, with 6% leaving at year 2 and 9% leaving at year 3 in 2020.[100]

The Committee asked DE what steps it was taking to understand and address early career teacher attrition.**101** DE advised that it is a significant issue across Australia, and that feedback from graduates suggested they lacked support in their early years, and felt unable to undertake the necessary preparation and planning to feel confident in their teaching work.**102** To combat this, DE introduced the *Career Start* program, a mentoring program that provides professional support to graduate teachers in the first years of their career and time release from face to face teaching. As at June 2023,

99 Mr David Robinson, Executive Director, Workforce Policy and Strategy, Department of Education, *Transcript of evidence,* p. 27.

100 Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* p. 68.

101 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 3.

102 Ms Jenny Atta, Secretary, Department of Education, *Transcript of evidence,* p. 3.

800 graduates were participating or had completed the program.[103] As shown in Figure 4.4, it is expected that thousands of graduates will enter the profession each year.[104]

DE provided an extensive explanation of how it was addressing the ‘five pillars’ related to the teaching workforce and the initiatives it had put in place related to these pillars, including the regional incentive and *Career Start* initiatives.[105] The Committee was advised of a number of inputs to address workforce challenges, however less was provided regarding outcomes—or, how successful each initiative had been in its specific goals, or the overall goal of attracting and retaining government school teachers.

The Committee has raised this issue previously, recommending in its *Report on the 2023–24 Budget Estimates* that DE enhance its reporting on how it is meeting teacher supply and demand issues by creating new performance measures and a workforce strategy.[106] Further to this and as demonstrated through the hearings, DE should undertake a comprehensive review of the strategies and initiatives it has implemented since 2020–21 to meet the myriad of workforce challenges the department has been confronting. This review should include the actual outcomes of workforce initiatives (how and by how much they contributed to or impacted attraction and retention) and should be undertaken when the outcomes can be determined. Doing so will not only allow DE to take stock of its most effective initiatives but will allow the Victorian community to better understand DE’s achievements in this critical sector.

RECOMMENDATION 14: The Department of Education undertake a review of its teaching workforce attraction and retention initiatives since 2020–21 and publish it. The review should focus on which initiatives were the most effective in attracting and retaining teachers.

103 Ibid.

104 Department of Education and Training, *Victorian Teacher Supply and Demand Report 2021,* p. 57.

105 Mr David Robinson, Executive Director, Workforce Policy and Strategy, Department of Education, *Transcript of evidence,* p. 27.

106 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2023–24 Budget Estimates,* p. 57.

Chapter 5
Department of Justice and Community Safety

5.1 Overview

The Department of Justice and Community Safety (DJCS) leads the delivery of justice and community safety services in Victoria by providing policy and operational management. DJCS manages the development and implementation of a range of laws, regulations and policy in areas across the portfolio. According to the department, it ensures that all elements of the justice and community safety system are working efficiently and effectively.[1]

DJCS's objectives are:

- ensuring community safety through policing, law enforcement and crime prevention activities
- reducing the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment
- effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation
- effective supervision of children and young people through the provision of youth justice services promoting rehabilitation
- a fair and accessible justice system that supports confidence in the Victorian community
- Victorians are protected with equal opportunities, information freedoms and privacy rights
- responsible and sustainable liquor, gambling and racing sectors.[2]

1 Department of Justice and Community Safety, *Annual Report 2022–23*, Melbourne, 2023, p. 5.

2 Ibid., p. 11.

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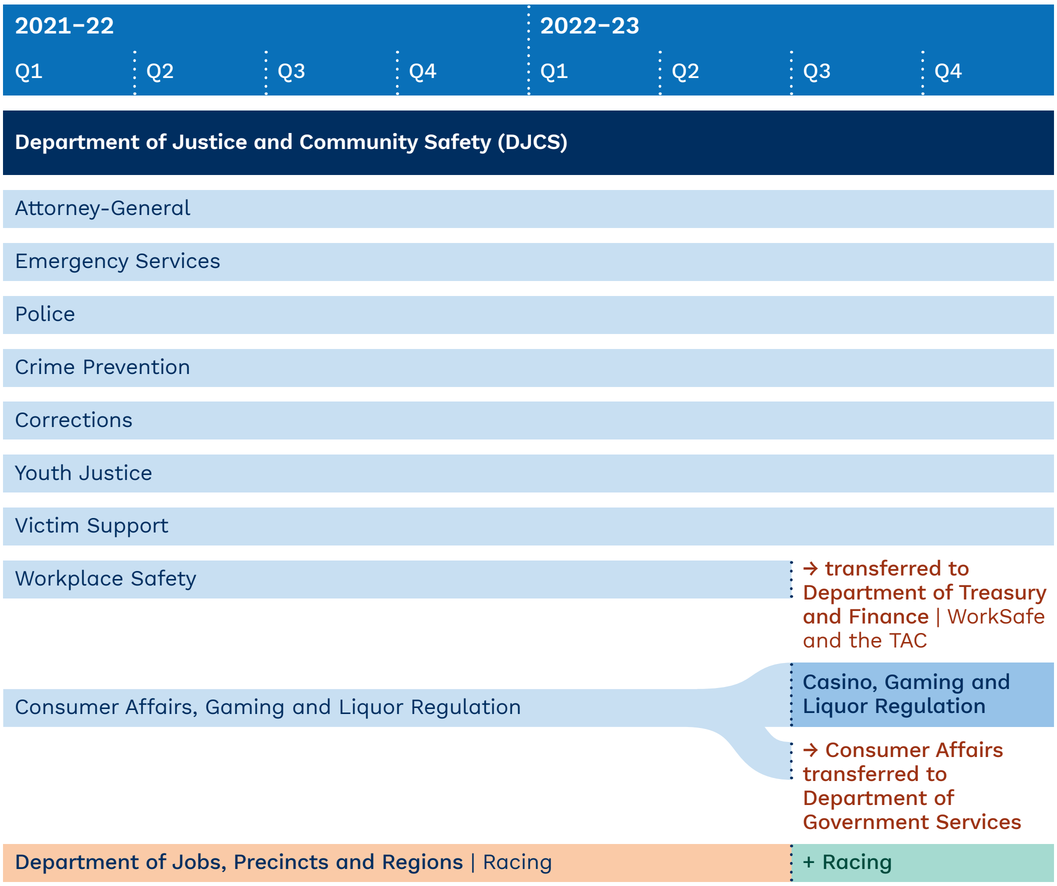
5.1.1 Machinery of government changes

Figure 5.1 Department of Justice and Community Safety—machinery of government changes, 2021–22 and 2022–23



As part of the machinery of government (MoG) changes effective from 1 January 2023, several functions were transferred out of DJCS, including Consumer Affairs Victoria, Dispute Services, Worker Screening, WorkSafe Victoria, and Births, Deaths and Marriages. The Racing portfolio that had been in the Department of Jobs, Precincts and Regions, moved to DJCS. [3]

5.2 Outcomes and challenges

DJCS and Victoria Police were asked by the Committee to identify programs that delivered the most important outcomes in the community and those that did not deliver their planned outcomes in 2021–22 and 2022–23. Victoria Police did not include responses, advising it was 'not possible to quantify and compare the 'importance' of outcomes in the community achieved by different programs'.[4]

3 Ibid., p. 5.

4 Department of Justice and Community Safety, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 10 November 2023, p. 20.

Important outcomes nominated by DJCS include:

- the opening of the Maribyrnong Community Residential Facility in June 2020, which had accommodated 207 men by June 2023, supporting them in vocational training, to obtain employment, find permanent housing, and improve relationships with family members[5]
- the Stolen Generations Reparations Package, that began accepting applicants in March 2022. By 31 October 2023, 732 applications were received, of which 466 were found to be eligible, and $44.7 million paid in reparations.[6]

A key challenge identified was the impact of COVID-19 pandemic restrictions on the department's activity and programs. This included:

- a considerable drop in inspections and operations with co-regulators by the Victorian Gambling and Casino Control Commission over 2021–22 due to the closure of licensed venues in 2021[7]
- the Massive Murray Paddle Program, which aimed to strengthen the relationship between young Aboriginal people and Victoria Police.[8] This was postponed in 2021–22 due to COVID-19 restrictions after the flooding of the Murray River in late 2022, and was subsequently re-designed to incorporate a camps program.[9] However the camps program was also ultimately cancelled due to low participation rates in 2022–23.[10]

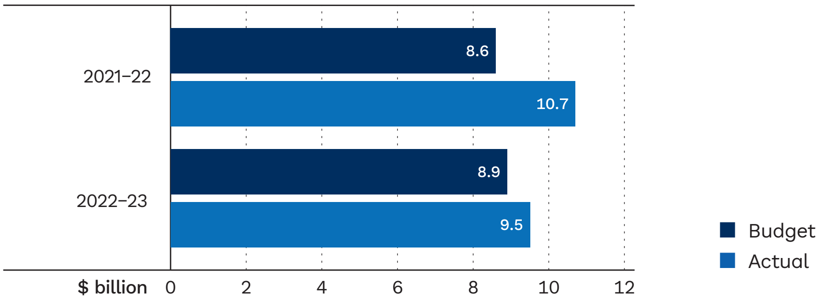
5.3 Financial analysis

5.3.1 Output expenditure

The department overspent compared to its budget in 2021–22 (by 23.5%) and 2022–23 (by 6.8%).[11]

5 Ibid., p. 19.
6 Ibid., p. 21.
7 Ibid., p. 27.
8 Ibid., p. 28.
9 Ibid., pp. 24, 28.
10 Ibid.
11 Department of Justice and Community Safety, *Annual Report 2021–22*, Melbourne, 2022, pp. 113–136; Department of Justice and Community Safety, *Annual Report 2022–23*, pp. 41–61 (Committee calculation).

Figure 5.2 Department of Justice and Community Safety—budget versus actual, 2021–22 and 2022–23



Source: Department of Justice and Community Safety, *Annual Report 2021–22,* Melbourne, 2022, pp. 113–136; Department of Justice and Community Safety, *Annual Report 2022–23,* Melbourne, 2023, pp. 41–61 (Committee calculation).

In 2021–22, the variance between the estimated expenditure and actual expenditure was primarily due to significant overspending in the following outputs:

- the Advocacy, Human Rights and Victim Support output, where the overspend was $459.2 million (337.2%). This was mainly due to the additional $300 million in funding provided to WorkSafe to support the WorkCover Scheme post the 2021–22 Budget[12]
- the Justice Policy, Services and Law Reform output where the $183.9 million (86.4%) overspend was due predominantly to the development of the Victorian Stolen Generations Redress Scheme[13]
- the Emergency Management Capability output, where a 49.2% overspend increased spending to $2.6 billion. The department stated the overspend was due to post 2021-22 Budget funding for COVID-19 Quarantine Victoria (CQV) operations, further funding for the Emergency Services Telecommunications Authority (ESTA), expenses incurred for the 2020 flood and storm event and initiatives to fast-track Victoria's recovery from the 2019–20 bushfires.[14]

In 2022–23, the variance was due to overspending in three outputs, and was offset by an underspend in one output:

- the Advocacy, Human Rights and Victim Support output overspent by $62.1 million (48.6%), due to extra funding provided for the Fiskville Redress Scheme and Public Intoxication Reform[15]
- the Racing, Gambling, Liquor and Casino Regulation output was $37.9 million (30.4%) over target as a result of receiving funding allocated in the 2023–24 Budget for the Preventing and Addressing Gambling Harm initiative and establishing an Office of the Special Manager to oversee Melbourne's Casino[16]

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12 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 130; Ingrid Stitt MP, Minister for Workplace Safety, *Helping Businesses Recover and Ensuring Safer Workplaces*, media release, Melbourne, 27 May 2022 (Committee calculation).

13 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 127 (Committee calculation).

14 Ibid., p. 117 (Committee calculation).

15 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 57 (Committee calculation).

16 Ibid., p. 61 (Committee calculation).

- the Emergency Management Capability output expenditure was $2.1 billion, $399.9 million (24.2%) over the budgeted figure, with the additional costs primarily due to recovery efforts for the October 2022 floods[17]
- the Youth Justice Custodial Services output had an underspend of $68.7 million (26.5%) due to lower-than-anticipated young people in custody (requiring fewer staff and lower custodial costs), and the timing of the opening of the Cherry Creek Custodial Precinct.[18]

5.3.2 Revenue and expenses

DJCS's output appropriations grew by 0.4% ($43.6 million) to $10.4 billion in 2021–22, and decreased over the following year by 5.9% ($620.3 million) to $9.8 billion.[19] The increase in 2021–22 was explained primarily by COVID-19 expenses, particularly the operations of CQV, which ramped up during 2021–22 with Victoria's hotel quarantine program.[20] The increase was also due to the one-off payments for the *Stolen Generations Redress Scheme*, and for the Victoria Police *Restorative Engagement and Redress Scheme*.[21] In 2022–23, the decrease in output appropriations was also explained primarily by one-off COVID-19 funding in 2021–22 related to the operations of CQV and increased costs in the prison system.[22]

In 2022–23, two revenue streams—sales of goods and services and other income—decreased due to MoG changes, with certain functions transferred out of DJCS.[23]

In terms of expenses, DJCS's employee benefits increased in 2021–22 over the previous year, from $4.8 million to $5.1 million, primarily due to additional staff for COVID-related expenses (notably CQV, Corrections and Youth Justice and Victoria Police).[24] Employee benefits subsequently decreased in 2022–23 to $4.7 million as CQV wound down, and other COVID-19 pandemic related initiatives slowed or stopped.[25] Additionally, MoG changes resulted in staff being transferred out of DJCS, and the *Early Retirement Scheme* (which supported the delivery of the savings allocated in the 2021–22 Budget) was also implemented in 2022–23. This led to fewer employees in DJCS.[26] The total number of full-time equivalent employees went from 9,895 as at June 2022 to 9,338 as at June 2023, a decrease of 5.6%.[27]

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17 Ibid., p. 45 (Committee calculation).

18 Ibid., p. 50 (Committee calculation).

19 Department of Justice and Community Safety, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 125, 128 (Committee calculation).

20 Ibid., pp. 125–126.

21 Ibid.

22 Ibid., pp. 128–129.

23 Ibid., pp. 129–131.

24 Ibid., p. 139.

25 Ibid., pp. 142–143.

26 Ibid., pp. 139–143; Department of Justice and Community Safety, *Annual Report 2022–23,* pp. 62, 133–135.

27 Department of Justice and Community Safety, *Annual Report 2022–23,* pp. 133–135 (Committee calculation).

Overall financial performance

Table 5.1 summarises DJCS' financial performance in 2021–22 and 2022–23.

Table 5.1 Department of Justice and Community Safety—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	Budget ($ million)	Actual ($ million)	Variance (%)	Budget ($ million)	Actual ($ million)	Variance (%)
Income from transactions	8,561	10,708	25.1	9,111	10,106	10.9
Expenses from transactions	8,624	10,653	23.5	9,110	9,945	9.2
Net result	**(63)**	**55**	**–**	**1**	**161**	**–**

Source: Department of Justice and Community Safety, *Annual Report 2021–22*, Melbourne, 2022, p. 105; Department of Justice and Community Safety, *Annual Report 2022–23*, Melbourne, 2023, p. 127 (Committee calculation).

5.3.3 Treasurer's Advances

In 2021–22 DJCS accessed $1.8 billion in Treasurer's Advances (TA) payments, with $580 million related to COVID-19 pandemic expenses and $1.2 billion for expenses not related to COVID-19.[28] In 2022–23, $1.7 billion was accessed by DJCS.[29] Over 2021–22 and 2022–23, DJCS utilised 12% and 13.6% respectively of the Victorian Government's total TAs.[30]

Significant TA payments made over the two years include $1.2 billion in 2022–23 for natural disaster relief and grant assistance, Victorian flood recovery initiatives and primary producer flood recovery grants in response to the October 2022 floods in Victoria.[31] This constituted 75.6% of the TAs provided to DJCS that year,[32] displaying the urgent nature of the aid required from floods and other natural disasters, and a shortfall in standard appropriations funding to cover what are now becoming more regular extreme weather events.

In 2021–22, $123.7 million for the *Stolen Generations Reparations Package* was provided to support Aboriginal communities and organisations to access the reparations package.[33] Funding had been provided for the *Stolen Generations Reparations Package* in the 2020–21 Budget, and would also be provided in the 2022–23 Budget.[34] DJCS did not explain in the questionnaire why the need for supplementary funding to administer the reparations package in 2021–22 was unforeseen, a prerequisite for TA payments.

28 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 148, 151 (Committee calculation).

29 Department of Treasury and Finance, *2022-23 Financial Report,* Melbourne, 2023, pp. 164–165.

30 Ibid., pp. 165, 167 (Committee calculation); Department of Treasury and Finance, *2021–22 Financial Report*, pp. 148–151.

31 Department of Justice and Community Safety, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 45 (Committee calculation).

32 Ibid., p. 45 (Committee calculation); Department of Treasury and Finance, *2022–23 Financial Report*, pp. 165, 167.

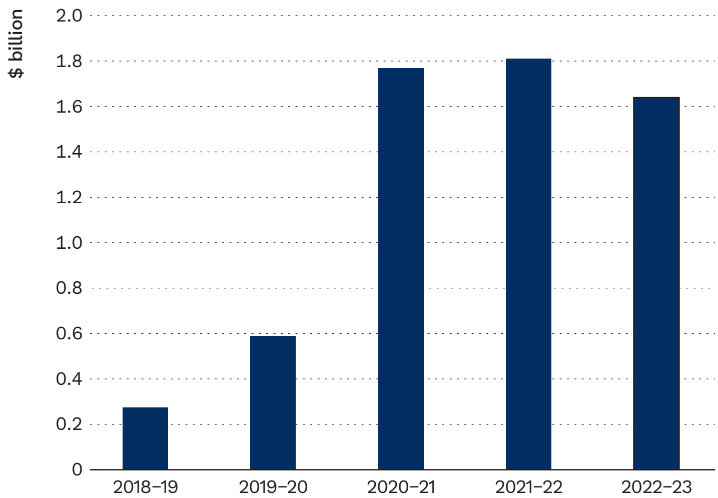
33 Department of Justice and Community Safety, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 33.

34 Ibid., p. 56.

Finally, $219.7 million was provided in TA payments in 2021–22 (although only $215 million was used) and $205.3 million in 2022–23 (although only $185.9 million was used) to Victoria Police to support operations.[35] In response to the Committee's questionnaire, DJCS did not provide any further urgent or unforeseen reasons for these TA payments.[36] This was reinforced by the Chief Commissioner of Police during the hearings, who stated TAs were used for a 'range of things' including 'increasing the police capacity … a five-year asset revaluation impact to depreciation expenditure … support[ing] enhancements to our systems and resources … supporting the transformation of our service delivery and our operation model … interim custody management at Bendigo Law Courts'. The 'Victoria Police service delivery response to the Victoria October 2022 floods' payment appeared to be the only urgent use for TAs identified in 2022–23.[37] The Committee also notes the Auditor-General has previously identified TAs made to Victoria Police for recurring expenditure.[38]

Overall, TA payments in these two financial years continued the trend of high supplementary funding for DJCS. In 2020–21, there was a 200.2% increase in TA payments from the year prior, and in 2021–22, they increased by 1.3%. In 2022–23, TA payments decreased by $156 million (8.6%), but they still represented a major increase compared to the pre-COVID years.[39]

Figure 5.3 Treasurer's Advance payments received by Department of Justice and Community Safety between 2018–19 and 2022–23



Source: Department of Treasury and Finance, *2018–19 Financial Report*, Melbourne, 2019, p. 126; Department of Treasury and Finance, *2019–20 Financial Report*, Melbourne, 2020, pp. 164–166; Department of Treasury and Finance, *2020–21 Financial Report*, Melbourne, 2021, pp. 149–152; Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 148–151; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 164–165.

35 Ibid., pp. 33, 45.

36 Ibid.

37 Mr Shane Patton, Chief Commissioner, Victoria Police, Department of Justice and Community Safety, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence,* p. 17.

38 Victorian Auditor General's Office, *Accessing Emergency Funding to Meet Urgent Claims*, Melbourne, November 2020, pp. 25–27.

39 Department of Treasury and Finance, *2019–20 Financial Report*, Melbourne, 2020, pp. 164, 166; Department of Treasury and Finance, *2020–21 Financial Report,* Melbourne, 2021, pp. 148–152; Department of Treasury and Finance, *2021–22 Financial Report,* pp. 148–151; Department of Treasury and Finance, *2022–23 Financial Report,* pp. 164–165 (Committee calculation).

FINDING 46: The amount of funding the Department of Justice and Community Safety has accessed through Treasurer's Advances has increased considerably over the last three financial years, compared to Treasurer's Advances accessed prior to 2020–21. This has included:

- $1.2 billion in Treasurer's Advances made in 2022–23 for unforeseen and urgent events such as natural disaster relief and grant assistance, Victorian flood recovery initiatives, and primary producer flood recovery grants in response to the October 2022 floods in Victoria
- payments of over $200 million in 2021–22 and 2022–23 for Victoria Police operational activity that may not have been unforeseen or urgent, which is a prerequisite for Treasurer's Advance payments under the Resource Management Framework.

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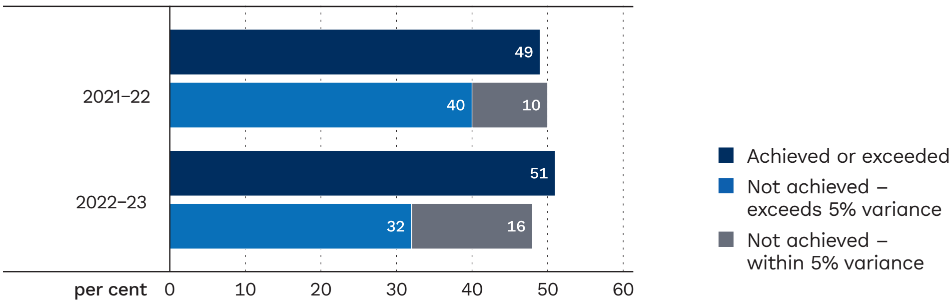
5.4 Performance information

In both financial years, DJCS achieved or exceeded targets for approximately half of its performance measures, as shown in Figure 5.4. The impact of COVID-19 was frequently listed as an explanation for under performance, particularly in relation to measures involving prisoner supports, police services and liquor and gambling inspections.[40]

Figure 5.4 Department of Justice and Community Safety—performance measure results, 2021–22 and 2022–23



Source: Department of Justice and Community Safety, *Annual Report 2021–22*, Melbourne, 2022, pp. 113–136; Department of Justice and Community Safety, *Annual Report 2022–23*, Melbourne, 2023, pp. 41–61 (Committee calculation).

In 2021–22, the poorest performing measures included:

- Average number of days a guardianship or investigation order of VCAT is held on a wait list prior to being allocated to a delegated officer by the Public Advocate. The target for 2021–22 and 2022–23 was 15–19 days.[41] The result for 2021–22 was 41.9 days (120.5% over the target), and the target was not met 'due to continued high demand for guardianship services and staffing shortfalls'.[42] The result for

40 Department of Justice and Community Safety, *Annual Report 2021–22*, pp. 113–130; Department of Justice and Community Safety, *Annual Report 2022–23*, pp. 41–61.

41 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 130; Department of Justice and Community Safety, *Annual Report 2022–23*, p. 57.

42 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 130.

2022–23 was 44.5 days (134.2%) over the target, 'due to increased complexity and intensity of guardianship orders'[43]

- Young people in youth justice participating in community re-integration activities. In 2021–22 the target was 80% and the result was 19.3%, 75.9% below the target.[44] The result reflects 'temporary leave from custody to undertake re-integration activities … [being] largely suspended for large parts of the financial year for safety reasons to reduce the risk of transmitting COVID-19'.[45]

Nine outputs (out of 15) achieved over half of their performance measures, but six of those only achieved or exceeded between 50% and 60% of their performance measures.[46] The lowest performing output in 2021–22 was Prisoner Supervision and Support (75% of performance measures not achieved).[47] One of the impacts of COVID-19 on the prison system was lower than expected numbers of people in custody.[48] This in turn impacted performance measures such as the annual number of random drug tests taken, where the result of 4,908 in 2021–22 was 53.2% below the target of 10,492.[49]

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In 2022–23, the poorest performing measures included:

- performance measures relating to road safety. The total reported road fatalities in vehicle collisions result was 277, 38.5% over the target of <200, while the total persons reported injured in vehicle collisions was 18,811, 25.4% over the target of 15,000.[50] DJCS noted increases reflected 'increased high risk driving behaviours (speeding and impaired driving), youth and inexperienced drivers (including motorcyclist) and driven distraction and inattention'[51]
- liquor inspections completed, both in metropolitan areas (target: 5,400) and regional areas (target: 1,500). Metropolitan liquor inspections decreased from 5,876 (8.8% above target) in 2021–22 to 4,179 in 2022–23 (22.6% below the target), reflecting 'high vacancy rates in liquor compliance following demerger from the casino and gaming regulator'.[52] In regional areas the 700 inspections that took place in 2021–22 were 53.3% below the target due to 'impacts in the regions by staff shortages during the financial year'.[53] The 2022–23 result of 689 inspections (54.1% below target) was once again due to 'high vacancy rates in liquor compliance following the demerger from the casino and gaming regulator'.[54]

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43 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 57.

44 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 122.

45 Ibid.

46 Ibid., pp. 113–136 (Committee calculation).

47 Ibid.

48 Ibid., p. 120.

49 Ibid.

50 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 41.

51 Ibid.

52 Ibid., pp. 59–60; Department of Justice and Community Safety, *Annual Report 2021–22*, p. 135.

53 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 135.

54 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 60.

5.5 Key issue—prisoner support

One of DJCS's objectives is the 'effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation'.[55] The Prisoner Supervision and Support output was the third highest DJCS output in terms of cost in 2021–22 and 2022–23, costing $1.5 billion each year.[56] The output 'relates to the safe, secure and humane containment of prisoners as well as the delivery of programs and effective case management to engage prisoners in positive behavioural change.'[57]

The Committee discussed a number of issues related to Victoria's correctional system with DJCS officials at the hearings, including:

- the availability of health care and health outcomes for the Victorian prison population, including for Aboriginal people in custody[58]
- the impact of recently legislated bail reform laws on the numbers of people in prison[59]
- the need for appropriate accommodation and housing for people leaving custody and prisoners eligible for parole.[60]

In 2022–23 two wide-ranging reports into Victoria's custodial system, including support and rehabilitation opportunities for prisoners, were released:

- the Legal and Social Issues Committee (LSIC) of the Victorian Legislative Council's Inquiry into Victoria's Criminal Justice System tabled its final report on 24 March 2022
- the Final Report from the Cultural Review of the Adult Custodial Corrections System conducted by a four-member expert panel led by Ms Kirsten Hilton, released on 24 March 2023.[61]

The following discussion on support for prisoners with a disability, and the education, training and employment opportunities available for prisoners across the custodial system is informed by these recent reports, DJCS's questionnaire response and information presented to the Committee at the inquiry hearings.

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55 Ibid., p. 11.

56 Ibid., pp. 41–61; Department of Justice and Community Safety, *Annual Report 2021–22*, pp. 113–136.

57 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 48.

58 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence*, pp. 21–22.

59 Ibid., p. 34.

60 Ibid., pp. 34–35.

61 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into Victoria's criminal justice system*, March 2022; Cultural Review of the Adult Custodial Corrections System, *Safe Prisons, Safer People, Safer Communities: Final report of the Cultural Review of the Adult Custodial Corrections System*, Melbourne, 2022.

5.5.1 Prison Disability Support Initiative

The *Prison Disability Support Initiative* (PDSI) provides support within Victoria's correctional system to prisoners who are suspected of or confirmed as of having a cognitive disability.[62] The *Inquiry into Victoria's criminal justice system* conducted by the LSIC in 2022 found that:

- 42% of people entering prison disclosed 'a chronic condition or disability that affected their participation in day-to-day activities, education, or employment'
- 42% of men and 33% of women in Victorian prisons showed evidence of an acquired brain injury
- 9% of prisoners have an intellectual disability.[63]

The PDSI was established in July 2021, initially for a one-year pilot.[64] In the 2022–23 Budget, $8.3 million was provided to extend the program for four more years.[65] The PDSI offers five different streams of support for prisoners and prison officers, outlined in Table 5.2.

Table 5.2 Streams of the Prison Disability Support Initiative

Stream	Purpose
Stream 1	Helping prisoners access support services, including the National Disability Insurance Scheme
Stream 2	Diagnosing intellectual disability or an acquired brain injury
Stream 3	Helping prison officers learn how to: • support prisoners in the program • manage prisoners' behaviour
Stream 4	Training and supporting prison staff
Stream 5	Providing therapeutic intervention to: • address behaviours of concern • support rehabilitation

Source: Victorian Auditor-General's Office, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury*, Melbourne, 2023, p. 13.

The PDSI provides an 'end-to-end' service for prisoners, as they can be assessed and diagnosed at their entrance into the custodial system, helped with behavioural management and behavioural support plans during their time in custody, and links

62 Victorian Auditor-General's Office, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury,* Melbourne, 2023, p. 13.

63 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into Victoria's criminal justice system*, p. 583.

64 Corrections, Prisons and Parole, *Prison Disability Support Initiative in the spotlight*, 15 May 2023, <https://www.corrections.vic.gov.au/prison-disability-support-initiative-in-the-spotlight> accessed 30 January 2024.

65 Victorian Auditor-General's Office, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury,* p. 14; Hon Natalie Hutchins MP, Minister for Corrections, *2022–23 Budget Estimates hearings presentation: Corrections,* supplementary evidence received 18 May 2022, p. 7.

into support provided by the National Disability Insurance Scheme (NDIS).[66] The PDSI's primary goal is 'to support reduction in recidivism rates for individuals with disability'.[67]

The Committee asked about what the PDSI offered, and DJCS's response to the June 2023 Victorian Auditor-General's Office's report, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury.* The report had concluded that while the PDSI was positive in some respects (for example, it helped prisoners access over $4 million in NDIS supports as they transitioned back into the community post-release),[68] there were several larger problems, primarily:

- There was no comprehensive process to identify if new prisoners had an intellectual disability; there was no screening tool for prisoners, and accessing the PDSI relied on officers' recognising an intellectual disability.[69] Corrections Victoria (CV) confirmed that while there is an 'intellectual disability flag in our prisoner information system', this 'probably reflects the world pre NDIS where for intellectual disability an IQ of, I think, less than 70 was the definition'.[70] CV also confirmed that 'there is no screen that we can cover off and go looking for cognitive impairment when people first come into us'.[71]
- Further to this, there is no mandatory training for prison officers on recognising intellectual disabilities; therefore, the quality of assessments made regarding a prisoner disability varies across the custodial system.[72]
- There is no regular or comprehensive evaluation of prisoner support programs such as PDSI to know whether these programs are leading to a reduction in reoffending. At the time the Auditor-General's report was released in June 2023, DJCS said they did not have the funding to assess the program's long-term outcomes.[73]

At the hearings, the Commissioner of Corrections Victoria responded that CV had accepted four of VAGO's recommendations, and the remaining nine were accepted in principle and subject to funding and resourcing.[74] Because the Auditor-General's report was released in June 2023, it is too early to confirm whether changes have been made to the PDSI program based on the Auditor–General's recommendations.

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66 Ms Larissa Strong, Commissioner, Corrections Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence,* p. 23.

67 Corrections Victoria, *Prison Disability Support Initiative in the spotlight*, 15 May 2023, <https://www.corrections.vic.gov.au/prison-disability-support-initiative-in-the-spotlight> accessed 19 December 2023.

68 Victorian Auditor-General's Office, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury,* p. 6.

69 Ibid., pp. 7–8.

70 Ms Larissa Strong, Commissioner, Corrections Victoria, *Transcript of evidence,* p. 36.

71 Ibid.

72 Victorian Auditor-General's Office, *Correctional Services for People with Intellectual Disability or an Acquired Brain Injury*, p. 17.

73 Ibid., pp. 28–29.

74 Ms Larissa Strong, Commissioner, Corrections Victoria, *Transcript of evidence,* p. 36.

FINDING 47: An inquiry into the *Prison Disability Support Initiative* by the Victorian Auditor-General made a number of recommendations to strengthen the program, including improving staff training and conducting an outcomes evaluation on whether it has reduced recidivism. The Department of Justice and Community Safety committed to implementing some of the Auditor-General's recommendations, with the balance subject to funding and resourcing constraints.

RECOMMENDATION 15: The Department of Justice and Community Safety publish an evaluation of the *Prison Disability Support Initiative* and provide information about how it will assess its long-term outcomes, particularly in relation to recidivism.

5.5.2 Education, training and employment support

People in Victoria's corrections system typically have low levels of education and training, with 53% of Victorians entering prison having achieved year ten level schooling or less, compared to 7.3% of the wider Victorian population.[75] Providing prisoners with access to training and education is a core element of Victoria's custodial rehabilitation system and the positive impact of education and training programs for prisoners can be 'profound'.[76]

Vocational education and training (VET) sector programs are currently available across the prison system delivered by local providers, including TAFEs. Training programs are available to prisoners that include the following industries and sectors:

- asset maintenance
- hospitality
- construction
- transport and logistics
- horticulture
- engineering
- licences (e.g. forklift and Construction Induction Card).[77]

The Committee was informed that there is high participation in TAFE programs in the corrections system, with over 8,500 people in custody enrolled in at least one TAFE

75 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into Victoria's criminal justice system*, p. 582; Australian Bureau of Statistics, *Census 2021*, *Level of highest educational attainment, QuickStats,* n.d., <https://www.abs.gov.au/census/find-census-data/quickstats/2021/2> accessed 2 February 2024.

76 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into Victoria's criminal justice system*, p. 658.

77 Corrections, Prisons and Parole, *Work, education and training*, 16 May 2022, <https://www.corrections.vic.gov.au/prisons/going-to-prison/work-education-and-training> accessed 29 January 2024.

unit in 2022–23.[78] Over 92% of prisoners are also engaged with employment in prison industries while in custody.[79]

In 2022–23 DJCS exceeded the target (80%) for the performance measure 'Percentage of education modules successfully completed' for prisoners enrolled in VET programs as a result of 'consistent efforts to reach prisoners in units in addition to the education centres'.[80] However, the broader 'Rate of prisoner participation in education' performance measure (target: 36%) was not met in 2021–22, achieving 33% 'due to the ongoing impact of COVID-19 restrictions in place which impacted service delivery', or in 2022–23 when it achieved 31.1% 'due to the rate being measured at a point in time in which scheduling of education programs did not follow usual patterns. Consequently less participation is recorded on this date'.[81]

On 19 June 2022 the Government announced a partnership with textile and food wholesaling businesses over the following two years aimed at providing employment for up to 225 people upon their release from prison, as part of the *Post Release Opportunities Program*.[82] The Government also announced further investment in employment hubs at the Marngoneet Correctional Centre and Loddon Prison as part of the 2022–23 Budget.[83] The Committee was advised that 'we have employment expos in prisons, where the employers come out and they look at the training that people get in the prison industries' and can 'get to meet prospective candidates' for jobs available for prisoners post-release.[84] The hubs help people compile resumes, and link them to employment services once they have left the correctional system.[85]

Despite the successes of the training and employment programs available within the corrections system to Victorian prisoners, the two major recent reports into the Victorian criminal justice system both noted limitations. These include the limited access people in custody have to technology and the internet, which is inhibiting 'their access to online education options and preventing them from gaining the digital literacy necessary for contemporary work'.[86] The LSIC report went on to recommend DJCS develop and implement a 'digital access policy for Victoria prisons'.[87]

The Cultural Review panel were informed of 'people feeling frustrated that they could not complete the qualifications they commenced while in custody or that the qualifications may not be valued by potential employers'.[88] As 'module completion'

78 Ms Larissa Strong, Commissioner, Corrections Victoria, *Transcript of evidence,* p. 35.

79 Ibid.

80 Department of Justice and Community Safety, *Annual Report 2022–23*, p. 48.

81 Ibid.; Department of Justice and Community Safety, *Annual Report 2021–22,* p. 120.

82 Hon Natalie Hutchins, MP, *Helping People into Jobs and Back on Track after Prison*, media release, Melbourne, 19 June 2022.

83 Ibid.

84 Ms Larissa Strong, Commissioner, Corrections Victoria, *Transcript of evidence*, p. 35.

85 Ibid.

86 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into Victoria's criminal justice system*, p. 661.

87 Recommendation 90. Ibid., p. 663.

88 Cultural Review of the Adult Custodial Corrections System, *Safe Prisons, Safer People, Safer Communities: Final report of the Cultural Review of the Adult Custodial Corrections System*, p. 751.

is used as a performance measure rather than 'qualification completion', there is no information available in the budget papers about the numbers and proportion of prisoners leaving the system with an accredited qualification.

While the Committee welcomes the increase in the proportion of education modules successfully completed by prisoners, it highlights a significant limitation of the current education and training delivery system to prisoners. The Cultural Review final report noted that 'education programs are often short and that people in custody did not feel that they had opportunities to participate in education and employment opportunities that might genuinely assist them'.[89]

FINDING 48: While there is a high level of attendance in training and employment programs and a high level of completion of vocational education and training modules across Victoria's correctional system, limitations include:

- limited access to digital skills and technology-based training
- difficulty for prisoners in fully completing qualifications, as opposed to components of qualifications in the form of modules.

RECOMMENDATION 16: The Department of Justice and Community Safety develop a performance measure for vocational education and training qualification completion in addition to module completion.

RECOMMENDATION 17: The Department of Justice and Community Safety develop and implement a digital access policy for Victoria prisons as per the recommendation made by the Legislative Council's Legal and Social Issues Committee as part of its March 2022 Inquiry into Victoria's Criminal Justice System.

RECOMMENDATION 18: The Department of Justice and Community Safety evaluate the outcomes of its training programs, to see whether the programs have effectively helped former prisoners find meaningful employment post-release.

5.5.3 Prisoner Supervision and Support output

As discussed earlier, funding for education, training and employment programs in the correctional system falls under the broad $1.5 billion Prisoner Supervision and Support cost output. As such, it is difficult for the Committee to establish the exact level of funding these programs have received over 2021–22 and 2022–23. For example, information provided in the Minister for Corrections presentation to the Committee at the 2022–23 Budget estimates public hearings indicate the employment hubs were

89 Ibid., p. 750.

allocated $7.7 million under the wider $73.6 million four year *Reducing future justice demand and keeping the community safe* initiative.[90] However this was not detailed in the 2022–23 Budget Papers.

A further announcement made by the Victorian Government on 20 March 2023 noted that the 2022–23 Budget allocated '$37 million over three years to ensure prisoners have access to quality VET education programs that reduce barriers to paid employment upon release'.[91] The Committee notes there was no detail on this initiative in the 2022–23 Budget.[92]

Despite the important role of employment and training programs in reducing recidivism and having a positive impact on a prisoner's rehabilitation, their effectiveness is difficult to assess due to these programs forming part of the large-scale cost output that covers all operational and staffing funding for the State's corrections system. In the *Report on the 2022–23 Budget Estimates*, the previous Committee noted the size of the Prisoner Supervision and Support output relative to other outputs associated with the corrections portfolio such as Community Based Offender Supervision.[93]

The Committee believes it would be beneficial to divide the current $1.5 billion 'Prisoner Supervision and Support' cost output into two smaller outputs; one on 'prisoner supervision' covering corrections operational activity such as staffing and infrastructure expenses, and another on 'prisoner support and rehabilitation' that would encompass education, training and rehabilitation programs. Performance measures could also be developed to measure the impact of these programs on prisoners once they have been released, in addition to the existing recidivism measure 'rate of return to prison within two years'.[94]

RECOMMENDATION 19: The Department of Justice, Community Safety split the existing Prisoner Supervision and Support cost output into the two smaller outputs of:

- 'Prisoner supervision' covering functional activity within the corrections system such as staffing and operational expenses
- 'Prisoner support and rehabilitation' covering education, training and rehabilitation programs funded and conducted across the correctional system.

90 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, Melbourne, 2023, pp. 90, 97 (Committee calculation); Hon Natalie Hutchins MP, Minister for Corrections, *2022–23 Budget Estimates hearings presentation: Corrections,* supplementary evidence received 18 May 2022, p. 7.

91 Hon Enver Erdogan MP, *Building a Better Future after Prison*, media release, Melbourne, 20 March 2023.

92 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, p. 90.

93 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates*, August 2022, pp. 76–77.

94 Department of Justice and Community Safety, *Annual Report 2021–22*, p. 120; Department of Justice and Community Safety, *Annual Report 2022–23*, p. 48.

RECOMMENDATION 20: The Department of Justice and Community Safety develop further performance measures to assess the impact of education, training and rehabilitation programs available to, and undertaken by, the Victorian prisoner population, including a measure on the success of these programs on prisoners' employment outcomes post-release.

5.6 Key issue—Emergency Services Telecommunications Authority

One of the seven objectives of DJCS is to 'reduce the impact of, and consequences from natural disasters and other emergencies on people, infrastructure, the economy and the environment'.[95] Through this objective, DJCS aims to deliver 'a coordinated, all communities, all emergencies approach to emergency management'.[96]

Over 2021–22 and 2022–23, DJCS responded to 'multiple, significant and sometimes overlapping emergencies, including the COVID-19 pandemic, the June 2021 Storm and Flood event and the October 2022 flood event'.[97] Emergency management services provided by DJCS to the Victorian community include emergency triple zero call-taking and dispatch services. The performance of this service was discussed with departmental officials at the inquiry hearings.[98]

Now rebranded as Triple Zero Victoria after the *Triple Zero Victoria Act 2023* came into effect in December 2023, ESTA was the Victorian statutory authority providing 24/7 call-taking and emergency dispatch services to Victorians over 2021–22 and 2022–23 for the emergency services organisations (ESOs) of Ambulance Victoria (AV), Victoria Police, Fire Rescue Victoria, the Country Fire Authority, and the Victoria State Emergency Service.[99]

During the COVID-19 pandemic, ESTA experienced major delays in call-taking and ambulance-dispatching, due to the increase in calls combined with workforce shortages.[100] Figure 5.5 shows the fall in response times between July 2021 and August 2022. The benchmark for emergency ambulance dispatch services received by ESTA was 90% of emergency calls answered within five seconds.[101]

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95 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, p. 280.

96 Ibid.

97 Mr Ryan Phillips, Associate Secretary, Department of Justice and Community Safety, *2021–22 and 2022–23 Financial and Performance Outcomes presentation,* supplementary evidence received 21 November 2023, p. 2.

98 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence*, pp. 3–5, 31–33.

99 *Triple Zero Victoria Act 2023* (Vic); Triple Zero Victoria, *About Triple Zero Victoria*, 18 December 2023, <https://www.triplezero.vic.gov.au/about-triple-zero-victoria> accessed 6 February 2024.

100 Inspector-General for Emergency Management, *Review of Victoria's emergency ambulance call answer performance: COVID-19 pandemic-related 000 demand surge*, Melbourne, 2022, p. 6.

101 Emergency Services Telecommunications Authority, *Annual Report 2021–22*, Melbourne, 2022, p. 16.

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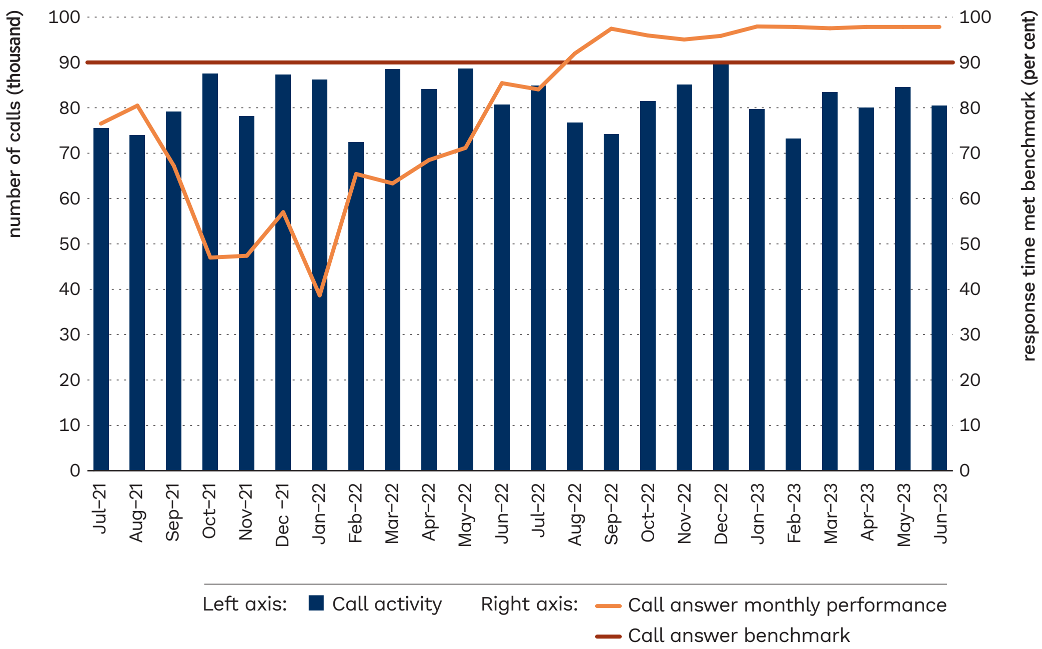
Figure 5.5 Calls and response time benchmarks for ambulance services to ESTA, July 2021 to June 2023



Source: Emergency Services Telecommunications Authority, *Annual Report 2021–22*, Melbourne, 2022, p. 18; Emergency Services Telecommunications Authority, *Annual Report 2022–23*, Melbourne, 2023, p. 24.

The Inspector-General of Emergency Management (IGEM) has noted that the COVID-19 pandemic meant ESTA faced a 'sustained surge in activity' lasting more than 12 months.[102] In the first quarter of 2022 (January to March, at the time of the Omicron wave), AV also reported its lowest quarterly performance of '85 per cent of ambulance Code 1 responses ('lights and sirens' events) arriving within 15 minutes' against its benchmark. There were also up to 1,200 patients hospitalised each day for COVID-19 with approximately 5,000 healthcare workers unavailable due to COVID-19 related absences.[103]

It was also during this period–January to March 2022–that 40 events occurred involving seriously ill and injured patients that were subject to call answer delays.[104] It was later determined that 33 people did not survive these emergencies.[105] In terms of the cause of these deaths, IGEM noted that while the call answer delay was not necessarily 'a contributing factor because in some cases no amount of rapid intervention would have saved the patient', 'it does mean … that due to these call answer delays, the community waited longer to receive important first aid advice, and paramedics had less time to apply advanced treatment in time to make a difference to the patient's outcome'.[106]

102 Inspector-General for Emergency Management, *Review of Victoria's emergency ambulance call answer performance: COVID-19 pandemic-related 000 demand surge*, p. 11.

103 Ibid., p. 12.

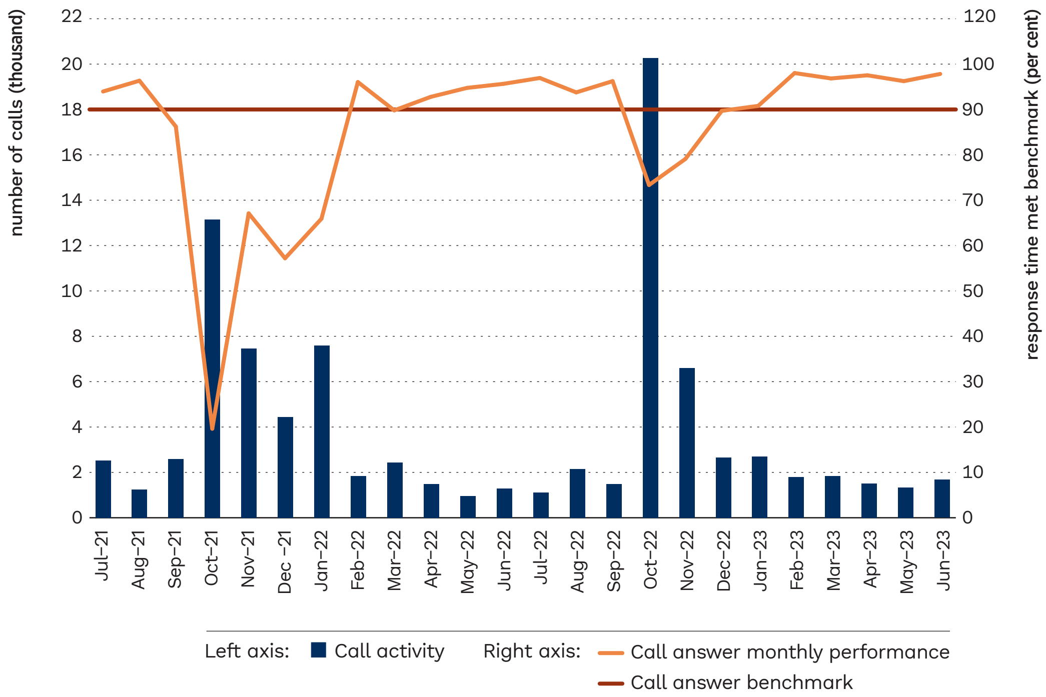
104 Ibid.

105 Ibid.

106 Ibid.

In addition to the COVID-19 pandemic and the increase in demand for ambulance services, ESTA also received higher than normal volumes of calls for emergency services in October and November in 2021 and 2022, when extreme weather and flooding events prompted high call volumes.[107] The storm event on 29 October 2021 resulted in 526,000 (almost a quarter of all homes in Victoria) suffering power outages; the single biggest electricity outage ever experienced in the State.[108] At the time of the severe flooding event in October 2022, ESTA received more than 20,000 emergency calls.[109]

Figure 5.6 Calls and response time benchmarks for Victoria State Emergency Service to ESTA, July 2021 to June 2023



Source: Emergency Services Telecommunications Authority, *Annual Report 2021-22*, Melbourne, 2022, p. 20; Emergency Services Telecommunications Authority, *Annual Report 2022-23*, Melbourne, 2023, p. 27.

ESTA received additional funding over 2021–22 and 2022–23 to meet the extra demand:

- the Critical service delivery for Victoria's emergency services output initiative in 2021–22 Budget was allocated $70.6 million for two years[110]

107 Emergency Services Telecommunications Authority, *Annual Report 2021–22*, p. 20; Emergency Services Telecommunications Authority, *Annual Report 2022–23*, Melbourne, 2023, p. 27.

108 Australian Institute for Disaster Resilience, *Australia Disaster Resilience Knowledge Hub: Victoria, 28 October - 8 November 2021 Storm*, n.d., <https://knowledge.aidr.org.au/resources/storm-victoria-october-november-2021> accessed 1 February 2024.

109 Emergency Services Telecommunications Authority, *Annual Report 2022–23*, p. 27.

110 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, p. 88 (Committee calculation).

- an additional $27.5 million over two years was allocated for Emergency Services Telecommunication Authority's call-taking and dispatch services output initiative in the 2021–22 Budget Update[111]
- $333.5 million was allocated in the 2022–23 Budget as the Emergency Services Telecommunications Authority output initiative, further providing funds for the organisation from 2021–22 through to 2025–26.[112]

In October 2021 the Government also commissioned a capability and service review into ESTA conducted by former Chief Commissioner of the Victorian Police, Graeme Ashton AM (known as 'the Ashton Review').[113] In addition to the Ashton Review, IGEM also reviewed the response and performance of ambulance dispatch services in relation to the COVID-19 pandemic-related 000 demand surge.[114]

The final report of the Ashton Review was published in May 2022.[115] The report found:

- A lack of partnership existed between ESTA and the other ESOs, leading to a lack of agility in responding to emergencies which were growing in scale and complexity.[116]
- While ESTA staff worked in 'very challenging and often confronting role[s]', support for their mental health and wellbeing was inadequate, leading to difficulty in recruiting and retaining adequate staff.[117]
- The process of the 'call journey' from receiving an emergency call through to dispatching the appropriate emergency service is becoming increasingly complex, and ESTA was increasingly lacking capacity to meet community expectations in performing this function.[118]
- ESTA's communications technology (a computer aided dispatch system) was outdated and no longer fit for purpose.[119] The single-channel system of telephoning 000 in an emergency was resource intensive and not in keeping with 'the future for emergency communications [which] requires omni-channel capability and a real-time flow of information to support fast and effective decision making'.[120]
- Existing performance measures were all time based, and not outcome based. This was no longer fit for purpose.[121]

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111 Department of Treasury and Finance, *2021–22 Budget Update*, Melbourne, 2021, p. 145 (Committee calculation).

112 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, p. 89 (Committee calculation).

113 Hon Jaclyn Symes MLC, *Former Police Chief to Head up Review of ESTA Capabilities*, media release, Melbourne, 8 October 2021.

114 Inspector-General for Emergency Management, *Review of Victoria's emergency ambulance call answer performance: COVID-19 pandemic-related 000 demand surge*, Melbourne, 2022.

115 Victorian Government, *ESTA Capability and Service Review*, 19 May 2022, <https://www.vic.gov.au/ESTA-capability-and-service-review> accessed 28 January 2023.

116 Graham Ashton AM APM, *Emergency Services Telecommunications Authority Capability and Service Review: Final Report*, 2022, pp. 15, 24.

117 Ibid., p. 16.

118 Ibid., pp. 16–18.

119 Ibid., pp. 32–35.

120 Ibid., p. 53.

121 Ibid., p. 19.

- A lack of appropriate resourcing and staff rostering meant ESTA had inadequate staff to deal with surge events such as the COVID-19 pandemic response calls and weather events.[122]

In terms of ambulance dispatch services, the Ashton Review found the requirements of AV were increasingly not being met, with AV aiming for 'end-to-end' services for their patients, starting from the triple zero call and finishing upon completion of AV care. This requires a high level of skill from the call taker to determine the level of response, ranging from priority one emergency (cardiac arrest or major trauma) to priority three (non-traumatic incident such a lower back pain or headache).[123]

More broadly the review also noted that Victoria's demographic profile, featuring high population growth and an ageing population with a longer life expectancy, greater incidence of chronic health conditions and older people living with disability, will mean greater demand for ESTA services.[124] Climate change, with longer fire seasons and increasing frequency of intense weather events, is another factor that will see demand for ESTA services increase in the future.[125]

The Ashton Review made 20 recommendations, and these were all accepted by the Government.[126] They included:

- allocating more funding to ESTA, in order that there is a sufficient workforce to meet future increased demand challenges, meet technology requirements and develop intelligence capability.[127] As part of the review into ambulance call answer performance, IGEM found ESTA did not have the required budget and contingency funding to meet staffing requirements, and had missed the opportunity to request further funding to recruit more staff over 2020 in anticipation of increased 000 demand.[128] IGEM further noted that ESTA had been seeking annual supplementary funding since 2014–15 and this has limited 'ESTA's ability to recruit to meet demand. It also limits ESTA's ability to plan beyond 12 months or implement longer-term investments to improve the service during business-as-usual and surge events'[129]
- changing ESTA's governance arrangements, including moving it into DJCS and disbanding its Board and Advisory Committee to be replaced by a new board of advisors[130]
- re-branding the organisation to 'Triple Zero (000) Victoria'[131]

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122 Ibid., pp. 34–35.

123 Ibid., pp. 32–34.

124 Ibid., pp. 36–37.

125 Ibid., pp. 35, 37.

126 Ibid., pp. 74–77; Hon Jaclyn Symes MLC, Minister for Emergency Services, *Building a Strong and Resilient Triple Zero System*, Melbourne, media release, 3 September 2022.

127 Graham Ashton AM APM, *Emergency Services Telecommunications Authority Capability and Service Review: Final Report*, p. 50.

128 Ibid., p. 14.

129 Ibid., p. 15.

130 Ibid., p. 74.

131 Ibid.

- in conjunction with ESOs, reviewing and improving training standards for ESTA staff and conducting an independent review of mental health support services, with a view to developing ‘a new person-centric wellbeing and support program’[132]
- developing and implementing outcome-based performance standards that properly reflect the end-to-end process of incident management.[133]

In discussing the recommendations of the Ashton Review and the rebranded entity Triple Zero Victoria in the *Report on the 2022–23 Budget Estimates*, the previous Public Accounts and Estimates Committee (PAEC) recommended that:

> The Department of Justice and Community Safety include outcomes-based performance measures for Triple Zero Victoria in the 2023–24 Budget. This should include performance measures that can track the enhanced capability of Triple Zero Victoria and demonstrate the outcomes of new staff investment. (Recommendation 29).[134]

This was in line with recommendation 18 of the Ashton Review.[135]

The previous PAEC’s recommendation regarding performance standards was supported in principle by the Government. The Government stated in its response of March 2023 that:

> DJCS will review the existing suite of performance measures as part of the next budget process and investigate new measures for inclusion to track the enhanced capability of Triple Zero Victoria and demonstrate the outcomes of new staff investment.[136]

The Committee notes a new and expanded set of performance measures was established in the 2023–24 Budget.[137] However, these new performance measures remain solely related to timeliness, and do not incorporate outcomes-based performance standards as recommended by the Ashton Review, and the previous PAEC.

In its response to the Ashton Review the Government stated:

> While rigorous time-based performance standards must be retained, the Government supports complementary outcomes-based performance standards as an additional way to ensure the effectiveness of ESTA’s call-taking and dispatch service and ensure ESTA maintains accountability to its emergency service organisations partners and the community it serves.[138]

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132 Ibid., p. 75.

133 Ibid., p. 77.

134 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates*, p. 84.

135 Graham Ashton AM APM, *Emergency Services Telecommunications Authority Capability and Service Review: Final Report*, p. 77.

136 Government of Victoria, *Response to the Public Accounts and Estimates Committee, Report on the 2022–23 Budget Estimates*, 9 March 2023, p. 12.

137 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery*, pp. 271–273.

138 Government of Victoria, *Victorian Government response to the recommendations of the Emergency Services Telecommunications Authority Capability and Service Review*, 19 May 2022, p. 12.

The Government response further states work on this task is due to be completed by the end of 2023.[139] The Committee therefore looks forward to reviewing the new performance measures in the 2024–25 State Budget.

FINDING 49: It is unclear whether Triple Zero Victoria (formerly Emergency Services Telecommunications Authority (ESTA)) will be developing outcomes-based performance measures in addition to the existing timeliness measures relating to call response times. This is despite the Government supporting the reform of ESTA's performance measures as recommended in the Emergency Services Telecommunications Authority Capability and Service Review and the Public Account and Estimates Committee's *Report on the 2022–23 Budget Estimates*. Triple Zero Victoria was established in December 2023.

139 Ibid.

Chapter 6
Department of Transport and Planning

6.1 Overview

The Department of Transport and Planning (DTP) aims to deliver an integrated approach to Victoria's transport and planning system to support inclusive, prosperous, liveable and sustainable communities.[1] DTP supports six ministerial portfolios as of 30 June 2023: Transport and Infrastructure, the Suburban Rail Loop, Public Transport, Ports and Freight, Roads and Road Safety, and Planning.[2]

The department's five objectives are:

- reliable and people-focused transport services
- safe and well-regulated transport services
- a safe and quality-built environment
- the effective management of Victoria's land assets
- to build prosperous and connected communities.[3]

6.1.1 Machinery of government changes

DTP replaced the former Department of Transport (DoT) on 1 January 2023 following machinery of government (MoG) changes, which are illustrated in Figure 6.1.[4]

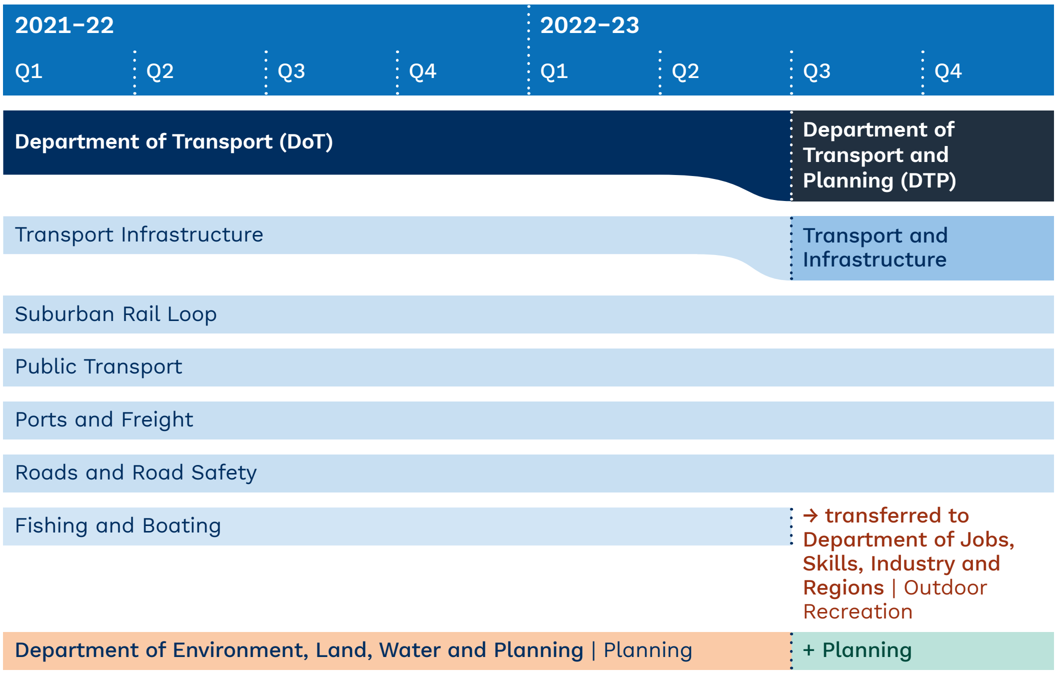
1 Department of Transport and Planning, *Annual Report 2022–23*, Melbourne, 2023, p. 8.

2 Ibid., p. 14.

3 Ibid., p. 36.

4 Ibid., p. 14.

Figure 6.1 Department of Transport/Department of Transport and Planning—machinery of government changes, 2021–22 and 2022–23



In addition, DTP assumed responsibility for the Business Precincts output and delivery function of the former Department of Jobs, Precincts and Regions (DJPR), the land and property functions of the Department of Treasury and Finance (DTF) and the Office of the Victorian Government Architect from the Department of Premier and Cabinet (DPC).[5] Several functions also were also transferred from DTP to other departments, including the transport precincts policy team to DPC, the Transport Accident Commission and associated insurance policy functions to DTF, and the Victorian Fisheries Authority to the Department of Jobs, Skills, Industry and Regions.[6]

6.2 Outcomes and challenges

DTP was asked to identify the programs that delivered the most important outcomes in the community in 2021–22 and 2022–23. These included the *Big Build* and other major projects, public transport services and road network operations and asset management and road safety.[7]

Rather than identifying programs that did not deliver their planned outcomes, as requested by the Committee, DTP instead listed several of its lowest-performing performance measures. These included:

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5 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* Melbourne, 2023, p. 105; Department of Transport and Planning, *Annual Report 2022–23*, p. 14.

6 Ibid.

7 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 9–19.

- 'Risk assessment of managed and unmanaged Victorian waterways with high levels of boating activity and competing use' (60% below target) and 'Containers transported by rail under the Mode Shift Incentive Scheme' (16.1% below target) in 2021–22
- 'Transport and marine safety investigations: investigations completed within 12 months' (100% below target), 'Pre-approved Heavy Vehicle consents completed within 3 business days' (86% below target) and 'Planning permit applications for new renewable energy facilities (excluding call ins) prepared for determination within 45 days after completion of public notice and receipt of council response to public notice' (35.7% below target) in 2022–23.[8]

FINDING 50: Whilst the Committee acknowledges the merits of the Department of Transport and Planning providing information related to its lowest-performing performance measures, it emphasises the importance of reporting on and identifying programs that did not deliver the planned outcomes.

Finally, DTP was asked to identify the key challenges it faced in 2021–22 and 2022–23, which included:

- emergency responses to storms in June 2021 and floods in October 2022
- public health restrictions and the COVID-19 recovery (discussed in Section 6.6)
- supply chain issues across Victoria
- planning for future population growth (discussed in Section 6.5)
- responding to climate change across the transport sector.[9]

6.3 Financial analysis

6.3.1 Output expenditure

DoT's actual output expenditure in 2021–22 was $7.7 billion, a variance of $812.2 million (11.8%) compared to the department's budget of $6.9 billion.**10** In 2022–23 DTP's actual output spending was $9.1 billion, representing an overspend of $1.6 billion (21.5%) compared to DTP's budget of $7.5 billion.[11] Figure 6.2 illustrates DoT/DTP's budgeted and actual output expenditure in 2021–22 and 2022–23.

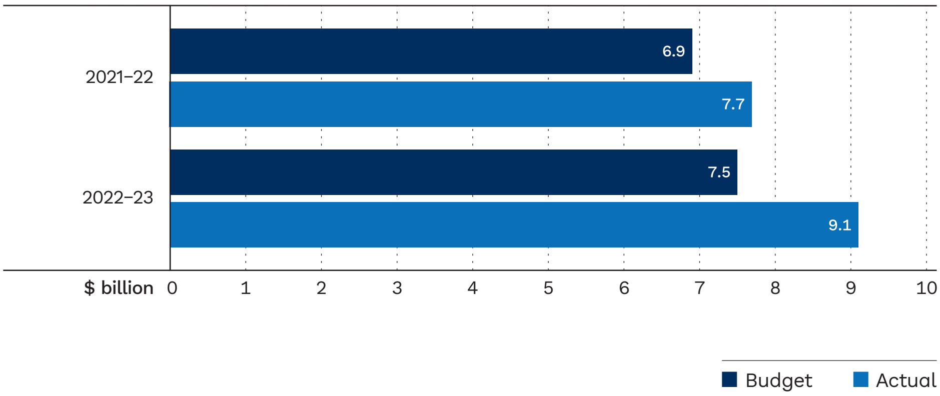
8 Ibid., pp. 20–27.

9 Ibid., pp. 283–288.

10 Department of Transport, *Annual Report 2021–22*, Melbourne, 2022, pp. 155–173 (Committee calculation).

11 Department of Transport and Planning, *Annual Report 2022–23*, pp. 36–66 (Committee calculation).

Figure 6.2 Department of Transport/Department of Transport and Planning—budget versus actual, 2021–22 and 2022–23



Source: Department of Transport and Planning, *Annual Report 2022–23*, Melbourne, 2023, pp. 42–66; Department of Transport, *Annual Report 2021–22*, Melbourne, 2022, pp. 155–173 (Committee calculation).

6

In 2021–22 the Transport Infrastructure output reported an overspend of $346.9 million (91.7%), followed by $582.8 million (192.9%) in 2022–23.[12] DTP explained that funding for Transport Infrastructure projects is originally allocated as capital and during the year where additional information becomes available, funding allocations between operating and capital may change. However, DTP noted these variances are included in approved capital budget envelopes and do not represent additional costs to the projects.[13] DTP stated the output's variances in 2021–22 and 2022–23 were mainly due to: costs that did not meet asset recognition criteria under accounting standards, infrastructure projects currently in the development phase being supported by operating expenditure, and refined capital/output allocation of approved funding held in central contingency as capital for a number of *Big Build* projects.[14]

The Train Services output similarly exceeded the allocated budget in both years due to the impact of COVID-19 on farebox revenue and the public transport system, as well as the introduction of the regional fare cap in 2022–23.[15] The output recorded an overspend of $390.3 million (19.4%) in 2021–22 and $347.9 million (16.1%) in 2022–23.[16]

In 2022–23 three other outputs recorded overspends exceeding $100 million:

- Road Operations—$247 million (13.7%) due to service payments to the *VicRoads Modernisation* joint venture. DTP reported this additional funding supported the set up and transition of the registration and licensing functions out of the department, as well as first year payments to joint venture partners for the operation of these functions[17]

12 Ibid., p. 66; Department of Transport, *Annual Report 2021–22*, p. 171 (Committee calculation).

13 Department of Transport and Planning, correspondence, 21 February 2024.

14 Ibid.

15 Department of Transport and Planning, *Annual Report 2022–23*, pp. 47–48; Department of Transport, *Annual Report 2021–22*, pp. 160–162.

16 Ibid. (Committee calculation).

17 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 51–52.

- Tram Services—$165.1 million (48.9%) due to the impact of COVID-19 on farebox revenue
- Road Asset Management—$135 million (22.8%) due to increased flood recovery works delivered during 2022–23.[18]

6.3.2 Revenue and expenses

DoT's output appropriations were $5.5 billion in 2021–22, representing a decrease of $3 billion (35.5%) compared to the previous year.[19] This variation was due to the discontinuation of the capital asset charge (CAC)[20] policy and additional funding in 2020–21 to address the impact of COVID-19 on the public transport network.[21]

In 2022–23 DTP's output appropriations increased by $889 million (16.1%) compared to 2021–22, largely owing to the impact of MoG changes, funding received for flood recovery works and the establishment of the *VicRoads Modernisation* joint venture.[22]

DoT spent $239.5 million on contractors, consultants and labour-hire costs in 2021–22, representing a 53.3% increase from 2020–21 due to the delivery of a new enterprise-wide resource planning system, the *Smarter Roads Program* and rolling stock projects. DTP's spending on contractors, consultants and labour-hire costs grew in 2022–23 to $264.1 million, representing a 10.3% increase from the previous year, due to the delivery of public transport franchise and ticketing agreements.[23] The big four accounting firms accounted for $35.2 million (14.7%) and $66.8 million (25.3%) of DTP's total spending on contractors and consultants in 2021–22 and 2022–23 respectively.[24]

Overall financial performance

DoT/DTP's expenses exceeded income in both years, reporting a net deficit of $146.2 million in 2021–22 and $243.5 million in 2022–23, summarised in Table 6.1.

18 Department of Transport and Planning, *Annual Report 2022–23*, pp. 44–46, 49 (Committee calculation).

19 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 201–202 (Committee calculation)

20 The CAC is a charge levied on the written-down value of controlled non-current physical assets in a department's balance sheet, which aim to facilitate the full costing of outputs by attributing the opportunity cost of capital used in service delivery to a department's outputs. Source: Department of Treasury and Finance, *Resource Management Framework*, Melbourne, July 2019, p. 5.

21 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 201–202.

22 Ibid., p. 205 (Committee calculation).

23 Ibid., pp. 224–225 (Committee calculation).

24 Ibid. (Committee calculation).

Table 6.1 Department of Transport/Department of Transport and Planning—summary of comprehensive operating statement, 2021–22 and 2022–23

Controlled items	2021–22 Budget ($ million)	2021–22 Actual ($ million)	2021–22 Variation (%)	2022–23 Revised Budget ($ million)[a]	2022–23 Actual ($ million)	2022–23 Variation (%)
Income from transactions	7,431.2	7,560.1	1.7	8,447.4	8,493.0	0.5
Expenses from transactions	6,893.9	7,706.3	11.8	8,394.1	8,736.6	4.1
Net result from transactions	**537.3**	**(146.2)**	**–**	**53.3**	**(243.5)**	**–**

a. The 2022–23 revised Budget reflects the department's budget portfolio outcomes following MoG changes effective 1 January 2023.

Source: Department of Transport and Planning, *Annual Report 2022–23*, Melbourne, 2023, p. 200; Department of Transport and Planning, *Annual Report 2021–22*, Melbourne, 2022, p. 194 (Committee calculation).

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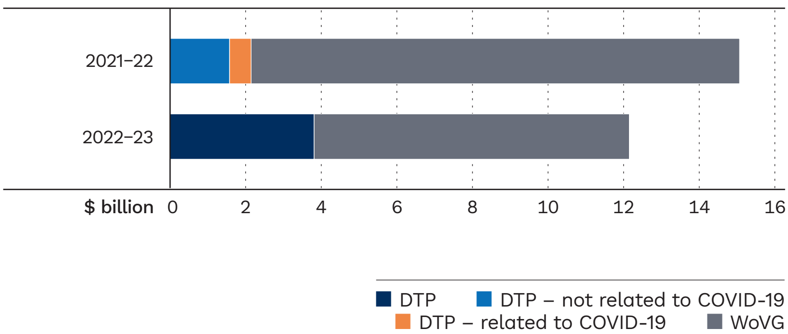
6.3.3 Treasurer's Advances

In 2021–22 DoT accessed $2.2 billion in Treasurer's Advances (TAs)—of which $574.9 million (26.7%) was related to COVID‑19—representing 14.2% of the total TA funding accessed by the whole of Victorian Government (WoVG).[25] In 2022–23 DTP accessed $3.8 billion in TAs, the largest amount received by any Victorian Government department at 31.4% (illustrated in Figure 6.3 below).[26]

Figure 6.3 Treasurer's Advance funding received in 2021–22 and 2022–23[a] by the Department of Transport/Department of Transport and Planning and whole of Victorian Government



a. The Department of Treasury and Finance did not separate out Treasurer's Advance funding for 2022–23 according to whether the funding was related to COVID‑19 or not.

Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 150–151; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 165–166 (Committee calculation).

In 2021–22 and 2022–23 DoT/DTP received TA funding for several major projects and initiatives which exceeded $100 million across both years, listed in Table 6.2.

25 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 150–151 (Committee calculation).

26 Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 165–167 (Committee calculation).

Table 6.2 Select initiatives that received Treasurer's Advance funding in 2021–22 and 2022–23

Initiative title	2021–22 ($ million)	2022–23 ($ million)	Total ($ million)
Level Crossing Removal Program	12.2	1,167.3	**1,179.5**
COVID-19 Impacts on the Transport Network	468.6	553.7	**1,022.3**
North East Link	224.5	446.6	**671.1**
West Gate Tunnel	574.4	1.0	**575.4**
Suburban Rail Loop	155.0	311.7	**466.7**
Metro Tunnel	129.8	231.3	**361.1**
Regulatory Programs and Services	n.a.	263.9	**263.9**
Victoria's Flood Recovery Program	n.a.	165.0	**165.0**
Next Generation Trams	142.4	20.9	**163.3**
More VLocity Trains	n.a.	115.0	**115.0**
Switching on the Big Build	127.3	n.a.	**127.3**

Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 150–151; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 166–167 (Committee calculation).

The Committee has noted both in the past and throughout this report that TAs are supposed to be accessed to meet urgent and unforeseen expenses, with the most common reason being to respond to emergencies or other external events.[27] However, only two of the initiatives listed above appear to meet these criteria—*COVID-19 Impacts on the Transport Network* and *Victoria's Flood Recovery Program*.

As noted in Section 2.7.1, DTF also chooses to use TAs to 'manage cash flow movements in the financial year'.[28] However, DTP does not report publicly when TAs are accessed for this purpose, so the Committee cannot determine whether this was the case for any of the initiatives listed above, aside from the *Level Crossing Removal Program*.[29]

By their nature, TAs are not subject to the same level of parliamentary scrutiny that applies to funding allocated in the State Budget and Parliament can only authorise the use of TAs after the funds have been spent.[30] As a result, the public and the Parliament cannot be assured of departments' proper use of TAs without adequate reporting of the reasons for accessing TAs. DTP received significant sums of TAs for a number of initiatives which were not adequately reported on and do not appear to meet the necessary conditions for accessing TAs.

27 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes*, April 2022, p. 33.

28 Mr Kevin Devlin, Director-General, Major Transport Infrastructure Authority, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence*, p. 18.

29 Ibid.

30 Victorian Auditor-General's Office, *Accessing Emergency Funding to Meet Urgent Claims*, Melbourne, November 2020, p. 1.

FINDING 51: The Department of Transport (DoT)/Department of Transport and Planning (DTP) accessed $2.2 billion in 2021–22 and $3.8 billion in 2022–23 in Treasurer's Advances, representing 14.2% and 31.4% of the total Treasurer's Advances accessed by Victorian Government departments in both years. Of the $6 billion in Treasurer's Advances accessed by DoT/DTP over both years, $1 billion was for *COVID-19 Impacts on the Transport Network* and $165 million for *Victoria's Flood Recovery Program*.

FINDING 52: The Department of Transport/Department of Transport and Planning received Treasurer's Advance funding for a number of initiatives in 2021–22 and 2022–23 that were not urgent or unforeseen. Without adequate and timely reporting on the reasons for accessing Treasurer's Advances, the public and the Parliament cannot be assured that departments are appropriately adhering to the regulations governing the use of Treasurer's Advances.

6.3.4 Capital expenditure

In both years DoT/DTP had the largest capital program in the general government sector.[31] The 2021–22 Budget included a total estimated investment (TEI) of $695.8 million in new DoT capital projects, increasing DoT's overall capital program to $46.5 billion.[32] The 2022–23 Budget also included a TEI of $863.6 million for new DTP projects, bringing DTP's overall capital program to $36.9 billion.[33]

DTP's questionnaire response identified 50 capital projects with revised TEIs—as of 30 June 2022 and/or 30 June 2023—where the variance was equal to or greater than 5% of the project's original TEI at announcement.[34] The TEIs for 12 of these projects were revised to 'tbc' as of 30 June 2023 because they 'may be subject to the Commonwealth Infrastructure Investment Program review' (the IIP review).[35] The net increase in the cost of the remaining 38 projects totalled $11.7 billion, or an overall increase of 30.7% when compared to the initial TEIs.[36]

Five projects in particular, listed in Table 6.3, accounted for $9.5 billion (81.2%) of the $11.7 billion net increase in costs when comparing the revised and initial TEIs.[37] The reasons for these cost increases were varied and reflected COVID-19 related payments and adjustments to project scopes. However, the most significant variance ($4.7 billion)

31 Department of Treasury and Finance, *Budget Paper No. 4: 2021–22 State Capital Program*, Melbourne, 2021, p. 26; Department of Treasury and Finance, *Budget Paper No. 4: 2022–23 State Capital Program*, Melbourne, 2022, p. 27.

32 Department of Treasury and Finance, *Budget Paper No. 4: 2021–22*, p. 26.

33 Department of Treasury and Finance, *Budget Paper No. 4: 2022–23*, p. 27.

34 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 80–91, 103–115.

35 Ibid.; The IIP review is discussed in further detail in the Committee's *Report on the 2023–24 Budget Estimates.* Source: Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2023–24 Budget Estimates,* October 2023, pp. 91–94.

36 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 80–91, 103–115 (Committee calculation).

37 Ibid. (Committee calculation).

was for the *West Gate Tunnel (metropolitan various)* project and reflected the settlement reached between the State, Transurban and the Design and Construction contractor.[38]

Table 6.3 Department of Transport/Department of Transport and Planning—top five capital projects with the largest revision to total estimated investment (TEI), 2021–22 and 2022–23

Project	Initial TEI ($ million)	Revised TEI ($ million)	Variance ($ million)	Variance (%)
West Gate Tunnel (metropolitan various)	5,500	10,154.1	4,654.1	84.6
85 by 2025 (Level Crossing Removal) (metropolitan various)	6,550	8,831.7	2,281.7	34.8
Metro Tunnel (metropolitan various) [a]	11,000	12,642.5	1,642.5	14.9
Murray Basin Rail Project (regional various) [b]	220	794.4	574.4	261.1
Level Crossing Removal Program (metropolitan various) [c]	6,000	6,342.7	342.7	5.7
Total	**–**	**–**	**9,495.4**	**–**

a. The TEI at announcement was between $9,000 million and $11,000 million.

b. DTP listed the TEI for Murray Basin Rail Project (regional various) as of 30 June 2023 as 'tbc' due to the IIP review. The TEI of $794.4 million is as of 30 June 2022.

c. The TEI at announcement was between $5,000 million and $6,000 million. The TEI of $6,342.7 million is as of 30 June 2022. The project was completed in December 2022.

Source: Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November, pp. 80–91, 103–115 (Committee calculation).

The *2023–24 Budget Update* was released after DTP's response to the Committee's questionnaire and includes an additional TEI of $12.1 billion for three projects—*Eastern Freeway Upgrade*, *M80 Ring Road Upgrade* and *North East Link Connections*—originally published in the budget papers as *North East Link (State and Freeway Packages)* and to be delivered in conjunction with *North East Link – Primary Package (Tunnels)*.[39]

FINDING 53: In 2021–22 and 2022–23 the Department of Transport/Department of Transport and Planning revised the total estimated investment (TEI) for 38 capital projects which resulted in a net increase of $11.7 billion or 30.7% when compared to the TEI at the projects' announcement. The *2023–24 Budget Update* also included an additional $12.1 billion in asset funding for capital works related to the North East Link.

DTP identified 48 capital projects with revised completion dates—as of 30 June 2022 and/or 30 June 2023—when compared to the estimated completion date at the project's announcement.[40] The department listed the revised completion date for six

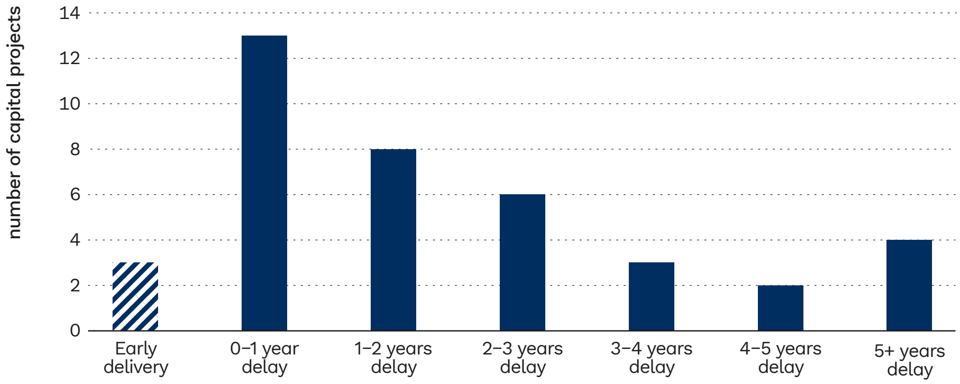
38 Ibid. (Committee calculation).

39 Department of Treasury and Finance, *2023–24 Budget Update,* Melbourne, 2023, pp. 129–130.

40 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 92–100, 116–125.

of these projects as 'tbc' due to the IIP review.[41] Additionally, the original estimated completion date for three other projects—*Barwon Heads Road upgrade (Barwon Heads), Building a new St Kilda Pier for locals to Enjoy (St Kilda)* and *Mickleham Road Upgrade Stage 1 (metropolitan various)*—was either unknown or not disclosed at announcement and was also listed as 'tbc'.[42] Figure 6.4 illustrates the extent of the delays for the remaining 39 projects.

Figure 6.4 Department of Transport/Department of Transport and Planning—number of capital projects with revised timeframes, 2021–22 and 2022–23



Source: Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November, pp. 92–100, 116–125 (Committee calculation).

The Committee notes the estimated completion date for three projects was brought forward for early delivery:

- Fishermans Bend Innovation Precinct at the former General Motors Holden Site – Stage 1 (Melbourne): from qtr 4 2023–24 to qtr 1 2023–24
- Monash Freeway upgrade – Stage 2 (South-East Melbourne): from qtr 4 2022–23 to qtr 2 2022–23
- Metro Tunnel (metropolitan various): from 2026 to qtr 2 2025–26.[43]

FINDING 54: In 2021–22 and 2022–23 the Department of Transport/Department of Transport and Planning revised the estimated completion date of 39 projects, 13 of which were delayed less than a year and three of which are scheduled for completion earlier than the project's original estimated completion date. The remaining 23 projects were delayed by between one and five years.

41 These projects were *Delivering the Road Safety Action Plan (statewide), North East Link (State and Freeway Packages) (Greensborough), Regional road upgrades 2017–18 (regional various), Regional road upgrades 2021–22 (regional various), Regional road upgrades 2022–23 (regional)* and *Road Safety Strategy (statewide)*. Source: Ibid.

42 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 92–100, 116–125.

43 Ibid.

DTP identified 34 projects that were completed in 2021–22 and 2022–23 with a total actual cost of $13.1 billion.[44] Of these 34 projects, 15 (44.1%) reported higher actual costs than the TEI at the project's announcement.[45] Despite being offset by savings across the remaining 19 projects, the total actual cost of the 34 completed projects represents a net increase of $779.2 million (6.3%) when compared to the initial TEI at announcement of $12.3 billion.[46]

FINDING 55: The Department of Transport/Department of Transport and Planning completed most of its 34 capital projects in 2021–22 and 2022–23 under budget. Fifteen projects exceeded the original total estimated investment (TEI), resulting in a combined net increase of $779.2 million across all completed projects when compared to the original combined TEIs.

DTP identified that another 16 (47.1%) of these 34 projects were completed either on time or earlier than the estimated completion date at the project's announcement.[47] The Committee notes that on-time or earlier-than-anticipated project delivery did not necessarily correlate with cost savings. The projects completed earlier or in line with the project's original schedule also recorded a combined net increase in costs of $623.6 million when compared to the initial TEIs.[48] Figure 6.5 represents the distribution of cost-savings and cost increases or decreases when accounting for delays in project timelines.

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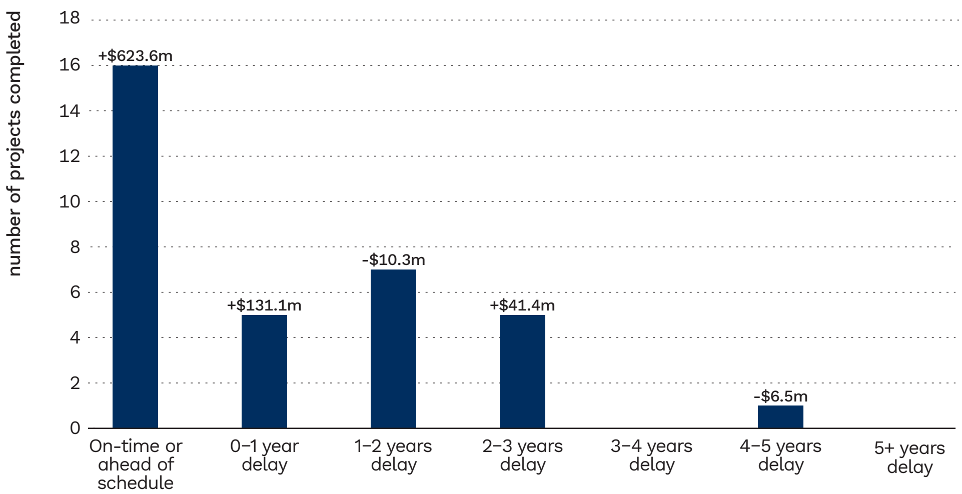
Figure 6.5 Department of Transport/Department of Transport and Planning—number of projects completed in 2021–22 and 2022–23 and combined net increase or decrease in cost according to the length of delay in project timeline



Source: Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November, pp. 128–149 (Committee calculation)

44 Ibid., pp. 128–149 (Committee calculation).

45 Ibid.

46 Ibid. (Committee calculation).

47 Ibid.

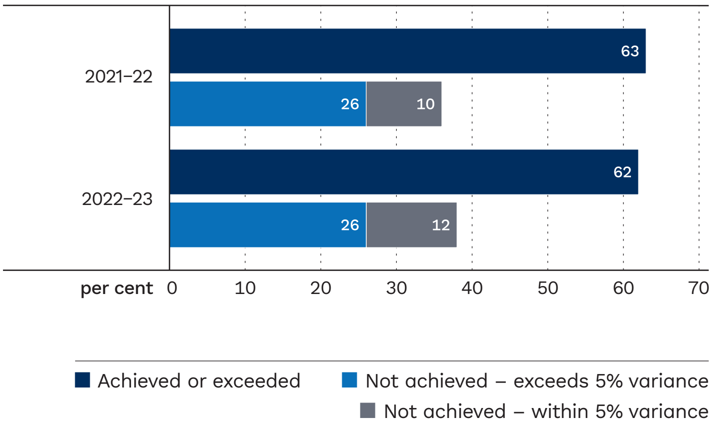
48 Ibid. (Committee calculation).

FINDING 56: The Department of Transport/Department of Transport and Planning completed 34 capital projects in 2021–22 and 2022–23, of which 16 were completed ahead of schedule. However, the 16 projects completed early also accounted for an overspend of $623.6 million compared to the total estimated investment at announcement.

6.4 Performance information

DoT/DTP achieved or exceeded 63% of its 160 performance measures in 2021–22 and 62% of its 203 performance measures in 2022–23 (illustrated in Figure 6.6).[49] In both years, DoT/DTP failed to meet 26% of its measures by a variance exceeding 5% of the department's target.[50]

Figure 6.6 Department of Transport/Department of Transport and Planning—performance measure results, 2021–22 and 2022–23



Source: Department of Transport and Planning, *Annual Report 2022–23*, Melbourne, 2023, pp. 36–66; Department of Transport, *Annual Report 2021–22*, Melbourne, 2022, pp. 155–173 (Committee calculation).

Targets not met in 2021–22 and 2022–23 related to road vehicle and driver regulation, public transport patronage, regional bridge strengthening and replacement projects, the availability of tram and VLocity rolling stock, major regional rail improvement projects, the *Road Smart* program, the *Multi-Purpose Taxi* program, and the *Mode Shift Incentive Scheme*.[51]

FINDING 57: The Department of Transport/Department of Transport and Planning achieved or exceeded 63% of its performance measures in 2021–22 and 62% in 2022–23. In both years, the department failed to meet 26% of its measures by a variance exceeding 5% of the department's targets.

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49 The addition of 43 performance measures in 2022–23 was due to the transfer of the Building, Planning and Heritage, Land Services and Precincts outputs resulting from MoG changes. Source: Department of Transport and Planning, *Annual Report 2022–23*, pp. 36–66; Department of Transport, *Annual Report 2021–22*, pp. 155–173 (Committee calculation).

50 Department of Transport and Planning, *Annual Report 2022–23*, pp. 36–66; Department of Transport, *Annual Report 2021–22*, pp. 155–173 (Committee calculation).

51 Ibid. (Committee calculation).

6.5 Key issue—population growth, precincts and affordable housing

In 2022–23 population growth was one of the most significant challenges for DTP.[52] According to recent projections by the Australian Bureau of Statistics, Victoria's population is set to increase from 6.6 million (as of June 2022) to between 9.3 million and 13.8 million by 2071.[53] Melbourne is also expected to become Australia's largest city—surpassing Sydney at some point between 2032 and 2046—with an estimated population of between 6.5 million and 9.9 million by 2071.[54] DTP recognises the difficulties this growth entails with respect to delivering infrastructure, services and housing, and advised the Committee that its combined transport, planning, land, precinct, and policy functions are essential in planning for Victoria's future population.[55]

DTP projects delivered in 2022–23 that responded to the challenges of population growth, included: continuing construction on the *Big Build* transport infrastructure program, increasing the number of high-capacity metro trains and delivering road maintenance works across Victoria.[56] DTP also advised it worked to improve the 'liveability, sustainability and inclusiveness of public spaces and neighbourhoods' by delivering *Plan Melbourne*,[57] undertaking strategic assessments of government landholdings and diversifying housing lots in growth areas. DTP also worked to deliver new precincts, focused on economic, land use, transport, social and sustainability objectives and the coordination of future investment and activity.[58]

Precincts are areas identified as having existing or potential capacity to drive and accommodate Melbourne's economic prosperity and future population growth.[59] MoG changes, effective 1 January 2023, incorporated and consolidated the business precincts functions of the former DJPR alongside DTP's planning and delivery of transport precincts.[60] As a result, DTP now leads the whole-of-government delivery and coordination of Priority Precincts and National Employment and Innovation

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52 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 286.

53 Australian Bureau of Statistics, *Population Projections, Australia: Victoria*, 23 November 2023, <https://www.abs.gov.au/statistics/people/population/population-projections-australia/latest-release#victoria> accessed 30 January 2024.

54 Ibid.

55 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 286; Mr Paul Younis, Secretary, Department of Transport and Planning, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 2.

56 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 286.

57 *Plan Melbourne* is the Victorian Government's metropolitan planning strategy which defines the future shape of the city and state in 2050. The plan integrates land use, infrastructure and transport planning and sets out a strategy to support jobs and growth. Source: Department of Transport and Planning, *The plan*, 13 June 2023, <https://www.planning.vic.gov.au/guides-and-resources/strategies-and-initiatives/plan-melbourne/the-plan> accessed 30 January 2024.

58 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 286–287.

59 Victorian Government, *Sunshine Precinct: Frequently Asked Questions*, 15 November 2023, <https://www.vic.gov.au/sunshine-precinct-frequently-asked-questions> accessed 30 January 2024.

60 Department of Transport and Planning, *Annual Report 2022–23*, p. 63; Department of Transport, *Annual Report 2021–22*, p. 17.

Clusters (NEICs).[61] DTP is currently focused on delivering seven precincts: Arden, Docklands, Fishermans Bend, Footscray, Parkville, Sunshine and the Richmond to Flinders Street Corridor.[62] At the hearings the Committee discussed DTP's progress in developing and delivering a number of these precincts.

FINDING 58: Victoria's population is estimated to increase from 6.6 million in June 2022 to between 9.3 million and 13.8 million by 2071. Melbourne is also expected to surpass Sydney as Australia's largest city, reaching a population of between 6.5 million and 9.9 million by 2071. This significant population growth poses challenges for the Department of Transport and Planning in delivering infrastructure, services and housing.

FINDING 59: Precincts are areas identified as having existing or potential capacity to drive and accommodate Melbourne's economic prosperity and future population growth. Due to machinery of government changes, the Department of Transport and Planning (DTP) now leads the whole-of-government delivery and coordination of Priority Precincts and National Employment and Innovation Clusters. In 2022–23 DTP was focused on delivering seven precincts: Arden, Docklands, Fishermans Bend, Footscray, Parkville, Sunshine and the Richmond to Flinders Street Corridor.

6.5.1 Arden

In 2021–22 DTP consulted the community on proposed planning scheme amendments to develop the Arden precinct, 44.6 hectares of industrial land in inner Melbourne.[63] In July 2022 DTP released the finalised *Arden Structure Plan*, setting out the planned renewal and development of the precinct.[64] According to the plan, the precinct will accommodate up to 34,000 jobs and around 15,000 people by 2051.[65] However, DTP noted it was looking at delivering homes for an additional 5,000 residents by increasing housing density requirements.[66] DTP also advised that the first stage of the precinct was being delivered by Development Victoria (DV) and was focused on 14 hectares of state-owned land surrounding the Metro Tunnel's new Arden Station, set to open in 2025.[67]

61 NEICs are clusters of employment and business activity located in the suburbs which are centred around medical, research and tertiary institutions and businesses that make a major contribution to the national economy. Source: Department of Transport and Planning, *Annual Report 2022–23*, p. 62, Department of Environment, Land, Water and Planning, *Plan Melbourne 2017–2050,* Melbourne, 2017, pp. 25, 139; Victorian Planning Authority, *National Employment and Innovation Clusters*, n.d., <https://vpa.vic.gov.au/national-employment-clusters> accessed 30 January 2024.

62 Department of Transport and Planning, *Annual Report 2022–23*, p. 63; Victorian Government, *Priority Precincts and National Employment and Innovation Clusters*, 22 December 2023, <https://www.vic.gov.au/national-employment-and-innovation-clusters-neic> accessed 30 January 2024.

63 Department of Transport, *Annual Report 2021–22*, p. 17.

64 Department of Transport and Planning, *Annual Report 2022–23*, p. 32.

65 Victorian Government, *Arden*, 15 November 2023, <https://www.vic.gov.au/arden> accessed 15 November 2023.

66 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 35.

67 Victorian Government, *Arden*; Development Victoria, *Arden*, 9 June 2023, <https://www.development.vic.gov.au/projects/arden?page=overview> accessed 30 January 2024.

The *Arden Structure Plan* states the precinct needs to reserve approximately two-thirds of its development area for employment uses in order to accommodate 34,000 jobs.[68] DTP informed the Committee the precinct's mixed-use function in accommodating residential developments alongside commercial uses was crucial to this, stating that 'internationally, the most successful, vibrant precincts are those that are mixed-use'.[69] DTP noted there was 'significant market interest' in the precinct's planned 'biomedical cluster', which aims to develop Arden into an 'employment and innovation precinct and a hub for life sciences, health, digital technology, and education'.[70]

This follows the Victorian Government's $2.3 billion commitment in the *2022 Victorian Economic and Fiscal Update* (VEFU) to upgrade the Royal Melbourne Hospital and Royal Women's Hospital in Parkville and to build a new Arden medical precinct, with construction expected to run from 2025 to 2031.[71] The VEFU states this investment would be 'a catalyst to activate the Arden precinct'.[72] The first stage of construction is also expected to create 7,500 construction jobs and around 12,500 jobs in the project's supply chain.[73]

The delivery of affordable housing in the Arden precinct was discussed during the public hearings. DTP defines affordable housing as when housing costs represent less than 30% of household income for very low-income, low-income or moderate-income households.[74] The Minister for Planning specifies the designated income ranges for these household types each year (illustrated in Table 6.4 below).[75]

Table 6.4 Affordable housing income ranges[a] specified by the Minister for Planning under the *Planning and Environment Act 1987* (Vic) from 1 July 2023

Income range	Very low-income	Low-income	Moderate-income
Single Adult	Up to $29,770	$29,771 to $47,630	$47,631 to $71,450
Couple (with no dependents)	Up to $44,650	$44,651 to $71,450	$71,451 to $107,170
Family (with one or two parents and dependent children)	Up to $62,510	$62,511 to $100,030	$100,031 to $150,030

a. The income ranges specified above are for the greater capital city statistical area of Melbourne.

Source: Hon Sonya Kilkenny MP, Minister for Planning, *Specification of Income Ranges*, published in Government Gazette No. G 25, 22 June 2023, p. 1095.

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68 Victorian Planning Authority, *Arden Structure Plan*, Melbourne, 2022, p. 27.

69 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 30.

70 Ibid.; Victorian Planning Authority, *Arden Structure Plan*, pp. 8, 21.

71 Department of Transport and Planning, *Annual Report 2022–23*, p. 32; Victorian Government, *Arden*; Development Victoria, *Arden*; Department of Treasury and Finance, *2022 Victorian Economic and Fiscal Update,* Melbourne, 2022, p. 94.

72 Department of Treasury and Finance, *2022 Victorian Economic and Fiscal Update,* p. 94.

73 Hon Daniel Andrews MP, *The Biggest Hospital Project in Australia's History*, media release, Melbourne, 4 October 2022.

74 Victorian Planning Authority, *Arden Structure Plan*, p. 80.

75 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 35.

The *Arden Structure Plan* aims for 6% of housing in the precinct to be affordable for very low to moderate income households, delivered as social and affordable rental housing or shared equity.[76] Research from the consulting firm Urbis—engaged by the Victorian Planning Authority and City of Melbourne to inform service delivery options for affordable housing in the Arden precinct—distinguishes between these three affordable housing programs as follows:

- affordable rental housing—housing provided at discounted market rates by residential housing agencies to very low-income, low-income or moderate-income households
- social housing—rental housing owned or managed by the State Government, or a registered housing agency, for households on the Victorian Housing Register
- shared equity—scheme where home buyers share the cost of purchasing a dwelling with an equity partner in order to enter the market sooner with a lower initial deposit and lower ongoing costs.[77]

However, the *Arden Structure Plan* states the Victorian Government will only be able to 'support and encourage' the provision of 6% affordable housing in new developments and it does not distinguish the proportion of housing for the three streams listed above.[78] DTP has also not yet identified specific opportunities for public housing in the Arden precinct.[79] Public housing is a type of social housing and is a form of long-term, affordable rental housing that is directly managed by the State Government.[80]

The Deputy Secretary of Policy, Precincts and Innovation informed the Committee that DTP could only 'support and encourage' the delivery of affordable housing due to a limitation of the Victorian Government's powers around planning approvals and mandatory requirements for developments on private land. However, the Deputy Secretary advised the *Arden Structure Plan* commits to a minimum of 10% affordable housing being delivered on government-owned land through the planning approval process.[81] The *Arden Structure Plan* notes the Victorian Government is the largest landowner in the precinct, however, it does not specify the exact area under State ownership.[82]

The Deputy Secretary also noted the Minister for Planning had introduced limitations on access to the *Development Facilitation Program* (DFP).[83] The DFP is an accelerated planning assessment pathway where DTP can consider new or existing planning

76 Victorian Planning Authority, *Arden Structure Plan*, p. 80.

77 Urbis, *Arden Social & Affordable Housing Research: Phase 1: Options for Delivery,* Melbourne, March 2021, p. 3.

78 Victorian Planning Authority, *Arden Structure Plan*, p. 80.

79 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 35.

80 Housing Victoria, *Public housing,* 14 March 2023, <https://www.housing.vic.gov.au/public-housing> accessed 5 February 2024.

81 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 35.

82 Victorian Planning Authority, *Arden Structure Plan*, p. 18.

83 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 35.

applications for housing developments on private land, without facing undue delays.[84] Applicants to the DFP for residential developments must now deliver at least 10% of the total number of dwellings as affordable housing.[85]

Although the *Arden Structure Plan* can only ‘support and encourage’ 6% affordable housing on private land, the Government is providing incentives for other new developments to deliver more affordable housing by fast-tracking planning applications. However, in the City of Melbourne there is an estimated shortfall of 5,500 affordable rental dwellings, which is expected to increase to over 23,300 by 2036 without intervention.[86] As noted in the *Arden Structure Plan*, approximately 25% of all new dwellings in the Arden precinct will need to be affordable to meet the municipality’s future housing needs.[87]

Local councils publish registers with information about individual planning permit applications and decisions.[88] DTP also publishes a planning permit register for applications referred by local councils and government agencies and offers interactive maps detailing individual property reports and planning schemes, including policy, land use information and overlays.[89] However, the various requirements and restrictions that apply to the delivery of affordable housing—which can be dependent on the planning pathway, land ownership or responsible authority—make it difficult to access collated and consolidated information about new developments in precincts and suburbs. It is important that DTP collate and report on the total proportion of affordable housing delivered in emerging precincts such as Arden, to support assessments and evaluations of DTP’s overarching targets.

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FINDING 60: The Victorian Government will support and encourage the provision of at least 6% affordable housing in new developments in the Arden precinct. Applicants to the *Development Facilitation Program* must deliver 10% affordable housing to access the streamlined pathway. The Government has also committed to delivering a minimum of 10% affordable housing in new developments on state-owned land. However, according to the City of Melbourne, approximately 25% of all new dwellings in the Arden precinct will need to be affordable to meet the municipality’s future housing needs.

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84 Department of Transport and Planning, *Development Facilitation Program*, 2 February 2024, <https://www.planning.vic.gov.au/planning-approvals/development-facilitation-program> accessed 8 February 2024.

85 Ibid.

86 Victorian Planning Authority, *Arden Structure Plan*, Melbourne, 2022, p. 79.

87 Ibid.

88 City of Melbourne, *Planning permit register*, 2024, <https://www.melbourne.vic.gov.au/building-and-development/property-information/planning-building-registers/Pages/town-planning-permits-register.aspx> accessed 20 February 2024.

89 Department of Transport and Planning, *Planning Permit Register*, 18 January 2024, <https://www.vic.gov.au/planning-permit-register> accessed 20 February 2024; Department of Transport and Planning, *Planning property report*, n.d., <https://www.planning.vic.gov.au/planning-schemes/planning-property-report> accessed 20 February 2024; Department of Transport and Planning, *Browse planning schemes*, n.d., <https://www.planning.vic.gov.au/planning-schemes/browse-planning-schemes> accessed 20 February 2024.

RECOMMENDATION 21: The Department of Transport and Planning collate and report annually on the total proportion of affordable housing expected to be delivered in the Arden precinct for very low income, low income and medium income households, including the proportion delivered under affordable rental, social housing (including public housing) and shared equity programs, given the variety of planning assessment pathways and development requirements in delivering affordable housing.

The Committee also inquired about the Victorian Government's plans for schools and education in the Arden precinct. The Deputy Secretary advised that DTP had liaised with the Victorian Schools Building Authority (VSBA) and that the precinct, under current plans, would only accommodate one primary school due to its proximity to other schools in the surrounding area.[90] However, the Committee made the observation that many primary schools and high schools in the area are either at capacity or over capacity.[91] The *Arden Structure Plan* details the precinct will also include a community centre that combines a kindergarten, and maternal and child health rooms.[92]

FINDING 61: According to the *Arden Structure Plan*, the Arden precinct will accommodate one new primary school and a community centre combining a kindergarten and maternal and child health rooms for its 15,000 to 20,000 future residents.

6.5.2 Sunshine

DTP also provided the Committee with an update on its progress in developing the Sunshine precinct. In November 2021 DTP released the *Sunshine Precinct Opportunity Statement*, setting out the long-term vision, goals and objectives of the precinct, which include developing Sunshine into a major employment centre for Melbourne's western suburbs, increasing public and active transport connectedness and improving outcomes for the Sunshine community.[93]

In October 2022 DTP released the *Sunshine Station Masterplan,* which details future development opportunities for the precinct with regards to transport, housing, employment and public spaces.[94] The Victorian Government has allocated a total of $143 million to deliver an initial group of projects outlined in the *Masterplan*, including developing a new bus interchange, a new station plaza and entrance, shared user

90 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 36.

91 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 36; Robyn Grace, 'This new suburb is due to house 20,000 more people, but will only have one school', *The Age,* 23 November 2023, <https://www.theage.com.au/national/victoria/this-new-suburb-is-due-to-house-20-000-more-people-but-will-only-have-one-school-20231122-p5em5a.html> accessed 8 February 2024.

92 Victorian Planning Authority, *Arden Structure Plan*, p. 29.

93 Department of Transport, *Annual Report 2021–22*, p. 17; Victorian Government, *Sunshine Station Masterplan*, 15 November 2023, <https://www.vic.gov.au/sunshine-station-masterplan> accessed 30 January 2024.

94 Victorian Government, *Sunshine Station Masterplan*.

paths and open spaces and the creation of a development site.[95] The 2022 VEFU also allocated $80 million to undertake design, planning, and delivery of works to upgrade Albion station.[96] DTP states this will 'revitalise the area and better connect the station to the community'.[97]

Once complete, the Sunshine precinct will be serviced by transport connections to Melbourne's central business district (CBD), the Melbourne Airport Rail, the Suburban Rail Loop and the regional rail network, and aims to accommodate approximately 70,000 residents and 45,000 jobs.[98] DTP's website indicates the precinct will provide 'high quality affordable housing', however, the Victorian Government has not yet announced what proportion of housing for the targeted 70,000 residences will be affordable.[99]

FINDING 62: The Department of Transport and Planning (DTP) has released two plans detailing the vision and future development opportunities of the Sunshine precinct. Once complete, the precinct aims to accommodate approximately 70,000 residents and 45,000 jobs. DTP has not yet specified its target for the proportion of affordable housing in the precinct.

RECOMMENDATION 22: The Department of Transport and Planning report annually on the total proportion of affordable housing expected to be delivered in the Sunshine and all other precincts once it begins approving planning applications for new housing developments, given the various planning assessment pathways and development requirements for the delivery of affordable housing.

6.5.3 Performance measures and objective indicators

DTP currently reports on the development and delivery of precincts through three performance measures: 'Precincts in the design or delivery phase', 'Key stakeholders satisfied with the services provided in relation to precincts' and 'Delivery of financial obligations for departmental Public Private Partnership projects in accordance with contractual timelines'.[100] Although these measures are useful in gauging the department's performance, additional measures would be beneficial to determine whether the department is delivering on its objective of building prosperous and connected communities.[101] These could include the number of planning application

95 Ibid.

96 Department of Treasury and Finance, *2022 Victorian Economic and Fiscal Update,* p. 107.

97 Department of Transport and Planning, *Annual Report 2022–23*, p. 32.

98 Ms Natalie Reiter, Deputy Secretary, Policy, Precincts and Innovation, Department of Transport and Planning, *Transcript of evidence,* p. 30; Victorian Government, *Sunshine Station Masterplan*.

99 Victorian Government, *Sunshine Precinct,* 23 November 2023, <https://www.vic.gov.au/sunshine> accessed 30 January 2024.

100 Department of Transport and Planning, *Annual Report 2022–23*, p. 65.

101 Victorian Auditor-General's Office, *Fair Presentation of Service Delivery Performance 2023*, Melbourne, November 2023, p. 7.

approvals for new housing developments in priority precincts, the proportion of affordable housing expected to be delivered across priority precincts and targets for what constitutes a ‘prosperous and connected community’.

DTP also reports against one objective indicator, ‘Precincts developed and delivered’.[102] However, this indicator is not informative about the outcomes achieved by the department.[103] The delivery of precincts is an output and does not describe whether these precincts are prosperous, connected or liveable. Further, the department reports against this indicator with qualitative information which is vague and difficult to measure, rather than reporting against quantitative data that includes a baseline and provides a measurable assessment of DTP’s performance over time.[104]

RECOMMENDATION 23: The Department of Transport and Planning review performance measures that relate to delivery of its objective of building ‘prosperous’ and ‘connected’ communities to ensure they are fit for purpose.

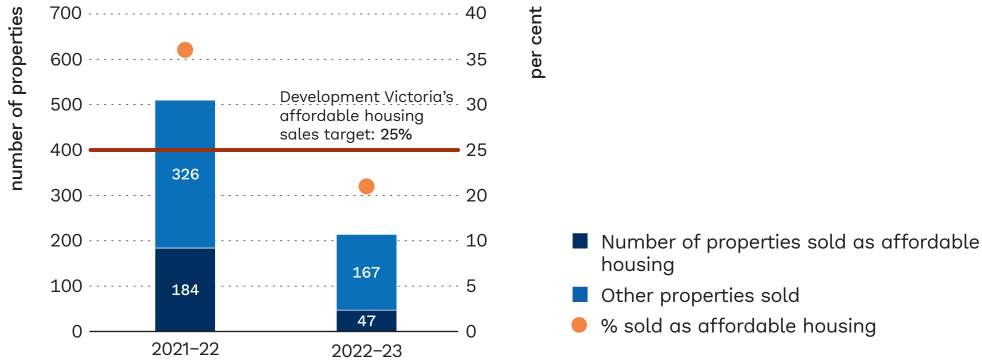
6.5.4 Development Victoria

DV is a statutory authority, that reports to the Minister for Transport and Infrastructure and Minister for Planning, which carries out property development and social and economic capital works to deliver on government policies and strategies.[105] DV delivers a diverse range of projects—including the development of precincts, civic infrastructure, residential housing and public lands and buildings—as well as providing advisory services on property development and government declared projects.[106]

DV is responsible for the development of surplus and underutilised government land to deliver and promote housing diversity, social and affordable housing, economic development, and mixed-use projects.[107] DV is required to deliver on government policies and strategies relating to affordability and housing diversity without compromising its financial stability or sustainability.[108] Across its overall portfolio DV has a target of delivering 25% of property sales as affordable housing.[109] DV’s property sales for 2021–22 and 2022–23 are illustrated in Figure 6.7.

102 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery,* Melbourne, 2023, p. 352.
103 Department of Transport and Planning, *Annual Report 2022–23*, p. 63.
104 Victorian Auditor-General’s Office, *Measuring and Reporting on Service Delivery*, Melbourne, May 2021, pp. 3, 27.
105 Development Victoria, *Annual Report 2022–23*, Melbourne, 2023, p. 6.
106 Ibid., pp. 6–7, 12, 18, 26; Development Victoria, *What we do*, 26 May 2023, <https://www.development.vic.gov.au/about/what-we-do> accessed 30 January 2023.
107 Development Victoria, *Annual Report 2021–22*, Melbourne, 2022, p. 22.
108 Development Victoria, *Annual Report 2022–23*, p. 52.
109 Ibid.

Figure 6.7 Property sales by Development Victoria, 2021–22 and 2022–23



Source: Ms Angela Skandarajah, Chief Executive Officer, Development Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence*, p. 10; Development Victoria, *Annual Report 2021–22*, Melbourne, 2022, p. 46; Development Victoria, *Annual Report 2022–23*, Melbourne, 2023, p. 52.

The CEO of DV informed the Committee its housing sales in 2021–22 and 2022–23 were concentrated around nine property development projects in metropolitan and greater metropolitan Melbourne, including in Altona North, Aurora, Epping, Officer, Werribee, Sunshine North, Springvale South and Taylors Lakes.[110] The CEO would not provide information to the Committee regarding the price or average price for homes sold in 2021–22 and 2022–23, indicating this was 'commercial information' and 'purchasers' personal information'.[111]

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FINDING 63: Development Victoria sold 510 homes in 2021–22 and 214 in 2022–23 as part of its development and sale of residential properties. 184 (37%) of the properties sold in 2021–22 were classified as affordable housing, which declined to 47 (21%) in 2022–23.

6.5.5 Victoria's Housing Statement

Victoria's Housing Statement, released in September 2023, sets a target to build 800,000 homes in Victoria over the next decade—representing 80,000 new homes each year—in an effort to combat declining housing affordability by increasing housing supply.[112] By comparison, there were 65,945 new residential building approvals in Victoria in 2021–22, which decreased in 2022–23 to 55,123.[113] In relation to the declining number of residential building approvals, the Secretary of DTP advised the Committee the Statement's target is 'going to be challenging for us' and that DTP will need to work through a range of measures to support state and local government and industry to deliver on this target.[114]

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110 Ms Angela Skandarajah, Chief Executive Officer, Development Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence*, p. 11.

111 Ibid., p. 15.

112 Victorian Government, *Victoria Housing Statement: The decade ahead: 2024–2034*, Melbourne, September 2023, p. 3.

113 Australian Bureau of Statistics, Table 2, *Building Approvals, Australia*, 9 January 2024, <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release#data-downloads> accessed 30 January 2024.

114 Mr Paul Younis, Secretary, Department of Transport and Planning, *Transcript of evidence*, pp. 14–15.

DTP has responsibility for a number of initiatives and measures detailed in the Statement, including: expanding the *Development Facilitation Program*, delivering the Arden precinct, unlocking and rezoning surplus government-owned land, delivering key priority precincts and public and active transport infrastructure in growth areas, and bolstering the DTP workforce to help clear permit and planning backlogs.[115] The Statement also notes the Victorian Planning Authority will continue to prepare Precinct Structure Plans (PSPs) for new housing, and work across 21 priority precincts to deliver more than 60,000 homes.[116] The Statement details initiatives and measures to increase the stock of social housing in Victoria. This is discussed in further detail in Section 7.7.[117]

However, the Statement does not include any obligations or details around reporting on the status or progress of the target, initiatives or measures detailed in the plan. It is important the department's progress in achieving or realising this target and in delivering its responsibilities as outlined in the Statement are regularly reported on.

FINDING 64: *Victoria's Housing Statement* sets a target of building 800,000 homes by 2034, or 80,000 homes each year. In 2021–22 there were 65,945 new residential building approvals and 55,119 in 2022–23, representing a shortfall of 17.6% and 31.1% compared to the new annual target.

RECOMMENDATION 24: The Department of Transport and Planning clarify and report on its responsibilities with regards to delivering measures and initiatives outlined in *Victoria's Housing Statement* in future annual reports.

6.6 Key issue—COVID-19 and public transport services

Responding to public health restrictions and the COVID-19 recovery was another of DoT/DTP's most significant challenges in 2021–22 and 2022–23.[118] DoT/DTP received $681.3 million in 2021–22 and $601.2 million in 2022–23 to address the impacts of COVID-19 on the public transport network, including offsetting the impact of lower revenue associated with lower patronage for public transport operators to continue service delivery.[119]

In 2021–22 DoT continued a number of initiatives introduced at the beginning of COVID-19 to protect transport users and staff. This included delivering public health messaging around mask wearing, hygiene and physical distancing, installing sanitising

115 Ibid., p. 3; Victorian Government, *Victoria Housing Statement,* pp. 11–12, 18, 20.

116 Victorian Government, *Victoria Housing Statement,* p. 21.

117 Ibid., pp. 31–37.

118 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 283–286.

119 Department of Transport, *Annual Report 2021–22,* p. 193; Department of Transport and Planning, *Annual Report 2022–23,* p. 199.

stations and increasing cleaning measures to limit the spread of COVID-19.[120] Between March 2020 and October 2021 DTP also stopped checking public transport tickets and taking cash, and ended its night services to reduce the risks of COVID-19 transmissions.[121]

DTP advised that COVID-19 significantly impacted travel patterns in 2021–22, with public transport passenger numbers well below pre-pandemic levels.[122] However, in 2022–23 commuters returned to the public transport system. DTP noted this increase in patronage was driven by the gradual return to office workplaces and the reduction in regional fare prices.[123]

The regional fare cap, introduced in March 2023, limited the cost of travel to and from regional Victoria at the same rate as the metropolitan daily capped fare, reducing fares in some instances from $90 to $10.[124] DTP estimates around five million trips were taken on the V/Line network between March and the end of the 2022–23 financial year and that the fare cap resulted in savings of around $4 million per month for regional Victorian commuters.[125]

In addition to the regional fare cap, DTP gave out 250,000 free myki vouchers in December 2021 and January 2022 to promote the return to public transport and to reinvigorate the Melbourne and regional CBDs.[126] In 2021–22 and 2022–23 DTP further encouraged public transport usage with several iterations of the 'Let's Go' advertising campaign, costing a total of $4 million over both years.[127] DTP advised this campaign 'helped lift patronage from as low as 15 per cent during the pandemic to consistently between 70 and 80 per cent of pre-pandemic levels'.[128] The Committee notes that patronage on New South Wales public transport has also normalised at around 70% of pre-pandemic levels.[129]

Table 6.5 illustrates the patronage numbers for Victorian public transport services in 2021–22 and 2022–23.

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120 Department of Transport, *Annual Report 2021–22,* p. 148.

121 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 283.

122 Department of Transport, *Annual Report 2021–22,* p. 144.

123 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 24.

124 Mr Matt Carrick, Chief Executive Officer, V/Line, Department of Transport and Planning, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence,* p. 32.

125 Department of Transport and Planning, *Annual Report 2022–23,* p. 16.

126 Department of Transport and Planning, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 11.

127 Ibid., p. 15; Department of Transport, *Annual Report 2021–22,* p. 213; Department of Transport and Planning, *Annual Report 2022–23,* p. 217 (Committee calculation).

128 Department of Transport and Planning, *Annual Report 2022–23,* p. 22.

129 NSW Government, Transport for NSW, *Annual Report: Volume 1: 2022–23*, Sydney, 2023, p. 33.

Table 6.5 Results for performance measures related to number of passengers carried by public transport services in 2021–22 and 2022–23

		2021–22		2022–23		
Public transport service	**Target (million)**	**Actual (million)**	**Variance to target (%)**	**Actual (million)**	**Variance to target (%)**	**Year-on-year growth (million)**
Metropolitan bus services	121.8	66.4	-45.6	99.7	-18.1	50.2
Regional bus services	14.3	9.4	-34.3	12.4	-13.3	31.9
Metropolitan train services	249.7	99.5	-60.2	157.1	-37.1	57.9
Regional train and coach services	24.4	10.8	-55.7	18.7	-23.4	73.1
Tram services	208.1	82.9	-60.2	147.6	-29.1	78.0
Total	**–**	**269.0**	**–**	**435.5**	**–**	**61.9**

Source: Department of Transport, *Annual Report 2021–22,* Melbourne, 2022, pp. 155–156, 160–161, 163; Department of Transport and Planning, *Annual Report 2022–23,* Melbourne, 2023, pp. 42–43, 47, 49 (Committee calculation).

FINDING 65: Despite investing in advertising and discounted travel, the Department of Transport and Planning (DTP) did not meet its performance measure targets for the number of passengers carried by public transport services across any of its public transport modes in 2021–22 and 2022–23. DTP observed a gradual increase in public transport patronage between the financial years, with the total number of passengers growing by 166.5 million (61.9%) from 2021–22 to 2022–23.

Chapter 7
Department of Families, Fairness and Housing

7.1 Overview

The Department of Families, Fairness and Housing's (DFFH) mission is 'to support the wellbeing and safety of all Victorians so that they can live a life they value'.[1] It has three objectives:

- children, young people and families are safe, strong and supported
- Victorian communities are safe, fair, inclusive and resilient
- all Victorians have stable, affordable and appropriate housing.[2]

7

DFFH supports nine portfolios: Child Protection and Family Services, Disability, Ageing and Carers,[3] Housing, Multicultural Affairs, Women, Equality, Prevention of Family Violence, Veterans and Youth.[4]

7.2 Outcomes and challenges

DFFH identified its programs that delivered the most important outcomes to the community in 2021–22 and 2022–23. They included:

- the Family Preservation and Reunification Response, which aims to keep families together and children out of the child protection system. In 2021–22 and 2022–23, an estimated 285 children were diverted from care[5]
- the Orange Door Network, which was fully implemented by October 2022. In 2021–22 and 2022–23 it supported 318,000 Victorians, including 134,000 children[6]
- LGBTIQ+ equality policy and programs, including: the release of the LGBTIQ+ Strategy, Pride in our Future, in February 2022, the first Melbourne Pride street party on 13 February 2022, the Rainbow ready roadmap, funding LGBTIQ+ organisations

1 Department of Families, Fairness and Housing, *Annual Report 2022–23,* Melbourne, 2023, p. 8.

2 Ibid., pp. 23–24.

3 Responsibility for Disability, Ageing and Carers is shared with the Department of Health (DH). DH is responsible for the Ageing part of the portfolio. Source: Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery*, Melbourne, 2023, pp. 173, 207; Department of Families, Fairness and Housing, *Portfolios,* 1 February 2024, <https://www.dffh.vic.gov.au/portfolios> accessed 8 February 2024; Department of Health, *About the Department of Health,* 2 November 2023, <https://www.health.vic.gov.au/about> accessed 8 February 2024.

4 Department of Families, Fairness and Housing, *Annual Report 2022–23,* pp. 13–14.

5 Department of Families, Fairness and Housing, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 10 November 2023, pp. 34, 41 (Committee calculation).

6 Ibid., pp. 38–39, 45–46 (Committee calculation).

through development grants, and supporting emergency leaders through the LGBTIQ+ Leadership Program.[7]

DFFH was asked by the Committee to identify its programs that did not deliver their planned outcomes and the key challenges faced by the department across the two years. These included:

- DFFH provided fewer refuge accommodation for victim survivors of family violence—30.8% less than its target in 2021–22 and 11.1% less in 2022–23. This was due to the continued impact of the COVID-19 pandemic, and the need to limit the number of clients that refuges could accommodate.[8]
- DFFH was unable to reach its targets for the delivery of intensive support services provided to Aboriginal families due to data categorisation issues as well as workforce recruitment and retention challenges.[9]
- DFFH faced workforce recruitment and retention challenges due to the impacts of the COVID-19 pandemic.[10]

7

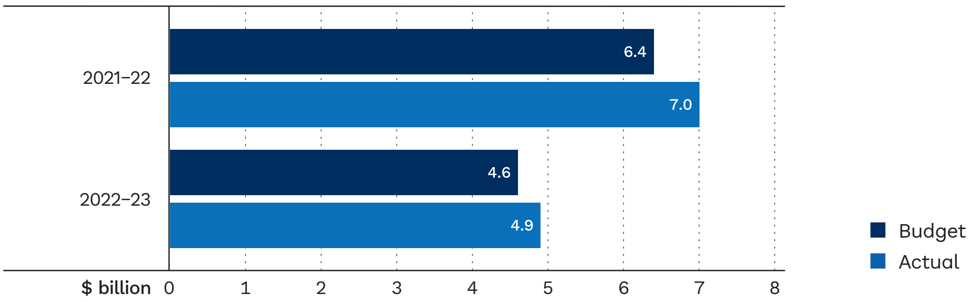
While for 2022–23, DFFH noted that the data categorisation issues were 'some intensive family services being incorrectly classified as family services', no further information was provided regarding the data categorisation issues for the delivery of family services in 2021–22, and how these issues contributed to under-reporting.[11]

7.3 Financial analysis

7.3.1 Output expenditure

Figure 7.1 illustrates DFFH's budgeted and actual expenditure in 2021–22 and 2022–23.

Figure 7.1 Department of Familes, Fairness and Housing—budget versus actual, 2021–22 and 2022–23



Source: Department of Families, Fairness and Housing, *Annual Report 2021–22*, Melbourne, 2022, pp. 47–61; Department of Families, Fairness and Housing, *Annual Report 2022–23*, Melbourne, 2023, pp. 50–62 (Committee calculation).

7 Ibid., p. 37.

8 Ibid., pp. 48, 51.

9 Ibid., pp. 49–52.

10 Ibid., pp. 241–242, 245.

11 Ibid., pp. 49–52.

In 2021–22 DFFH had several outputs with high variances, all which contributed to the 9.1% overall positive variance between the budgeted and actual expenditure. The most significant overspend in 2021–22 was for Housing Assistance, which recorded an overspend of $482.3 million (47.3% over target).[12] This was a result of funding transfers to the Director of Housing under grant payments in lieu of equity transfers for capital projects.[13] The Child Protection and Family Services output had the second-highest overspend in 2021–22, of $71.8 million—however, this was only 4% over its target.[14]

In 2022–23 the most significant overspend in output expenditure was for the Child Protection and Family Services output, which recorded an overspend of $245.7 million (13.5% over target).[15] This was the result of additional funding provided for Government policy commitments.[16]

7.3.2 Revenue and expenses

DFFH's output appropriations, special appropriations, and grants all grew significantly from 2020–21 to 2021–22. The year-on-year increases were explained by the establishment of DFFH in February 2021, resulting in the 2020–21 revenue streams only accounting for five months (from February to June 2021). For example, output appropriations increased from $2.5 billion to $6.5 billion (156.6%) in 2021–22.

In 2022–23 DFFH's output appropriations were $5 billion, a decrease of 23.8% from 2021–22.[17] The decrease was primarily attributed to the State contribution to the National Disability Insurance Scheme (NDIS) being reclassified from output appropriations to payments made on behalf of the State. As such, the reclassification had no substantial impact on DFFH's overall finances.[18]

DFFH's employee benefits, depreciation, grants, and other operating expenses grew from 2020–21 to 2021–22, but similar to its revenue was explained by the 2020–21 results only accounting for February to June 2021.[19] In 2022–23 DFFH's expenses remained relatively stable from the year prior, with the exception of its grants and other transfers expenses, which decreased significantly compared to 2021–22 (62%). This was explained by the reclassification of the State's contribution to the NDIS.[20]

Overall financial performance

Table 7.1 summarises DFFH's financial performance in 2021–22 and 2022–23.

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12 Department of Families, Fairness and Housing, *Annual Report 2021–22,* Melbourne, 2022, p. 50 (Committee calculation).

13 Ibid., p. 50.

14 Ibid., p. 48 (Committee calculation).

15 Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 51 (Committee calculation).

16 Ibid., p. 51.

17 Department of Families, Fairness and Housing, *Response to 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 119 (Committee calculation).

18 Ibid., p. 119.

19 Ibid., pp. 123–124.

20 Ibid., p. 126 (Committee calculation).

Table 7.1 Department of Families, Fairness and Housing—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	6,627	7,326	10.6	4,841	5,118	5.7
Expenses from transactions	6,657	7,280	9.4	4,851	5,152	6.2
Net result	**(30)**	**46**	**(254.7)**	**(10)**	**(34)**	**243.8**

Source: Department of Families, Fairness and Housing, *Annual Report 2021–22*, Melbourne, 2022, p. 192; Department of Families, Fairness and Housing, *Annual Report 2022–23*, Melbourne, 2023, p. 194 (Committee calculation).

7.4 Performance information

DFFH's performance measures results for 2021–22 and 2022–23 are set out in Figure 7.2.

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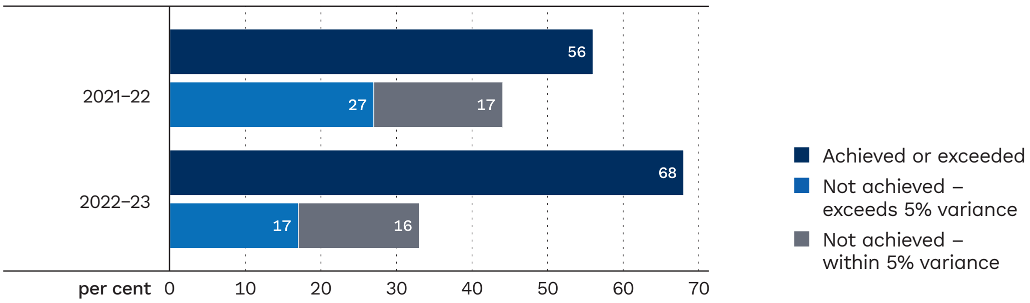
Figure 7.2 Department of Families, Fairness and Housing—performance measure results, 2021–22 and 2022–23



Source: Department of Families, Fairness and Housing, *Annual Report 2021–22*, Melbourne, 2022, pp. 47–61; Department of Families, Fairness and Housing, *Annual Report 2022–23*, Melbourne, 2023, pp. 50–62 (Committee calculation).

In 2021–22 DFFH achieved or exceeded 56% of its 121 performance measures. The department did not meet 27% of its measures exceeding a 5% variance.[21] In 2022–23 DFFH improved its performance, as it achieved or exceeded 68% of its 120 performance measures. The department did not meet 17% of its measures exceeding a 5% variance.[22]

FINDING 66: The Department of Families, Fairness and Housing achieved or exceeded 56% of its performance measures in 2021–22 and 68% in 2022–23.

21 Department of Families, Fairness and Housing, *Annual Report 2021–22*, pp. 47–61; Department of Families, Fairness and Housing, *Annual Report 2022–23*, pp. 50–62 (Committee calculation).

22 Ibid. (Committee calculation).

In 2021–22 DFFH's poorest performing outputs were Child Protection and Family Services and Housing Assistance. These outputs achieved or exceeded 36.8% and 38.9% of their performance measures respectively.[23]

The following financial year, DFFH improved its performance in the Child Protection and Family Services output, where it achieved 73.7% of its measures.[24] For the Housing Assistance output, however, DFFH's performance declined from 2021–22 as it did not meet 84.2% of the relevant measures. The lowest performing measures in the Housing Assistance output in 2022–23 were:

- Average waiting time for public rental housing for clients who have recently received priority access housing allocation or a priority transfer (18.1 months against a target of 10.5 months, 72.1% over target)
- Average waiting time for public rental housing for clients who have recently received priority access housing allocation or a priority transfer due to family violence (23.6 months against a target of 10.5 months, 124.3% over target)
- Total number of Victorian Affordable Housing Program affordable housing (201 against a target of 340, 40.9% below target)
- Social housing tenants satisfied with completed non-urgent maintenance works (55.7% against a target of 80%, 30.4% below target)
- Number of bonds issued to low-income Victorians to assist access to the private rental market (7,011 against a target of 10,000, 29.9% below target).[25]

FINDING 67: While the Department of Families, Fairness and Housing improved its overall performance in 2022–23, it did not achieve most of its measures in the Housing Assistance output.

7.5 Key issue—children in out-of-home care

DFFH strives to ensure that 'children, young people and families are safe, strong and supported'.[26] DFFH provides out-of-home care for children and young people when 'a family needs support … in cases of family conflict … if there is a significant risk of harm or abuse in the family home'.[27] There are multiple types of out-of-home care,

23 Department of Families, Fairness and Housing, *Annual Report 2021–22,* pp. 47–50 (Committee calculation).

24 Department of Families, Fairness and Housing, *Annual Report 2022–23,* pp. 50–51 (Committee calculation).

25 Ibid., pp. 52–53 (Committee calculation).

26 Ibid., p. 23.

27 Department of Families, Fairness and Housing, *Out-of-home care,* 22 March 2022, <https://providers.dffh.vic.gov.au/out-home-care> accessed 25 January 2024.

the main categories being: kinship care, foster care, residential care and permanent care orders.[28]

DFFH advised that when children need to go into out-of-home care, the department aims to place them into kinship care. Foster care is the next preferred option, then residential care.[29] As at 30 June 2022, there were 9,124 children (aged 0–17) in out-of-home placements in Victoria.[30] The number of children in care was broadly similar in 2022–23, with 9,132 children in out-of-home placements as at 30 June 2023.[31]

The distribution of children in these categories in 2021–22 and 2022–23 demonstrates that the department has been successful in placing children in the preferred kinship care placements and within their social networks. Victoria has far more children in kinship care (proportionally) than the Australian average, with 76.8% of Victorian children in out-of-home care placed in kinship care, compared to 54.6% of Australian children as at June 2023.[32]

FINDING 68: The number of Victorian children in care placements remained stable in 2021–22 and 2022–23. The vast majority of placements are in kinship care, which reflects positively on the Department of Families, Fairness and Housing's intent to, where possible, place children with relatives of the children or their social network.

7.5.1 Aboriginal and Torres Strait Islander children in care

Aboriginal and Torres Strait Islander children are vastly overrepresented in the Victorian child protection system, an issue that DFFH is highly aware of—one of its listed goals in the Child Protection and Family Services output is to 'make sure that Aboriginal children and families are not overrepresented in child protection and care services'.[33] DFFH acknowledged during the hearings that it had 'a long way to

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28 Kinship care is care provided by relatives or a member of a child's social network, and is the preferred placement type for children who cannot live with their parents. Foster care is temporary care provided by accredited foster carers, who provide support for children and young people for a specified amount of time, depending on the child's needs. Residential care is provided in a community-based house, to children and young people who have experienced the greatest level of trauma, and require the highest level of support. Permanent care orders are made under legal orders and are a permanent arrangement where a child or young person is placed with a care family, and it expires when the child turns 18. Source: Department of Families, Fairness and Housing, *Kinship care*, 20 October 2022, <https://services.dffh.vic.gov.au/kinship-care> accessed 25 January 2024; Department of Families, Fairness and Housing, *Foster care*, 16 November 2023, <https://services.dffh.vic.gov.au/foster-care> accessed 25 January 2024; Department of Families, Fairness and Housing, *Residential care*, 10 April 2018, <https://services.dffh.vic.gov.au/residential-care> accessed 25 January 2024; Department of Families, Fairness and Housing, *Permanent care*, 8 October 2019, <https://services.dffh.vic.gov.au/permanent-care> accessed 25 January 2024.

29 Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2023, *Transcript of evidence*, p. 4.

30 Australian Institute of Health and Welfare, Table 5.1, *Child protection Australia 2021–22*, 2023, <https://www.aihw.gov.au/reports/child-protection/child-protection-australia-2021-22/data> accessed 10 January 2024.

31 Productivity Commission, Table 16A.2, *Report on Government Services 2024: 16 Child protection services*, 2024, <https://www.pc.gov.au/ongoing/report-on-government-services/2024/community-services/child-protection> accessed 25 January 2024.

32 Productivity Commission, Table 16A.21, *Report on Government Services 2024: 16 Child protection services*, 2024, <https://www.pc.gov.au/ongoing/report-on-government-services/2024/community-services/child-protection> accessed 25 January 2024 (Committee calculation).

33 Department of Families, Fairness and Housing, *Annual Report 2022–23*, p. 9.

go in terms of addressing the rates of over-representation'.[34] There are several reasons for the high numbers of Aboriginal and Torres Strait Islander children in care, which include poverty, intergenerational trauma, discrimination, past assimilation policies and misunderstanding the cultural differences in child-rearing practices and family structure.[35]

In 2021–22, 2,595 children in care in Victoria identified as Aboriginal and Torres Strait Islander.[36] While the rate of children in care per 1,000 children was 4.7 for non-Indigenous children, the rate per 1,000 children was 102.2 for Aboriginal and Torres Strait Islander children.[37] In 2022–23 the rates remained high, with Aboriginal and Torres Strait Islander children in care representing 102.9 per 1,000 children, compared to the rate of 4.6 per 1,000 for non-Indigenous children.[38] The rate for Aboriginal and Torres Strait Islander children in care increased from the previous year, as the rate for non-Indigenous children decreased.

FINDING 69: Aboriginal and Torres Strait Islander children are overrepresented in out-of-home care. As at June 2023 approximately 102.9 per 1,000 Aboriginal and Torres Strait Islander children in Victoria were in the care system, compared to approximately 4.6 per 1,000 of non-Indigenous children. While the rate for Aboriginal and Torres Strait Islander children in care increased in 2022–23 from the previous year, the rate for non-Indigenous children decreased.

The Victorian government has committed to reducing the of rate of Aboriginal and Torres Strait Islander children in out-of-home care by 45% by 2031.[39] There are several ways that DFFH is addressing this issue, including through maternity services and healthy relationship programs and Aboriginal Community Controlled Organisations (ACCOs).[40] DFFH has been transitioning Aboriginal and Torres Strait Islander children in care to the management of ACCOs since 2016–17.[41] This process receives regular funding. In the 2021–22 Budget, the *Transitioning Aboriginal Children to ACCOs* initiative received $31.5 million to continue its work during that financial year.[42]

According to DFFH, the management of cases by ACCOs has led to positive results in two ways: children feel more connected to culture and community and children

34 Ms Annette Lancy, Deputy Secretary, Children and Families, Department of Families, Fairness and Housing, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2023, *Transcript of evidence,* p. 39.

35 Australian Institute of Family Studies, *Child protection and Aboriginal and Torres Strait Islander children,* Canberra, January 2020, p. 1.

36 Productivity Commission, Table 16A.2, *Report on Government Services 2023: 16 Child protection services*, 2023, <https://www.pc.gov.au/ongoing/report-on-government-services/2023/community-services/child-protection> accessed 25 January 2024.

37 Ibid.

38 Productivity Commission, Table 16A.2, *Report on Government Services 2024*.

39 Department of Premier and Cabinet, *Victorian Government: Aboriginal Affairs Report 2022,* Melbourne, 2023, p. 32.

40 Ibid.

41 Ms Annette Lancy, Deputy Secretary, Children and Families, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 39.

42 Department of Families, Fairness and Housing, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 9.

are more likely to be reunified or safely returned to live with their parents.[43] The data supports this—reunification rates for Aboriginal children from 2017 to 2020 were 15.6% when managed by an ACCO and 12.9% when managed by DFFH.[44] Since the initiative's inception there has been a 250% increase in the proportion of Aboriginal children and young people who are managed by ACCOs.[45] Additionally, in June 2023 DFFH introduced the *Children and Health Legislation Amendment,* which expands the ability of ACCOs to deliver children and family services.[46]

FINDING 70: The Department of Families, Fairness and Housing has partnered with Aboriginal Controlled Community Organisations since 2016–17 to transfer case management of Aboriginal children in care to them. This approach has shown higher rates of success in family reunification and allows children to remain connected to their culture and community.

Beyond case management by ACCOs, DFFH is taking further steps to reduce the number of Aboriginal and Torres Strait Islander children in care. In 2022–23 DFFH funded a trial run by the University of Melbourne's Department of Social Work.[47] In this trial, four ACCOs received responsibility for children in their communities who were under investigation due to welfare concerns, or on a protection order. This allowed ACCOs to work with the child's family before the child was removed and placed into care.[48] Three trials were undertaken, and the research team concluded that the trials were successful. For the first two trials diversion (i.e. the children being diverted from going into care) rates of 78% and 63% were achieved. The third trial required modifications to bring it closer to the standards of the first two trials and subsequently achieved success. Furthermore, the response from the families involved was positive.[49]

Following a previous recommendation, the Committee supports the inclusion of the new performance measure in the 2023–24 Budget regarding the work of ACCOs ('Number of children authorised to an Aboriginal agency under the Aboriginal Children in Aboriginal Care program').[50] These data points should make it easier to follow

43 Ms Annette Lancy, Deputy Secretary, Children and Families, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 39.

44 Department of Families, Fairness and Housing, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 9.

45 Ms Annette Lancy, Deputy Secretary, Children and Families, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 39.

46 Department of Families, Fairness and Housing, *Children and Health Legislation Amendment (Statement of Recognition, Aboriginal Self-Determination and Other Matters) Bill 2023,* 20 June 2023, <https://www.dffh.vic.gov.au/children-and-health-legislation-amendment-bill-2023> accessed 25 January 2024.

47 Sarah Wise et al., 'The new approach keeping Aboriginal children out of child protection', *Pursuit,* 26 September 2023, <https://pursuit.unimelb.edu.au/articles/the-new-approach-keeping-aboriginal-children-out-of-child-protection> accessed 25 January 2024.

48 Department of Families, Fairness and Housing, *Aboriginal Children in Aboriginal Care,* 9 November 2023, <https://services.dffh.vic.gov.au/aboriginal-children-aboriginal-care> accessed 10 January 2024; Sarah Wise et al., 'The new approach keeping Aboriginal children out of child protection'.

49 Sarah Wise et al., 'The new approach keeping Aboriginal children out of child protection'.

50 Department of Families, Fairness and Housing, *Response to the 2023–24 Budget Estimates Questionnaire,* received 26 May 2023, p. 157.

DFFH's progress in transitioning Aboriginal children in care to management by ACCOs. However, as it stands it will be difficult for DFFH to meet its overall goal of reducing Aboriginal children in care by 45% by 2031 and the Government acknowledges that the rates of Aboriginal children in care are worsening.[51]

FINDING 71: The Department of Families, Fairness and Housing is using new ways to address the overrepresentation of Aboriginal and Torres Strait Islander children in out-of-home care. These include funding a trial and introducing a new performance measure in the Budget to track the number of children in care managed by an Aboriginal Community Controlled Organisation.

7.5.2 Foster care

The decline of children in foster care and foster carer households was discussed during the Committee's hearings. DFFH was asked by the Committee about decreasing foster care numbers and reasons for the decline.[52]

Data from the Foster Care Association of Victoria (FCAV) shows that over the last four years the number of exiting foster carer households has increased while the number of accredited households (i.e. new foster carer households) has decreased.[53] In March 2021 it was reported that 438 households had received accreditation to become a foster carer household and 269 households had exited the system over the previous year. In March 2023 it was reported that over the previous year 308 households had received accreditation (a decrease of 29.6%), while 368 households had exited (an increase of 36.8%).[54] However, the proportion of children in foster care has also declined from constituting 18.7% of all children-in-care in 2018–19 to 15% in 2022–23.[55]

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Table 7.2 Foster Carer Association of Victoria—number of households that exited the system versus received accreditation, 2020 to 2023

Year	Received accreditation	Exited the system
March 2020–2021	438	269
March 2021–2022	358	349
March 2022–2023	308	368

Source: Foster Care Association of Victoria, *2023 Foster Carer Snapshot Report,* March 2023, p. 2.

51 Department of Premier and Cabinet, *Victorian Government: Aboriginal Affairs Report 2022,* p. 32.

52 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2023, *Transcript of evidence,* p. 4.

53 Foster Care Association of Victoria, *2023 Foster Carer Snapshot Report,* March 2023, p. 1.

54 Ibid., p. 2 (Committee calculation).

55 Productivity Commission, Table 16A.21, *Report on Government Services 2024* (Committee calculation).

FINDING 72: The Department of Families, Fairness and Housing has reported a steady decrease in the proportion of children in foster care from 2018–19 to 2022–23, while the Foster Care Association of Victoria reported a year-over-year decrease in new accredited carer households and a year-over-year increase in exiting carer households between March 2021 and March 2023.

DFFH told the Committee that there were several reasons for the decline of children in foster care and foster carer households. One of the reasons provided was generational changes in foster carer households. DFFH advised that previously there would have been foster carers 'that looked like a fairly traditional family unit; perhaps the woman was not working'.[56] Although DFFH did not elaborate further, this suggests that with more women in the workforce the schedules of two working parents leaves less flexibility to be a foster carer. However, the Committee notes that women have been in the workforce for decades and that if generational shifts impacted foster carer households the impact would have been evident some time ago.

DFFH also acknowledged that financial considerations form part of the explanation behind the drop in foster carers but emphasised the issue is multi-faceted.[57] Foster care allowances are a regular payment that carers receive from the state, intended to cover the costs of fostering a child. Foster carers receive a base allowance, which can change depending on the age of the child, and supplementary allowances for a variety of situations, such as complex needs or initial 'establishment'.[58]

Victoria's base allowance does not meet the needs of foster carers. This was noted in the Committee's *Report on the 2022–23 Budget Estimates,* which stated that in 2020, 59% of 1,066 surveyed foster carers were using their own funds regularly.[59] To offset financial burdens on foster carers DFFH provided a single, supplementary payment of $650 to foster carers in May 2023, benefiting 11,000 children and young people.[60] However, as a longer-term solution the FCAV has called on DFFH to raise foster care allowances.[61]

Victoria's allowances are among the lowest of all Australian jurisdictions. This is despite the cost-of-living in Victoria not being necessarily lower than other jurisdictions. Table 7.3 provides a comparison between the foster care allowances (base allowances only) of all Australian states and territories.

56 Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 4.

57 Ibid.

58 Department of Health and Human Services, *Care allowances—information for carers factsheet*, July 2020, <https://services.dffh.vic.gov.au/support-carers> accessed 25 January 2024.

59 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates,* Melbourne, August 2022, p. 124.

60 Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 30; Department of Families, Fairness and Housing, *Families & Children,* 27 June 2023, <https://services.dffh.vic.gov.au/support-carers> accessed 8 February 2024.

61 Foster Care Association of Victoria, *Petition to Increase the Care Allowance,* 6 December 2023, <https://www.fcav.org.au/news/petition-to-increase-the-care-allowance> accessed 11 January 2024.

Table 7.3 Foster care allowances by state/territory as of July 2023, fortnightly rate ($, rounded to the nearest dollar)

State/territory	First age range[c]	Second age range[d]	Third age range[e]	Fourth age range[f]
ACT	621	696	935	n.a.
NSW	564	636	854	568
QLD[a]	612	659	717	n.a.
WA	435	512	590	n.a.
SA	487	529	716	830
NT[b]	480	514	605	749
TAS	451	516	597	n.a.
VIC	436	451	499	641
Average	**511**	**564**	**689**	**703**

Note: ACT, QLD, WA and TAS do not have a specified fourth age range category.

a. Queensland rates are as of 1 January 2024.

b. Northern Territory rates are 2022–23.

c. First age range varies between state/territory from 0 to 4–7.

d. Second age range varies between state/territory from 5–8 to 9–14.

e. Third age range varies between state/ territory from 10–14 to 13/15/17.

f. Fourth age range varies between state/territory from 13/14/16 to 17.

Source: ACT Government Community Services, *2023–24 Subsidies and Financial Support Guide*, July 2023, <https://www.communityservices.act.gov.au/__data/assets/pdf_file/0003/1340598/CYPS-2023-24-Subsidies-and-Financial-Support-Guide.pdf> accessed 10 January 2024, p. 3; NSW Government Communities and Justice, *DCJ care allowances rates 2023–24*, 17 November 2023, <https://www.nsw.gov.au/sites/default/files/noindex/2024-01/DCJ-care-allowances.pdf> accessed 12 March 2024; Queensland Government, *Carer allowances*, 6 December 2023, <https://www.qld.gov.au/community/caring-child/foster-kinship-care/information-for-carers/money-matters/carer-allowances#fortnight-allow> accessed 10 January 2024; Government of Western Australia Department of Communities, *Financial Support Information: Family or Foster Care Subsidy*, 1 July 2023, <https://www.wa.gov.au/system/files/2023-07/fostering_financial_support_info.pdf> accessed 10 January 2024; Government of South Australia Department for Child Protection, *Carer Payment Rates and Loadings,* 1 July 2023, <https://www.childprotection.sa.gov.au/documents/fact-sheet/carer-payment-rates-loading.pdf> accessed 10 January 2024; Northern Territory Government Department of Territory Families, Housing and Communities, *Foster care current payment rate,* 2024, <https://tfhc.nt.gov.au/children-and-families/foster-care-current-payment-rates>https://tfhc.nt.gov.au/children-and-families/foster-care-current-payment-rates accessed 10 January 2024; Tasmanian Government Department for Education, Children, and Young People, correspondence, 10 January 2024; Department of Families, Fairness and Housing, *Support for home based carers in Victoria,* 27 June 2023, <https://services.dffh.vic.gov.au/support-carers> accessed 10 January 2024 (Committee calculation).

FINDING 73: Victoria provides among the lowest of all foster care allowances in Australia.

In regards to the decline in foster carers and foster care households, it is unclear what steps DFFH is taking to attract and retain foster carers, aside from the Care Support Help Desk that was launched in October 2022. This desk assists carers to navigate the care system and access important documents such as birth certificates.[62]

62 Hon Colin Brooks MP, *Boosting Support for Kinship and Foster Carers,* media release, Melbourne, 21 October 2022.

In its *Report on the 2022–23 Budget Estimates* the Committee recommended that DFFH undertake a review of foster care allowances and DFFH supported the recommendation in-principle, stating that work was underway.[63]

During the hearings DFFH was asked what work it was undertaking to retain foster carers or if it was analysing why they were leaving the system. DFFH responded that it continues 'to work really closely' with sector and peak bodies about the 'challenges around attracting and retaining' foster carers, but provided no further information about concrete actions taken.[64] In its *2022–23 Budget Estimates Report* the Committee emphasised the importance of transparency in this area and recommended that DFFH 'develop budget paper performance measures to report on demand for kinship and foster carers and retention periods of these types of carers'.[65] DFFH supported the recommendation in-principle,[66] however, it has not yet created such performance measures. As such, the demand and retention rates for both foster and kinship carers remains unclear.

FINDING 74: The Department of Families, Fairness and Housing (DFFH) has undertaken some steps to support carers—such as the one-time allowance payment and the Care Support Help Desk. However, DFFH has not yet announced or implemented any other long-term changes that will help attract and retain foster carers.

7.6 Key issue—family violence reform

The Royal Commission into Family Violence was announced in 2015 after a series of family violence-related deaths in Victoria.[67] At the time the former Premier stated that family violence was 'the most urgent law and order emergency occurring in our state and the most unspeakable crime unfolding across our nation'.[68] The Commission was responsible for identifying the most effective ways to prevent family violence, support victims, make perpetrators accountable and to develop and refine systemic responses to family violence.[69]

In its final report, tabled in March 2016, the Commission acknowledged that Victoria had been leading the way in family violence policy development and reform for 15 years, but concluded that while 'significant elements of the Victorian response to

63 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates Report,* p. 125; Department of Families, Fairness and Housing, *Response to the 2023–24 Budget Estimates Questionnaire,* p. 156.

64 Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 4.

65 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates,* p. 125.

66 Department of Families, Fairness and Housing, *Response to the 2023–24 Budget Estimates Questionnaire,* p. 156.

67 Victorian Government, *About the Royal Commission into Family Violence,* 27 September 2023, <https://www.vic.gov.au/about-royal-commission-family-violence> accessed 8 February 2024.

68 Victorian Government, *About family violence in Victoria*, 20 May 2020, <https://www.vic.gov.au/about-family-violence-victoria> accessed 3 January 2024.

69 State of Victoria, *Royal Commission into Family Violence: Summary and Recommendations*, Melbourne, March 2016, p. 1.

family violence remain sound…there are serious limitations in the existing approach'.[70] Notably, it stated that:

> we [Victoria] are not responding adequately to the scale and impact of the harm caused by family violence … all parts of the system—support services, police, courts—are overwhelmed by the number of family violence incidents.[71]

The final report made 227 recommendations to the Victorian government, primarily about how to respond to family violence once it has occurred, as opposed to prevention.[72] In January 2023 the Government announced that it had implemented all of the recommendations.[73]

Since the Royal Commission the Victorian Government has invested more than $3.7 billion in responding to family violence, which continues to be a significant problem in Victoria.[74] DFFH is responsible for family violence service delivery and plays a large role in family violence prevention and response.[75] Family Safety Victoria (FSV), a division within DFFH, was responsible for 56 of the Royal Commission's 227 recommendations.[76] DFFH directly responded to the Royal Commission's recommendations, through:

- the establishment of the Orange Door network
- establishing the Central Information Point
- strengthening perpetrator accountability
- providing housing for victims of family violence.[77]

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7.6.1 Men's behaviour change programs

The Royal Commission concluded that 'efforts to hold perpetrators to account are grossly inadequate',[78] and according to the Crime Statistics Agency, most family violence incidents are by repeat perpetrators.[79] In 2021–22 and 2022–23 only 19.8%

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70 Ibid., p. 5.

71 Ibid., pp. 5–6.

72 Kate Fitz-Gibbon and Rebecca Buys, 'Victoria has implemented all 227 recommendations from its royal commission into family violence. So was it a success?', *The Conversation,* 31 January 2023, <https://theconversation.com/victoria-has-implemented-all-227-recommendations-from-its-royal-commission-into-family-violence-so-was-it-a-success-198762?> accessed 3 January 2023.

73 Hon Ros Spence MP, *Landmark Royal Commission Recommendations Implemented,* media release, Melbourne, 28 January 2023.

74 Victorian Government, *Keeping women and children safe,* 19 May 2023, <https://www.budget.vic.gov.au/keeping-women-and-children-safe> accessed 4 January 2024.

75 Department of Families, Fairness and Housing, *Annual Report 2022–23*, Melbourne, 2023, p. 10.

76 Victorian Government, *The family violence recommendations,* 5 October 2023, <https://www.vic.gov.au/family-violence-recommendations?page=1> accessed 30 January 2024.

77 State of Victoria, *Royal Commission into Family Violence,* pp. 47, 49, 55, 69–71; Department of Families, Fairness and Housing, *Annual Report 2022–23*, p.10.

78 State of Victoria, *Royal Commission into Family Violence,* p. 6.

79 Crime Statistics Agency, *Family Violence Dashboard,* December 2023, <https://www.crimestatistics.vic.gov.au/family-violence-data/family-violence-dashboard> accessed 3 January 2024.

and 22.3% of reported family violence incidents were committed by new perpetrators, demonstrating the strong need for effective perpetrator programs.[80]

In DFFH's Prevention of Family Violence output, a key perpetrator program is the *Men's Behaviour Change Program* (MBCP). The program's purpose 'is to initiate a change process in men's behaviour and provide a forum for exploring and challenging beliefs … there is a focus on making men accountable for their violence toward family members'.[81] DFFH provides funding to deliver these programs, which are run by partner agencies. The programs must meet the required standards as set by the men's peak organisation, No To Violence.[82]

Details of funding for MBCPs were not contained in DFFH's response to the Committee's 2021–22 and 2022–23 Budget Estimates questionnaires. However, $12.8 million was provided in 2021–22 and $17 million in 2022–23 for the *Perpetrator Accountability* and *Perpetrator Responses* initiatives 'to enable family violence specialists to continue delivering perpetrator interventions'.[83] DFFH reports on participation in MBCPs through its annual reports and provides information about how to access MBCPs on its website.[84] The programs vary depending on the provider but typically consist of group sessions (maximum of fourteen participants) where various topics are discussed, are approximately 20 weeks long, and are either low-cost or free.[85]

In 2022–23 DFFH introduced a more intensive, two-year pilot program to target perpetrators who pose a serious risk. The program was a $3.2 million initiative and serves 32 perpetrators and their families.[86]

In 2021–22 and 2022–23 DFFH did not meet its sole performance measure for MBCPs—participation numbers—due to COVID-19 restrictions and data categorisation issues that led to under-reporting.[87] Beyond this quantitative performance measure, the Committee was unable to access any further information regarding how successful MBCPs are. The performance information of MBCPs would be improved with the addition of a quality performance measure.

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80 Ibid.

81 Department of Families, Fairness and Housing, *Men's behaviour change program resources,* 29 March 2022, <https://providers.dffh.vic.gov.au/mens-behaviour-change-program> accessed 30 January 2024.

82 Department of Families, Fairness and Housing, *Family violence prevention and support programs,* 7 September 2020, <https://services.dffh.vic.gov.au/family-violence-prevention-and-support-programs> accessed 30 January 2024; Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 29.

83 Department of Families, Fairness and Housing, *Response to the 2021–22 Budget Estimates General Questionnaire,* received 26 May 2021, p. 46; Department of Families, Fairness and Housing, *Response to the 2022–23 Budget Estimates General Questionnaire,* received 16 May 2022, p. 59.

84 Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 54; Department of Families, Fairness and Housing, *Men's behaviour change program resources*.

85 No to Violence, *Men's Behaviour Change Programs,* 2024, <https://ntv.org.au/mrs/mens-behaviour-change-programs> accessed 2 February 2024; Family Safety Victoria, *Men's Behaviour Change Minimum Standards,* 2020, Melbourne, pp. 10, 11.

86 Department of Families, Fairness and Housing, *Annual Report 2022–23,* pp. 29–30; Ms Melanie Heenan, Deputy Secretary, Family Safety, Department of Families, Fairness and Housing, 2021–22 and 2022–23 Performance and Financial Outcomes hearing, Melbourne, 24 November 2023, *Transcript of evidence,* p. 15.

87 Department of Families, Fairness and Housing, *Annual Report 2021–22,* p. 51; Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 54.

RECOMMENDATION 25: The Department of Families, Fairness and Housing develop a performance measure that reports on the quality of family violence perpetrator programs in Victoria.

Further, there is a lack of program evaluations for MBCPs overall—within Victoria and other jurisdictions. The need for further research in this area is well established.[88] The Department of Premier and Cabinet's (DPC) family violence implementation monitor program stated in January 2023 that 'progress has been made since the Royal Commission in evaluating new types of interventions for perpetrators and in conducting research to better understand their characteristics and motivations', yet 'continued efforts are needed to expand the evidence base'.[89] The Department of Justice and Community Safety (DJCS) has been provided with $1.1 million of funding from the Commonwealth Government to conduct a longitudinal evaluation into MBCPs, which it advised it had begun in August 2023.[90] DJCS stated the final report will be disseminated in June 2025.[91] The Committee supports publication of this report when it becomes available.

FINDING 75: There is an inadequate evidence base to understand the effectiveness of the Department of Families, Fairness and Housing's perpetrator programs in reducing incidents of family violence in Victoria. The Department of Justice and Community Safety is currently undertaking a longitudinal evaluation into *Men's Behaviour Change Programs* to be published in June 2025.

7.6.2 Housing for victim-survivors of family violence

DFFH provides housing for those fleeing family violence. The lack of available housing for victim-survivors of family violence was raised by the Royal Commission and noted as a system limitation. For those leaving their homes due to family violence, 'homelessness and housing systems cannot guarantee a safe place to stay or a permanent home that is affordable'.[92]

Data from DFFH's performance measures reveal the current limitations—the average waiting time for public rental housing for clients who have received a priority access housing or priority transfer allocation due to family violence was 17 months in 2021–22 and 23.6 months in 2022–23, 62.9% and 124.3% over the respective targets.[93] It is

88 Amanda O'Connor et al., 'Rapid Review of Men's Behaviour Change Programs', *Trauma, Violence & Abuse,* vol. 22, no. 5, 2021, pp. 1068–1085.

89 Family Violence Reform Implementation Monitor, *Evidence base for perpetrator interventions,* 24 January 2023, <https://www.fvrim.vic.gov.au/monitoring-victorias-family-violence-reforms-service-response-perpetrators-and-people-using-violence-within-family/evidence-base-perpetrator-interventions> accessed 4 January 2024.

90 Department of Justice and Community Safety, *Response to the Financial and Performance Outcomes General Questionnaire 2021–22 and 2022–23,* received 10 November 2023, pp. 253–254.

91 Ibid., p. 253.

92 State of Victoria, *Royal Commission into Family Violence,* p. 6.

93 Department of Families, Fairness and Housing, *Annual Report 2021–22,* p. 50; Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 53.

worth noting that in 2017–18 when the measure was first introduced—and the Royal Commission was just underway—the average waiting time was 8.8 months.[94]

The Committee asked DFFH about options available to family violence victims who needed alternate housing. DFFH stated that despite the wait times, DFFH was allocating more housing to victims of family violence than it ever had before.[95] DFFH allocated 49% more housing in 2022–23 than 2019–20, equating to 1,132 family violence allocations in 2022–23.[96]

DFFH explained that the high wait times were primarily 'a product of demand and supply' and that an outcome of the Royal Commission was 'a greater awareness of family violence … so we get a greater level of reporting' and requests for housing.[97] DFFH added that the numbers on the waiting list were beginning to plateau, but did not provide information about when the waiting list would decrease.[98] DFFH also reminded the Committee that for individuals on the waitlist other services were available, either for immediate relief (such as crisis accommodation properties) or for victim-survivors to stay in their homes safely.[99]

While the Committee appreciates the difficulties in responding to the noted growth in demand for public housing it is unclear how DFFH plans to tackle the significant wait times for public housing for those leaving their homes because of family violence. One of the most dangerous times for a woman experiencing family violence is in the period immediately after leaving the perpetrator and finding safe, affordable and appropriate accommodation post-separation is a big concern.[100]

FINDING 76: The Department of Families, Fairness and Housing (DFFH) did not meet any of its targets regarding housing and family violence in 2021–22 and 2022–23. Furthermore, DFFH did not indicate to the Committee when it will be able to meet its targets or when the waiting list for public housing for clients who have received priority access due to family violence will reduce.

FINDING 77: While wait times for public rental housing for clients who have received a priority access housing or priority transfer allocation due to family violence increased in 2022–23, the Department of Families, Fairness and Housing allocated more housing to people impacted by family violence than ever before that same year. Long wait times are attributed to increased reporting of family violence and supply and demand of public rental housing.

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94 Department of Treasury and Finance, *Departmental Statements,* 18 September 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements> accessed 8 February 2024.

95 Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 6.

96 Ibid., p. 7.

97 Ibid., pp. 7, 14.

98 Ibid., p. 14.

99 Ibid., pp. 7, 14.

100 Parliament of Australia, *Domestic violence in Australia: A quick guide to the issues,* 26 March 2015, <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1415/Quick_Guides/DVinAust> accessed 9 February 2024.

RECOMMENDATION 26: The Department of Families, Fairness and Housing conduct and publish research into what specific infrastructure and resources are needed to provide victim-survivors of family violence with housing in a timely manner.

7.7 Key issue—replacement of public housing towers

DFFH's third objective is that 'all Victorians have stable, affordable and appropriate housing'.[101] Currently, demand for social housing far outstrips supply.[102] The Victorian Housing Register (VHR) demonstrates this disconnect between supply and demand—there were 64,168 total applications on the VHR as at June 2022 yet DFFH was only able to provide 5,553 in 2021–22.[103] As at June 2023, there were 65,195 total applications on the VHR.[104]

In September 2023[105] the Government released *Victoria's Housing Statement: The decade ahead: 2024–2034*, presenting a decade-long plan to respond to the housing crisis in Victoria.[106] As the Statement noted in its introduction, 'housing is one of the biggest challenges we [the Victorian Government] face … in June this year [2023], housing affordability in Australia crashed to its lowest in 30 years'.[107] The Statement sets out a plan to tackle the core issue stated—housing supply—and a key part of the solution is to provide more social housing.[108] Within this area, the Government is undertaking 'Australia's biggest ever urban renewal project'—the retirement and rebuilding of 44 public housing towers in Melbourne.[109]

In describing the project, the Statement emphasised that the high-rise towers no longer meet minimum standards for Victorians, particularly Victoria's Better Apartment Design Standards. The government anticipates that by retiring and rebuilding the towers, capacity will be increased from the current 10,000 people to 30,000 people.[110] The announcement did not include how the 20,000 extra people will

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101 Department of Families, Fairness and Housing, *Annual Report 2022–23,* p. 24.

102 Social housing is made up of two types of housing—public and community. Public housing is a form of long-term, affordable rental housing that is directly managed by the State Government. Community housing is a form of long-term, affordable rental housing that is managed by non-for-profit organisations, who are registered and regulated by the State Government. Source: Housing Victoria, *Social housing,* 16 July 2019, <https://www.housing.vic.gov.au/social-housing> accessed 5 February 2024; Housing Victoria, *Public housing,* 14 March 2023, <https://www.housing.vic.gov.au/public-housing> accessed 5 February 2024; Housing Victoria, *Community housing,* 6 December 2022, <https://www.housing.vic.gov.au/community-housing> accessed 5 February 2024.

103 Homes Victoria, *Applications on the Victorian Housing Register (VHR),* 22 December 2023, <https://www.homes.vic.gov.au/applications-victorian-housing-register-vhr> accessed 15 January 2024; Homes Victoria, *Social housing allocations 2021/22,* 8 December 2023, <https://www.homes.vic.gov.au/social-housing-allocations-202122#number-of-new-and-transfer-allocations> accessed 15 January 2024.

104 Homes Victoria, *Applications on the Victorian Housing Register (VHR).*

105 While the Committee acknowledges this is outside the reporting period for this paper, its inclusion is based on its discussion in the Inquiry hearings, and the project's response to the social housing crisis.

106 Victorian Government, *Victoria's Housing Statement: The decade ahead: 2024–2034,* Melbourne, September 2023.

107 Ibid. p. 7.

108 Ibid., p. 30.

109 Ibid., p. 36.

110 Ibid.

be accommodated and it stated that the project would ultimately 'boost the overall number of social homes across these sites by at least 10 per cent, while also boosting the number of affordable and market homes across the sites'.[111] However, no further information has been provided with respect to the breakdown of social housing (public and community) versus private housing (market and affordable).[112] Homes Victoria (HV), an agency situated within DFFH,[113] has stated that the first five towers are due to be retired and rebuilt by 2031 and that timelines for the remaining towers will be released in the future.[114]

FINDING 78: The demand for social housing currently outstrips the supply and as part of *Victoria Housing Statement: The decade ahead: 2024–2034* released in September 2023 it will retire and rebuild Melbourne's 44 public housing towers. The Government has stated that this will increase the quantity and quality of social housing, but there is no publicly available information stating how this will be realised.

RECOMMENDATION 27: The Department of Families, Fairness and Housing and Homes Victoria publish information on its website regarding:

- the breakdown of housing types (public, community, market, and affordable) that will be constructed as part of the public housing tower retirement project
- how the breakdown of housing types will be different after the project's conclusion, from its current iteration
- how many people will be accommodated in each type of housing
- how the project will expand capacity of the towers by 20,000 people.

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DFFH was asked by the Committee about the rationale behind the retirement and rebuilding of the towers and the future of the current tenants.[115] The Committee was interested in the evidence base for retiring the towers as opposed to refurbishing them.[116] DFFH was asked about publicly available reports that demonstrated the necessity of retiring the towers.[117] DFFH stated that condition reports existed and that

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111 Ibid.

112 Market housing is housing that is privately owned, and the rates are determined by the market, with few limits outside of fixed-term contracts. Affordable housing—through the Homes Victoria Affordable Program specifically— is housing that provides rents (in metropolitan Melbourne) that are at least 10% below the area's median market rent, with an additional cap set at 30% of the median income of the renter. Three-year leases are provided, and rent will not be raised annually by more than 5%. Source: Homes Victoria, *Homes Victoria affordable,* 16 January 2024, <https://www.homes.vic.gov.au/homes-victoria-affordable> accessed 5 February 2024.

113 Homes Victoria, *About Homes Victoria,* 7 March 2023, <https://www.homes.vic.gov.au/about-homes-victoria> accessed 9 February 2024.

114 Homes Victoria, *Which older-style High-rises will be retired,* 13 November 2023, <https://www.homes.vic.gov.au/high-rise-victoria-which-towers> accessed 11 January 2024.

115 Public Accounts and Estimates Committee, *Transcript of evidence*, pp. 17–18.

116 Ibid., pp. 17, 32–33.

117 Ibid., pp. 32–33.

it had received requests to release these reports, adding that DPC had an Order to Produce Documents regarding the condition reports and that the release of the reports would be undertaken via this process.[118]

DFFH explained why the towers would be demolished rather than refurbished:

- The first reason was that the towers were all concrete, which the Chief Executive Officer (CEO) of HV stated 'over time will … delaminate and start to crumble'.[119] The CEO advised that currently the properties were safe but that replacing them in the long-term was a matter of necessity and it was best to begin the process now.[120]
- Other factors outlined included noise insulation, ventilation, sustainability and thermal comfort, compliance with better apartment design guides, waste and recycling.[121]
- Energy efficiency was another reason for retiring the towers because the inefficiency of energy directly impacts the bills of those living in the towers.[122]
- As the towers were built in the 1960s and 1970s, they do not meet accessibility requirements and cannot be refurbished to be accessible. DFFH stated that they have a disproportionate number of individuals on the waitlist for social housing that have a disability, so this was 'a really important consideration'.[123]

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HV, on its website, also noted that in recent years there have been enough faults and breakdowns that cause frequent disruptions to renters. In summary, HV advises the towers do not meet modern standards and 'are coming to the end of their operational life'.[124]

FINDING 79: There are a number of reasons why Melbourne's 44 public housing towers are being demolished and rebuilt, including: delamination of concrete, disability access, noise insulation, ventilation, sustainability and thermal discomfort, waste and recycling, energy inefficiency and constant breakdown causing disruption to renters. As a whole, the buildings do not meet modern standards and are coming to the end of their operational life.

118 Mr Simon Newport, Chief Executive Officer, Homes Victoria, Department of Families, Fairness and Housing, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 24 November 2023, *Transcript of evidence,* p. 33; Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice, received 13 December 2023, p. 32.

119 Mr Simon Newport, Chief Executive Officer, Homes Victoria, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 17.

120 Ibid.

121 Ibid.

122 Ms Peta McCammon, Secretary, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 17.

123 Ibid.

124 Homes Victoria, *High-rise development Frequently Asked Questions,* 10 November 2023, <https://www.homes.vic.gov.au/high-rise-victoria-faq#why-do-the-old-high-rise-towers-need-to-be-retired> accessed February 20 2024.

RECOMMENDATION 28: The Department of Families, Fairness and Housing or Homes Victoria publish the condition and/or engineering reports on Melbourne's 44 public housing towers on its website to enhance transparency regarding the basis for the tower replacement project.

While the need for more and better social housing is widely agreed upon, there has been debate about the options to retrofit the towers instead to avoid displacing 10,000 individuals. Successes have been cited such as the Park Hill Estate in Sheffield, United Kingdom.[125]

HV have undertaken financial assessments and to 'modestly' refurbish the public housing towers would cost up to $2.3 billion over 20 years, not including refurbishing common areas or improving building compliance (to meet disability standards, for example).[126] The CEO of HV stated that refurbishing the towers would be 'delaying the inevitable' and that the towers 'do not have much more useful life'.[127] He also added that tenants were 'overwhelmingly telling us this [the properties needed to be rebuilt]' and that 'they want to move to new properties'.[128] Aside from these statements, there is no further publicly available information about the evidence base for the retirement of the public housing towers.

RECOMMENDATION 29: The Department of Families, Fairness and Housing or Homes Victoria release information on their websites outlining the rationale for retiring and rebuilding Melbourne's public housing towers versus refurbishing them and an estimated cost breakdown of the retirement project.

Finally, there is limited information provided by HV about tenants' immediate futures. While the CEO of HV noted that tenants who are relocated will have a guaranteed right to return,[129] there is limited public information regarding the logistics for current residents of the towers which are to be retired first. On its website, HV states that renters in the first three towers to be retired (Alfred Street in North Melbourne, Holland Court in Flemington and Racecourse Road in Flemington) would be contacted in October 2023 to discuss relocation opportunities and that there were two new social housing sites that individuals could relocate to.[130] However, HV's individual websites

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125 Penny Barker and Raghav Goel, 'Should we tear down Melbourne's public housing towers?', *blueprint,* n.d., <https://blueprint.ozpropertygroup.com.au/should-we-tear-down-melbournes-public-housing-towers> accessed 15 January 2024.

126 Mr Simon Newport, Chief Executive Officer, Homes Victoria, Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the rental and housing affordability crisis in Victoria, response to questions on notice, received 24 October 2023, pp. 1–2.

127 Mr Simon Newport, Chief Executive Officer, Homes Victoria, public hearing, Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the rental and housing affordability crisis in Victoria, *Transcript of evidence*, Melbourne, 10 October 2023, p. 78.

128 Ibid.

129 Mr Simon Newport, Chief Executive Officer, Homes Victoria, Department of Families, Fairness and Housing, *Transcript of evidence,* p. 37.

130 Homes Victoria, *Which older-style High-rises will be retired.*

for the pages concerning relocation opportunities do not provide specific details about timelines or other options and the websites for each tower have not been updated since 20 October 2023.[131] There is no further information available about other options for tenants, however, information that is not publicly available may have been provided to individuals.

The high-rise retiring and rebuilding project is a project that will take place over almost 30 years and it may be difficult for HV to provide specific details for phases of the project that will take place over a 30 year period. However, given that this project concerns people's homes—and by extension, their safety, communities and families—it should be a matter of priority to provide as much information as possible publicly about the retirement of the towers. It would be beneficial for all interested parties and the Victorian public to understand how and when the project will be progressing, what its outcomes will be and what steps have been taken to ensure the project is communicated clearly to tenants to minimise disruption to their lives.

FINDING 80: There is currently limited public information about what Homes Victoria has communicated to current tenants about the retirement of Melbourne's public housing towers, including timelines and logistics for current tenants to move into different accommodation.

RECOMMENDATION 30: Homes Victoria publish on its website the steps it has taken to advise public housing tower residents of the retirement of Melbourne's public housing towers and future relocations, including what assistance is being provided to relocate and measures taken to ensure the properties that tenants relocate to are suitable and local, if desired.

131 Homes Victoria, *Alfred Street, North Melbourne*, 20 October 2023, <https://www.homes.vic.gov.au/alfred-street-north-melbourne> accessed 5 February 2024; Homes Victoria, *Racecourse Road, Flemington*, 20 October 2023, <https://www.homes.vic.gov.au/racecourse-road-flemington> accessed 5 February 2024; Homes Victoria, *Holland Court, Flemington*, 20 October 2023, <https://www.homes.vic.gov.au/holland-court-flemington-0> accessed 5 February 2024.

Chapter 8
Department of Jobs, Skills, Industry and Regions

8.1 Overview

The Department of Jobs, Skills, Industry and Regions (DJSIR) is focused on 'growing Victoria's prosperity, building the productive capacity of our economy and increasing participation'.[1]

In 2022–23 DJSIR's objectives were:

- creating more opportunities for people through jobs and skills
- supporting businesses and industries to grow and prosper
- building vibrant communities and regions
- creating and maintaining jobs
- fostering a competitive business environment
- economic growth through trade and investment attraction
- building prosperous and liveable suburbs and regions, and managing and promoting outdoor recreation
- growing vibrant, active and creative communities
- delivering high-quality training and skills to meet industry needs and jobs for a growing economy.[2]

8.1.1 Machinery of government changes

DJSIR was the department most heavily impacted by machinery of government (MoG) changes effective 1 January 2023. Prior to this date, the department was named the Department of Jobs, Precincts and Regions (DJPR).[3]

DJSIR reported direct costs attributable to MoG changes of $3.2 million, predominantly for IT and records management.[4] The changes to the department are summarised in Figure 8.1.

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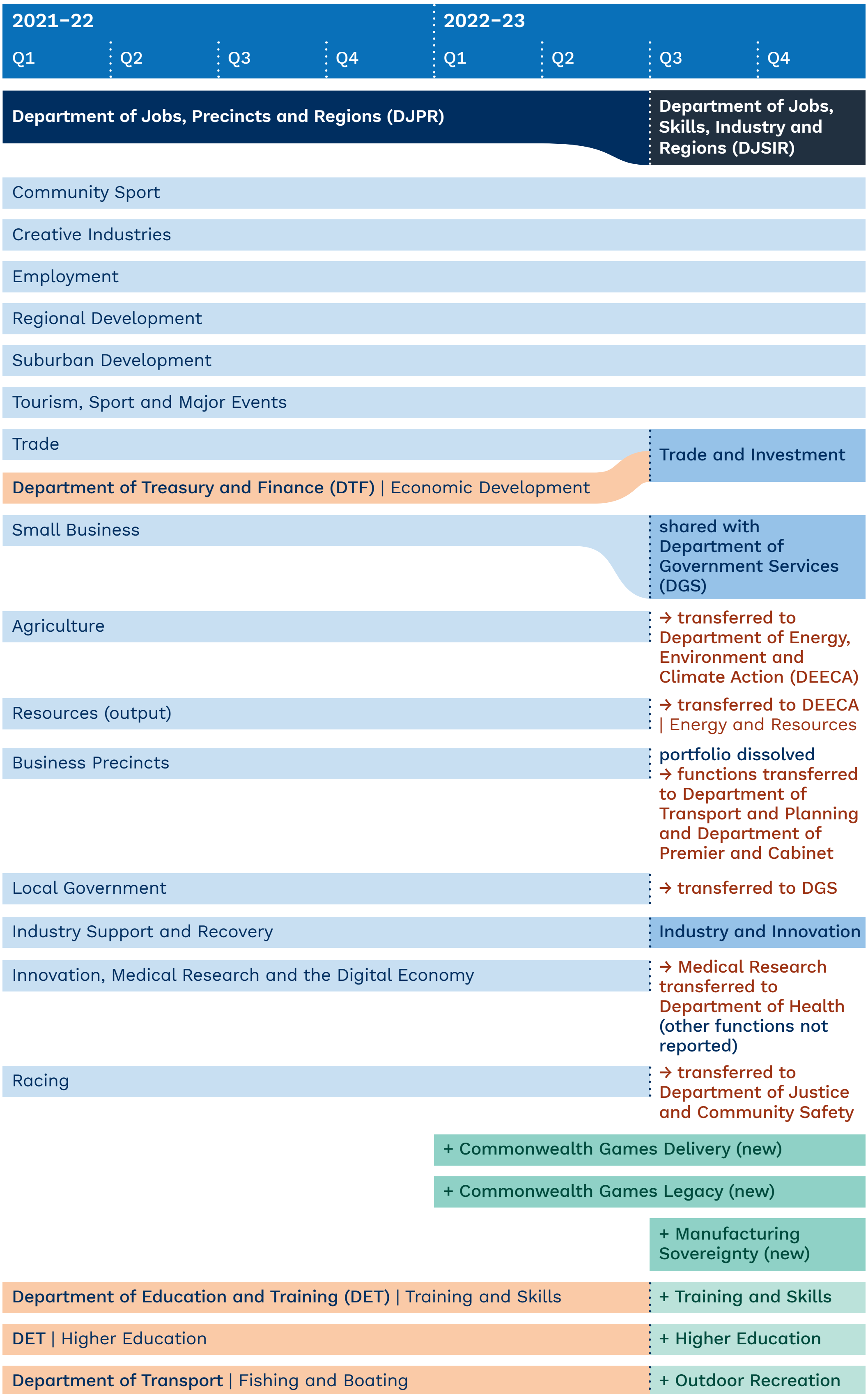
1 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23*, Melbourne, 2023, p. 4.

2 Ibid., pp. 184–187.

3 Ibid., p. 5.

4 Ibid., p. 6.

Figure 8.1 Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions—machinery of government changes, 2021–22 and 2022–23



In its 2022–23 Annual Report DJSIR summarised these changes as consolidating 'investment attraction, industry development and innovation … into a single department to integrate economic development policy and streamline entry points for industry and investors'.[5] Further, the Training and Skills and Higher Education portfolios were transferred from the Department of Education and Training to 'integrate skills and industry policy and better connect workers with the jobs of the future'.[6]

8.2 Outcomes and challenges

For 2021–22 and 2022–23 DJSIR identified its programs and initiatives that delivered the most important outcomes in the community. They included:

- flood business relief and recovery programs in response to the October 2022 flood event, with the department providing grants and programs to over 8,000 businesses in affected areas
- Apprenticeship Support Officers, 28 of which provide advice and support to apprentices in 12 Technical and Further Education (TAFE) institutes
- the Digital Jobs Program, which provided support to 2,647 Victorians to upskill in 2022–23
- the Business Recovery and Resilience Mentoring program, which provided just over 21,000 mentoring sessions to 6,070 businesses in 2022–23 to help navigate the challenges of COVID-19 and support business owners and staff.[7]

DJSIR was also asked to identify its programs that did not deliver their planned outcomes. In both 2021–22 and 2022–23 DJSIR listed the *Workforce Training and Innovation Fund* and the *Regional Specialist Training Fund.* While DJSIR advised both initiatives achieved 'some excellent outcomes', it added that overall program funds were underspent, which as a result 'has meant that the overarching program[s have] not had as broad and far reaching impact as was intended'.[8] DJSIR did not provide details as to why over both financial years, an underspend for both programs was recorded.[9]

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5 Ibid., p. 5.

6 Ibid.

7 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 15 November 2023, pp. 28–31.

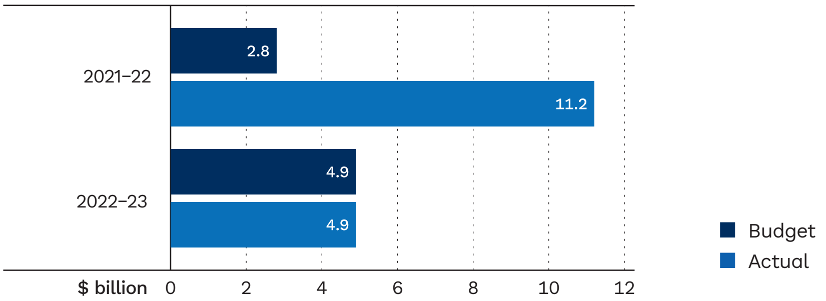
8 Ibid., p. 32.

9 Ibid., pp. 32–33.

8.3 Financial analysis

8.3.1 Output expenditure

Figure 8.2 Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions—budget versus actual, 2021–22 and 2022–23



Source: Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* Melbourne, 2022, pp. 191–243; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* Melbourne, 2023, pp. 197–246 (Committee calculation).

In 2021–22 DJPR's output expenditure was $11.2 billion, 305.4% over its budget of $2.8 billion.[10] The majority of the overspend was from the Industry, Innovation, Medical Research and Small Business output, which recorded a $7.3 billion overspend (a variance of 2896.1%).[11] The Industry, Innovation and Small Business sub-output recorded such a large variance 'mainly due to additional support for Victorian businesses and industries in response to the COVID-19 pandemic', and the Medical Research sub-output overspent 'mainly due to additional funding for medical research initiatives', such as the establishment of mRNA Victoria (discussed further in Section 8.5).[12]

DJPR had a number of other outputs with a cost variance of over 100%, most of which were similarly impacted due to COVID-19. These included:

- Business Precincts, which recorded an actual result of $40.6 million, 144.6% over budget. This was due to a funding realignment from capital funding to operating funding, and therefore did not impact the bottom line[13]
- Jobs, which recorded an actual result of $743.4 million, 139.8% over budget. This was due to additional funding received for the COVID-19 related initiatives Test Isolation Payments and Pandemic Leave Disaster Payments[14]
- Trade and Global Engagement, which recorded an actual result of $88.7 million, 126.3% over budget. This was due to additional funding received for the International Education Resilience Fund, which supported universities by providing funding for their international student welfare and support services, improved

10 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* Melbourne, 2022, pp. 191–243 (Committee calculation).
11 Ibid., p. 196 (Committee calculation).
12 Ibid., p. 196.
13 Ibid., p. 208.
14 Ibid., p. 192.

delivery of remote and offshore teaching and learning, and increased student engagement programs and events[15]

- Tourism and Major Events, which recorded an actual result of $405.6 million, 105% over budget due to additional COVID-19 support for the Tourism and Events sectors, which had suffered financially during the pandemic lockdowns and restrictions.[16]

In contrast, DJSIR's 2022–23 output expenditure was very close to its budget, as it spent only $10.7 million over target—a variance of 0.2%.[17] There were no outputs that registered overspends to the same level as 2021–22, but three did demonstrate positive variances of significance: Suburban Development ($11.3 million or 57.1%), Sport and Recreation ($191.5 million or 52.9%), and Tourism and Major Events ($143.4 million or 48.1%). The overspends were balanced out by underspends in other outputs: Trade and Investment (-$96.6 million or -46.2%), and Cultural Infrastructure and Facilities (-$19.4 million or -26.9%).[18]

8.3.2 Revenue and expenses

Revenue

The COVID-19 pandemic and the Government's response had a large impact on the revenue of DJPR, especially in 2021–22. In 2021–22 DJPR's output appropriations grew by 56.2% to $10.8 billion.[19] DJPR explained this increase was due to the department's work in supporting businesses and organisations to manage the impact of the COVID-19 pandemic, including for grant programs to businesses and organisations.[20] In 2021–22, the *Business Costs Assistance Program* alone cost $4.5 billion.[21]

The impact of COVID-19 funding on DJSIR continued in 2022–23, with output appropriations decreasing by 64.7% to $3.8 billion when compared to 2021–22, due to COVID-19 grant programs concluding in November 2021.[22]

Funding for COVID-19 financial assistance also had a significant impact on the department's actual output appropriation result when compared to its budget estimates. In 2021–22 DJPR's actual output appropriations of $10.8 billion were 327% higher (or $8.3 billion) than the budget of $2.5 billion.[23]

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15 Ibid., p. 201; Hon Daniel Andrews MP, *Backing Victorian Universities When They Need It Most,* media release, Melbourne, 6 September 2021.

16 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* p. 230.

17 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* pp. 197–239 (Committee calculation).

18 Ibid.

19 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 153 (Committee calculation).

20 Ibid.

21 Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria,* Melbourne, November 2023, p. 42.

22 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 155 (Committee calculation).

23 Ibid., p. 157 (Committee calculation).

In 2022–23 DJSIR's actual output appropriations were closer to the budgeted amount, with a 33.6% ($962 million) variance recorded. This variance was due to MoG changes and Commonwealth funding received for the Commonwealth Games and *Flood Relief and Recovery* programs for the October 2022 flood event.[24] DJSIR also attributed some of the variance to funding for finalising COVID-19 support programs.[25]

Expenses

While DJPR's expenses were significantly impacted by the COVID-19 pandemic in 2021–22, in 2022–23 DJSIR's expense variances were explained by MoG changes.[26] In 2021–22, DJPR's employee expenses grew by 17.5% to $760 million, due to additional staff needed to deliver business and community support programs in response to COVID-19. Early retirement packages provided in the financial year also increased the department's employee benefit expenditure.[27]

The grants and other transfers expense grew by 71% to $9.6 billion in 2021–22, again for support programs for businesses and the community in response to the COVID-19 pandemic.[28]

In 2022–23 employee expenses continued to grow, by 52.8% to $1.2 billion.[29] DJSIR advised this reflected MoG changes and incoming functions related to training and higher education.[30] The grants and other transfers expense decreased by 78.6% due to COVID-19 response programs ceasing.[31]

While employee expenses grew year over year, total full-time equivalent (FTE) employees declined between 30 June 2022 and 30 June 2023 by 40.2%.[32] The reason provided was MoG changes on 1 January 2023.[33] However, it remains unclear how MoG changes explain both the increase in employee expenses and the decrease of the total FTE in the department.

FINDING 81: Between 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Region's employee expenses grew by 52.8% to $1.2 billion due to machinery of government changes. Actual full-time equivalent employees declined by 40.2% between 30 June 2022 and 30 June 2023, also due to machinery of government changes.

24 Ibid., pp. 158–159.

25 Ibid., p. 197.

26 Ibid., pp. 161–164.

27 Ibid., p. 161.

28 Ibid. (Committee calculation).

29 Ibid., p. 163 (Committee calculation).

30 Ibid.

31 Ibid. (Committee calculation).

32 Ibid., p. 198 (Committee calculation).

33 Ibid.

Overall financial performance

Table 8.1 summarises DJPR's and DJSIR's financial performance in 2021–22 and 2022–23. In both years DJPR/DJSIR estimated a deficit but instead achieved a positive net result.

Table 8.1 Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Revised Budget[a] ($ million)**	**Actual[a] ($ million)**	**Variance (%)**
Income from transactions	2,712	11,228	314	5,374	4,599	(14)
Expenses from transactions	2,758	11,093	302	5,505	4,473	(19)
Net result	**(46)**	**135**	**(393)**	**(130)**	**125**	**(196)**

a. The 2022–23 Actual and the 2022–23 Revised Budget reflect the impact of the machinery of government changes effective 1 January 2023.

Source: Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* 2022, p. 248; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* 2023, p. 252.

8.3.3 Treasurer's Advances

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In 2021–22 DJPR accessed $5.5 billion in Treasurer's Advances (TAs), representing 36.3% of all TAs provided to Victorian Government departments that year.[34] Most ($5 billion) of that year's TA payments were attributable to COVID-19, representing 50.3% of all TAs provided to departments associated with COVID-19 in 2021–22.[35]

The *COVID-19 pandemic industry and economic support* initiative accounted for $4.3 billion of DJPR's $5.5 billion in TAs.[36] This included funding for several individual support programs including the *Business Cost Assistance Program, Licensed Hospitality Venue Fund, Dining and Entertainment program,* the *Business Support Fund* and the *Travel Voucher Scheme.*[37]

In 2022–23 DJSIR accessed $959.2 million in TAs for initiatives such as the *CSL Parkville North site* ($162.2 million) and the *2026 Victorian Commonwealth Games* ($135 million).[38]

In the *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2022–23,* DJPR's COVID-19 business grant support programs were identified as a key

34 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 147–148, 151 (Committee calculation).

35 Ibid., p. 151 (Committee calculation).

36 Ibid.

37 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 37–38, 90–91.

38 Department of Treasury and Finance*, 2022–23 Financial Report*, Melbourne, 2023*,* pp. 163–164.

issue.[39] While recognising the department's rapid response in implementing such a large-scale grants program was 'unprecedented in its experience', the Victorian Auditor-General's Office (VAGO) concluded that DJSIR failed to properly administer its COVID-19 business support programs.[40] VAGO found that the department did not have sufficient post-payment checks that would minimise the likelihood of large-scale fraud and error, concluding that it was 'likely that fraud occurred and…remains undetected' and that payments were made in error.[41]

FINDING 82: In 2021–22 the Department of Jobs, Precincts and Regions accessed $5.5 billion in Treasurer's Advances, which were predominantly used to distribute grants and financial support to businesses and the community to manage the impact of COVID-19 restrictions. The Victorian Auditor-General's Office found that as there were no sufficient post-payment checks on these grants, it was likely that fraud had occurred in the disbursement of COVID-19 grants and financial support.

8.4 Performance information

In 2021–22 DJPR had 14 outputs with 199 associated performance measures. Due to MoG changes, in 2022–23 DJSIR had 12 outputs with 169 associated performance measures.[42]

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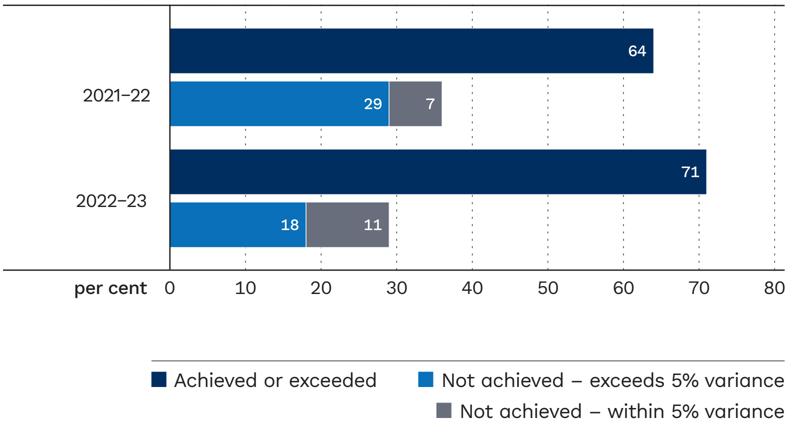
Figure 8.3 shows DJPR's/DJSIR's performance measure results for 2021–22 and 2022–23.

Figure 8.3 Department of Jobs, Precincts and Regions/Department of Jobs, Skills, Industry and Regions—performance measure results, 2021–22 and 2022–23



Source: Department of Jobs, Precincts and Regions, *Annual Report 2021–22*, Melbourne, 2022, pp. 191–243; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23*, Melbourne, 2023, pp. 197–246 (Committee calculation).

39 Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria,* p. 39.

40 Ibid., pp. 39, 42.

41 Ibid., pp. 39–40.

42 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* pp. 191–243 (Committee calculation); Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* pp. 197–246 (Committee calculation).

In 2021–22 DJPR achieved or exceeded 64% of its 199 performance measures published in its *Annual Report 2021–21*. The department did not meet 7% of its measures within a 5% variance and 29% of its measures exceeding a 5% variance.[43]

DJPR had three outputs where it did not meet 50% or more of its performance measure targets. Those outputs were: Creative Industries Access, Development and Innovation, Creative Industries Portfolio Agencies, and Tourism and Major Events. There were difficulties in achieving performance targets across all three outputs due to COVID-19 related lockdowns and closures heavily impacting attendances in the creative and tourism industries.[44]

In 2022–23 DJSIR achieved or exceeded 71% of its 169 performance measures.[45]

Performance improved in 2022–23 compared to the year prior in a number of outputs, notably in Creative Industries portfolio agencies, increasing from 48% of performance measures achieved in 2021–22 to 65% of performance measures achieved in 2022–23. The output exceeded many of its performance measures due to more performances, higher attendance at events and successful exhibits in the immediate post-COVID period, demonstrating the appetite for live events in the aftermath of lockdowns and restrictions.[46] Similarly, the Tourism and Major Events output improved upon its performance from 2021–22, increasing from achieving 35% of its performance measures to 63%.[47]

8.5 Key issue—establishing an mRNA industry in Victoria

Messenger RNA (mRNA) is a molecule that can be used in vaccines that can help an individual's immune system to fight diseases and health conditions.[48] An mRNA vaccine differs from traditional vaccines, as it does not introduce a piece of bacteria or virus into the body to trigger an immune response. Instead, mRNA vaccines instruct the body to make proteins that trigger an immune response.[49] Although mRNA was discovered in the early 1960s, the only approved mRNA vaccines in Australia are those used to prevent COVID-19.[50] However, there is a large field of research dedicated to

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43 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* pp. 191–243 (Committee calculation).

44 Ibid., pp. 223–225, 229–230.

45 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* pp. 197–246 (Committee calculation).

46 Ibid., pp. 233–234 (Committee calculation).

47 Ibid., pp. 238–239 (Committee calculation).

48 Department of Jobs, Skills, Industry and Regions, *Victoria leading on mRNA, the next frontier of medical research,* 14 August 2023, <https://djsir.vic.gov.au/news/victoria-leading-on-mrna-the-next-frontier-of-medical-research> accessed 9 February 2024.

49 Pfizer, *Harnessing the potential of mRNA,* 2024, <https://www.pfizer.com/science/innovation/mrna-technology> accessed 9 February 2024; Medicine Plus, *What are mRNA vaccines and how do they work?,* 21 November 2022, <https://medlineplus.gov/genetics/understanding/therapy/mrnavaccines> accessed 9 February 2024.

50 Department of Jobs, Skills, Industry and Regions, *Victoria leading on mRNA, the next frontier of medical research*; Chris Beyrer, 'The Long History of mRNA Vaccines', *John Hopkins Bloomberg School of Public Health,* 6 October 2021; Department of Health and Aged Care, *COVID-19 vaccines regulatory status,* 18 January 2024, <https://www.tga.gov.au/products/covid-19/covid-19-vaccines/covid-19-vaccines-regulatory-status> accessed 14 February 2024.

studying the mRNA molecule, with possible future use for the treatment of different cancers, among other diseases.[51]

Beginning at the height of the COVID-19 pandemic in 2021, the Victorian Government has made a significant investment to establish a mRNA and RNA industry in Victoria including in supply chain, research and development, commercialisation and manufacturing investments.[52] mRNA Victoria—an agency within DJSIR—was established in 2021–22 to lead this work.[53] The Government has stated that there are multiple benefits to establishing an mRNA industry in Victoria—to provide vaccine security, contract manufacturing locally to avoid supply chain issues, to create a strengthened response to possible future pandemics and to provide several economic benefits such as international investment, new jobs and vaccine export.[54]

In the 2021–22 Budget $50 million was provided over two years for the initiative *Securing and scaling mRNA vaccine manufacturing capability in Victoria: Stage one.*[55] Funding was provided to establish mRNA vaccine and therapeutic manufacturing in Melbourne in partnership with Victorian universities, researchers, and manufacturing companies.[56]

DJPR and DJSIR's Annual Reports highlight the departments' accomplishments in 2021–22 and 2022–23 related to mRNA manufacture and research, which included:

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- establishing mRNA Victoria to lead research, development and manufacturing capability in Australia and the Asia-Pacific region
- securing international investment from several biotech companies, including from BioNTech to establish clinical manufacturing, a research and development centre and translational hub in Victoria
- providing financial support to Victorian biotech companies and medical research institutes in an effort to grow the 'mRNA ecosystem'
- establishing collaborative partnerships with other countries including South Korea, South Africa and the Abu Dhabi Department of Health
- providing research grants and management of multiple research grant projects.[57]

According to DJSIR's questionnaire, 50 grants for investment and research projects were awarded over 2021–22 and 2022–23 to grow research and manufacturing

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51 Department of Jobs, Skills, Industry and Regions, *Victoria leading on mRNA, the next frontier of medical research.*

52 Department of Jobs, Skills, Industry and Regions, *mRNA Victoria,* 1 November 2023, <https://djsir.vic.gov.au/priorities-and-initiatives/mrna> accessed 9 February 2024.

53 Ibid.; Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* pp. 26–27.

54 Hon James Merlino MP, *Victoria Ready to Lead on New Vaccine Manufacturing,* media release, Melbourne, 21 April 2021; Mr Tim Pallas MP, *Backing the Next Generation of mRNA Drug Discovery—and Jobs,* media release, Melbourne, 27 October 2023.

55 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, pp. 70, 78.

56 Hon James Merlino MP, *Victoria Ready to Lead on New Vaccine Manufacturing*, media release.

57 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* p. 194; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* p. 202.

capability and develop supply chains, international investment and commercialisation activity.[58] A summary of the grant program and total amounts awarded is set out in Table 8.2 below.

Table 8.2 mRNA investment and research projects—2021–22 and 2022–23

Grant name	Number awarded	Grant purpose	Amount awarded ($ million)
mRNA Victoria Activation Program	11	Dedicated mRNA research grant program to support clinical research and develop enabling technology	$16.6
mRNA Victoria Investment Attraction Program	3	No public information available	Commercial-in-confidence
mRNA Victoria Research Acceleration Fund	28	Grants of up to $500,000 are available to eligible research projects	$4.8
mRNA Victoria Research Project Fund	2	No public information available	$5.1
mRNA Victoria Special Research Project Fund	1	No public information available	$0.4
Moderna Package	5	Part of the ten-year partnership with Moderna as detailed below. No detail on components available	$10.0 Four other components listed as commercial-in-confidence
Total	**50**		**$36.9+**

Source: Ms Danni Jarrett, Deputy Secretary, Industry, Trade and Investment, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice received 12 December 2023, pp. 24–28; Invest Victoria, *Victoria announces Australia's largest mRNA research grant program,* 8 December 2021, <https://www.invest.vic.gov.au/news-and-events/news/2021/december/victoria-announces-australias-largest-mrna-research-grant-program> accessed 9 February 2024; Department of Jobs, Skills, Industry and Regions, *mRNA Victoria,* 1 November 2023, <https://djsir.vic.gov.au/priorities-and-initiatives/mrna> accessed 9 February 2024; Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, pp. 72, 80 (Committee calculation).

According to DJPR and DJSIR's Annual Reports, approximately $28 million was spent on mRNA related grant programs in 2021–22 and 2022–23.[59] The Committee was unable to account for the difference between the figures provided to the Committee by the department on notice and those published in the Annual Reports. The Committee also notes that spending on mRNA grant programs is likely to be significantly higher, due to several projects being listed as commercial-in-confidence.

There is little public information available regarding the listed grant programs. The *mRNA Victoria Research Acceleration Fund* has the most detailed information available, listing what the grant program is for, eligibility criteria and recipients, their project title and amount awarded.[60] As noted in previous reports and similar to other

58 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 94, 104.

59 Department of Jobs, Precincts and Regions, *Annual Report 2021–22: Appendix 13—Grants, part 4,* Melbourne, 2022, p. 276; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23: Appendix 13—Grants, part 3*, pp. 25-26 (Committee calculation).

60 Department of Jobs, Skills, Industry and Regions, *mRNA Victoria*; Business Victoria, *mRNA Victoria Research Acceleration Fund Round 3,* 15 December 2023, <https://business.vic.gov.au/grants-and-programs/mrna-victoria-research-acceleration-fund-round-3> accessed 9 February 2024.

grant programs administered by the former DJPR, there is a lack of transparency around mRNA grant programs. Considering the significant investment and benefit the development of mRNA capability in Victoria presents, DJSIR should at minimum produce summary information about the outcomes of projects funded by mRNA grants, to be published and updated at appropriate milestones of the project.

FINDING 83: In 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/ Department of Jobs, Skills, Industry and Regions funded approximately 50 mRNA investment and research projects at a cost of $36.9 million. The full cost is unknown as several projects are listed as commercial-in-confidence and funding is not disclosed.

RECOMMENDATION 31: The Department of Jobs, Skills, Industry and Regions publish summary information about the outcomes of all projects funded by mRNA grant programs and update this information at appropriate milestones throughout the project.

The cornerstone of developing the mRNA industry in Victoria was establishing in 2021–22 a ten-year agreement between Moderna, a US biotech company, and the Victorian and Commonwealth governments.[61] Through the partnership, the first mRNA manufacturing facility in the Southern Hemisphere will be built at Monash University.[62] Moderna will also establish an Australian headquarters in Melbourne and a Regional Research Centre as part of the partnership.[63] Once completed, the manufacturing facility is expected to produce up to 100 million mRNA vaccine doses every year.[64] During the hearings DJSIR provided an update on the progress of the facility, advising that it was on-track to be completed by the end of 2024, with a scheduled opening of 2025.[65]

The 2022–23 Budget included a line item titled *Supporting Victorian Manufacturing – Moderna mRNA vaccine manufacturing facility,* which did not have funding attached due to 'commercial-in-confidence' arrangements.[66] The Committee discussed with DJSIR the undisclosed amount of funding provided to Moderna to secure the ten-year agreement, with DJSIR advising that many global pharmaceutical companies are 'protective' of their contractual obligations they enter into around the world.[67]

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61 Australian Trade and Investment Commission, *Moderna to build mRNA vaccine manufacturing facility in Australia,* n.d., <https://www.globalaustralia.gov.au/news-and-resources/news-items/moderna-build-mrna-vaccine-manufacturing-facility-australia> accessed 9 February 2024.

62 Mr Tim Ada, Secretary, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, Transcript of evidence, p. 13.

63 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, pp. 72, 80.

64 Ibid.

65 Ms Danni Jarrett, Deputy Secretary, Industry, Trade and Investment, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* pp. 13–14.

66 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23,* pp. 72, 80.

67 Ms Danni Jarrett, Deputy Secretary, Industry, Trade and Investment, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 9.

There are several issues that the non-disclosure of funding to Moderna raise. If there is no transparency around how much the State has provided to Moderna, the public cannot understand whether the investment has been worthwhile. There is no feasible way for the public to understand or assess what economic benefit the State is expecting from the partnership with Moderna. Finally, a principle of government's spending of public money is transparency and ensuring the public clearly understand where money has been expended, and why, which is not possible with the funding provided to Moderna.

Claims of commercial-in-confidence are discussed further in Section 8.6.

FINDING 84: In 2021–22 and 2022–23 the Department of Jobs, Precincts and Regions/ Department of Jobs, Skills, Industry and Regions took several significant steps to establishing an mRNA industry in Victoria. This included forming a ten-year partnership with Moderna to establish an mRNA manufacturing facility and its headquarters, securing international investment from a number of international biotech companies, creating partnerships with overseas jurisdictions and providing grants to research projects.

RECOMMENDATION 32: The Department of Jobs, Skills, Industry and Regions publish an assessment of the expected economic benefits of the ten-year partnership with Moderna, accounting for all phases of the partnership, and information regarding the outcomes delivered by the partnership to date.

8.6 Key issue—commercial-in-confidence

As noted in Section 8.5, an agreement was reached between Moderna and the Victorian and Commonwealth governments in 2021–22 to establish a commercial-scale mRNA vaccine manufacturing facility, research and development centre and Asia-Pacific headquarters in Victoria.[68] The 2022–23 Budget included funding to progress this initiative, however, the amount was not disclosed in the budget papers because the arrangements were 'commercial-in-confidence'.[69]

At the hearings, the Secretary of DJSIR reiterated that details of the funding provided to Moderna were commercial-in-confidence, as is 'the case for a number of international projects'.[70] The Secretary elaborated this was because the State 'is not wishing to telegraph to other jurisdictions what its financial incentive might be to attract an investor'.[71]

68 Department of Jobs, Precincts and Regions, *Annual Report 2021–22*, p. 26.

69 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23*, pp. 72, 80.

70 Mr Tim Ada, Secretary, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 8.

71 Ibid.

The 2022–23 Budget also included funding for Lumos Diagnostics to establish a rapid diagnostics manufacturing facility and innovation hub in Victoria.[72] The budget papers state this facility was expected to produce roughly 50 million rapid antigen tests every year, securing 'sovereign rapid diagnostic test manufacturing capability in Victoria to improve security supply of COVID-19 and future diagnostic products'.[73] The amount of funding allocated to this initiative was also not disclosed in the budget papers due to commercial-in-confidence arrangements.[74]

When asked about this initiative during the Inquiry into the 2022–23 Budget Estimates, the former Minister for Innovation, Medical Research and the Digital Economy advised the non-disclosure of confidential commercial information was one of the Government's long-standing arrangements.[75] The Minister stated,

> when we enter into these grant agreements with companies to support their development of new products and new initiatives, there is a process that sits around that where officials assess the suitability of grant support. Those matters are, with rare exception, commercial-in-confidence.[76]

Despite the Minister's statements and the non-disclosure of funding in the budget papers, Lumos Diagnostics reported publicly that the facility was expected to cost $17.2 million, including the co-investment by the Victorian Government.[77]

Finally, the *2022 Victorian Economic and Fiscal Update* (VEFU) included funding to secure the extension of the Australian Formula One (F1) Grand Prix in Victoria until 2037, however, the funding allocation was not disclosed in the VEFU as it 'includes some elements that are commercial-in-confidence'.[78] The Australian Grand Prix Corporation (AGPC) publishes in its annual reports the total income received from government contributions and the total expenses incurred in delivering its major events.[79] However, it is unclear how or if the AGPC will report on the funding allocated to the extended agreement between the Victorian Government and F1 in future annual reports, including distinguishing between the non-sensitive and the confidential elements of the agreement.

In 2021–22 and 2022–23 the AGPC disclosed that it received $78.1 million and $100.7 million from the Victorian Government to stage the F1 Grand Prix.[80] The Deputy Secretary, Sport and Experience Economy advised the increase in government

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72 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23*, pp. 72, 78.

73 Ibid., p. 78.

74 Ibid., pp. 72, 78.

75 Hon Jaala Pulford MLC, Minister for Innovation, Medical Research and the Digital Economy, 2022–23 Budget Estimates (Innovation, Medical Research and the Digital Economy) hearing, Melbourne, 17 May 2022, *Transcript of evidence*, p. 3.

76 Ibid.

77 Lumos Diagnostics, *Victorian Government Intent to Support Lumos Local Manufacturing & Innovation Hub*, media release, Melbourne, 2 February 2022.

78 Department of Treasury and Finance, *2022 Victorian Economic and Fiscal Update*, Melbourne, 2022, pp. 95, 98; Australian Grand Prix Corporation, *2023 Annual Report*, Melbourne, 2023, p. 3.

79 Australian Grand Prix Corporation, *2023 Annual Report*, pp. 23, 47.

80 Ibid., p. 23.

contributions related to global increases in freight fees and the addition of the Formula Two and Three races to the event schedule.[81] When the Committee requested DJSIR provide a breakdown of these specific costs, however, the department advised on notice that the costs are commercial-in-confidence and are 'paid under the AGPC's contractual arrangements' to host the F1 Grand Prix.[82]

FINDING 85: In 2022–23 the funding allocation for three of the Department of Jobs, Skills, Industry and Regions' (DJSIR) output initiatives was classified in the budget papers as 'commercial-in-confidence'. It is unclear if or how DJSIR will report on the funding allocation for these initiatives in the future.

At the hearings the Committee asked DJSIR about inconsistencies in the Victorian Government's claims of commercial confidentiality. The Committee noted the Victorian Government had publicly disclosed the funding provided under the *Energy Innovation Fund* to three private sector offshore wind projects: $19.5 million for Star of the South, $16.5 million for Macquarie Group and $2.3 million for Flotation Energy.[83] The Secretary of DJSIR advised that, in the particular case of offshore wind, the Victorian Government had chosen to publicise its investment because it was aimed at achieving particular targets and commitments, whereas DJSIR differed in aiming to attract private sector foreign direct investment in a competitive environment.[84]

The Secretary added the 'vast majority' of grants provided by DJSIR are 'declared and published and announced', but that a number are classified by the Victorian Government as commercial-in-confidence.[85] DJSIR publishes the details of general grant payments in appendices to its annual reports, itemised by both grant program and recipient. DJSIR also publishes the total annual funding for commercial-in-confidence grants and a list of recipients, but not the specific grant programs nor the funding allocated to each recipient or program.[86] DJSIR is the only department that reports on 'commercial-in-confidence grants' in its annual reports, and the Department of Treasury and Finance's *Model Report* does not include any regulations or guidance around reporting on confidential commercial information, including disclosures of commercial-in-confidence grants.[87]

81 Mr Peter Betson, Deputy Secretary, Sport and Experience Economy, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* p. 7.

82 Mr Tim Ada, Secretary, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes, response to questions on notice, received 12 December 2023, pp. 15–16.

83 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* p. 8; Hon Daniel Andrews MP, *Big Boost to Offshore Wind to Drive Jobs,* media release, Melbourne, 23 November 2021.

84 Mr Tim Ada, Secretary, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 8.

85 Ibid.

86 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* p. 213; Department of Jobs, Skills, Industry and Regions, *Annual reports*, 19 January 2024, <https://djsir.vic.gov.au/about-us/publications/annual-reports> accessed 15 February 2024.

87 Department of Treasury and Finance, *2022–23 Model Report for Victorian Government Departments*, Melbourne, April 2023, pp. 30–31.

In 2021–22 DJPR paid $395.4 million in commercial-in-confidence grants to 7,015 organisations and individuals.[88] This represents 3.8% of the department's total grant payments in 2021–22, or 12.1% when excluding the $7.2 billion *Circuit Breaker Lockdown Support Package*.[89] DJSIR paid a total of $516.6 million in commercial-in-confidence grants to 462 recipients in 2022–23, accounting for 27.6% of all grants paid by the department.[90] The recipients of commercial-in-confidence grants in both years varied significantly and consisted of a diverse range of organisations, including:

- medical and pharmaceutical companies
- local councils
- charities
- tourism businesses
- wineries and breweries
- professional, amateur and community sporting associations, clubs, leagues, and governing bodies
- international airlines
- telecommunications companies
- universities
- global food and beverage manufacturers.[91]

FINDING 86: The Department of Jobs, Precincts and Regions (DJPR)/Department of Jobs, Skills, Industry and Regions (DJSIR) paid $395.4 million in 2021–22 and $516.6 million in 2022–23 in commercial-in-confidence grants to a wide range of organisations and individuals. Commercial-in-confidence grants accounted for 3.8% of all grants paid by DJPR/DJSIR in 2021–22 and 27.6% in 2022–23.

RECOMMENDATION 33: The Department of Jobs, Skills, Industry and Regions publish the details of 'commercial-in-confidence' grants itemised by both grant program and grant recipient in future annual reports.

88 Department of Jobs, Precincts and Regions, *Annual Report 2021–22: Appendix 13 Grants (Part 1 of 4),* Melbourne, 2022, pp. 1–141.

89 Department of Jobs, Precincts and Regions, *Annual Report 2021–22,* p. 300 (Committee calculation).

90 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* p. 313; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23: Appendix 13 Grants (Part 1 of 3)*, pp. 1–10 (Committee calculation).

91 Department of Jobs, Precincts and Regions, *Annual Report 2021–22: Appendix 13 Grants (Part 1 of 4),* pp. 1–141; Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23: Appendix 13 Grants (Part 1 of 3)*, Melbourne, 2023, pp. 1–10.

RECOMMENDATION 34: The Department of Treasury and Finance update its *2023–24 Model Report for Victorian Government Departments* to include guidance around the disclosure of commercial-in-confidence grants in annual reports, specifying that the disclosure of the grant recipient and grant program is required.

Commercial confidentiality is a nebulous concept that emerged in conjunction with increases in the contracting out of public services to the private sector by State and Commonwealth governments.[92] Perhaps the most significant issue associated with commercial confidentiality is in defining the term and distinguishing between the kinds of information that contractors and/or the Government consider to be 'commercial-in-confidence'.[93] In deciding to disclose or withhold certain commercial information, governments make decisions about whether the public interest is better served by accountability or the protection of commercial interests.[94]

In the late 1990s and early 2000s the broad interpretation of the term 'commercial-in-confidence' by both the private and public sectors led auditors-general, ombudsmen, parliamentarians and parliamentary committees to question whether commercial interests were being overly protected at the expense of eroding governmental transparency and accountability.[95] Several inquiries and reports examined the impact of the concept on traditional forms of government accountability.[96] This included legal mechanisms—such as freedom of information and public records legislation and the powers of accountability offices such as auditors-general, ombudsmen and regulator-generals—and political mechanisms—such as parliamentary procedures, question time, and parliamentary committees.[97]

In 2000, the Public Accounts and Estimates Committee conducted an inquiry into commercial-in-confidence material and the public interest, following allegations that investigations by VAGO were being obstructed by claims of commercial confidentiality.[98] The Committee's final report concluded that 'commercial-in-confidence' was 'neither a

92 Pat Barrett, *Public private partnerships: Are there gaps in public sector accountability*, Melbourne, February 2003, pp. 37–38; William de Maria, 'Commercial-in-Confidence: An Obituary to Transparency?', *Australian Journal of Public Administration*, vol. 60, no. 4, 2001, p. 93; Parliament of Victoria, Public Accounts and Estimates Committee, *Commercial-in-confidence Material and the Public Interest*, March 2000, p. 50.

93 Pat Barrett, *Public private partnerships: Are there gaps in public sector accountability*, pp. 37–38.

94 Parliament of Australia, *Government guidelines for official witnesses before Parliamentary Committees and related matters*, February 2015, <https://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/Guidelines_for_official_witness> accessed 15 February 2024.

95 Pat Barrett, *Public private partnerships: Are there gaps in public sector accountability*, pp. 37–38; Parliament of Victoria, Public Accounts and Estimates Committee, *Commercial-in-confidence Material and the Public Interest*, p. 20.

96 Parliament of Australia, Senate Standing Committee on Finance and Public Administration, *Contracting out of Government Services Second Report: Chapter 5 – Commercial Confidentiality*, May 1998, <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/Completed_inquiries/1996-99/contracting/report/contents> accessed 15 February 2024; Parliament of Victoria, Public Accounts and Estimates Committee, *Commercial-in-confidence Material and the Public Interest*; Legislative Assembly for the Australian Capital Territory, Standing Committee on Administration and Procedure, *The Use of Commercial-in-Confidence material and In Camera Evidence in Committees,* August 2001; Legislative Assembly of Queensland, Public Accounts Committee, *Commercial-in-confidence arrangements*, November 2002; William de Maria, 'Commercial-in-Confidence: An Obituary to Transparency?', p. 101.

97 Parliament of Victoria, Public Accounts and Estimates Committee, *Commercial-in-confidence Material and the Public Interest*, pp. 24–55.

98 Ibid., pp. 2–7.

technical term nor one with a recognised legal meaning' but rather a 'loose description for information of a commercial nature'.[99]

The Committee also concluded that accountability and transparency can be undermined by constant claims of 'commercial-in-confidence' to deny the public's access to information.[100] Accountability is a fundamental principle of responsible government and is essential to ensuring public funds are spent appropriately and in a manner that balances outcomes for the community and value-for-money.[101] However, the Committee's report noted that claims of 'commercial-in-confidence' have the capacity to restrict the effective oversight of governments' financial and administrative functions, effectively diminishing the transparency and accountability of governments' actions.[102]

FINDING 87: The difficulty of defining 'commercial-in-confidence' further complicates the already difficult question of how to balance accountability and transparency over the use of public funds, against justified concerns of confidentiality and necessary protections against legal action and financial damage.

The Committee understands there are legitimate circumstances where the disclosure of commercial information would be against the public interest—certain disclosures may expose the State to legal action if found to be breaking confidentiality clauses in a contract, for example. However, the parliamentary committee system is an essential accountability mechanism which supports the Parliament to legislate effectively and informs the public of the outcomes and performance of the government.[103]

The Committee is concerned by the variety, inconsistency, and prevalence of claims of commercial confidentiality during its inquiries. Ministers and departments have claimed material is 'commercial-in-confidence' to withhold information about projects and initiatives on numerous occasions, without sufficient reasoning as to why such information was confidential. During the Committee's most recent inquiries between 2020 and 2024, this has included details of:

- funding for the Smile Squad: specialist services initiative
- the cost of healthcare services in men's prisons delivered by GEO Healthcare (GEO)
- recognition and settlement agreements between the Victorian Government and Traditional Owner Corporations, including settlement amounts
- the price of homes sold by Development Victoria
- financial support for a 'large energy user' as part of conditions defined in a support agreement
- funding for LATAM and other airlines to provide flights to and from Melbourne

99 Ibid., p. 15.
100 Ibid., p. 143.
101 Ibid., p. 22.
102 Ibid., p. 143.
103 Ibid., p. 46.

- the cost of major event contracts, including for live concerts by Dua Lipa, Billy Joel and the Foo Fighters
- funding for the Australian Football Leage to stage games in regional Victoria
- the registry of owners of Treasury Corporation of Victoria bonds
- funding for ForestWorks, a not-for-profit organisation, to provide worker support services for timber and supply chain workers affected by the ending of native timber harvesting.[104]

In a number of these cases, commercial information that was said to be confidential was published both before and after the Committee's hearings or inquiries, either by departments or private contractors. In its Annual Report the Department of Energy, Environment and Climate Action reported ForestWorks received a grant of $6.8 million in 2022–23, despite claiming during the 2023–24 Budget Estimates hearings this information was confidential.[105] GEO reported publicly that its new contract to deliver male custodial health services in Victoria would generate approximately $51.5 million in incremental annualised revenue, despite the Department of Justice and Community Safety informing the Committee the value of this contract was commercial-in-confidence.[106] Finally, funding for *Smile Squad: specialist services* was not disclosed in the 2022–23 Budget Papers because the 'arrangements are commercial-in-confidence', however, the Department of Health later advised funding for this initiative totalled $16.7 million in 2022–23.[107]

The Committee believes it would be beneficial for the Victorian Government to publish a clear definition and framework for managing and reporting on 'commercial-in-confidence' and 'commercially sensitive' information to provide clarity and transparency for the Parliament and public around the reasons for withholding commercial information.

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104 Department of Treasury and Finance*, Budget Paper No. 3: 2022–23,* p. 54; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2023–24 Budget Estimates*, October 2023, pp. 34, 77; Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence*, pp. 15, 24; Ms Angela Skandarajah, Chief Executive Officer, Development Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 22 November 2023, *Transcript of evidence*, p. 15; Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes, response to questions on notice, received 29 November 2023, p. 3; Mr David Latina, Deputy Secretary, Department of Jobs, Skills, Industry and Regions, 2023–24 Budget Estimates (Industry and Innovation) hearing, Melbourne, 6 June 2023, *Transcript of evidence*, p. 4; Hon Steve Dimopoulos MP, Minister for Tourism, Sport and Major Events, 2023–24 Budget Estimates hearing, response to questions on notice, received 16 June 2023, p. 1; Hon Martin Pakula MP, Minister for Tourism, Sport and Major Events, 2022–23 Budget Estimates hearing, response to questions on notice, p. 1; Mr Paul Smith, Deputy Secretary, Forestry and Resources, Department of Energy, Environment and Climate Action, 2023–24 Budget Estimates (Agriculture) hearing, Melbourne, 6 June 2023, *Transcript of Evidence,* pp. 4–5; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Financial and Performance Outcomes*, May 2021, p. 178.

105 Department of Energy, Environment and Climate Action, *Annual Report 2022–23,* Melbourne, 2023, p. 317; Mr Paul Smith, Deputy Secretary, Forestry and Resources, Department of Energy, Environment and Climate Action, 2023–24 Budget Estimates (Agriculture) hearing, Melbourne, 6 June 2023, pp. 4–5.

106 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2023–24 Budget Estimates*, pp. 76–77; The GEO Group, Inc., *The GEO Group Signs Contract for Delivery of Primary Health Services in Prisons Across the State of Victoria, Australia*, 9 January 2023, <https://investors.geogroup.com/news-releases/news-release-details/geo-group-signs-contract-delivery-primary-health-services> accessed 21 February 2024.

107 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23,* pp. 54–55; Department of Health, *Response to the 2023–24 Budget Estimates Questionnaire*, received 1 June 2023, p. 52.

FINDING 88: During the Committee's Inquiry into the 2021–22 and 2022–23 Financial and Performance Outcomes and past inquiries, Ministers and departmental officials have classified a range of information relating to various projects and initiatives as 'commercial-in-confidence', and as a result have withheld or declined to disclose that information to the Committee. In several cases, information which was said to be 'commercial-in-confidence' has subsequently been published by either the Victorian Government or private companies.

RECOMMENDATION 35: The Victorian Government publish a clear definition and framework for 'commercial-in-confidence' and 'commercially sensitive' to provide clarity and transparency for the Parliament around the reasons for withholding commercial information.

In its previous inquiry into commercial-in-confidence material, the Committee made several recommendations regarding the powers and procedures of parliamentary committees. This included amending the *Parliamentary Committees Act* (Vic) to allow committees to order the publication of commercial-in-confidence evidence taken *in camera* when it is determined to be in the public interest and requiring Ministers to provide reasoning in writing behind decisions to withhold information on confidentiality grounds.[108]

In 2003 the Commonwealth Senate introduced a Procedural Order of Continuing Effect that stipulates the following condition with regards to claims of commercial confidentiality:

> The Senate and Senate committees shall not entertain any claim to withhold information from the Senate or a committee on the grounds that it is commercial-in-confidence, unless the claim is made by a minister and is accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from the disclosure of the information.[109]

The Legislative Assembly and the Legislative Council Standing and Sessional Orders of the Victorian Parliament do not currently prescribe similar conditions.

8.7 Key issue—Creative Industries portfolio

During the hearings the Committee discussed several achievements under the Creative Industries portfolio during 2021–22 and 2022–23 with DJPR/DJSIR. Within the Creative Industries portfolio DJSIR aims to 'grow vibrant, active and creative communities' by

108 Parliament of Victoria, Public Accounts and Estimates Committee, *Commercial-in-confidence Material and the Public Interest*, pp. 78–79.

109 Parliament of Australia, *Procedural orders and resolutions of the Senate of continuing effect: Accountability*, n.d., <https://www.aph.gov.au/Parliamentary_Business/Chamber_documents/Senate_chamber_documents/standingorders/d00/Procedural_orders_of_continuing_effect/d04> accessed 15 February 2024.

increasing the economic, social and cultural value of the creative, sport and recreation industries to Victoria.[110]

8.7.1 VicScreen

VicScreen is Victoria's creative and economic screen development agency.[111] During the hearings the Committee discussed VicScreen's accomplishments in 2021–22 and 2022–23 at length, including the economic benefit the agency delivered to the State through its activities.[112]

In 2021–22 the initiative *Creative State: Screen Industry Strategy 2021–25* received $120.6 million in funding over four years to transform the screen industry by growing jobs, economic activity, building skills and talent and producing content.[113] The VicScreen Strategy was launched in May 2021, which DJSIR advised would seek to 'reshape Victoria into a global powerhouse for screen', and planned to deliver 40,000 jobs and $1.2 billion to the Victorian economy.[114]

Since the launch of the *Strategy,* DJSIR advised VicScreen had secured over 22,000 project jobs in the State and had added more than $825 million to the Victorian economy.[115] Further, VicScreen had, since the launch of the *Victorian Production Fund* in March 2022*,* supported 125 Victorian film, television and online projects, which generated $275.2 million and over 2,000 full-time equivalent (FTE) jobs.[116] DJSIR added that VicScreen aimed to bring large international productions to Victoria and had been successful in this area through its *Victorian screen incentive* program, which since its launch in late 2020 had generated $611 million in expenditure and 4,660 FTE jobs.[117]

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FINDING 89: Since the launch of the *Creative State: Screen Industry Strategy 2021–25* in 2021, VicScreen has secured over 22,000 project jobs in Victoria and added over $825 million to the Victorian economy.

110 Department of Jobs, Skills, Industry and Regions, *Annual Report 2022–23,* p. 222.

111 VicScreen, *About us,* 2024, <https://vicscreen.vic.gov.au> accessed 9 February 2024.

112 Ms Claire Febey, Chief Executive Officer, Creative Victoria, Department of Jobs, Skills, Industry and Regions, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* pp. 11–13.

113 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22,* pp. 70, 76 (Committee calculation).

114 Creative Victoria, *VICSCREEN Strategy: Victoria's Screen Industry Strategy 2021–25,* 2024, <https://creative.vic.gov.au/about/our-strategy/vicscreen-strategy#:~:text=The%20strategy%2C%20launched%20in%20May,a%20world%2Dclass%20screen%20centre> accessed 9 February 2024; Ms Claire Febey, Chief Executive Officer, Creative Victoria, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 11.

115 Ms Claire Febey, Chief Executive Officer, Creative Victoria, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 11.

116 Ibid.; Hon Danny Pearson MP, *New Fund Backs Victorian Productions, Screen Workers,* media release, Melbourne, 6 March 2022.

117 Ms Claire Febey, Chief Executive Officer, Creative Victoria, Department of Jobs, Skills, Industry and Regions, *Transcript of evidence,* p. 11; Ausfilm, *Film Victoria announces new Victorian Screen Incentive—AU$33.8 million,* 12 November 2020, <https://www.ausfilm.com.au/news/film-victoria-announces-new-victorian-screen-incentive-33-8-million-for-physical-post-vfx-animation-games> accessed 14 February 2024.

Building state-of-the-art screen infrastructure was also a focus across both years, in order to attract large budget international productions to Victoria and make the State a 'world-leading centre for screen production'.[118] In 2022 the development of Sound Stage 6 at Docklands Studios was expected to boost the studio's capacity by 60%, while in March 2023 virtual production infrastructure planned as part of a partnership with NBCUniversal was also opened at Docklands Studio.[119]

The 2022–23 Budget included $54 million for the *NBCUniversal Partnership* initiative over five years, which was for the infrastructure installation at Docklands studio, and to secure television and streaming service development in Victoria.[120] DJSIR's response to the questionnaire shows that $8.4 million of the $12.5 million allocated in the 2022–23 Budget was spent in 2022–23 on the virtual production infrastructure project at Docklands Studios Melbourne.[121]

As part of the partnership, DJSIR secured what was at the time called Victoria's 'biggest ever screen production', a TV series called *Metropolis*.[122] The project was expected to create approximately 4,000 local jobs, generate $126 million in economic activity and benefit around 600 businesses, while the partnership with NBCUniversal was to add $416 million to the Victorian economy.[123]

In mid-2023 it was announced that the *Metropolis* project would no longer be going ahead due to the Writer's Guild Association strike in the United States.[124] No further public information has been provided by DJSIR regarding the cancellation, or what it means for the partnership with NBCUniversal. It is unclear to the Committee if the partnership is continuing, in what form it is continuing, what projects are in the pipeline and how much funding already spent on the *Metropolis* project can be recovered.

FINDING 90: The 2022–23 Budget included $54 million over five years for the *NBCUniversal Partnership* initiative, which included securing Victoria's largest ever screen production in for the State, a TV series called *Metropolis.* The *Metropolis* project was cancelled in 2023 due to the Writer's Guild Association strike in the United States.

118 Hon Stuart Robert MP, Hon Paul Fletcher MP, Hon Danny Pearson MP, *Joint media release: State-of-the-art Infrastructure Boosts Screen Industry,* media release, Melbourne, 14 April 2022.

119 Development Victoria, *Docklands Studios Melbourne, Sound Stage 6,* 31 January 2024, <https://www.development.vic.gov.au/projects/docklands-studios-melbourne?page=overview> accessed 9 February 2024; Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 105.

120 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23,* pp. 72, 77 (Committee calculation).

121 Department of Jobs, Skills, Industry and Regions, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 67.

122 Creative Victoria, *Victoria to be home to new blockbuster series Metropolis,* 14 April 2022, <https://creative.vic.gov.au/news/2022/victoria-to-be-home-to-new-blockbuster-series-metropolis#:~:text=Victoria%20has%20secured%20its%20biggest,million%20into%20the%20Victorian%20economy.> accessed 9 February 2024.

123 Ibid.; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates,* August 2022, p. 137.

124 Media, Entertainment and Arts Alliance, *Annual Report 2022–23,* Sydney, 2023, p. 9; Shaun Barr, Linkedin, *SAG-AFTRA goes on strike: what happens now and why?,* 14 July 2023, <https://www.linkedin.com/pulse/sag-aftra-goes-strike-what-happens-now-why-shaun-barr> accessed 9 February 2024.

RECOMMENDATION 36: The Department of Jobs, Skills, Industry and Regions publish information on its website regarding the *NBCUniversal Partnership,* including information on current projects under the partnership, how much funding has already been invested in the partnership, and how much was invested in the *Metropolis* production and the future of the project.

Chapter 9
Department of Energy, Environment and Climate Action

9.1 Overview

The Department of Energy, Environment and Climate Action (DEECA) leads Victoria's energy, environment, water, agriculture, forestry, resources, climate action and emergency management functions.[1] The department's vision is a thriving, productive and sustainable Victorian community, environment and industry.[2]

As of 30 June 2023, DEECA supports six ministerial portfolios: Climate Action, Energy and Resources, the State Electricity Commission, Environment, Water and Agriculture.[3]

The department's seven objectives are:

- a net zero emission, climate-ready economy and community
- a healthy, resilient and biodiverse environment
- reliable, sustainable and affordable energy services
- productive and effective land management
- safe and sustainable water resources
- reduced impact of major bushfires and other emergencies on people, property and the environment
- to promote productive and sustainably used natural resources.[4]

9.1.1 Machinery of government changes

DEECA replaced the former Department of Environment, Land, Water and Planning (DELWP) on 1 January 2023 following machinery of government (MoG) changes.[5] Other MoG changes that impacted DELWP/DEECA in 2021–22 and 2022–23 are illustrated in Figure 9.1.

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1 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, p. 11.

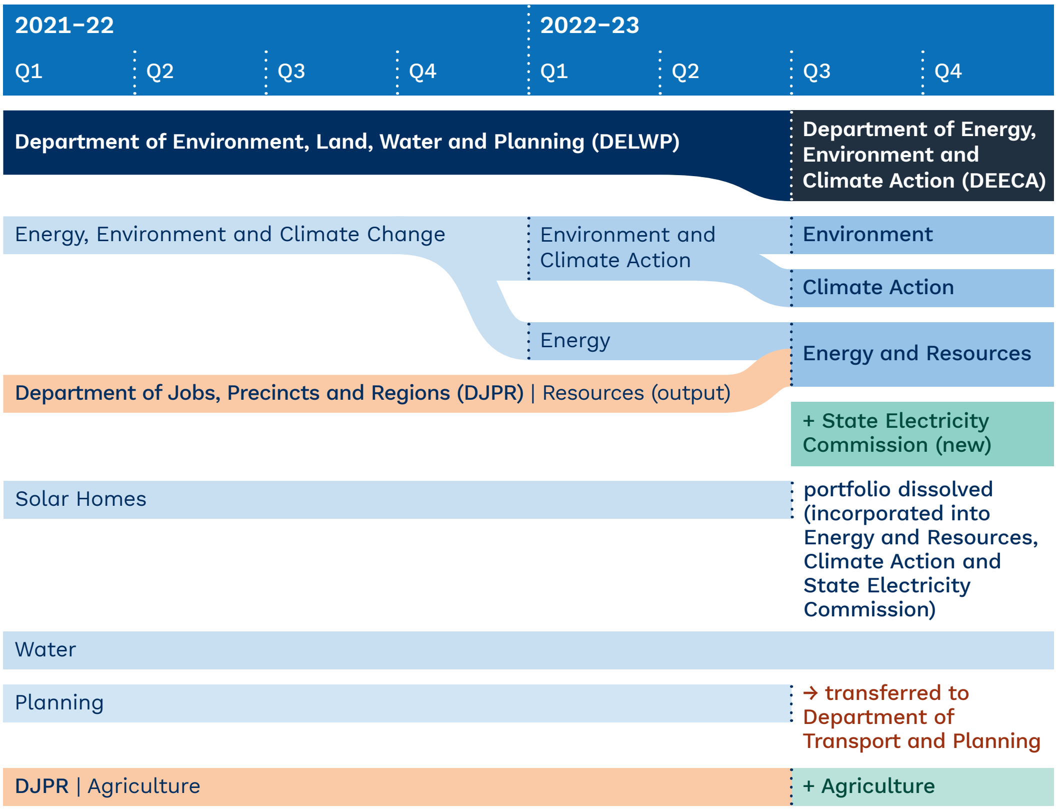
2 Ibid.

3 Ibid., pp. 11, 27.

4 Ibid., p. 26.

5 Ibid., pp. 11, 131.

Figure 9.1 Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action—machinery of government changes, 2021–22 and 2022–23



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9.2 Outcomes and challenges

DEECA was asked to identify the programs that delivered the most important outcomes in the community in 2021–22 and 2022–23. In both years the department advised this included initiatives aimed at advancing the Government's climate change strategy and reducing Victoria's emissions.[6] In 2021–22 DELWP released the first iteration of seven climate change Adaptation Action Plans, which outline 127 actions to progress the Government's five-year adaptation priorities, aimed at addressing the impacts of climate change and reducing barriers to adapting to future impacts.[7] In 2022–23 DEECA provided advice to the Government on Victoria's transition to net zero emissions and a new target was set in May 2023 to reduce Victoria's greenhouse gas emissions by 75–80% below 2005 levels by 2035, and to achieve net zero emissions by 2045.[8]

6 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 23, 29.

7 Ibid., pp. 23–24.

8 Ibid., p. 29.

The Committee also asked DEECA to identify the programs that did not deliver the planned outcomes. In both years DEECA experienced issues with *Biodiversity 2037* (discussed in Section 9.5), the *Solar Homes* program (discussed in Section 9.6) and the *ResourceSmart Schools* program.[9] In 2021–22 the department also faced difficulties meeting its energy saving targets under the *Victorian Energy Upgrades* program and its targets for the active stewardship of water catchments.[10] DEECA noted its *Suburban Pocket Parks* and *Responsible Pet Ownership* programs also did not deliver the intended outcomes in 2022–23.[11]

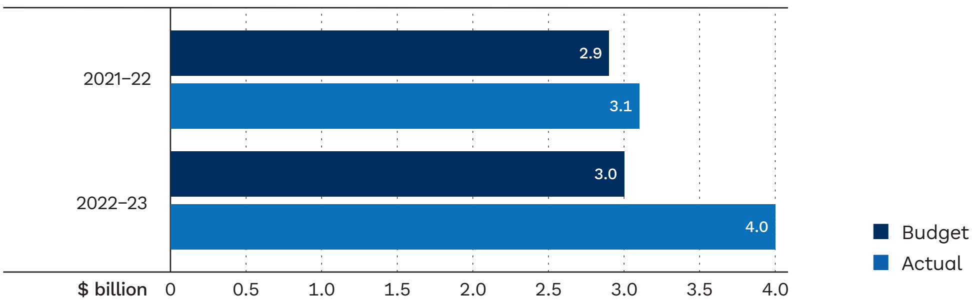
Finally, DEECA was asked to outline the key challenges it faced in 2021–22 and 2022–23. Managing and accelerating Victoria's clean energy transition in response to climate change and population growth and managing the impacts of climate change and biodiversity loss were identified as key challenges.[12]

9.3 Financial analysis

9.3.1 Output expenditure

DELWP overspent $209.6 million (7.3%) compared to the department's budget of $2.9 billion in 2021–22.[13] DEECA overspent again in 2022–23 by $979.5 million (32.6%).[14] Figure 9.2 illustrates DELWP's/DEECA's budgeted and actual output expenditure in 2021–22 and 2022–23.

Figure 9.2 Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action—budget versus actual, 2021–22 and 2022–23



Source: Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, pp. 28–96; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, pp. 28–95 (Committee calculation).

9 Ibid., pp. 37–40.

10 Ibid., pp. 37–38.

11 Ibid., pp. 39–40.

12 Ibid., pp. 187–194.

13 Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, pp. 28–96 (Committee calculation)

14 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, pp. 28–95 (Committee calculation).

The variation between DELWP's budgeted and actual output expenditure in 2021–22 was driven by two outputs:

- Management of Public Land and Forests reported an overspend of $144.1 million (49%) due to additional funding for flood and storm recovery works and the reclassification of costs from capital to output for several initiaves[15]
- Environment and Biodiversity recorded an overspend of $112.5 million (69.3%), which was driven by additional funding for Melbourne Strategic Assessment[16] land purchases, contingency funding for recovery works, DEECA's response to the 2019–20 bushfires and an increase in Commonwealth funding for two biodiversity initiatives.[17]

These variances were partially offset by the Solar Homes output, which recorded an underspend of $134.7 million (41.8%) due to a low number of approved rebates and the rephasing of funding for a number of initiatives.[18]

The variance in DEECA's budgeted and actual output expenditure for 2022–23 was also driven by two outputs. The Energy output recorded an overspend of $649.8 million (133.8%) mostly due to additional funding allocated to the $250 Power Saving Bonus (PSB).[19] The 2022–23 Budget allocated $250 million to deliver a third round of the PSB, which provided a one-off payment to households that use the Victorian Energy Compare (VEC) website.[20] However, DEECA accessed a total of $642.4 million in Treasurer's Advances in 2022–23 to expand the number of payments available under the third round of the PSB and to deliver a fourth round of the program.[21] DEECA explained this additional funding was to accommodate the popularity of the program which 'received higher uptake than initially anticipated'.[22] The Fire and Emergency Management output also recorded an overspend of $206.1 million (50.1%), to support emergency response and recovery activities for Victorian flood and emergency events.[23]

15 Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 65 (Committee calculation).

16 The Melbourne Strategic Assessment program imposes a levy to fund mitigation measures for impacts on biodiversity caused by the development of Melbourne's growth corridors. The program aims to ensure development in new emerging suburbs follows Victorian and Australian environmental laws as well as streamlining the approval process for developers. Source: Department of Energy, Environment and Climate Action, *How it works*, 24 January 2024, <https://www.msa.vic.gov.au/about-the-program/how-it-works> accessed 31 January 2024; Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 158.

17 Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 40 (Committee calculation).

18 Ibid., p. 54 (Committee calculation).

19 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 52 (Committee calculation).

20 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, Melbourne, 2022, pp. 26, 28; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2022–23 Budget Estimates*, August 2022, p. 156.

21 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 32, 46, 70.

22 Ibid., p. 46.

23 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 80.

9.3.2 Revenue and expenses

In 2021–22 DELWP's output appropriations were $2.2 billion, representing a $163 million (6.9%) decrease compared to 2020–21.[24] This decrease was due to one-off funding in 2020–21 to secure Victoria's energy supply and support the transition to renewable energy generation.[25]

The department's output appropriations grew by $1.2 billion (53.1%) in 2022–23 compared to the previous year, surpassing DEECA's allocated budget by $1 billion (45.5%).[26] DEECA advised this was due to additional funding for the PSB, timber worker and industry support payments and to support response and recovery efforts related to the storm and flood emergency, as well as the MoG transfer of the Agriculture and Resources outputs to DEECA.[27] DEECA did not provide a breakdown of the $1 billion of funding in its response to the Committee's questionnaire.

RECOMMENDATION 37: Victorian Government Departments, the Parliamentary Departments and Court Services Victoria provide a breakdown of the additional funding received when accounting for discrepancies between budgeted and actual revenue in response to the Committee's future general questionnaires.

DELWP's employee expenses rose by $83 million (13.2%) from 2020–21 to 2021–22.[28] This was due to increases in DELWP's full-time-equivalent (FTE) workforce—which grew by 317 (6.5%) between June 2021 and June 2022—Enterprise Bargaining Agreement, superannuation rate and employee related oncosts, as well as the impacts of the Early Retirement Plan.[29] In 2022–23 the department's employee expenses rose again by $47 million (6.6%), with DEECA's FTE workforce also increasing by 446 (8.6%) between June 2022 and June 2023.[30]

Overall financial performance

Table 9.1 summarises DELWP's/DEECA's financial performance in 2021–22 and 2022–23.

24 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 109 (Committee calculation).

25 Ibid.

26 Ibid., pp. 111, 115 (Committee calculation).

27 Ibid., p. 111.

28 Ibid., p. 117 (Committee calculation).

29 Ibid.; Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 308 (Committee calculation).

30 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 117; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, pp. 298–299 (Committee calculation).

Table 9.1 Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	2,887	3,234	12	3,212	4,337	35
Expenses from transactions	2,890	3,102	7.3	2,968	4,079	37.4
Net result from transactions	**(3)**	**132**	**–**	**243**	**258**	**–**

Source: Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, p. 322; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, p. 309 (Committee calculation).

9.3.3 Water corporations

Victoria has 20 water corporations divided into three cohorts: metropolitan, regional and rural.[31] Water corporations are accountable to the Minister for Water and provide a range of services, including providing water and sewerage services, managing the supply and distribution of water, and providing drainage and salinity mitigation services for irrigation and domestic and stock purposes.[32]

Victoria's four metropolitan water corporations[33] all reported stable financial positions in 2021–22 and 2022–23 with income exceeding expenses.[34] The only exception was Greater Western Water in 2021–22, which reported a loss after income tax of $525 million.[35]

In 2021–22 the metropolitan water corporations paid a combined total of $91.1 million in dividends to the general government sector, followed by $80.2 million in 2022–23.[36] The metropolitan water corporations also paid $209.9 million in capital repatriations in 2021–22.[37] Budgeted capital repatriations—totalling $209.9 million—were not paid in 2022–23 due to a change in payment date requested by the Department of Treasury and Finance and instead were deferred to 2023–24.[38]

31 Department of Energy, Environment and Climate Action, *How we work with water corporations*, 15 September 2023, <https://www.water.vic.gov.au/about-us/how-we-work-with-water-corporations> accessed 5 January 2024.

32 Ibid.

33 These include Melbourne Water, Greater Western Water, South East Water and Yarra Valley Water. Source: Ibid.

34 Melbourne Water, *Annual Report 2022–23*, Melbourne, 2023, p. 97; Greater Western Water, *Annual Report 2022–23*, Melbourne, 2023, p. 61; South East Water, *Annual Report 2022–23*, Melbourne, 2023, p. 107; Yarra Valley Water, *Annual Report 2022–23*, Melbourne, 2023, p. 112.

35 Greater Western Water, *Annual Report 2022–23,* p. 61.

36 Melbourne Water, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 29–30; Greater Western Water, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 26–27; South East Water, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 26–27; Yarra Valley Water, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 15 November 2023, pp. 33–34 (Committee calculation).

37 Ibid. (Committee calculation).

38 Ibid. (Committee calculation).

Victoria's metropolitan water corporations all failed to meet their targets for a number of key non-financial performance indicators over 2021–22 or 2022–23. These included indicators relating to the reliability and volume demands of recycled water, and the volume and percentage of effluent re-use and treatment.[39] The metropolitan water corporations advised the below-target results for indicators relating to recycled water and effluent re-use was largely due to La Niña conditions and above average rainfall reducing demand for recycled water, temporary and permanent closures of recycled water treatment plants and incidents of blue green algae.[40]

Barwon Region Water Corporation reported a stable position with income exceeding expenses in both years, whereas Lower Murray Urban and Rural Water Corporation's expenses exceeded income, resulting in net result deficits after tax of $19.3 million in 2021–22 and $14.2 million in 2022–23.[41] These two regional water corporations failed to achieve their targets for a number of non-financial performance indicators, including the volume of recycled water effluent treatment or re-use in both 2021–22 and 2022–23 due to similar reasons stated above.[42]

The Committee also requested information from two rural water corporations, Gippsland and Southern Rural Water and Goulburn-Murray Rural Water. In 2021–22 and 2022–23 expenses exceeded revenue for both corporations:

- Gippsland and Southern Rural Water recorded net result deficits after tax of $11.8 million in 2021–22 and $11 million in 2022–23.[43]
- Goulburn-Murray Rural Water recorded net result deficits after tax of $34.1 million in 2021–22 and $45 million in 2022–23.[44]

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FINDING 91: In 2021–22 Victoria's four metropolitan water corporations paid a combined total of $301 million in dividends and capital repatriations to the general government sector, followed by $80.2 million in dividends in 2022–23. Budgeted capital repatriation payments, totalling $209.9 million for 2022–23 were deferred to 2023–24 at the request of the Department of Treasury and Finance.

39 Melbourne Water, *Annual Report 2021–22*, Melbourne, 2022, pp. 148–149; Melbourne Water, *Annual Report 2022–23*, pp. 166–167; Yarra Valley Water, *Annual Report 2021–22*, Melbourne, 2022, p. 94; Yarra Valley Water, *Annual Report 2022–23*, pp. 102–103; Greater Western Water, *Annual Report 2021–22*, Melbourne, 2022, pp. 49–50; Greater Western Water, *Annual Report 2022–23*, pp. 55–56; South East Water, *Annual Report 2021–22*, Melbourne, 2022, pp. 148–149; South East Water, *Annual Report 2022–23*, pp. 80–82.

40 Ibid.

41 Barwon Water, *Annual Report 2022–23*, 2023, p. 93; Lower Murray Urban and Rural Water Corporation, *Annual Report 2022–23*, 2023, p. 63.

42 Barwon Water, *Annual Report 2022–23*, pp. 85–87; Barwon Water, *Annual Report 2021–22*, 2023, pp. 83–84; Lower Murray Urban and Rural Water Corporation, *Annual Report 2022–23*, pp. 57–58; Lower Murray Urban and Rural Water Corporation, *Annual Report 2021–22*, 2022, p. 72.

43 Southern Rural Water, *Annual Report 2022–23*, 2023, p. 99.

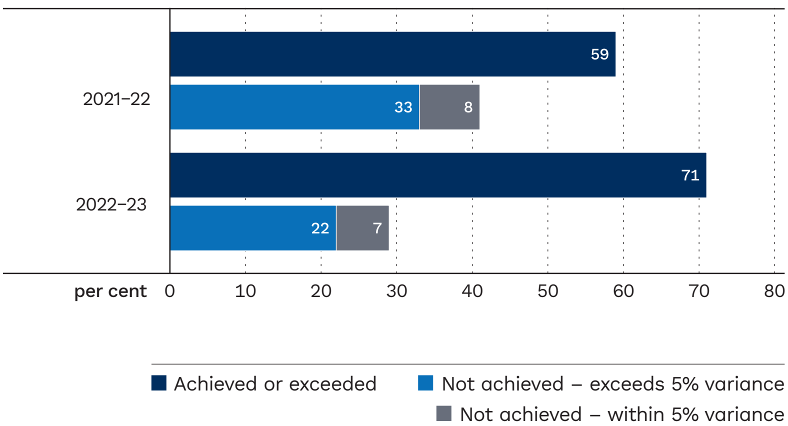
44 Goulburn-Murray Water, *Annual Report 2022–23*, 2023, p. 73.

FINDING 92: Most of the water corporations that provided information to the Committee did not meet performance indicator targets in 2021–22 and 2022–23 for the volume of recycled water or effluent treatment and re-use, largely due to La Niña conditions and higher than average rainfall reducing demand for recycled water as well as closures of treatment plants and incidents of blue green algae.

9.4 Performance information

DELWP/DEECA achieved or exceeded 59% of its 147 performance measures in 2021–22 and 71% of its 161 performance measures in 2022–23.[45] DELWP/DEECA failed to meet 33% of its performance measures by a variance exceeding 5% of the department's targets in 2021–22, improving slightly to 22% in 2022–23.[46] DELWP's/DEECA's performance measure results for 2021–22 and 2022–23 are illustrated in Figure 9.3.

Figure 9.3 Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action—performance measure results, 2021–22 and 2022–23



Source: Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, pp. 28–96; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, pp. 28–95 (Committee calculation).

Performance measures that were not met in both 2021–22 and 2022–23 by a variance exceeding 20% of DELWP's/DEECA's target included:

- Victorian schools participating in the ResourceSmart Schools program
- Hectares of revegetation in priority locations for habitat connectivity
- Applications for Solar PV rebates for owner-occupied and rental households approved

45 Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, pp. 28–96; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, pp. 28–95 (Committee calculation).

46 Ibid. (Committee calculation).

- Applications for Solar PV rebates for small businesses approved
- Area of waterway vegetation works undertaken to improve the health and resilience of waterways.[47]

FINDING 93: The Department of Environment, Land, Water and Planning/Department of Energy, Environment and Climate Action achieved or exceeded 59% of its 147 performance measures in 2021–22 and 71% of its 161 performance measures in 2022–23.

FINDING 94: In both 2021–22 and 2022–23 the Department of Environment, Land, Water and Planning/Department of Energy, Environment and Climate Action failed to meet its targets for a number of measures by significant variances, including for the ResourceSmart Schools program, revegetation works for habitat connectivity, solar photovoltaic rebates for households and businesses, and waterway vegetation works.

9.5 Key issue—biodiversity loss and threatened species

DEECA identified that managing the impacts of biodiversity loss was one of its most significant challenges in 2021–22 and 2022–23.[48] DEECA advised there is growing global recognition of the importance of biodiversity and that biodiversity loss is increasingly recognised as a risk that needs to be managed as a mainstream issue across the economy.[49] Biodiversity loss is a risk where the potential consequences or impacts on the community, Victorian Government and private sector are so large as to be of state significance. As such it will be monitored from a whole of government perspective.[50]

Under the *Flora and Fauna Guarantee Act 1988* (Vic) (the FFG Act), the Government must prepare:

- a biodiversity strategy, including proposals for achieving the objectives of the Act
- targets to measure these achievements
- a framework for monitoring and evaluating the implementation of the strategy.[51]

Biodiversity 2037 sets out the Government's 20-year plan to protect Victoria's biodiversity and halt the decline of its threatened species.[52] The strategy prioritises

47 Ibid. (Committee calculation).

48 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 187–194.

49 Ibid., p. 191.

50 Ibid.; Department of Treasury and Finance, *Victorian Government Risk Management Framework*, Melbourne, August 2020, p. 8.

51 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 151; *Flora and Fauna Guarantee Act 1988* (Vic) s. 17.

52 Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment – Biodiversity 2037*, Melbourne, 2017, pp. 13–15, 19.

cost-effective actions that address common threats to the greatest number of species.[53] *Biodiversity 2037* includes a number of statewide targets, expected outcomes and contributing targets to protect Victoria's threatened species. These are aligned to two overarching goals: 'Victorians value nature' and 'Victoria's natural environment is healthy'.[54]

Table 9.2 illustrates the statewide targets, expected outcomes and contributing targets for the goal 'Victoria's natural environment is healthy'.

Table 9.2 Statewide targets, expected outcomes and contributing targets for the Biodiversity 2037 goal 'Victoria's natural environment is healthy'

Goal	Victoria's natural environment is healthy
Statewide target[a]	A net improvement in the outlook across all species by 2037
Expected outcomes	• that no vulnerable or near-threatened species will have become endangered • that all critically endangered and endangered species will have at least one option available for being conserved ex situ or re-established in the wild should they need it • a net gain of the overall extent and condition of habitats across terrestrial, waterway and marine environments.
Contributing targets[b]	• 4 million hectares of sustained control of pest herbivores in priority locations per year • 1.5 million hectares of sustained control of pest predators in priority locations per year • 1.5 million hectares of sustained weed control in priority locations per year • 200,000 hectares of revegetation in priority areas for connectivity between habitats by 2037 • 200,000 hectares of new permanently protected areas on private land by 2037

a. The statewide target is a 20-year target and is measured by Change in Suitable Habitat.

b. The contributing targets are measured annually and identify the on-ground management actions estimated to deliver the statewide target. Despite being measured annually, the timeframe for these targets varies. Targets for hectares of predator, herbivore and weed control are to be achieved as soon as possible and sustained over the life of the strategy, whereas the targets for hectares of revegetation and permanently protected areas are cumulative and to be achieved by 2037.

Source: Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment – Biodiversity 2037*, Melbourne, 2017, pp. 19–21; Department of Energy, Environment and Climate Action, *Biodiversity 2037 Monitoring, Evaluation, Reporting and Improvements Framework*, Melbourne, 2019, p. 48; Department of Energy, Environment and Climate Action, *Implementing Biodiversity 2037*, 26 July 2023, <https://www.environment.vic.gov.au/biodiversity/Implementing-Biodiversity-2037> accessed 11 January 2024; Department of Energy, Environment and Climate Action, correspondence, 29 January 2024.

DEECA is required to report on the progress of *Biodiversity 2037* annually.[55] However, in 2021 a report by the Victorian Auditor-General's Office (VAGO) found the former DELWP's annual reporting did not provide timely or comprehensive assurance to the Government or the public as to whether DELWP was on track to deliver the strategy's statewide targets.[56]

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53 Victorian Auditor-General's Office, *Protecting Victoria's Biodiversity*, Melbourne, 2021, p. 23.

54 Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment*, pp. 13, 15, 20.

55 Ibid., pp. 20, 40; Department of Energy, Environment and Climate Action, *Implementing Biodiversity 2037*, 26 July 2023, <https://www.environment.vic.gov.au/biodiversity/Implementing-Biodiversity-2037> accessed 11 January 2024.

56 Victorian Auditor-General's Office, *Protecting Victoria's Biodiversity*, p. 39.

The Committee notes the most recent progress report on the implementation of *Biodiversity 2037* is from 2020 and that DEECA has not yet published its reports for 2021 or 2022.[57] The Deputy Secretary of Regions, Environment, Climate Action and First Peoples could not provide an exact time frame for when these reports would be finalised and published. In accounting for the delay, the Deputy Secretary noted the reports involve compiling information and data from various organisations, including environmental, not-for-profit and private sector organisations as well as other government agencies.[58] DEECA is currently not meeting its obligation to report on the progress and status of *Biodiversity 2037* annually, and as a result is not providing timely assurance to the Government or the public as to whether it is effectively delivering on *Biodiversity 2037*'s statewide targets.

FINDING 95: Managing the impacts of biodiversity loss was one of the most significant challenges the former Department of Environment, Water, Land and Planning and Department of Energy, Environment and Climate Action faced in 2021–22 and 2022–23.

FINDING 96: *Biodiversity 2037* is the Victorian Government's 20-year strategy to protect biodiversity and halt the decline of threatened species. The Department of Energy, Environment and Climate Action (DEECA) is required to report on the annual progress of actions and targets associated with *Biodiversity 2037*. However, DEECA is yet to publish its annual progress reports for both 2021 and 2022 due to delays in compiling information and data from various organisations.

FINDING 97: The Department of Energy, Environment and Climate Action is not providing timely assurance to the Government or the public as to whether it is effectively delivering or meeting the targets set out in *Biodiversity 2037*.

RECOMMENDATION 38: The Department of Energy, Environment and Climate Action, as a priority, publish the *Biodiversity 2037* annual progress reports for 2021 and 2022.

As noted in the newly released *Victorian State of the Environment 2023* report (the SoE report), data indicates that DEECA is not meeting and maintaining its annual contributing targets to control pest herbivores, pest predators or weeds in priority areas.[59] Table 9.3 outlines DEECA's performance against these targets from 2018–19

57 Department of Energy, Environment and Climate Action, *Implementing Biodiversity 2037*; Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 33.

58 Ms Carolyn Jackson, Deputy Secretary, Regions, Environment, Climate Action and First Peoples, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 33.

59 Commissioner for Environmental Sustainability, *Victorian State of the Environment 2023: Summary Report*, Melbourne, 2023, p. 50.

to 2022–23. The results for 2021–22 and 2022–23 are only estimates. According to DEECA, actual results were to be available by early 2023 and early 2024 after the completion of data analysis.[60]

Table 9.3 Results[a] for annual on-ground biodiversity management actions against Biodiversity 2037 contributing targets, 2018–19 to 2022–23

Biodiversity 2037 target[b]	2018–19 result	2019–20 result	2020–21 result	2021–22 estimate	2022–23 estimate	Annual average	Variance of annual average to target (%)
Hectares of pest herbivore control in priority locations							
4,000,000	1,572,725	327,382	888,328	700,000	900,000	877,687	-78.1
Hectares of pest predator control in priority locations							
1,500,000	705,590	823,735	865,328	700,000	535,000	725,931	-51.6
Hectares of weed control in priority locations							
1,500,000	1,916,350	69,726	201,857	160,000	25,000	474,587	-68.4

a. Performance measure results for 2021–22 and 2022–23 are estimates.

b. These contributing targets identify the area of priority on-ground management actions to be achieved and sustained annually over the 20-year life of *Biodiversity 2037*.

Source: Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment – Biodiversity 2037*, Melbourne, 2017, pp. 20–21; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, p. 42; Department of Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, p. 39; Department of Energy, Environment and Climate Action, *Implementing Biodiversity 2037*, 26 July 2023, <https://www.environment.vic.gov.au/biodiversity/Implementing-Biodiversity-2037> accessed 11 January 2024; Department of Environment, Land, Water and Planning, *Biodiversity 2037 Implementation Framework Progress Report*, Melbourne, October 2018, pp. 12–13; Department of Energy, Environment and Climate Action, correspondence, 29 January 2024 (Committee calculation).

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Table 9.3 illustrates that DEECA's annual delivery of on-ground management actions in priority areas from 2018–19 to 2022–23 was, on average, between 51.6% and 78.1% below the contributing targets outlined in *Biodiversity 2037*. The Committee also notes the former DELWP and DEECA's delivery of on-ground management actions in priority areas in 2021–22 and 2022–23 are significantly below the department's results in 2018–18 following the release of the strategy.

The SoE report notes that DEECA's progress in delivering new permanently protected areas of native vegetation on private land is well below the 10,000 hectares required annually to meet the contributing target of 200,000 hectares by 2037.[61] DEECA estimates there was 901 hectares of new permanently protected native vegetation on private land in 2021–22 and 2,408 in 2022–23.[62]

In short, DEECA is not currently delivering upon *Biodiversity 2037* in line with its current contributing targets.[63] *Biodiversity 2037* states that:

60 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 42; Department of Land, Water, and Planning, *Annual Report 2021–22*, p. 39.

61 Commissioner for Environmental Sustainability, *Victorian State of the Environment 2023*, p. 72.

62 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 42; Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 39.

63 Commissioner for Environmental Sustainability, *Victorian State of the Environment 2023*, p. 50.

> If effort slows or stops, in some cases even for a short time, the gains made over the preceding years of hard work can be lost. The sooner the actions to deliver the contributing targets are implemented, the more likely it is that the statewide targets will be achieved.[64]

The Committee notes that if the implementation of *Biodiversity 2037* and the failure to meet these targets persists, there is a risk the effectiveness of the strategy will be compromised, and the decline of Victoria's biodiversity and threatened species populations may persist or worsen.

FINDING 98: Over the first five years of *Biodiversity 2037*, the former Department of Environment, Land, Water and Planning and the Department of Energy, Environment and Climate Action's annual delivery of on-ground management actions to control pest predators, pest herbivores and weeds in priority areas were, on average, between 51.6% and 78.1% below the targets outlined in *Biodiversity 2037*.

The Committee notes the contributing targets in *Biodiversity 2037* are supposed to be reviewed and updated every five years to ensure they are achievable and relevant, however, DEECA has not yet published revised or updated targets.[65] The strategy also states that additional contributing targets for both its goals should have been established by 2022, however, DEECA has not yet published any new contributing targets.[66]

The SoE report notes that 'transparency and accountability are central to improving biodiversity and threatened species management and outcomes', and recommended the accountability, urgency and scrutiny of Victoria's biodiversity system be improved through reporting on the implementation of *Biodiversity 2037* and its targets every two years.[67]

RECOMMENDATION 39: The Department of Energy, Environment and Climate Action, as a priority, review the contributing targets outlined in *Biodiversity 2037* and consider additional contributing targets if necessary.

The FFG Act also stipulates that DEECA must prepare an action statement to support the conservation and management of all listed species, subspecies and varieties of threatened communities of flora and fauna.[68] However, the number of listed species has increased significantly in recent years following amendments to the FFG Act—

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64 Department of Environment, Land, Water and Planning, *Protecting Victoria's Environment,* p. 21.

65 Ibid., pp. 12, 20.

66 Ibid., pp. 15, 20.

67 Commissioner for Environmental Sustainability, *Victorian State of the Environment 2023*, pp. 68–69.

68 Department of Energy, Environment and Climate Action, *Action statements*, 15 September 2023, <https://www.environment.vic.gov.au/conserving-threatened-species/action-statements> accessed 11 January 2024; *Flora and Fauna Guarantee Act 1988* (Vic) s 19.

rising from 650 species in January 2021 to 1,991 in June 2021—resulting in a growing backlog of action statements.[69]

VAGO found the former DELWP was 'not complying with the legislative obligation [under the FFG Act] to prepare action statements for all listed species in a timely manner' and that 'its use of action statements is therefore not driving the protection of threatened species'.[70] As of June 2021, the former DELWP had developed action statements for 20% of all listed species, of which 94% were over ten years old and 34% were more than 20 years old. Although action statements do not formally expire, VAGO noted there was a higher risk these older action statements may no longer reflect current or emerging threats to the species.[71] Despite being mandatory, the FFG does not stipulate a set time limit for the development of an action statement, only that it must be prepared 'as soon as possible' once a threatening process is declared.[72]

During the hearings, DEECA informed the Committee that it released 100 action statements in 2022–23, with around 1,500 remaining and 500 expected to be completed in 2023–24.[73] The Legislative Council Environment and Planning Committee's *Inquiry into ecosystem decline in Victoria* recommended the Victorian Government ensure 'all threatened species and communities and potentially threatening processes listed under the *Flora and Fauna Guarantee Act 1988* (Vic) have action statements in place and that appropriate funding is allocated to their implementation'.[74] The Government's response to this recommendation and the Committee's final report was due in June 2022, however, it has not yet been released.[75]

FINDING 99: The *Flora and Fauna Guarantee Act 1988* (Vic) requires the Department of Energy, Environment and Climate Action (DEECA) to prepare action statements for all threatened species of flora and fauna. In 2022–23 DEECA released 100 action statements and in 2023–24 it expects to complete another 500, leaving 1,000 to be released.

RECOMMENDATION 40: The Department of Energy, Environment and Climate Action consider legislative changes that stipulate timelines for preparing and reviewing action statements under the *Flora and Fauna Guarantee Act 1988* (Vic).

69 Victorian Auditor-General's Office, *Protecting Victoria's Biodiversity*, p. 45.

70 Ibid.

71 Ibid., pp. 45–46.

72 *Flora and Fauna Guarantee Act 1988* (Vic) s 19.

73 Ms Carolyn Jackson, Deputy Secretary, Regions, Environment, Climate Action and First Peoples, Department of Energy, Environment and Climate Action, *Transcript of evidence,* pp. 30–31; Department of Energy, Environment and Climate Action, *Action statements*.

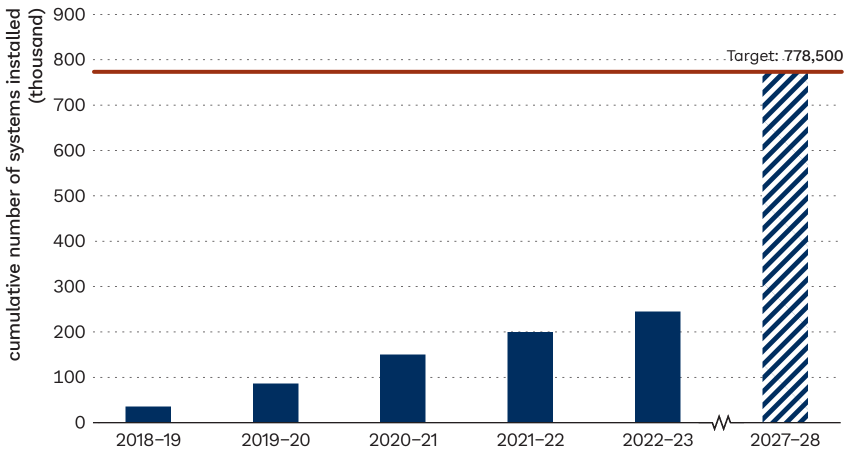
74 Parliament of Victoria, Legislative Council, Environment and Planning Committee, *Inquiry into ecosystem decline in Victoria,* December 2021, p. 253.

75 Parliament of Victoria, *Inquiry into ecosystem decline in Victoria*, 2024, <https://www.parliament.vic.gov.au/get-involved/inquiries/inquiry-into-ecosystem-decline-in-victoria/reports> accessed 31 January 2024.

9.6 Key issue—Solar Homes

The *Solar Homes* program is a ten-year, $1.3 billion initiative launched in August 2018 which offers a range of rebates and interest-free loans to households, rental properties and businesses to install photovoltaic (PV) solar panels, solar hot water systems and home batteries.[76] The program aims to support the installation of 778,500 solar systems in households over its lifetime.[77] As of 30 June 2023, the *Solar Homes* program had supported the installation of 246,960 solar systems, or 31.7% of the program's target.[78] DEECA will need to install approximately 106,308 solar systems each year over the next five years in order to meet its target.[79] DEECA's progress towards this target is illustrated in Figure 9.4 below.

Figure 9.4 Cumulative number of solar systems installed under the Solar Homes program, 2018–19 to 2022–23



Source: Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, p. 51.

FINDING 100: The *Solar Homes* program has supported the installation of 246,960 solar systems, or 31.7% of the programs overall target, during the first five years of the ten-year-long program. The Department of Energy, Environment and Climate Action will need to install 106,308 systems annually during the remaining five years to achieve its target.

Solar Homes—renamed as Solar Victoria in 2022–23—was one of DELWP's/DEECA's poorest performing outputs in 2021–22 and 2022–23. The output did not meet 75% of its eight performance measures in 2021–22 by a variance exceeding 5% of DELWP's targets. In 2022–23 the output's performance improved, not meeting 45.5% of its

76 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, pp. 6, 190; Department of Energy, Environment and Climate Action, *Solar Victoria: Notice to Market 2023–24*, Melbourne, May 2023, p. 8.

77 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, pp. 51, 190.

78 Ibid., p. 51 (Committee calculation).

79 Ibid. (Committee calculation).

ten measures by a variance exceeding 5% of DEECA's targets.[80] During the hearings the Committee inquired about the underperformance of the *Solar Homes* program, including poor results for several measures illustrated in Table 9.4.

Table 9.4 Results for select performance measures related to the Solar Homes program in 2021–22 and 2022–23

	2021-22			2022-23		
Performance measure	**Target**	**Actual**	**Variation**	**Target**	**Actual**	**Variation**
Applications for Solar PV rebates for owner-occupied and rental households approved	75,000	41,395	-44.8%	64,000	38,043	-40.6%
Applications for home battery rebates approved	7,000	6,502	-7.1%	5,200	5,520	6.2%
Applications for solar hot water rebates approved	6,000	745	-87.6%	6,000	5,363	-10.6%
Applications for Solar PV rebates for small businesses approved	5,000	1,508	-69.8%	5,000	1,474	-70.5%
Rebate payments for Solar retailers processed within five business days	n/a	n/a	n/a	80%	61%	-23.8%

Source: Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, Melbourne, 2022, pp. 53–54; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, Melbourne, 2023, pp. 53–54 (Committee calculation).

When asked about the reasons for the program's underperformance, the CEO of Solar Victoria advised that supply chain constraints in the Asia Pacific region resulting from COVID-19 closures and increases in the price of solar systems had impacted customer demand.[81] DEECA elaborated the decrease in system installations and approved applications was due to the impact of COVID-19 on consumer demand, supply chain limitations and constraints, increasing system and technology prices, and labour shutdowns and shortages.[82] The department noted that softening consumer demand in Victoria mirrored national trends.[83]

DEECA's annual report advised that applications by small businesses for solar PV rebates were below the department's targets due to residual COVID-19 impacts and low confidence in business conditions within the program's targeted cohort, impacting their willingness to make upfront co-payments.[84] DEECA also noted that delays in rebate payment processing times in 2022–23 were due to the program's expanded service offerings, as well as the redeployment of contact centre staff to assist the flood emergency response in October and November 2022.[85]

80 Ibid., pp. 53–54; Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, pp. 53–54 (Committee calculation).

81 Mr Stan Krpan, Chief Executive Officer, Solar Victoria, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 4.

82 Department of Environment, Land, Water and Planning, *Annual Report 2021–22*, p. 51; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 51.

83 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 51.

84 Ibid., p. 53.

85 Ibid., p. 54; Mr Stan Krpan, Chief Executive Officer, Solar Victoria, Department of Energy, Environment and Climate Action, *Transcript of evidence,* p. 4.

The CEO of Solar Victoria informed the Committee it expected to meet its target for rebate processing times in 2023–24 and that achieving DEECA's targets for other performance measures related to the *Solar Homes* program was a priority.[86] The CEO also noted that DEECA had observed a gradual increase in consumer interest in solar PV towards the end of 2022, with customer demand increasing in 2023.[87]

FINDING 101: Consumer demand for the *Solar Homes* program was impacted by COVID-19, supply chain constraints, increases in solar system prices and low confidence in business conditions in 2021–22 and 2022–23, which led to the Department of Energy, Environment and Climate Action failing to meet its targets for several associated performance measures.

Despite the program's poor results across several performance measures, the Secretary of DEECA emphasised it had been successful in delivering its main objectives of providing cost savings to consumers and reducing emissions. On average, households can save $1,000 annually through the installation of solar PV panels and $650 through the installation of home batteries.[88] Since 2018–19 the program has installed a total electricity generating capacity of 1.5 gigawatts.[89] The Secretary of DEECA advised this had resulted in the reduction of 2.4 million tonnes (Mt) in carbon dioxide equivalent (CO_2-e) emissions, roughly 3% of Victoria's total greenhouse gas emissions in 2021 or 0.7% of Victoria's total emissions from 2018 to 2021.[90] Despite seeming insignificant in the context of Victoria's total emissions, the *Solar Homes* program's impact on emissions is substantial when considering the residential sector accounts for 6.1 Mt CO_2-e (7.6%) of Victoria's total net emissions annually.[91]

The Secretary also advised the Committee that approximately 60% of the program's participants would not have installed their own solar systems without support from the program.[92] According to DEECA, the proportion of residential dwellings in Victoria with rooftop solar PV panels has doubled from approximately 14% in August 2018 to approximately 28% in April 2023.[93] Finally, DEECA's response also detailed the program has supported an estimated 11,878 jobs between 2018–19 and 2021–22.[94]

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86 Mr Stan Krpan, Chief Executive Officer, Solar Victoria, Department of Energy, Environment and Climate Action, *Transcript of evidence,* p. 4.

87 Ibid.; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 51.

88 Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 4; Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 78.

89 Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 51.

90 Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action*, Transcript of evidence,* p. 4; Department of Energy, Environment and Climate Action, *Victorian Greenhouse Gas Emissions Report 2021*, Melbourne, 2023, p. 16; Department of Environment, Land, Water and Planning, *Victorian Greenhouse Gas Emissions Report 2020,* Melbourne, 2022, p. 8; Department of Environment, Land, Water and Planning, *Victorian Greenhouse Gas Emissions Report 2019,* Melbourne, 2021, p. 3; Department of Environment, Land, Water and Planning, *Victorian Greenhouse Gas Emissions Report 2018,* Melbourne, 2020, p. 6 (Committee calculation).

91 Department of Energy, Environment and Climate Action, *Victorian Greenhouse Gas Emissions Report 2021*, pp. 18, 25.

92 Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, *Transcript of evidence,* p. 4.

93 Department of Energy, Environment and Climate Action, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 78.

94 DEECA's questionnaire response did not detail the number of jobs supported by the program in 2022–23. Source: Ibid. (Committee calculation).

Currently, the objectives and outcomes of the program in delivering cost savings to consumers, reducing emissions, increasing the proportion of residential dwellings with solar PV panels and supporting jobs are not reported on or assessed by any performance measures. Instead, DEECA's performance measures in 2021–22 and 2022–23 reflect the delivery of outputs of the *Solar Homes* program.

In past inquiries the Committee has made several recommendations to DEECA regarding the *Solar Homes* program, including to improve the department's associated performance measures and outcomes reporting.[95] Despite being supported or supported in-principle, DEECA has not fully implemented several of these recommendations.[96]

FINDING 102: The *Solar Homes* program delivered cost savings to consumers, reduced emissions, supported the creation of jobs and increased the proportion of households with rooftop solar in 2021–22 and 2022–23. These outcomes are not reflected in any of the Department of Energy, Environment and Climate Action's performance measures.

FINDING 103: Since its inception in August 2018 the *Solar Homes* program has resulted in the reduction of approximately 2.4 million tonnes in CO^2 emissions, equating to roughly 3% of Victoria's annual net emissions. This impact is significant considering the residential sector accounts for only around 7.6% of Victoria's annual net emissions.

RECOMMENDATION 41: The Department of Energy, Environment and Climate Action develop performance measures that report on the outcomes of the *Solar Homes* program rather than its outputs.

9.7 Key issue—Gas Substitution Roadmap

In July 2022, DELWP released the *Gas Substitution Roadmap*—the Government's strategic plan to decarbonise the natural gas sector.[97] The Roadmap outlines a number of initiatives and policy and reform priorities to transition households, businesses and industry away from natural gas, including actions to improve energy efficiency and electrification and support the adoption of alternative gases such as renewable hydrogen and biomethane.[98]

95 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes*, April 2022, p. 148; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2021–22 Budget Estimates*, October 2021, p. 122; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2017–18 and 2018–19 Financial and Performance Outcomes*, July 2020, p. 139.

96 Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes,* 21 September 2022, p. 13; Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2021–22 Budget Estimates,* 8 March 2022, p. 15; Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2017–18 and 2018–19 Financial and Performance Outcomes*, 19 February 2021, p. 18.

97 Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, *Transcript of evidence,* p. 37.

98 Department of Environment, Land, Water and Planning, *Gas Substitution Roadmap,* Melbourne, 2022, p. 7.

The Roadmap aims to reduce emissions, lower energy bills for households and businesses, support clean energy jobs, support gas reliability for industry and increase the number of energy-efficient buildings.[99] The Roadmap was informed by a series of community and industry consultation activities beginning in June 2021, that included stakeholder forums, a public consultation paper and household consumer and industrial gas user surveys, as well as multi-sector modelling that examined potential transition technologies and pathways for the gas sector.[100]

In December 2023 DEECA released the *Gas Substitution Roadmap Update*, delivering on the Government's pledge to report on its progress in implementing the policy changes and actions outlined in the Roadmap.[101] The Update also includes a number of new actions to decarbonise residential and commercial buildings.[102] The next update to the Roadmap process will be released in 2024.[103]

FINDING 104: In 2022 the Department of Environment, Land, Water and Planning/ Department of Energy, Environment and Climate Action (DEECA) released the *Gas Substitution Roadmap*, setting out the Victorian Government's strategic plan to decarbonise the natural gas sector. DEECA has also released the *Gas Substitution Roadmap Update*, which reports on the Victorian Government's progress in implementing the policy changes and actions detailed in the Roadmap.

The Committee discussed DEECA's achievements and progress in implementing the Roadmap's proposed policy changes and actions in 2022–23, which included:

- expanding the Victorian Energy Upgrades scheme to include new incentives to switch to electric appliances (including replacing gas water heaters and space heating) from May 2023 and to phase out incentives for residential fossil gas appliances from June 2023
- adopting stronger 7-star energy efficiency performance standards for new homes in Victoria under the National Construction Code in May 2023, to be mandatory from May 2024
- amending the Victoria Planning Provisions in August 2022 to remove the requirement for new housing developments to be connected to gas and announcing in July 2023 that new dwellings, apartment buildings and residential subdivisions requiring a planning permit after January 2024 will be all-electric

99 Ibid., pp. 7, 11; Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* Melbourne, 2023, p. 17; Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, *Transcript of evidence,* p. 37.

100 Department of Environment, Land, Water and Planning, *Gas Substitution Roadmap,* pp. 16–17.

101 Hon Lily D'Ambrosio MP, *Gas Substitution Roadmap Charts Path To Lower Bills*, media release, Melbourne, 14 December 2023.

102 Department of Environment, Land, Water and Planning, *Gas Substitution Roadmap,* pp. 21, 56; Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* pp. 33–47.

103 Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* p. 10.

- announcing in July 2023 that all new government buildings and facilities including schools and hospitals will be built as all-electric.[104]

The Committee also discussed DEECA's modelling of the impacts of the Roadmap on household savings and greenhouse gas emissions.[105] In mid-2023, DEECA released two factsheets estimating the potential savings of converting an existing dual-fuel (gas and electric) home with solar panels to all-electric, and the savings of a new all-electric home compared to a new dual-fuel home (illustrated in Table 9.5).[106]

Table 9.5 Estimated costs/savings of a new all-electric home compared to a new dual-fuel home and of converting an existing solar home from dual-fuel to all-electric

	New home		Existing home (with solar panels)	
	Dual-fuel	**All-electric**	**Dual-fuel**	**All-electric**
Appliance and installation costs[a]				
Gas pipework installation	$1,300 to $5,000			
Total cost	$17,300 to $21,000	$18,400	$16,000	$13,200[b]
Bill savings/costs				
Annual savings		$1,020		$1,790
Annual energy bill	$3,610	$2,590	$3,440	$1,650
Solar				
Installation costs		$4,630		
Annual savings		$1,230		
Annual energy bill (with solar)		$1,360		

Note: Red numbers denote costs, green numbers denote savings

a. These include heating and cooling (multi-split for all-electric homes), hot water and cooktop (including fixed charges) appliances.

b. Total costs include the solar hot water rebate and Victorian Energy Upgrades incentive for multi-split heating and cooling.

Source: Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice (Question 1, Attachment A), received 29 November 2023, p. 2; Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice (Question 1, Attachment B), received 29 November 2023, p. 2.

104 Department of Energy, Environment and Climate Action, *Victoria's Gas Substitution Roadmap,* 8 January 2024, <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap> accessed 17 January 2024; Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* pp. 6–8; Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, *Transcript of evidence,* pp. 37–38; Department of Energy, Environment and Climate Action, *Annual Report 2022–23*, p. 48.

105 Public Accounts and Estimates Committee, *Transcript of evidence,* pp. 5–6, 37.

106 Mr John Bradley, Secretary, Department of Energy, Environment and Climate Action, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice, received 29 November 2023, p. 1.

FINDING 105: The Department of Energy, Environment and Climate Action (DEECA) estimates that new all-electric homes can save $1,020 on energy bills annually, and $2,250 with solar panels, compared to new dual-fuel (gas and electric) homes. DEECA also estimates that converting an existing dual-fuel home with solar panels to all-electric would result in annual energy bill savings of $1,790, not including one-off appliance and installation costs of approximately $13,200 after the solar hot water rebate and Victorian Energy Upgrades incentive.

In August 2023, DEECA published a factsheet estimating the difference in emissions over a ten-year period by a new all-electric home compared to a new dual-fuel home.[107] The analysis estimates that emissions from new all-electric homes are 16% lower than equivalent dual-fuel homes, which is expected to widen over ten years to 29% as the proportion of renewable energy in Victoria's electricity supply grows.[108]

Currently the natural gas sector accounts for approximately 17% of Victoria's net emissions. Around two million Victorian homes and businesses are connected to the reticulated gas network using more than 60% of Victoria's total gas consumption for heating and hot water.[109] The Roadmap is tied to Victoria's broader renewable energy generation and emissions reductions targets and does not set any specific independent targets for gas usage by households or businesses. However, the Roadmap does identify that to achieve the Australian Energy Market Operator's (AEMO) Orchestrated Step Change scenario,[110] roughly 880,000 homes need be electrified by 2030—equivalent to 500 homes per day—and a total of 1.76 million gas appliances replaced with all-electric appliances.[111] Given the significant contribution of the natural gas sector to Victoria's net emissions, DEECA should report on the progress of the Roadmap in reducing households' and businesses' gas usage.

9

RECOMMENDATION 42: The Department of Energy, Environment and Climate Action develop and report annually against targets that measure natural gas usage by households and businesses—such as reporting on the number of homes electrified each year or the proportion of Victorian homes connected to the reticulated gas network—consumer savings, emissions reductions and jobs created as a result of the *Gas Substitution Roadmap* in future updates.

107 Ibid.

108 Ibid. (Question 1 Attachment C), p. 1; Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* p. 24.

109 Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* pp. 17, 22.

110 The Orchestrated Step Change scenario is AEMO's pathway to decarbonise the Australian energy sector and involves transitioning to renewable energy to support Australia's contribution to limiting global temperature increases below 2 degrees Celsius and aiming for 1.8 degrees Celsius. The Orchestrated Step Change scenario plans for electrification, decarbonisation of manufacturing and other industrial activities, and consumers switching from fossil gas to electricity across Australia. Source: Ibid., pp. 22, 43.

111 Department of Energy, Environment and Climate Action, *Gas Substitution Roadmap Update,* p. 43.

Chapter 10
Court Services Victoria

10.1 Overview

Court Services Victoria (CSV) is an independent statutory body that provides administrative services to support Victoria's Supreme, County, Magistrates', Children's and Coroner's Courts, the Victorian Civil and Administrative Tribunal (VCAT), the Judicial College of Victoria and the Judicial Commission of Victoria.[1]

According to CSV, its activities and functions serve the Victorian community through the efficient and effective delivery of court and tribunal services, which in turn supports Victoria's system of responsible government and the rule of law.[2]

CSV is part of the ministerial portfolio of the Attorney-General and its singular objective is 'the fair, timely and efficient dispensing of justice'.[3]

10.2 Outcomes and challenges

CSV identified its programs that delivered the most important outcomes to the community in 2021–22 and 2022–23, as including:

- operational changes allowing the continuation of court and VCAT services throughout the COVID-19 pandemic, including modifications to sites, remote courts, online courts, and the suspension of jury trials[4]
- Active Case Management[5] teams implementing processes to increase court capacity and resolve matters earlier, to reduce the backlogs that arose from the pandemic[6]
- the continuation of therapeutic court programs and specialist courts and services for children and families, delivering specialised services to vulnerable court users. These included the Drug Court, Koori Court and Remand Court.[7]

1 Court Services Victoria, *Annual Report 2022–23,* Melbourne, 2023, p. 6.

2 Ibid.

3 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, p. 386.

4 Court Services Victoria, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 13 November 2023, pp. 8–9.

5 An Active Case Management model refers to the processes implemented to expedite matters, including triaging matters according to their case management requirements, allowing for more court work to be conducted administratively or remotely, and ensuring that in-person court hearings are meaningful. Source: County Court Victoria, *Practice Note: Criminal Division – Active Case Management System,* Melbourne, 2019, p. 2.

6 Court Services Victoria, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 11.

7 Ibid.

CSV was asked by the Committee to identify its programs that did not deliver their planned outcomes and the key challenges faced across the two years. These included:

- case clearance outcomes being lower than desired due to an increase in initiations (new cases), combined with temporarily disrupted operations due to COVID-19[8]
- numbers of pending matters in all courts being higher than desired due to disruptions from COVID-19. As at June 2023, four of six of the courts still had higher numbers of pending matters than in March 2020[9]
- Ageing infrastructure, with 42% of CSV's assets over 50 years old. CSV responded to the challenge through proactively managing critical infrastructure risks to avoid facility outages and prioritising works by urgency.[10]

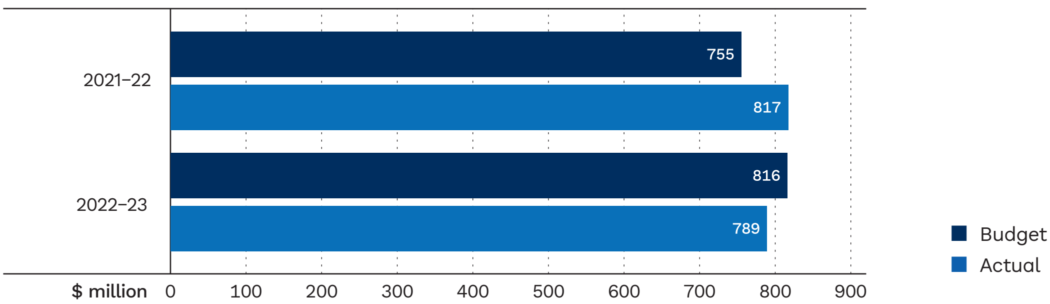
FINDING 106: Court Services Victoria's (CSV) operations were heavily impacted by the pandemic, and CSV responded by modifying services. CSV experienced challenges in case clearance outcomes and pending matter numbers, but there were improvements between 2021–22 and 2022–23.

10.3 Financial analysis

10.3.1 Output expenditure

Figure 10.1 illustrates CSV's budgeted and actual expenditure in 2021–22 and 2022–23.

Figure 10.1 Court Services Victoria—budget versus actual, 2021–22 and 2022–23



Source: Court Services Victoria, *Annual Report 2021–22*, Melbourne, 2022, p. 33; Court Services Victoria, *Annual Report 2022–23*, Melbourne, 2023, p. 37 (Committee calculation).

8 Ibid., pp. 12–13.

9 Ibid., pp. 12–13, 82–83.

10 Ibid., p. 83.

10.3.2 Revenue and expenses

CSV's output appropriations grew by 43.9% to $738 million in 2021–22 compared to 2020–21, due to the purchase of the County Court facility in Melbourne in May 2022.[11]

In 2022–23 CSV's output appropriations subsequently declined by 24.8% to $555 million. This decline was also explained by the one-off purchase of the County Court facility in Melbourne in May 2022.[12]

In 2021–22 and 2022–23 employee expenses increased from the year prior.[13] In 2021–22 employee expenses rose due to the employment of new staff for programs such as *Specialist family violence* (special services for family violence cases) and *Digital transformation* (transforming the courts to become digitally functional). CSV's total headcount rose from 2,563 people as at 30 June 2021 to 2,822 as at 30 June 2022, an increase of 10.1%.[14] In 2022–23 employee expenses rose by 10.6% due to:

- the employment of new staff for services at the new Bendigo Law Courts and Dandenong Children's Court—with the total headcount growing to 3,037 as at 30 June 2023
- increased salary packages for certain positions to attract appropriate staff.[15]

Overall financial performance

Table 10.1 summarises CSV's financial performance in 2021–22 and 2022–23.

Table 10.1 Court Services Victoria—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	755	952	26.1	816	793	(2.8)
Expenses from transactions	755	956	26.6	816	796	(2.6)
Net result	**0**	**(4)**	**–**	**0**	**(3)**	**–**

Source: Department of Treasury and Finance, *Budget Paper No. 5: 2022–23 Statement of Finances*, Melbourne, 2022, p. 150; Court Services Victoria, *Annual Report 2021–22*, Melbourne, 2022, p. 34; Court Services Victoria, *Annual Report 2022–23*, Melbourne, 2023, p. 39 (Committee calculation).

11 Ibid., p. 36 (Committee calculation).

12 Ibid., p. 37 (Committee calculation).

13 Ibid., pp. 39–40.

14 Ibid., p. 39; Court Services Victoria, *Annual Report 2021–22,* Melbourne, 2022, pp. 40–41 (Committee calculation).

15 Court Services Victoria, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 40; Court Services Victoria, *Annual Report 2022–23,* pp. 46–47 (Committee calculation).

10.3.3 Capital expenditure

In 2021–22 and 2022–23, all of CSV's 19 completed capital projects were finished on- or under-budget.[16] Only two of the completed projects finished with a delay of more than a year:

- Echuca Court Safety and Security (estimated completion date was Q4 2019–20; actual completion date was Q4 2021–22)
- Implementation of Youth Justice Reform (estimated completion date was Q4 2018–19; actual completion date was Q4 2021–22).[17]

In 2021–22 five of CSV's existing capital projects had revised completion dates when compared to the date at announcement. Of the five projects, two were revised to Q4 2021–22 from an initial completion date of Q4 2018–19 and Q4 2019–20 respectively. The remaining three projects had revised dates of between three and six months from their initial dates. The revisions were due to a variety of factors including COVID-19 restrictions, additional reviews undertaken, and the need to locate an alternate site. One existing project—*Court case management system*—had a revised total estimated investment (TEI) from announcement, from $66.8 million to $61.7 million. However, this change was due to expenditure being reclassified as operating rather than capital.[18]

In 2022–23 four of CSV's capital projects had revised completion dates when compared to the date at announcement, due to a variety of factors similar to the year prior, including COVID-19 supply chain issues, additional consultation requirements and revised project scope. One existing project—*Specialist family violence integrated court*—had a revised TEI, rising from $35 million to $73.9 million, due to a 'revised project scope'.[19]

FINDING 107: In 2021–22 and 2022–23, the majority of Court Services Victoria's (CSV) completed capital projects were finished on-time and on-budget. However, CSV has nine existing capital projects with revised completion dates. The total estimated investment of the *Specialist family violence integrated court* project more than doubled from its initial estimate.

10.4 Performance information

CSV has one output, Courts, with 39 associated performance measures.[20]

Figure 10.2 shows CSV's performance measures results for 2021–22 and 2022–23.

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16 Court Services Victoria, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 27–31.

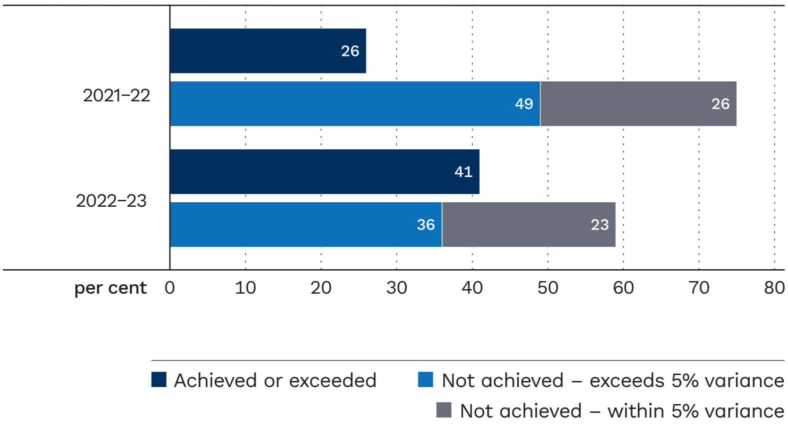
17 Ibid.

18 Ibid., pp. 23–24.

19 Ibid., pp. 24–25.

20 Court Services Victoria, *Annual Report 2021–22,* pp. 29–33; Court Services Victoria, *Annual Report 2022–23,* pp. 33–37.

Figure 10.2 Court Services Victoria—performance measure results, 2021–22 and 2022–23[a]



a. 2021–22 percentages do not total 100% due to rounding.

Source: Court Services Victoria, *Annual Report 2021–22*, Melbourne, 2022, pp. 29–33; Court Services Victoria, *Annual Report 2022–23*, Melbourne, 2023, pp. 33–37 (Committee calculation).

FINDING 108: Court Services Victoria achieved or exceeded 26% of its performance measures in 2021–22, and 41% in 2022–23.

In 2021–22 CSV achieved or exceeded only 26% of the performance measures published in its 2021–22 Annual Report, and it failed to meet 75% of its measures: 26% within a 5% variance and 49% exceeding a 5% variance.[21] For almost every measure that CSV did not meet, it listed 'the impact of the COVID-19 pandemic' as its reason.[22]

The largest variances between CSV's targets and actual results in 2021–22 were in relation to the average costs per case and on-time case processing. The higher average cost per case was due to the decrease in case finalisations because of the pandemic. On-time case processing delays were similarly due to the pandemic, which resulted in a slowing or temporary stopping of operations. In both categories, CSV did not reach its targets for most associated performance measures.[23] The most significant variances were:

- Average costs per case:
  - Criminal matters disposed in the County Court ($48,808 against a target of $17,936: 172.1% over target)
  - Civil matters disposed in the County Court ($11,257 against a target of $7,564: 48.8% over target).[24]

21 Court Services Victoria, *Annual Report 2021–22,* pp. 29–33 (Committee calculation).

22 Ibid., pp. 29–33.

23 Ibid.

24 Ibid., p. 29.

- On-time case processing:
  - Criminal matters in the Magistrates' Court (40.7% against a target of 85%: 52.1% under target)
  - Criminal matters in the Children's Court (70.9% against a target of 90%: 21.2% under target).[25]

In 2022–23 CSV's performance improved, achieving or exceeding 41% of the performance measures published in its 2022–23 Annual Report. CSV failed to meet 23% of its measures within a 5% variance and did not meet 36% of its measures exceeding a 5% variance.[26] Performance measures that were not achieved were primarily explained by the COVID-19 pandemic.[27]

Despite some improvements, there were still notable variances in cost and timeliness. The largest variances against CSV's targets in 2022–23 were:

- Average cost per case of family division matters disposed in the Children's Court ($1,860 against a target of $1,403: 32.6% over target)
- Average cost per case of criminal matters disposed in the Supreme Court ($56,674 against a target of $47,476: 19.4% over target)
- On-time case processing of criminal matters in the Magistrates' Court (55.1% against a target of 85%: 35.2% under target).[28]

CSV's most notable improvements in 2022–23 performance measures were:

- Average cost per case of civil matters disposed in the County Court (improved from 48.8% over the targeted cost, to 25.1% under the targeted cost)
- Case clearance rate of criminal matters disposed in the County Court (improved from 4.5% under target to 10.9% over target).[29]

10.5 Key issue—Victorian Civil and Administrative Tribunal

According to VCAT, it provides 'fair, efficient and affordable justice for the Victorian community'.[30] VCAT is an independent body supported by CSV through the provision of administrative services and facilities and aims to resolve disputes in a more cost-effective manner than the courts.[31] It deals primarily with lower-level issues, such

25 Ibid., pp. 32–33.

26 Court Services Victoria, *Annual Report 2022–23,* pp. 33–37 (Committee calculation).

27 Ibid., pp. 33–37.

28 Ibid.

29 Ibid., pp. 33–34; Court Services Victoria, *Annual Report 2021–22,* p. 29–31.

30 Victorian Civil and Administrative Tribunal, *What VCAT does*, n.d., <https://www.vcat.vic.gov.au/what-vcat-does> accessed on 12 December 2023.

31 Ibid.

as tenancy agreements, supplies and consumer disputes, and powers of attorney conflicts. Its cases are organised administratively into divisions, which are further sub-divided into lists.[32]

Table 10.2 details the divisions and associated lists within VCAT.

Table 10.2 Victorian Civil and Administrative Tribunal, Divisions and Lists

Divisions	Lists
Civil Division	Building and Property
	Civil Claims
	Owners Corporations
Residential Tenancies Division	Residential Tenancies
Administrative Division	Legal Practice
	Review and Regulation
Planning and Environment Division	Planning and Environment
Human Rights Division	Guardianship
	Human Rights

Source: Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* Melbourne, 2023, pp. 16–24.

10.5.1 Residential Tenancies Division

VCAT received a high number of new cases during the COVID-19 pandemic, the majority of which were on the Residential Tenancies List, which received 58% of all new cases in 2021–22 and 60% of all new cases in 2022–23.[33] As at September 2023, the Residential Tenancies List had 23,568 pending cases, which comprised 65.4% of VCAT's total pending matters—353.3% higher than the 5,199 pending cases for the Residential Tenancies List prior to the pandemic in June 2020.[34]

VCAT received funding to combat its pending cases in both the 2021–22 and 2022–23 Budgets, as part of the $10.4 million provided to CSV in 2020–21 under the *Justice recovery* initiative and the $41 million provided to CSV in 2022–23 as part of the *Helping Courts respond to the impacts of the pandemic* initiative.[35]

32 Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* Melbourne, 2023, pp. 16–24.

33 Ibid., p. 24; Victorian Civil and Administrative Tribunal, *Annual Report 2021–22,* Melbourne, 2022, p. 65.

34 Pending cases are defined as 'the number of cases that have commenced at any time and are yet to be completed at the end of the month'. Source: Court Services Victoria, *Courts and VCAT Data*, 31 October 2023, <https://courts.vic.gov.au/caseload-data> accessed on 3 January 2024; Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 51 (Committee calculation).

35 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, pp. 133–134; Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery*, Melbourne, 2022, pp. 130–131 (Committee calculation).

Further, in December 2021 VCAT established the *Backlog Recovery Program*, which focused solely on finalising backlog cases (pending cases) and backlog growth in the Residential Tenancies List.[36] This program has been successful to a degree and the Residential Tenancies List improved its clearance rate from 85% in 2021–22 to 99% in 2022–23, ensuring that new cases would be finalised and not added to the backlog.[37] VCAT has estimated that without the *Backlog Recovery Program*, the Residential Tenancies backlog could have grown to over 46,000 cases by the end of 2022–23—as opposed to the 23,545 cases as at June 2023.[38]

FINDING 109: From June 2020 to June 2023 the Victorian Civil and Administrative Tribunal's (VCAT) Residential Tenancies List's case load grew by 353%. Although VCAT implemented the *Backlog Recovery Program* to reduce the List's case load and has had some success in this area, the Residential Tenancies List remains an outlier among VCAT's lists with its high number of pending matters.

10.5.2 Timeliness of finalisation in the Residential Tenancies List

Despite having the highest pending case load and being publicly scrutinised for its lengthy waiting periods, in 2022–23 the Residential Tenancies List had the second lowest median time—the length of time whereby 50% of cases were finalised—from case lodgement to finalisation of all VCAT's lists, at six weeks.[39] This was an improvement from seven weeks in 2021–22.[40] However, VCAT's annual reports have a further metric for measuring timeliness—the length of time whereby 80% of cases were finalised. Using this second metric, the Residential Tenancies List performed poorly, at 26 weeks in 2022–23.[41] By this metric, the List's timeliness has worsened steadily since 2019–20, as it has grown by 188.9%.[42] This is shown in Figure 10.3.

36 Victorian Civil and Administrative Tribunal, *Annual Report 2021–22,* p. 21.

37 A clearance rate is the percentage of cases that are finalised within a specific period of time, in this instance, within the specified financial year. For example, if all the new cases in 2022–23 were finalised, the clearance rate would be 100%. Source: Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence,* p. 3; Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 51.

38 Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 24.

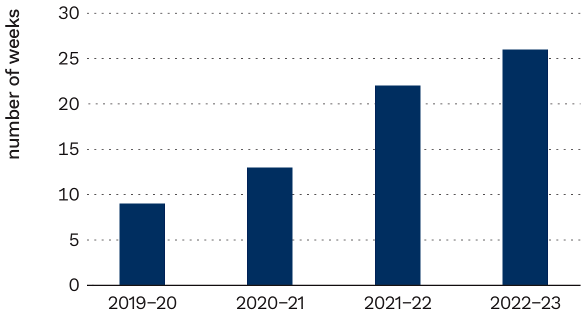
39 Ibid., pp. 42–51; Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice, received 1 December 2023, p. 1.

40 Victorian Civil and Administrative Tribunal, *Annual Report 2022–23*, p. 51.

41 Ibid.

42 Ibid (Committee calculation).

Figure 10.3 Residential Tenancies List—timeliness of finalising 80% of cases (number of weeks), 2019–20[a] to 2022–23



Note: 2019–20 is provided as a reference point for this table (and for future tables/figures in this chapter) to provide a pre-COVID-19 reference.

Source: Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* Melbourne, 2023, p. 51.

Placing these two metrics together, VCAT finalised half of its cases in six weeks, yet took twenty more weeks to finalise the next 30% of its cases. There was no additional information provided about why this was the case in the annual reports.

FINDING 110: The Residential Tenancies List had a median time of six weeks in 2022–23 for case lodgement to finalisation, well below the Victorian Administrative Tribunal's average median time of 25 weeks for all lists. However, the time for finalising 80% of cases in the Residential Tenancies List was 26 weeks in 2022–23, an increase of 188.9% from 2019–20.

10.5.3 Factors influencing the backlog in the Residential Tenancies List

CSV and VCAT have provided several reasons for VCAT's inability to clear the backlog in the Residential Tenancies List and for its failure to meet targets for on-time case processing. The former President of CSV stated the difficulty in reducing the case backlog was 'driven by the retirements of a large number of members and longer hearing times for cases arising from legislative changes'.[43] The number of VCAT members decreased by 12.6% between 2019–20 and 2022–23, which CSV stated had 'a direct relationship' with the inability of VCAT to meet its targets for on-time case processing.[44] However, VCAT's 2022–23 Annual Report indicates the number of full-time equivalent staff (which excludes members) grew from 254 in 2019–20 to 309 in 2022–23, an increase of 21.7% which aimed to 'to support various divisions in backlog recovery'.[45]

At the hearings, CSV briefly touched upon legislative changes as a reason for the delays in finalising cases in the Residential Tenancies List. The *Residential Tenancies Regulations 2021* (Vic) came into effect on 29 March 2021, which strengthened the

43 Victorian Civil and Administrative Tribunal, *Annual Report 2021–22,* p. 2.

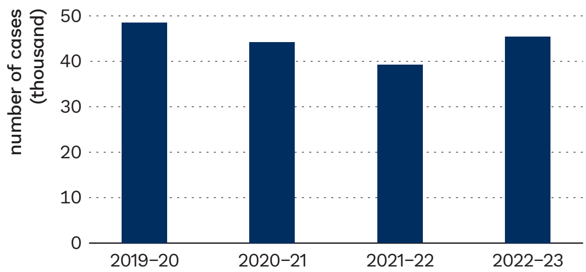
44 Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, *Transcript of evidence,* p. 3; Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 29 (Committee calculation).

45 Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 29 (Committee calculation).

rights and responsibilities of renters.[46] The Chief Executive Officer (CEO) of CSV stated the new laws ‘added some complexity and some confusion to the nature of the types of matters that were being raised’ at VCAT.[47] However, she identified additional factors that influenced delays on the Residential Tenancies List, namely the increase in initiations, stating a 10% increase in initiations between 2021–22 and 2022–23 on the Residential Tenancies List as a reason for the worsening of case finalisations.[48]

Data from VCAT’s annual reports shows that initiations on the Residential Tenancies List have decreased overall since 2019–20 but increased by 15.9% between 2021–22 and 2022–23.[49] Figure 10.4 shows the number of new case initiations on the Residential Tenancies List from 2019–20 to 2022–23.

Figure 10.4 Residental Tenanices List—number of initiations (new cases), 2019–20 to 2022–23



Source: Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* Melbourne, 2023, p. 51.

FINDING 111: While the timeliness of completed cases from the Residential Tenancies List worsened by 188.9% between 2019–20 and 2022–23, there was a 6.4% decrease in initiations of cases in the same time period. However, between 2021–22 and 2022–23 specifically, initiations increased by 15.9% leading to delays in completing cases on the Residential Tenancies List.

At the hearings, CSV provided a further breakdown of the delays in timeliness for the Residential Tenancies List and updated the Committee on VCAT’s approach to handling new cases. The CEO of CSV stated that bond and compensation matters were taking 40 weeks to finalise, but that matters involving any ‘vulnerability’ (e.g., pet disputes, rent disputes, quality of housing disputes) were being resolved in a 12-week period. Furthermore, VCAT had committed to resolving cases involving critical safety concerns in four to six weeks.[50]

46 *Residential Tenancies Regulations 2021* (Vic).

47 Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, *Transcript of evidence,* p. 6.

48 Ibid.

49 Victorian Civil and Administrative Tribunal, *Annual Report 2022–23,* p. 51.

50 Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, *Transcript of evidence,* p. 11.

The CEO of CSV also noted that VCAT had begun to separate older cases from newer ones as part of a new approach to handle the backlog and continuing influx of initiations.[51] It was not confirmed whether VCAT's new targets for cases involving vulnerabilities and safety concerns applied to older cases. The specific date that separated aged from new was also not confirmed at the hearings.[52] While a positive approach for newer cases, this has also resulted in long wait times for individuals who submitted cases prior to the new approach being implemented.

The CEO of CSV noted that pending cases with long wait times were primarily bond and compensation matters. Although the CEO acknowledged these matters are important, it was noted they do not relate to a current tenancy and that VCAT was advancing matters 'in a timely way where people's rights are immediately affected'.[53]

Delays for returning bonds or compensation can in fact have significant impacts on individuals. Tenants Victoria has stated that renters have regularly reported waiting more than two years (or up to three) for a bond or compensation hearing.[54] Additionally, they added that because 'renters are waiting up to two years at the moment for compensation matters to be heard … that really does not incentivise landlords to make repairs.'[55] The Community Campaigner of Sweltering Cities, a campaign and advocacy organisation working on issues relating to extreme heat, has also stated that the delayed case processing was 'putting immense financial stress on them [renters]. Many of these renters are already dealing with the financial stress that comes with the cost-of-living crisis, and having to spend weeks and months in the VCAT process is just exacerbating that'.[56]

FINDING 112: The Victorian Civil and Administrative Tribunal has separated older and newer cases in the Residential Tenancies List, to prioritise newer cases and not add to the existing backlog. However, this has resulted in some individuals with older cases experiencing lengthy wait times. Further, it is unclear if older cases involving vulnerability or safety concerns are being finalised in the new timeframes.

VCAT intends to clear its backlog for all lists by the end of the 2024 calendar year, but CSV did not provide further information to the Committee regarding how that would occur.[57]

51 Ibid., p. 12.

52 Ibid.

53 Ibid., p. 3.

54 Tenants Victoria, *Submission 827,* submission to the Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the rental and housing affordability crisis in Victoria, 21 July 2023, p. 18.

55 Ms Amy Frew, Director of Client Services and Principal Lawyer, Tenants Victoria, public hearing, Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the rental and housing affordability crisis in Victoria, Melbourne, 23 August 2023, *Transcript of evidence,* p. 4.

56 Ms Sophie Emder, Community Campaigner, Sweltering Cities, public hearing, Parliament of Victoria, Legislative Council Legal and Social Issues Committee, Inquiry into the rental and housing affordability crisis in Victoria, Melbourne, 23 August 2023, *Transcript of evidence,* p. 59.

57 Ms Louise Anderson, Chief Executive Officer, Court Services Victoria, *Transcript of evidence,* p. 6.

Chapter 11
Department of Government Services

11.1 Overview

The Department of Government Services (DGS) supported the four ministerial portfolios of Government Services, Consumer Affairs, Local Government and Small Business as of 30 June 2023.[1]

DGS's three objectives are to:

- make it easier for individuals and businesses to engage with government
- accelerate digital transformation for government
- provide corporate services that enable better service delivery and drive productivity over time.[2]

11.1.1 Machinery of government changes

DGS was established on 1 January 2023 following machinery of government (MoG) changes which transferred responsibility for several functions and offices from existing Victorian Government departments to DGS.[3] These changes are illustrated in Figure 11.1.

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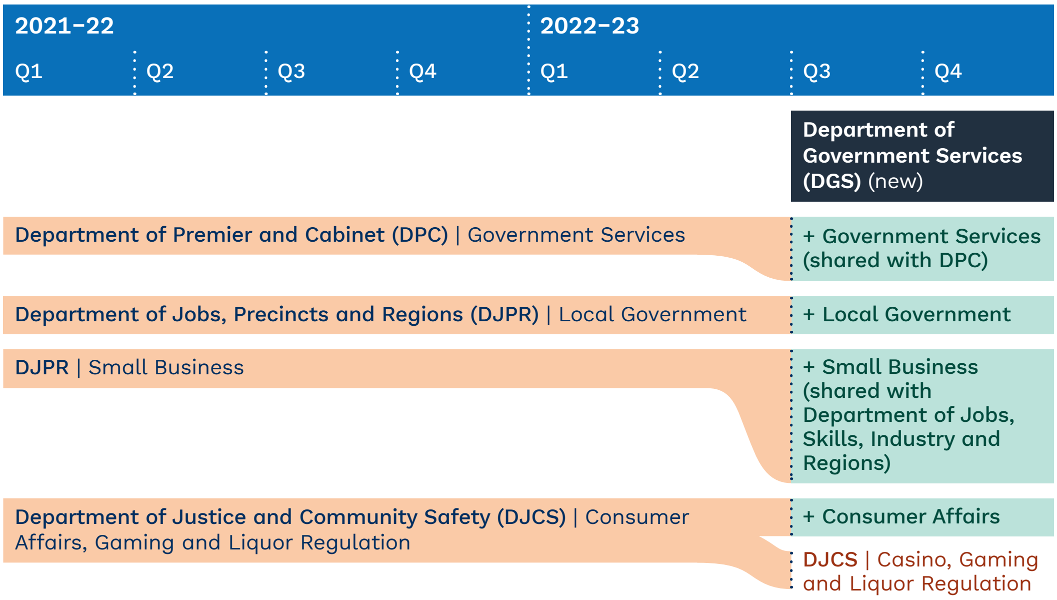
1 Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, p. 6.

2 Ibid., p. 5.

3 Ibid., p. 15.

Figure 11.1 Department of Government Services—machinery of government changes, 2022–23



11.2 Outcomes and challenges

DGS was asked to identify the programs that delivered the most important outcomes in the community in 2021–22 and 2022–23. These included:

- Service Victoria—delivered several new digital government services via the Service Victoria website and app, and supported Victoria's COVID-19 response[4]
- Single Digital Presence (SDP)—delivered 50 consolidated web presences across seven departments using SDP in 2021–22[5]
- Family Violence Financial Counselling Program provided by Consumer Affairs Victoria (CAV)—supported 3,806 victim survivors against a target of 3,750 in 2022–23.[6]

DGS was also asked to identify the programs that did not deliver their planned outcomes, which included:

- Connecting Victoria mobile program—facilitated nine new mobile base stations in 2022–23 against a target of 20[7]

4 Department of Government Services, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 10 November 2023, pp. 9, 12.

5 Ibid., p. 10.

6 Ibid., p. 12.

7 Ibid., p. 14.

- Dispute Settlement Centre of Victoria (DSCV)— telephone advice services were closed in January 2022 and DSCV did not meet three of its four performance measures in 2022–23[8]
- Know Your Council website—achieved 64,000 monthly pageviews in 2022–23 against a target of 120,000. The department noted the website was discontinued on 31 December 2022 as 'the reporting system was aging and no longer supported or secure'.[9] A replacement website went live on 22 May 2023.[10]

Finally, DGS was asked to identify a minimum of three key challenges it faced, which included:

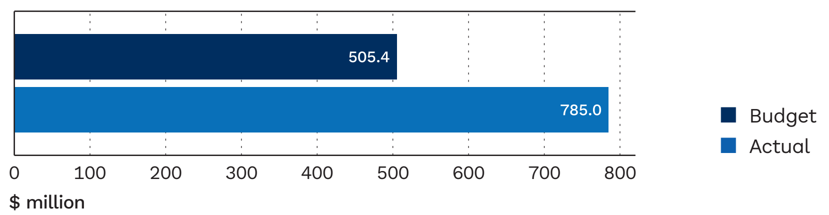
- keeping pace with accelerating customer expectations and new technologies while addressing barriers to digital inclusion
- rising security threats from cyber crime and the targeting of public sector infrastructure and essential services
- protecting vulnerable or disadvantaged consumers given housing and cost-of-living concerns.[11]

11.3 Financial analysis

11.3.1 Output expenditure

In 2022–23 DGS's output expenditure was $785 million, representing a variation of $279.6 million (55.3%) compared to the department's budget of $505.4 million.[12]

Figure 11.2 Department of Government Services—budget versus actual, 2022–23



Source: Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, pp. 30–39 (Committee calculation).

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8 Ibid., p. 15.

9 Ibid., pp. 15–16.

10 Ibid.

11 Ibid., pp. 86–87.

12 Department of Government Services, *Annual Report 2022–23*, pp. 30–39 (Committee calculation).

In 2022–23 all of DGS's outputs exceeded their allocated budgets.[13] The only exception was Services to Government, which did not have a published budget or comparative target in the DGS's Annual Report.[14] DGS explained this is because:

> the output is an amalgamation of subsets of various large outputs from a number of Departments, and it was not practical to identify each specific cost pertaining to the transfers and consolidate for reporting at the time of budget publication.[15]

The Services to Government output comprises a large proportion of DGS's overall overspending in 2022–23, representing $106.5 million (38.1%) of the $279.6 million variance.[16]

The remaining variance between DGS's actual and budgeted expenditure was mostly driven by the Local Government and Digital Strategy and Transformation outputs. The Local Government output overspend was due to additional supplementation funding provided for three initiatives after the 2022–23 Budget.[17] The Digital Strategy and Transformation output exceeded its budget due to the release of contingency funding for three initiatives after the 2022–23 Budget.[18] Table 11.1 illustrates DGS's expenditure by output in 2022–23.

Table 11.1 Department of Government Services—expenditure by output, 2022–23

Output	Target ($ million)	Actual ($ million)	Variance (%)
Regulation of the Victorian Consumer Marketplace	131.7	133.4	1.3
Identity and Worker Screening Services	46.6	49.9	7.1
Local Government	120.3	183.7	52.7
Digital Strategy and Transformation	194.0	296.7	52.9
Management of Victoria's Public Records	12.8	14.9	16.4
Services to Government	n.a.	106.5	n.a.
Total	**505.4**	**785.0**	**55.3**

Source: Department of Government Services, *2022–23 Annual Report*, Melbourne, 2023, pp. 30–39 (Committee calculation).

13 Ibid.

14 Ibid., p. 39.

15 Ibid.

16 Ibid., pp. 30–39 (Committee calculation).

17 These include the *Establishment of Council Flood Support Fund*, *COVID-19 Program Administration Funding* and *Melbourne CBD Economic Revitalisation Package* initiatives. Source: Department of Government Services, *Annual Report 2022–23*, p. 34 (Committee calculation).

18 These include the *Common Corporate Platforms*, *Service Victoria Operational funding* and *Digital Victoria Operational funding* initiatives. Source: Department of Government Services, *Annual Report 2022–23*, p. 36 (Committee calculation).

11.3.2 Revenue and expenses

In 2022–23 DGS's output appropriations were $260.8 million, representing a positive variance of $8.6 million (3.4%) compared to the 2022–23 revised Budget.[19] Other income in 2022–23 was $29.4 million (68.5%) higher than forecast in the 2022–23 revised Budget, driven by income earned on the portfolio's trust accounts.[20] DGS also received $16.1 million in resources free of charge in 2022–23. This included assets from the Public Record Office Victoria (PROV) that were not originally budgeted for in the 2022–23 revised Budget.[21]

DGS spent $173.6 million on employee expenses in 2022–23, employing a total of 1,608 full-time equivalent (FTE) employees.[22] The department's grants expenses were $39.8 million (34.3%) lower than forecast in the 2022–23 revised Budget, which was attributable to the deferral of programs.[23] This decrease was partially offset by an increase in DGS's other expenses, which grew by $19.1 million (10.7%) from $179.1 million in the 2022–23 revised Budget to $198.2 million due to higher customer volume in shared and regulatory services.[24]

In 2022–23, DGS spent a total of $3.2 million on consultants and $73.1 million on contractors and labour hire arrangements.[25] Contractors and labour hire serviced a number of programs, including Service Victoria, Digital Victoria and Working with Children checks and provided 'access to skilled professional[s] in high demand'.[26]

Overall financial performance

DGS forecast a net deficit from transactions of $53.2 million in 2022–23 but the actual result was a surplus of $38.8 million.[27] This variance is primarily due to assets received free of charge from the PROV and other income earned on DGS's trust accounts.[28]

Table 11.2 summarises DGS's overall financial performance in 2022–23.

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19 Department of Government Services, *Annual Report 2022–23*, p. 159 (Committee calculation).

20 Ibid.

21 Ibid.

22 Ibid., pp. 159, 164.

23 Ibid., p. 159 (Committee calculation).

24 Ibid.

25 Department of Government Services, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, pp. 53–54.

26 Ibid., p. 54.

27 Department of Government Services, *Annual Report 2022–23*, p. 159.

28 Ibid.

Table 11.2 Department of Government Services—summary of comprehensive operating statement, 2022–23

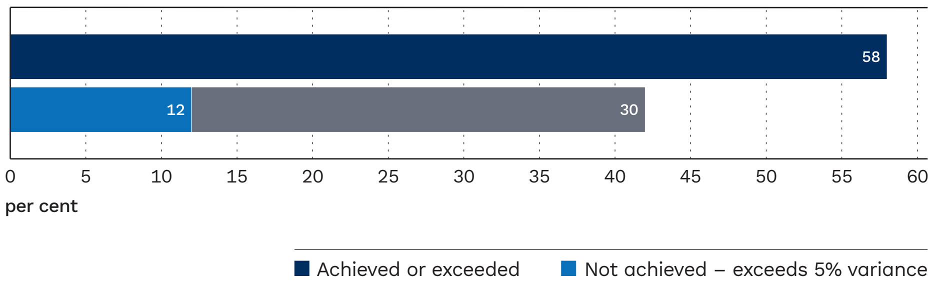
Controlled items	Revised Budget ($ million)	Actual ($ million)	Variance (%)
Income from transactions	447.2	510.2	14.1
Expenses from transactions	500.4	471.4	(5.8)
Net result from transactions	**(53.2)**	**38.8**	**-**

Source: Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, p. 159 (Committee calculation).

11.4 Performance information

In 2022–23 DGS achieved or exceeded 58% of its 66 performance measures.[29] DGS's performance measure results in 2022–23 are illustrated in Figure 11.3.

Figure 11.3 Department of Government Services—performance measure results, 2022–23



Source: Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, pp. 30–39 (Committee calculation).

In 2022–23 DGS achieved or exceeded five (33.3%) of the 15 performance measures under the Regulation of the Victorian Consumer Marketplace output. DGS did not achieve its targets for six of these measures by a variation of more than 20%. In 2021–22 only one of these six measures was achieved when under the responsibility of the Department of Justice and Community Safety (DJCS) (illustrated in Table 11.3).

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29 Ibid., pp. 30–39 (Committee calculation).

Table 11.3 Key performance measures—Regulation of the Victorian Consumer Marketplace output[a], 2021–22 and 2022–23

	2021–22			2022–23		
Performance measure	Target	Actual	Variation	Target	Actual	Variation
Dispute resolution services provided in the Dispute Settlement Centre of Victoria (DSCV)	25,000	11,903	(52.4%)	25,000	11,795	(52.8%)
Information and advice provided to consumers, renters, rental providers and businesses – through other services including written correspondence, face to face and dispute assistance	115,700	99,191	(14.3%)	157,343	114,906	(27%)
Information and advice provided to consumers, renters, rental providers and businesses – through telephone service	302,900	245,141	(19.1%)	293,265	206,025	(29.7%)
Number of court and administrative actions	900	628	(30.2%)	900	495	(45%)
Overall client satisfaction rate (DSCV)	85%	n.a.	n.a.	85%	67%	(23.7%)
Intake and mediation services conducted within agreed timeframes by the Dispute Settlement Centre of Victoria (DSCV)	85%	89.3%	5.1%	95%	65.5%	(36.8%)

a. Prior to machinery of government changes, these performance measures were shared between the Justice Policy, Services and Law Reform and Regulation of the Victorian Consumer Marketplace outputs under the Department of Justice and Community Safety.

Source: Department of Justice and Community Safety, *Annual Report 2021–22*, Melbourne, 2022, pp. 126–127, 134; Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, pp. 30–31 (Committee calculation).

FINDING 113: In 2022–23 the Department of Government Services (DGS) did not achieve its targets for ten of the 15 performance measures under the Regulation of the Victorian Consumer Marketplace output. Six of these failed to meet DGS's targets by a variation of more than 20%, including targets related to dispute resolution, client satisfaction and timeliness of services for the Dispute Settlement Centre of Victoria, and information and advice provided and court and administrative actions undertaken by Consumer Affairs Victoria.

11.5 Key issue—cyber security

Prior to the MoG changes enacted on 1 January 2023, DPC agency Digital Victoria was responsible for Victoria's five year cyber strategy, *A Cyber Safe Victoria* (the Strategy), released in April 2021.[30] The *Cyber Safe Victoria 2021+* output initiative in the 2021–22 Budget allocated $50.8 million towards the Strategy to 'protect public services from

30 Victorian Government, *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria*, Melbourne, April 2021.

cyber attacks through improvements to government cyber security controls and early detection of cyber risks'.[31] Digital Victoria's cyber security function, along with strategy delivery, has moved to DGS.[32]

The Victorian Government was impacted by a number of significant cyber attacks and data breaches over 2021–22 and 2022–23 (see Box 11.1), and DGS nominated 'rising cyber crime and targeting of the public sector, including critical infrastructure and essential services' as one of its key challenges over 2022–23.[33] At the hearings the Committee was told incidents of cybercrime in Australia are now reported around every six minutes, an increase of 23% over the last year, with almost one in four of these attacks impacting someone in Victoria.[34]

Box 11.1 Recent data breaches impacting the Victorian Government

Data breaches and cyber attacks impacting the Victorian Government over recent years have occurred in a number of ways, including:

- breaches on organisations and third parties that are government contractors
- holding sensitive and/or personal information on behalf of the State
- direct cyber attacks on government departments and agencies
- attacks that compromise government-issued forms of identity.

Legal firm HWL Ebsworth experienced a major cyber breach in April 2023, resulting in details of contracts relating to several Victorian Government departments and agencies being released onto the dark web. In 2022, IT company PNORS Technology Group also experienced a data breach, potentially compromising the data relating to responses from its client the Department of Education and Training's (DET) school entrance health questionnaire. The questionnaire is completed by families of commencing school children and contains demographic information and details of any developmental and behavioural issues impacting the respondents.

(Continued)

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31 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, pp. 102–103 (Committee calculation); Ms Jo de Morton, Secretary, Department of Government Services, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence*, p. 18.

32 Department of Government Services, *Annual Report 2022–23*, p. 9.

33 Department of Government Services, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 85.

34 Ms Jo de Morton, Secretary, Department of Government Services, *Transcript of evidence*, p. 18; Victorian Government Chief Information Security Officer, *Progress Report: Delivering Victoria's Cyber Strategy*, 17 February 2023, <https://www.vic.gov.au/progress-report-delivering-victorias-cyber-strategy> accessed 13 February 2024.

Box 11.1 (Continued)

Direct cyber attacks on Victorian department and agencies have also occurred. In December 2022 Fire Rescue Victoria (FRV) became aware of a cyber attack on its internal IT environment, leading to a widespread IT outage. As a result of the attack FRV had grounds to believe that personal information of employees, former staff, contractors and job applicants may have been accessed or stolen by a malicious third party. This personal information may include health information, Medicare numbers, Centrelink customer reference numbers and other types of Government issued identity information. More recently, Court Services Victoria (CSV) reported a data breach in December 2023, whereby audio-visual recordings of some hearings and other sensitive evidence taken in courts between 1 November and 21 December 2023 had been accessed. The date range of hearings accessed across parts of the court system was later revised to include 2016, and 2019 to 2023.

The Victorian Government was actively involved in the response to the data breach on major telecommunications company Optus. This attack in October 2022 resulted in hackers stealing 10 million past and existing Optus customers' addresses and driver licence numbers. This led to Victorian Government agency VicRoads reissuing new driver's licences to affected victims. DGS also reported that the Optus cyber attack was partly responsible for an average of 1,339,935 monthly visits to the Victorian Government website, www.vic.gov.au, over 2022–23 (257.3% over the target of 375,000), as people impacted by the attack sought further information on having their licences reissued.

Source: Victorian Government, *HWL Ebsworth cyber breach*, 14 July 2023, < https://www.vic.gov.au/hwl-ebsworth-cyber-breach> accessed 13 February 2024; David Braue, *Breach threatens Victorian student welfare data*, Australian Computer Society Information Age, November 8 2022, <https://ia.acs.org.au/article/2022/breach-threatens-victorian-student-welfare-data.html> accessed 16 February 2023; Fire Rescue Victoria, *Cyber-attack information (Dec 2022)*, 11 December 2023, <https://www.frv.vic.gov.au/cyber-attack-information-dec-2022> accessed 13 February 2024; Court Services Victoria, *Court Services Victoria – Cyber Incident Information*, 18 January 2024, <https://courts.vic.gov.au/news/court-services-victoria-cyber-incident> accessed 13 February 2024; Victorian Auditor-General's Office, *Cyber security: Cloud Computing Products*, Melbourne, August 2023, p. 10; Department of Government Services, *Annual Report 2022–23*, Melbourne, 2023, p. 35.

Victoria's Cyber Strategy 2021: A Cyber Safe Victoria comprises three core missions:

1. the safe and reliable delivery of government services
2. a cyber safe place to work, live and learn
3. a vibrant cyber economy.[35]

35 Victorian Government, *Victoria's Cyber Strategy 2021*, p. 8.

Specific activities falling under the three core missions are set out in annual *Mission Delivery Plans*, commencing in 2021–22 and finishing in 2025–26.[36] In addition to the *Mission Delivery Plans*, the Victorian Government Chief Information Security Officer (CISO) publishes an annual statement on the progress of activities.[37] The Strategy states yearly updates in the form of *Mission Delivery Plans* 'acknowledges the rapidly changing digital environment, and the evolving cyber risks faced by government, industry and the community'.[38]

The first *Mission Delivery Plan* released by the Government in 2021–22 lists 39 actions, as well as information on the priorities within each of the missions and a 'target state' the Government hopes to have reached upon completion of the actions.[39] The *2022–23 Mission Delivery Plan* detailed 12 actions coming under the priority initiatives of:

- reducing the risk of adverse cyber security events on government systems and services
- boosting cyber security skills, talent and career pathways
- supporting the continued growth of Victoria's cyber industry
- building improved cyber security resilience for the community and across industries.[40]

In February 2023 the CISO also released the first *Progress Report: Delivering Victoria's Cyber Strategy*.[41] Some of the achievements the Government made over 2022–23 include:

- promoting the adoption of the Australian Signals Directorate's Essential 8 maturity model across government
- establishing the first of the Security Operations Centres (SOCs)
- conducting widespread implementation of Domain-based Message Authentication, Reporting and Conformance (DMARC) capability across email services using the vic.gov.au domain.[42] At the hearings the Committee was informed DMARC now covers 91% of email domains, and this is important because 'it helps prevent cybercriminals from impersonating the Victorian government to scam people'[43]
- conducting cyber security awareness training for both Government department and agency staff and members of government boards. In its Annual Report 2022–23,

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36 Ibid., p. 18.

37 Ibid., p. 19.

38 Ibid.

39 Ibid., pp. 8–24.

40 Victorian Government, *Mission Delivery Plan 2022–2023*, 15 February 2023, <https://www.vic.gov.au/victorias-cyber-strategy-mission-delivery-plan-2022-23> accessed 13 February 2024.

41 Victorian Government Chief Information Security Officer, *Progress Report*.

42 Ibid.

43 Ms Jo de Morton, Secretary, Department of Government Services, *Transcript of evidence*, p. 2.

DGS noted it has 'worked with 178 public sector organisations to understand and improve their cyber maturity and trained 60 board members from across the VPS'[44]

- establishing an Expert Advisory Panel on Cybercrime to improve cyber protection for Victorian businesses and the community, comprised of government, industry, academia, and victim support services representatives
- educating government organisations on the safe and secure use of cloud technology.[45]

While these are all welcome developments and indicate improvements in the Victorian Government's cyber awareness and preparedness across departments and agencies, the Committee notes:

- There are no timelines for when the actions listed in the 2021–22 and 2022–23 Mission Delivery Plans are to be completed, or metrics to demonstrate whether the implementation of such actions are successful.
- It is unclear if the annual Mission Delivery Plans and CISO's Progress Report are referring to activities for the previous or present, financial or calendar year. The 2022–23 Mission Delivery Plan was released in February 2023, seven months into 2022–23, while the CISO's first Progress Report, dated '2023', was also published in February 2023, nearly two years after the Strategy and the first (2021–22) Mission Delivery Plan was released in April 2021.[46] At the time of writing, the 2023–24 Mission Delivery Plan is not yet publicly available, along with a Progress Report from the CISO on 2022–23 developments.

FINDING 114: The publication of annual Mission Delivery Plans that outline the implementation of *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* and the Victorian Government Chief Information Security Officer's annual statement on the Strategy's progress have not been timely.

RECOMMENDATION 43: The Department of Government Services publish the annual Mission Delivery Plans outlining the following year's implementation priorities for *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* at the start of every financial year.

RECOMMENDATION 44: The Victorian Government Chief Information Security Officer publish the annual statement on *Victoria's Cyber Strategy 2021: A Cyber Safe Victoria* progress at the end of every financial year.

44 Department of Government Services, *Annual Report 2022–23*, p. 24.

45 Victorian Government Chief Information Security Officer, *Progress Report*.

46 Victorian Government Chief Information Security Officer, *Progress Report*; Victorian Government, *Victoria's Cyber Strategy 2021: Mission Delivery Plans 2021–2022*, April 2021, p. 10; Victorian Government, *Mission Delivery Plan 2022–2023*.

Furthermore, information available on the Victorian Government's website under the heading 'Recent Victorian Government data breaches that could affect Victorians' is out of date and incomplete.[47] While the webpage contains useful information and guidance on how to recover from a data breach, as well as giving information on the HWL Ebsworth cyber breach, there are no details or updates on other incidents impacting Victorian Government departments and agencies, such as FRV, CSV and the PNORS incident impacting DET discussed in Box 11.1.[48] FRV and CSV have dedicated pages on their websites providing information for people who believe they may have been impacted by their recent cyber breach incidents, and have given regular and dated updates on the breaches as further information has become available.[49]

The Committee believes it would be worthwhile for the Government to use the vic.gov.au website as a central and up to date information source for Victorians regarding data breaches concerning Government departments, agencies and contractors.

FINDING 115: Updates and information on data breaches affecting Victorian Government agencies are not comprehensively listed on the central vic.gov.au website, with individual agencies that have experienced cyber attacks providing details on their own websites.

RECOMMENDATION 45: In addition to individual Victorian Government agencies that have experienced data breaches providing updates on their websites, the central vic.gov.au webpage provide the latest information on cyber security incidents on all agencies and departments across the Victorian public sector, with links to relevant affected agencies.

11.6 Key issue—rent reviews

CAV moved into DGS from DJCS on 1 January 2023.[50] As the agency responsible for administering Victoria's residential tenancies acts and regulating the rental market, the Committee discussed recent developments in Victoria's rental market with CAV representatives at the hearings.[51]

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47 Victorian Government, *Cyber security incidents impacting Victorians*, 16 October 2023, <https://www.vic.gov.au/cyber-security-incidents-impacting-victorians> accessed 13 February 2024.

48 Ibid.

49 Fire Rescue Victoria, *Cyber-attack information (Dec 2022)*, 11 December 2023, <https://www.frv.vic.gov.au/cyber-attack-information-dec-2022> accessed 13 February 2024; Court Services Victoria, *Court Services Victoria – Cyber Incident Information*, 18 January 2024, <https://courts.vic.gov.au/news/court-services-victoria-cyber-incident> accessed 13 February 2024.

50 Department of Government Services, *Annual Report 2022–23*, p. 8.

51 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence*, pp. 7, 11.

The Committee was informed that the level of renting was increasing, with more than 2 million people in Victoria now living in rental accommodation. Over the past year rents have increased by 21% in Melbourne and 40% in regional Victoria.[52]

As part of the rental law changes enacted in 2021, tenants who receive a notice from their landlord of a rent increase, and who believe that the increase is higher than the market range, can apply to CAV to have the rent increase reviewed.[53] The review can then be used by the tenant:

- as evidence in further negotiations with the landlord demonstrating the rent increase is too high, or
- at a Victorian Civil and Administrative Tribunal hearing if the landlord maintains that the rent increase will still apply, and the tenant chooses to contest this further.[54]

The Committee was told CAV received 5,448 requests for rent reviews over 2022–23, a 120% increase over the previous year.[55] CAV also confirmed it had received 2,751 rent review requests from 1 July 2023 to 31 October 2023.[56] At this stage CAV is unable to show how many of the 2022–23 rent review requests demonstrated an unreasonably high rental increase, as the data will be available next year.[57]

FINDING 116: The number of requests for rent increase reviews conducted by Consumer Affairs Victoria increased by 120% over the previous year to reach 5,448 for 2022–23. However, the number of these requests that demonstrated an unreasonably high rental increase is not yet known.

Nevertheless the high number of rent review requests over 2022–23 meant CAV had to redeploy resources within the organisation to meet demand.[58] The result for the performance measure 'Number of court and administrative actions' was 495, 45% below the target of 900 due to the 'prioritisation of support following the October 2022 floods and CAV's response to rental reviews'.[59] CAV further noted in its 2022–23 Annual Report that it applied 'extra resources to rising demand for reviews of rent increases … ensur[ing] our compliance officers prioritised these critical services over routine inspections'.[60]

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52 Ms Jo de Morton, Secretary, Department of Government Services, *Transcript of evidence*, p. 7.

53 Consumer Affairs Victoria, *Challenging rent increases or high rent*, 9 February 2023, <https://www.consumer.vic.gov.au/housing/renting/rent-bond-bills-and-condition-reports/rent/challenging-rent-increases-or-high-rent> accessed 14 February 2024.

54 Ibid.

55 Ms Jo de Morton, Secretary, Department of Government Services, *Transcript of evidence*, pp. 2, 7.

56 Ms Nicole Rich, Executive Director, Regulatory Services and Director, Consumer Affairs Victoria, Department of Government Services, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice, received 1 December 2023, p. 3.

57 Ms Nicole Rich, Executive Director, Regulatory Services and Director, Consumer Affairs Victoria, Department of Government Services, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 21 November 2023, *Transcript of evidence*, p. 22.

58 Ibid.

59 Department of Government Services, *Annual Report 2022–23*, p. 31.

60 Consumer Affairs Victoria, *Annual Report 2022–23*, Melbourne, 2023, p. 10.

While the service is widely used, the Legislative Council's Legal and Social Issues Committee 2023 inquiry into the rental and housing affordability crisis in Victoria found the current system for rent reviews has limitations. This includes:

- placing the burden of proof on the renter who, in fear of retaliation from the landlord or real estate agency, may be discouraged to pursue the rent review option
- assessing the rent increase in comparison to similar properties in surrounding areas, and not the actual amount of the rent increase. The inquiry also established that the high turnover of rental dwellings in the Victorian market equates to shorter tenures, and these 'tend to 'reset' rental rates to the market maximum'.[61]

In *Victoria's Housing Statement: The decade ahead 2024–2034*, announced in September 2023, further proposed changes were outlined by the Government to the way rent increases occur including:

- restrictions on rent increases between successive fixed-term rental agreements
- establishing a new body, Rental Dispute Resolution Victoria, to mediate disputes between tenants, landlords and real estate agents over matters such as bonds and rent increases
- extending the notice landlords must give tenants of rent increases from 60 days to 90 days.[62]

These changes have yet to be put before Parliament.

61 Parliament of Victoria, Legislative Council, Legal and Social Issues Committee, *Inquiry into the rental and housing affordability crisis in Victoria*, November 2023, pp. 38, 161–162.

62 Victorian Government, *Victoria's Housing Statement: The decade ahead 2024–2034*, Melbourne, 2023, pp. 27–28.

Chapter 12
Department of Treasury and Finance

12.1 Overview

The Department of Treasury and Finance (DTF) provides economic, financial and resource management advice to help the Victorian Government deliver its policies.[1] As of 30 June 2023 DTF supported the ministerial portfolios of the Treasurer, the Assistant Treasurer and WorkSafe and the TAC (Transport Accident Commission).[2]

The department's three objectives are to:

- optimise Victoria's fiscal resources
- strengthen Victoria's economic performance
- improve how government manages its balance sheet, commercial activities and public sector infrastructure.[3]

12.1.1 Machinery of government changes

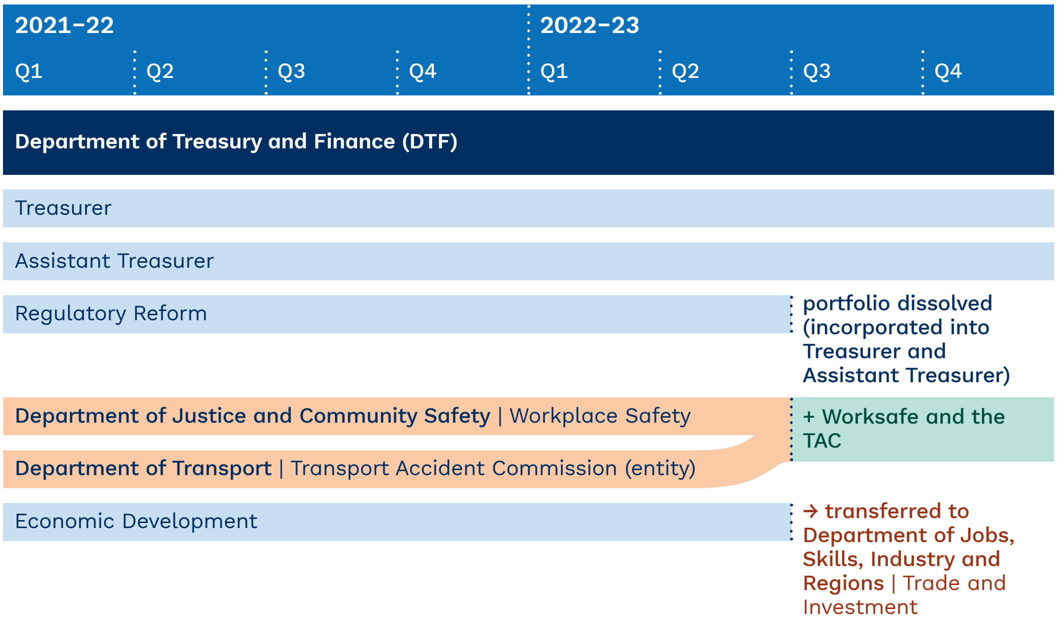
In 2021–22 and 2022–23 DTF was impacted by machinery of government (MoG) changes, which are summarised in Figure 12.1.

1 Department of Treasury and Finance, *Annual Report 2022–23*, Melbourne, 2023, p. 1.

2 Ibid.

3 Ibid.

Figure 12.1 Department of Treasury and Finance—machinery of government changes, 2021–22 and 2022–23



Additionally, DTF's Land and Property team moved to the Department of Transport and Planning and most of DTF's corporate services (excluding Legal, Cabinet and Parliamentary Services and Strategic Communications) moved to the new Department of Government Services.[4]

12.2 Outcomes and challenges

DTF was asked to identify the programs that delivered the most important outcomes in the community in 2021–22 and 2022–23. These included:

- delivering the 2022–23 Budget in May 2022 and the 2023–24 Budget in May 2023
- providing analysis and advice to the Government on the four-step fiscal strategy and presenting opportunities to progress towards these goals in 2021–22
- supporting the Government's fiscal strategy and providing advice on financial frameworks, reform and policy matters in 2022–23.[5]

Rather than identifying programs that did not deliver their planned outcomes, as requested by the Committee, DTF instead listed its lowest-performing performance measures. These included:

- 'Performance reviews and compliance audits of regulated businesses' (33% below target) and 'Price approvals of regulated businesses' (10% below target) in 2021–22. DTF provides economic regulation of utilities and other specified markets to protect

4 Ibid., p. 11.

5 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, received 16 November 2023, pp. 7–9.

the interests of consumers with regard to price, quality, reliability and efficiency of essential services.[6]

- 'Achievement of scheduled milestones in budget funded projects of Master Data Management Toolsets, Identity and Access Management system and Microservices implementation' (52% below target) and 'Stakeholder satisfaction survey result' (22% below target) in 2022–23.[7] The former measure relates to milestones achieved by the State Revenue Office (SRO) under the Advanced Revenue Management Program.[8]

DTF identified another three performance measures that were not achieved in both years, which are discussed in further detail in Section 12.4.

FINDING 117: Whilst the Committee acknowledges the merits of the Department of Treasury and Finance providing information related to its lowest-performing performance measures, it emphasises the importance of reporting on and identifying programs that did not deliver the planned outcomes.

DTF was also asked to outline the key challenges it faced in 2021–22 and 2022–23. These were largely impacted or driven by COVID-19 and included:

- a challenging fiscal environment due to global economic uncertainty and COVID-19 in 2021–22 and high inflation, increased cost of living pressures and rising input costs for businesses in 2022–23
- transitioning towards and implementing hybrid and flexible working practices for staff
- supporting staff workload challenges and responding to a complex operating environment.[9]

12.3 Financial analysis

12.3.1 Output expenditure

Figure 12.2 illustrates DTF's budgeted and actual output expenditure in 2021–22 and 2022–23.

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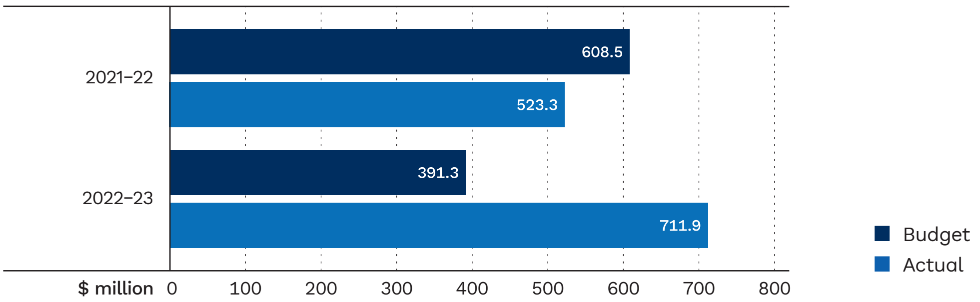
6 Department of Treasury and Finance, *Annual Report 2022–23*, p. 26.

7 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, pp. 11–14.

8 Department of Treasury and Finance, *Response to the 2023–24 Budget Estimates Questionnaire,* received 26 May 2023, p. 77.

9 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, pp. 133–134.

Figure 12.2 Department of Treasury and Finance—budget versus actual, 2021–22 and 2022–23



Source: Department of Treasury and Finance, *Annual Report 2021–22*, Melbourne, 2022, pp. 22–34; Department of Treasury and Finance, *Annual Report 2022–23*, Melbourne, 2023, pp. 21–29 (Committee calculation).

DTF's underspend in 2021–22 was largely driven by the Invest Victoria output, which recorded a negative variance of $79 million (53.5% under budget).[10] This was a result of funding being re-allocated to future years due to the timing of grant payments.[11]

In 2022–23 DTF's overspend was primarily due to the Economic and Policy Advice output, which exceeded its budget by $273.8 million (271.9%).[12] According to DTF's Annual Report, this was due to one-off funding to support WorkSafe's financial sustainability, which was paid in the first half of 2022–23 when the entity was the responsibility of the Department of Justice and Community Safety.[13] The Commercial and Infrastructure Advice output also recorded an overspend of $34.9 million (64.5%), which the department explained was due to funding for financial adviser fees and transaction costs associated with the *VicRoads Modernisation Project*.[14]

12.3.2 Revenue and expenses

In 2021–22 DTF's output appropriations were $516.4 million, representing a non-material increase of $10.2 million (2%) compared to 2020–21.[15] In 2022–23 DTF's output appropriations decreased by $88.6 million (17.2%).[16] This primarily reflected MoG changes with the transfer of various functions from DTF to other departments.[17]

10 Department of Treasury and Finance, *Annual Report 2021–22*, Melbourne, 2022, p. 28 (Committee calculation).

11 Ibid.

12 Department of Treasury and Finance, *Annual Report 2022–23*, p. 25 (Committee calculation).

13 Ibid.

14 The *VicRoads Modernisation Project* is the Government's joint venture partnership with the private sector to deliver VicRoads' registration and licensing and custom plates services. Source: Ibid., p. 28; Department of Treasury and Finance, *VicRoads Modernisation*, 1 July 2022, <https://www.dtf.vic.gov.au/vicroads-modernisation> accessed 10 January 2024 (Committee calculation).

15 Department of Treasury and Finance, *Annual Report 2020–21*, Melbourne, 2021, p. 34; Department of Treasury and Finance, *Annual Report 2021–22*, p. 36 (Committee calculation).

16 Department of Treasury and Finance, *Annual Report 2021–22*, p. 36; Department of Treasury and Finance, *Annual Report 2022–23*, p. 32 (Committee calculation).

17 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, p. 58.

DTF's employee expenses grew by $24 million (10.1%) from 2020–21 to 2021–22, largely due to additional staffing required to support new initiatives such as the *Advanced Revenue and Compliance Program*.[18] In 2021–22 the department employed 970 full-time-equivalent (FTE) employees, an increase of 158 (19.5%) compared to the previous year.[19]

In 2022–23 DTF's employee expenses decreased by $15.6 million (5.9%), involving a reduction in the department's workforce of 389 (40.1%) FTE employees, including 28 senior employees.[20] DTF explained the decrease in its FTE workforce was due to the transfer of a number of functions, including Invest Victoria and most of DTF's corporate services to other departments as part of MoG changes.[21]

DTF spent $87.2 million on contractors, consultants and labour-hire costs in 2021–22, representing a $21.3 million (32.3%) increase when compared to 2020–21.[22] The department explained this was mainly due to the engagement of consultants for the *VicRoads Modernisation Project* and contractors by the SRO to support revenue management system upgrades and software development for the *Victorian Homebuyer Fund*.[23] DTF's spending on contractors, consultants and labour-hire costs in 2022–23 fell to $70.2 million, representing a $17 million (19.5%) decrease compared to the previous year, largely due to MoG changes.[24] Of DTF's total spending on contractors and consultants in both years, $24.5 million was spent on engaging the Big Four accounting firms in 2021–22 and $10.4 million in 2022–23.[25]

In its questionnaire response, DTF advised the Committee it spent $648.9 million in 2021–22 and $1 billion in 2022–23 on programs and/or initiatives announced as part of the Government's response to the COVID-19 pandemic.[26] The majority of this spending was on two programs: the *Big Housing Build: Expanded Social Housing Growth Fund* ($476 million across both years) and the *New Job Tax Credit* ($1 billion across both years).[27]

18 The *Advanced Revenue and Compliance Program* is a program to modernise the SRO's revenue management system to provide better customer experience and to increase the SRO's efficiency and effectiveness in collecting State taxes, duties and levies. Source: Ibid., p. 63; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery*, Melbourne, 2021, p. 127 (Committee calculation).

19 Department of Treasury and Finance, *Annual Report 2021–22*, pp. 124–125.

20 Senior employees include STS, Executives and the Secretary. Source: Department of Treasury and Finance, *Annual Report 2022–23*, pp. 126–127.

21 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, p. 98.

22 Ibid., pp. 89–90 (Committee calculation).

23 Ibid.

24 Ibid.

25 The Big Four accounting firms are PricewaterhouseCoopers (PwC), Deloitte, Klynveld Peat Marwick Goerdeler (KPMG) and Ernst & Young (EY). Source: Ibid., p. 91.

26 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, pp. 66–83 (Committee calculation).

27 Ibid. (Committee calculation).

Since the beginning of the pandemic, DTF has also reported on departments' actual COVID-19-related costs on a dedicated website.[28] According to this data, DTF incurred $892.6 million in costs related to COVID-19 in 2021–22.[29] DTF explained the discrepancy between these two figures was because the website includes 'other actual additional expenditure incurred due to COVID-19' and not covered by DTF's questionnaire response, such as the reimbursement of expenditure incurred for interstate hotel quarantine, additional facilities management and accommodation costs.[30]

The Committee notes DTF has not published data on its website for departments' COVID-19 related spending in 2022–23.[31] DTF explained it would not be publishing the 2022–23 data following 'the recovery of the economy from the COVID-19 pandemic and the general unwinding of COVID-19 activities'.[32] However, given many departments including DTF identified COVID-19 as an ongoing challenge and spent a combined total of $3.7 billion on programs and/or initiatives announced as part of the Government's COVID-19 response in 2022–23—according to its questionnaire responses—the Committee recommends that DTF reconsider this position.[33]

FINDING 118: The Department of Treasury and Finance informed the Committee it spent $648.9 million in 2021–22 and $1 billion in 2022–23 on programs or initiatives announced as part of the Victorian Government's response to the COVID-19 pandemic.

FINDING 119: Victorian Government Departments, Court Services Victoria and the Parliamentary Departments spent a combined total of $3.7 billion on programs or initiatives announced as part of the Government's COVID-19 response in 2022–23.

RECOMMENDATION 46: The Department of Treasury and Finance publish a report on actual COVID-19 related spending in 2022–23, consisting of a table breaking down the actual costs for each initiative by department, on its website.

28 Department of Treasury and Finance, *Coronavirus (COVID-19) Reporting*, 20 October 2022, <https://www.dtf.vic.gov.au/state-financial-data-sets/coronavirus-covid-19-reporting> accessed 13 December 2023.

29 Ibid.

30 Department of Treasury and Finance, correspondence, 12 January 2024.

31 Department of Treasury and Finance, *Coronavirus (COVID-19) Reporting*.

32 Department of Treasury and Finance, correspondence, 12 January 2024.

33 All Victorian Government Departments, Court Services Victoria and the Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire: Question 15*, n.d., <https://www.parliament.vic.gov.au/get-involved/inquiries/inquiry-into-the-2021-22-and-2022-23-financial-and-performance-outcomes/questionnaires> accessed 12 January 2024 (Committee calculation).

Overall financial performance

DTF's financial performance in 2021–22 and 2022–23 is summarised in Table 12.1.

Table 12.1 Department of Treasury and Finance—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	658.4	640.3	(2.7)	626.6	514.7	(17.9)
Expenses from transactions	653.5	580.3	(11.2)	626.4	493.1	(21.3)
Net result from transactions	**4.9**	**60**	**–**	**0.2**	**21.6**	**–**

Source: Department of Treasury and Finance, *Annual Report 2021–22*, Melbourne, 2022, p. 36; Department of Treasury and Finance, *Annual Report 2022–23*, Melbourne, 2023, p. 32 (Committee calculation).

12.3.3 Treasurer's Advances

Treasurer's Advances are appropriations[34] to the Treasurer to meet urgent expenditure claims that were unforeseen at the time of the budget.[35] In 2021–22 DTF accessed $976.2 million in Treasurer's Advances or 6.9% of the total received by the whole of Victorian Government (WoVG), including $268.4 million (27.5%) which was attributable to COVID-19.[36] In 2022–23 DTF accessed $1.6 billion in Treasurer's Advances, 15.7% of the Treasurer's Advances received by the WoVG.[37] Since the beginning of the pandemic, DTF has reported on Treasurer's Advances in its Annual Financial Report by disaggregating whether the funding was related to COVID-19 or not.[38] Despite COVID-19 continuing to be a significant challenge for most Victorian Government departments in 2022–23, DTF did not disaggregate Treasurer's Advance funding in the *2022–23 Financial Report*.[39]

Figure 12.3 illustrates the Treasurer's Advances accessed by DTF and the WoVG in 2021–22 and 2022–23.

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34 An appropriation is an authority given by the Parliament to draw funding from the Consolidated Fund. Source: Department of Treasury and Finance, *Budget Operations Framework for Victorian Government Departments*, Melbourne, February 2017, p. 4.

35 Department of Treasury and Finance, *Budget Operations Framework for Victorian Government Departments*, p. 6.

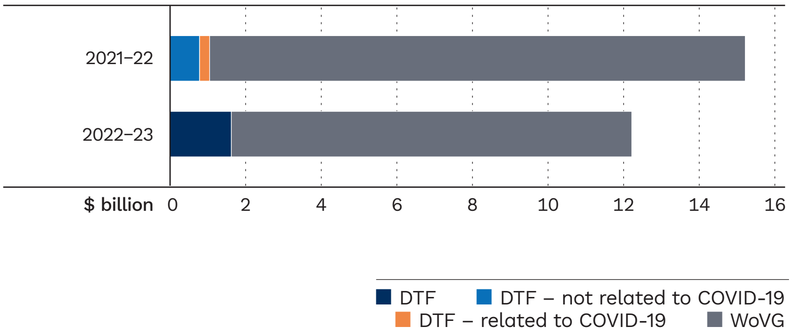
36 Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 150–151 (Committee calculation).

37 Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, p. 167.

38 Department of Treasury and Finance, *2019–20 Financial Report*, Melbourne, 2020, pp. 163–167; Department of Treasury and Finance, *2020–21 Financial Report*, Melbourne, 2021, pp. 148–152; Department of Treasury and Finance, *2021–22 Financial Report*, pp. 147–151.

39 Department of Treasury and Finance, *2022–23 Financial Report*, pp. 161–167.

Figure 12.3 Treasurer's Advance funding received in 2021–22 and 2022–23[a] by the Department of Treasury and Finance (DTF) and whole of Victorian Government (WoVG)



a. DTF did not disaggregate Treasurer's Advance funding for 2022–23 according to whether the funding was related to COVID-19 or not.

Source: Department of Treasury and Finance, *2021–22 Financial Report*, Melbourne, 2022, pp. 150–151; Department of Treasury and Finance, *2022–23 Financial Report*, Melbourne, 2023, pp. 166–167 (Committee calculation).

Of the $2.6 billion in Treasurer's Advances received by DTF across both years, the bulk of it (93.8%) was for three initiatives:

- Social Housing Growth Fund—$523.8 million in 2021–22 and $650 million in 2022–23
- Victorian Homebuyer Fund—$171.7 million in 2021–22 and $855.5 million in 2022–23
- COVID-19 Disaster Payments—$233.4 million in 2021–22.[40]

Both the *Social Housing Growth Fund* and the *Victorian Homebuyer Fund* were initially funded in the 2020–21 Budget, yet have still received significant amounts of additional off-budget supplementation.[41] In the past the Committee has commented on DTF's use of Treasurer's Advances for the *Social Housing Growth Fund* and has noted it was unclear why funding was not provided for this initiative through normal appropriations.[42] The Committee also recommended DTF provide reasons in the Annual Financial Report for accessing Treasurer's Advances rather than normal appropriations to fund budget initiatives, which the department supported-in-principle but has not implemented.[43] DTF also did not provide any information about the *Social Housing Growth Fund* in its response to the Committee's question on Treasurer's Advances and other budget supplementation.[44]

DTF's questionnaire response indicated the department received $18.3 million in Treasurer's Advance funding for the implementation and operation of the *Victorian Homebuyer Fund*, including building and updating IT systems, developing policies,

40 Ibid., pp. 166–167; Department of Treasury and Finance, *2021–22 Financial Report*, pp. 150–151.

41 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service Delivery*, Melbourne, 2020, pp. 137–138, 141.

42 Parliament of Victoria, Public Accounts and Estimates Committee*, Report on the 2020–21 Financial and Performance Outcomes*, April 2022, p. 181.

43 Ibid.; Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2020–21 Financial and Performance Outcomes*, 21 September 2022, p. 15.

44 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, pp. 15–33.

procedures and marketing campaigns and onboarding partner lenders across 2021–22 and 2022–23.[45] However, DTF's questionnaire response did not detail why Treasurer's Advances were accessed for the remaining $1 billion in shared equity funding, rather than being funded through normal appropriations.[46] The Committee emphasises the importance of providing consistent, reliable and comprehensive responses to its questionnaire, including accounting for why Treasurer's Advances were accessed for various initiatives and programs. The *Victorian Homebuyer Fund* is discussed further in Section 12.6.

FINDING 120: The Department of Treasury and Finance accessed $976.2 million in Treasurer's Advances in 2021–22, of which $268.4 million was attributable to COVID-19, and $1.6 billion in 2022–23. The Committee could not determine the proportion of Treasurer's Advance funding related to COVID-19 in 2022–23 because the department changed its reporting methods in the *2022–23 Financial Report*.

RECOMMENDATION 47: The Department of Treasury and Finance clarify on its website which payments from Treasurer's Advances for the 2022–23 financial year, as listed in the *2022–23 Financial Report*, were attributable to COVID-19.

FINDING 121: The Department of Treasury and Finance supported in-principle but has not implemented the Committee's previous recommendation of providing reasons in the Annual Financial Report for accessing Treasurer's Advances rather than normal appropriations, to fund budget initiatives.

FINDING 122: The Department of Treasury and Finance did not provide complete or comprehensive answers to the Committee's questionnaire regarding the reasons for accessing Treasurer's Advances for the *Social Housing Growth Fund* and the *Victorian Homebuyer Fund* in 2021–22 and 2022–23.

RECOMMENDATION 48: The Department of Treasury and Finance ensure future responses to the Committee's financial and performance outcomes questionnaires contain comprehensive answers regarding the reasons for accessing Treasurer's Advances.

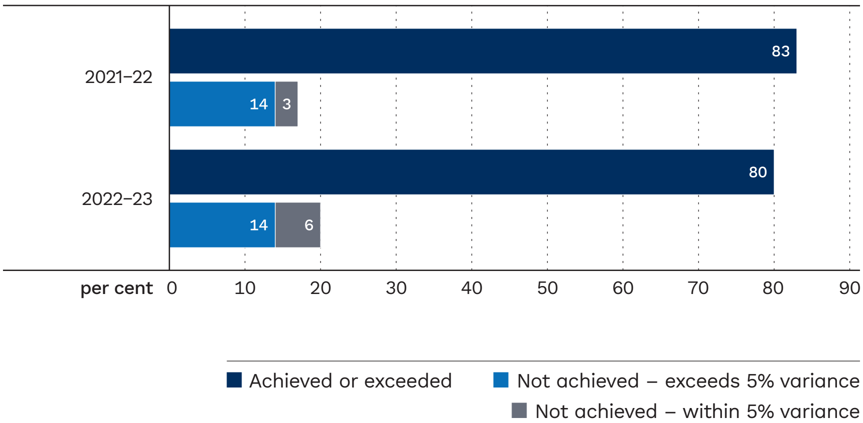
45 Ibid., pp. 17, 23, 25, 27, 30 (Committee calculation).

46 Department of Treasury and Finance, *2021–22 Financial Report*, p. 150.

12.4 Performance information

DTF's performance measure results for 2021–22 and 2022–23 are illustrated in Figure 12.4.

Figure 12.4 Department of Treasury and Finance—performance measure results, 2021–22 and 2022–23



Source: Department of Treasury and Finance, *Annual Report 2021–22*, Melbourne, 2022, pp. 22–34; Department of Treasury and Finance, *Annual Report 2022–23*, Melbourne, 2023, pp. 21–29 (Committee calculation).

The Committee notes the following performance measures did not meet DTF's targets by more than 20% in both 2021–22 and 2022–23:

- 'Ratio of outstanding debt to total revenue (monthly average)' had a target of less than 2% in both years and actual results of 3.2% in 2021–22 and 2.7% in 2022–23. Regarding its 2021–22 result, DTF stated that debt levels had increased due to necessary changes to debt collection activities during the COVID-19 pandemic but noted that collection activities had resumed and outstanding debt levels were improving. DTF advised that debt levels remained high in 2022–23 because of debts accumulated during, and increases in new debts after, the pandemic.[47]
- 'Accuracy of estimating state taxation revenue in the state budget' had a target of less than 5% in both years with actual results of 14.9% in 2021–22 and 6.1% in 2022–23. DTF advised the 2021–22 result was due to higher than forecast land transfer duty revenue from strong property market activity. The 2022–23 result, according to DTF, was also due to higher land transfer duty and land tax revenue as well as increased payroll tax revenue arising from a strong labour market.[48]
- 'Accuracy of estimating the employment growth rate in the state budget' had a target of less than 1% in both years with actual results of 1.2% in 2021–22 and 2.25% in 2022–23. DTF stated that employment growth in Victoria was better than

47 Department of Treasury and Finance, *Annual Report 2021–22*, p. 23; Department of Treasury and Finance, *Annual Report 2022–23*, p. 22.

48 Department of Treasury and Finance, *Annual Report 2021–22*, p. 25; Department of Treasury and Finance, *Annual Report 2022–23*, p. 24.

forecast in 2021–22 and 2022–23 due to a rapid recovery from COVID-19 and strong labour demand and population growth, which supported growth in labour supply.[49]

FINDING 123: The Department of Treasury and Finance achieved or exceeded 83% of its performance measures in 2021–22 and 80% in 2022–23.

FINDING 124: In 2021–22 and 2022–23 the Department of Treasury and Finance failed to meet its targets for three performance measures relating to the ratio of outstanding debt, the accuracy of estimating state taxation revenue and the employment growth rate in the state budget.

12.5 Key issue—revenue initiatives

12.5.1 Mental health and wellbeing levy

The *Royal Commission into Victoria's Mental Health System* recommended the Government introduce 'a new revenue mechanism (a levy or tax) for the provision of operational funding for mental health services' to ensure Victoria's mental health system is sustainable and to support the implementation of other reforms recommended by the Royal Commission.[50] In response, the 2021–22 Budget introduced the *Mental Health and Wellbeing Levy*, which commenced on 1 January 2022.[51] The levy is a payroll tax surcharge on wages paid in Victoria for businesses with national payrolls above $10 million. A rate of 0.5% applies for businesses with national payrolls above $10 million and a rate of 1% applies for businesses with national payrolls above $100 million.[52] The Royal Commission also recommended the Government introduce 'a dedicated capital investment fund for the mental health system' but this is the responsibility of the Department of Health (DH).[53]

The 2021–22 Budget forecast the levy would raise $386.7 million in 2021–22 and $804.7 million in 2022–23.[54] However, actual revenue was higher than forecast, driven by a stronger than expected recovery in the Victorian economy and labour market.[55]

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49 Ibid.

50 State of Victoria, Royal Commission into Victoria's Mental Health System, *Final Report: Summary and recommendations*, Melbourne, February 2021, p. 109; Department of Health, *Interim Recommendation 8: New approach for mental health investment*, 17 March 2022, <https://www.health.vic.gov.au/mental-health-reform/interim-recommendation-8> accessed 18 December 2023.

51 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22*, p. 20.

52 Existing payroll tax exemptions for private schools, hospitals, charities and local councils still apply for the levy. Source: Ibid.

53 State of Victoria, Royal Commission into Victoria's Mental Health System, *Final Report,* p. 109; Department of Health, *Interim Recommendation 8*.

54 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22,* p. 20.

55 Department of Treasury and Finance, *2021–22 Financial Report*, p. 8; Department of Treasury and Finance, *2022–23 Financial Report*, p. 6.

The levy raised $397.5 million in 2021–22 from 9,436 businesses and $1.1 billion from 10,457 businesses in 2022–23.[56]

The Committee asked DTF to identify which departments received funding from the levy, how much was expended, and what outputs the department utilised the funding for in 2021–22 and 2022–23. DTF advised that DH received and expended the full amount of revenue raised by the levy in both years and that funding was spent 'on the provision of outputs that are consistent with and promote the objectives and principles of the *Mental Health and Wellbeing Act 2022* [(Vic)]'.[57]

The Act commenced in September 2023 and supports a number of changes and reforms arising in response to the Royal Commission, including provisioning for the spending of revenue raised by the levy.[58] DTF's response to the Committee's questionnaire simply repeats those conditions outlined in the Act.[59]

However, the objectives and principles of the Act are considerably varied and wide-ranging. They encompass, for example, the principle that the rights, dignity and autonomy of persons living with mental illness or psychological distress are promoted and protected and that persons are supported to exercise those rights. Another example from the Act is its objective of reducing inequities in access to, and the delivery of, mental health and wellbeing services.[60]

As such, it is particularly difficult to measure, monitor and evaluate the outcomes of the mental health and wellbeing levy in funding outputs 'that are consistent with and promote' such diverse and broad objectives and principles. To improve and support future monitoring and evaluations of the outcomes, efficacy and adequacy of the levy—including the rate of the surcharge—the Committee recommends DTF consider reporting on the specific departments, outputs and mental health services or initiatives funded by the levy. The Committee may request additional information from DH in future years, including a breakdown of spending associated with the levy.

FINDING 125: The mental health and wellbeing levy raised $1.5 billion over 2021–22 and 2022–23, an increase of $311.1 million (26.1%) compared to the amount originally forecast in the 2021–22 Budget. The Department of Health received and expended the full $1.5 billion raised by the levy over both years, however, the Department of Treasury and Finance did not report on the specific initiatives and outputs this entailed or outcomes achieved.

56 Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, response to questions on notice, received 1 December 2023, p. 13; Department of Treasury and Finance, *2021–22 Financial Report*, p. 139; Department of Treasury and Finance, *2022–23 Financial Report*, p. 152.

57 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, pp. 150–151.

58 Department of Health, *Mental Health and Wellbeing Act 2022*, 19 September 2023, <https://www.health.vic.gov.au/mental-health-and-wellbeing-act> accessed 20 December 2023; *Mental Health and Wellbeing Act 2022* (Vic) s 743.

59 The Act stipulates 'The Consolidated Fund is appropriated to the extent necessary to enable amounts equal to the amounts credited to the Consolidated Fund as the mental health and wellbeing surcharge to be spent on the provision of outputs that are consistent with and promote the objectives of this Act and the mental health and wellbeing principles'. Source: *Mental Health and Wellbeing Act 2022* (Vic) s 743.

60 *Mental Health and Wellbeing Act 2022* (Vic) ss 12(b), 15.

RECOMMENDATION 49: The Department of Treasury and Finance report on the specific departments, outputs and/or mental health services or initiatives funded by the mental health and wellbeing levy in future annual reports, to improve and support future monitoring and evaluations of the outcomes of the levy.

12.5.2 Vacant residential land tax

During the hearings the Committee and DTF discussed the performance and outcomes of the vacant residential land tax.[61] The tax was introduced in the 2017–18 Budget as an incentive to reduce the number of vacant houses and apartments in metropolitan Melbourne. Its aim is to increase the supply of housing and rental properties and to decrease pressure on property and rental prices by increasing the cost to property owners of keeping their properties vacant for extended periods of time.[62]

The tax applies to properties in inner and middle Melbourne that have been unoccupied for more than six months and is set at 1% of the capital improved value[63] of taxable land.[64] The 2017–18 Budget forecast the tax would raise $80 million between 2017–18 and 2020–21.[65] However, from 2018 to 2023 the vacant residential land tax has raised only $43.7 million, including $9.8 million from 910 properties in the 2022 assessment year and $11.3 million from 1,013 properties in 2023.[66]

The 2017–18 Budget allocated $9.6 million over five years for the SRO to undertake compliance and monitoring activity and for other implementation costs associated with the tax.[67] The 2019–20 Budget also invested an additional $55.6 million over five years for the SRO to continue and expand the administration of its compliance programs.[68] At the hearings the Committee asked about the specific actions the SRO undertook in 2021–22 and 2022–23 with regards to the tax. The Acting Commissioner advised the SRO's compliance programs include data matching with other government agencies, reviewing the usage of utilities and the rental bond registry and tip-offs from the public.[69]

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61 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 24–26.

62 Department of Treasury and Finance, *Budget Paper No. 3: 2017–18 Service Delivery,* Melbourne, 2017, pp. 22, 113.

63 The capital improved value of a property is the value of the land, buildings and any other capital improvements made to the property as determined by the general valuation process. Source: State Revenue Office, *Land valuations,* 27 December 2023, <https://www.sro.vic.gov.au/land-tax/land-valuations> accessed 11 January 2024.

64 Department of Treasury and Finance, *Budget Paper No. 3: 2017–18*, p. 113; State Revenue Office, *Vacant Residential Land Tax*, 7 December 2023, <https://www.sro.vic.gov.au/vacant-residential-land-tax> accessed 18 December 2023.

65 Department of Treasury and Finance, *Budget Paper No. 3: 2017–18*, p. 111.

66 Mr David Martine, Secretary, Department of Treasury and Finance, response to questions on notice, pp. 14, 18.

67 Department of Treasury and Finance, *Budget Paper No. 3: 2017–18*, pp. 19, 22 (Committee calculation).

68 Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 Service Delivery,* Melbourne, 2019, pp. 116–117 (Committee calculation).

69 Mr Darren Joyce, Acting Commissioner, State Revenue Office, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 24.

DTF elaborated that the SRO actively reviews whether property owners have registered vacant residential land correctly as well as undertaking mailouts and broad property tax-based audits, which consider the applicability of the vacant residential land tax.[70] As a result of these compliance activities, assessments totalling $3.4 million (including $0.23 million in penalty taxes) were issued in 2021–22 following SRO investigations and $6.2 million (including $0.79 million in penalty taxes) in 2022–23.[71]

FINDING 126: The Department of Treasury and Finance allocated $9.6 million in the 2017–18 Budget for the State Revenue Office (SRO) to implement the vacant residential land tax and to undertake associated compliance and monitoring activities, followed by $55.7 million in the 2019–20 Budget to expand the SRO's wider compliance programs.

FINDING 127: The vacant residential land tax was forecast to raise $80 million over the financial years between 2017–18 and 2020–21. However, in 2022 and 2023 the tax raised only $21.1 million, including $9.6 million arising from compliance investigations by the State Revenue Office.

DTF informed the Committee it does not have data regarding the number of liable properties not taxed in 2021–22 or 2022–23, but that future compliance activities may identify additional liable properties.[72] Analysis by the Parliamentary Budget Office (PBO) has estimated that around 5,000 vacant properties may currently be liable to pay the tax.[73] As noted by the PBO, only around a fifth of this estimate currently self-declare their vacant status to the SRO and pay the tax. Notwithstanding the difficulty of estimating the number of liable properties in Victoria and potential margins for error in the PBO's estimate, this indicates a large proportion of owners of vacant properties may not be self-reporting or paying the tax.[74]

FINDING 128: The Department of Treasury and Finance does not have data on the number of properties liable for the vacant residential land tax that did not pay the tax in 2021–22 or 2022–23. However, estimates by the Parliamentary Budget Office indicate that most vacant property owners may not be self-reporting or paying the tax to the State Revenue Office.

The Committee also asked DTF and the SRO if they had undertaken any analysis of whether the tax is achieving its intended outcomes of encouraging owners of vacant residential land to rent or sell their properties.[75] The Secretary of DTF explained the difficulty of isolating the impacts of the tax and determining the intentions of property

70 Mr David Martine, Secretary, Department of Treasury and Finance, response to questions on notice, p. 15.

71 Ibid., p. 24.

72 Ibid., p. 23.

73 Parliamentary Budget Office, *Vacant residential land tax: Tax specifications and number of liable properties*, Melbourne, 2023, p. 8.

74 Ibid., p. 9.

75 Public Accounts and Estimates Committee, *Transcript of evidence,* p. 25.

owners, given the potential impacts of broader economic factors—such as changes in interest rates and general property market conditions—on an owner's decision to sell or rent their property.[76] The Secretary noted the tax increases the cost of holding a vacant property, which acts as an incentive for owners to rent or sell that property.[77]

DTF did provide information about the number of active bonds[78] in Victoria in December 2017 and June 2023, as an indicator of changes over time in the total supply of rental housing. Although the number of active bonds has increased by 11.2% since the introduction of the vacant residential land tax, this is not necessarily an indication of the success or impacts of the tax given the potential impacts of broader economic factors.[79]

FINDING 129: The Department of Treasury and Finance does not report on the effectiveness or impacts of the vacant residential land tax, in particular its impact on owners' decisions to sell or rent their properties and on the supply of housing and rental properties or changes in property and rental prices.

RECOMMENDATION 50: The Department of Treasury and Finance explore ways to publicly report on the effectiveness and impacts of its tax policies including whether the taxes result in the intended outcomes or objectives, such as the impact of the vacant residential land tax on increasing the supply of housing and rental properties and decreasing property or rental prices.

In December 2023 Parliament passed the *State Taxation Acts and Other Acts Amendment Bill 2023* (Vic), which expands the eligibility criteria for the vacant residential land tax and applies new progressive tax rates based on the number of years a property has been liable for the tax.[80] These changes will be implemented from January 2025. The definition of vacant residential land will also be expanded from 2026 onwards to include 'unimproved residential land' that has been unimproved for five years or more in established areas of metropolitan Melbourne.[81] DTF and the SRO informed the Committee they were currently investigating the additional requirements

12

76 Mr David Martine, Secretary, Department of Treasury and Finance, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 25; Mr David Martine, Secretary, Department of Treasury and Finance, response to questions on notice, p. 20.

77 Ibid.

78 A bond is a payment that rental providers request at the beginning of a rental agreement and is held by the Residential Tenancies Bond Authority during the rental period. Source: Consumer Affairs Victoria, *Bond amounts and payments,* 8 February 2023, <https://www.consumer.vic.gov.au/housing/renting/rent-bond-bills-and-condition-reports/bond/bond-payments-and-amounts> accessed 11 January 2024.

79 Mr David Martine, Secretary, Department of Treasury and Finance, response to questions on notice, p. 20 (Committee calculation).

80 This includes increasing the tax to 2% of a property's total improved value in the second consecutive year of vacancy and 3% in the third consecutive year. Source: State Revenue Office, *Changes to state taxes December 2023*, 4 December 2023, <https://www.sro.vic.gov.au/publications/changes-state-taxes-december-2023> accessed 18 December 2023.

81 State Revenue Office, *State Taxation Acts and Other Acts Amendment Act 2023*, 12 December 2023, <https://www.sro.vic.gov.au/news/state-taxation-acts-and-other-acts-amendment-bill-2023-0> accessed 18 December 2023.

and resourcing needed to implement and enforce these new conditions.[82] The 2023–24 Budget Update forecasts these reforms will raise an additional $78 million over three years.[83]

12.5.3 Zero and low emissions vehicles road-user charge

The zero and low emissions vehicles (ZLEVs) road-user charge was also discussed at the Committee's hearings.[84] From July 2021 owners of ZLEVs were required to pay a road-user charge based on the number of kilometres (km) travelled each year—calculated at 2.5 cents/km for electric and other zero emission vehicles and 2 cents/km for plug-in hybrid electric vehicles.[85] The reasoning behind the charge was that owners of fuel-powered vehicles contribute to the maintenance of Victoria's road network through payment of the Commonwealth fuel excise,[86] whereas owners of ZLEVs pay little or nothing to fund the upkeep of Victorian roads.[87] During its inquiry into the 2020–21 Budget Estimates, the Treasurer informed the Committee that declining Commonwealth revenue from the fuel excise and expected increases in ZLEVs sales posed a direct risk to the State Government's financial ability to manage and maintain the Victorian road network.[88]

In the 2020–21 Budget, the road-user charge was forecast to raise $19 million over the next two years and to cost $1.9 million in 2020–21 for VicRoads to implement and administer the initiative.[89] However, DTF advised the Committee the road-user charge raised $1.2 million in 2021–22 and $3.9 million in 2022–23, only 27% of the initial estimation.[90] The Committee could not ascertain the reasons for the variation between actual revenue raised by the road-user charge and DTF's original forecast.

On 18 October 2023 the High Court ruled that the ZLEV road-user charge was invalid because it was an excise and thus unable to be collected by the State Government.[91] Since then, ZLEV owners have no longer been required to pay ZLEV-related invoices or provide odometer readings to VicRoads.

82 Mr Darren Joyce, Acting Commissioner, State Revenue Office, *Transcript of evidence,* p. 26.

83 Department of Treasury and Finance, *2023–24 Budget Update*, Melbourne, 2023, p. 116 (Committee calculation).

84 Public Accounts and Estimates Committee, *Transcript of evidence,* pp. 26, 35.

85 Victorian Ombudsman, *Investigation into the Department of Transport and Planning's implementation of the zero and low emission vehicle charge*, Melbourne, September 2023, p. 8.

86 The fuel excise is a flat sales tax levied by the Commonwealth Government on petrol and diesel bought from gas stations. The current rate is 48.8 cents for every litre of fuel purchased. Source: Australian Automobile Association, *How fuel excise pays for our roads*, n.d., <https://www.aaa.asn.au/fuel-excise-explained> accessed 21 December 2023.

87 Victorian Ombudsman, *Investigation into the Department of Transport and Planning's implementation of the zero and low emission vehicle charge*, p. 8; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 155.

88 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates*, April 2022, pp. 254–255.

89 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 150; Department of Treasury and Finance, *Response to the 2020–21 Financial and Performance Outcomes General Questionnaire*, received 29 October 2021, p. 93.

90 Mr David Martine, Secretary, Department of Treasury and Finance, response to questions on notice, p. 21; Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence,* p. 26.

91 *Vanderstock v Victoria* (2023) CLR 30.

The Secretary of DTF advised the State Government was seeking legal advice regarding the High Court's decision and its 'other implications', along with 'the question of refunding the money that has been collected'.[92] However, according to VicRoads which administers the scheme, ZLEV owners who previously complied with the scheme and made payments for the road-user charge will receive a full refund, including payment fees and interest.[93] The VicRoads website also states that interest calculations and overall refund amounts are still to be determined and customers will be contacted directly regarding the refund process and amounts owing.[94] The 2023–24 Budget Update reflected the High Court's decision, with forecast revenue relating to the ZLEV road-user charge being removed from motor vehicle tax revenue estimates, however, it did not detail or account for any repayments to ZLEV owners who previously paid the charge.[95]

FINDING 130: The zero and low emissions vehicles (ZLEV) road-user charge raised $5.1 million over 2021–22 and 2022–23, roughly $13.9 million (73.1%) less than originally forecast in the 2020–21 Budget. According to VicRoads, ZLEV owners who paid the road-user charge will receive a full refund, including payment fees and interest, following a High Court ruling the charge invalid in October 2023.

RECOMMENDATION 51: The Department of Treasury and Finance report on the total amount reimbursed to customers who paid the zero and low emissions vehicles road-user charge, including a breakdown of the additional interest paid in the 2024–25 Budget.

12.6 Key issue—Victorian Homebuyer Fund

The *Victorian Homebuyer Fund* was launched in October 2021 and was one of the programs DTF identified as delivering the most important outcomes in the community in 2021–22.[96] The Fund is a shared equity scheme that aims to make it easier for Victorians to enter home ownership by reducing the size of the deposit required to purchase a property.[97] The scheme is an expansion of the *HomesVic Shared Equity* initiative, a $50 million pilot program launched in the 2017–18 Budget which supported more than 335 participants to buy their first home.[98]

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92 Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 26.

93 VicRoads, *Zero and Low Emissions Vehicles*, 30 November 2023, <https://www.vicroads.vic.gov.au/registration/registration-fees/zlev-road-user-charge> accessed 18 December 2023.

94 Ibid.

95 Department of Treasury and Finance, *2023–24 Budget Update*, p. 19.

96 Department of Treasury and Finance, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes Questionnaire*, p. 8.

97 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 141.

98 As of 30 June 2022, 210 applications with total original shared equity of $4.5 million have been transferred from the original HomesVic pilot program to the Victorian Homebuyer Fund. Source: Mr Tim Pallas MP, *Helping Thousands of Victorians Buy Their Own Home*, media release, Melbourne, 8 October 2021; State Revenue Office, *Annual Review 2022–23: Delivering for Victorians: Helping Victorians own their homes*, 21 November 2023, <https://annualreview2223.sro.vic.gov.au/delivering-for-victorians/helping-victorians-own-their-homes> accessed 21 December 2023; Department of Treasury and Finance, *Budget Paper No. 3: 2017–18*, p. 22.

Under the *Victorian Homebuyer Fund,* the Government makes a financial contribution of up to 25% of the purchase price of a property in exchange for a proportional share in the property.[99] A number of eligibility criteria apply, including a maximum income of $130,485 for individuals or $208,775 for joint applicants, a minimum deposit of 5% and price thresholds of $950,000 for properties in greater Melbourne or Geelong and $600,000 in regional Victoria.[100] Aboriginal and Torres Strait Islander participants only require a 3.5% deposit and are eligible for a 35% shared equity contribution.[101] According to data published by the Valuer-General Victoria, properties valued at or below the median sales price, as of September 2022, for units and houses in both Melbourne and regional Victoria would qualify for the *Victorian Homebuyer Fund*.[102]

Since the 2020–21 Budget, the fund has grown from $500 million to $2.1 billion, with $158.9 million in shared equity funding provided through Treasurer's Advances in 2021–22, an additional $855.5 million in Treasurer's Advances accessed in 2022–23 and another $500 million announced in October 2023.[103] The scheme was originally expected to support around 3,000 applications in total.[104]

However, from October 2021 to 30 June 2022, more than 1,600 property sales were settled with financial support from the scheme and an additional 1,200 applicants were approved for the program, with the Government retaining a total shared equity of $260 million.[105] In 2022–23 there were 2,702 settled properties and 2,874 successful applications, with the Government retaining a total shared equity of $407 million.[106] DTF's Annual Report notes there has been 'significant demand' for the program, with the department setting a target of 600 in 2022–23—which it surpassed by 2,101 (350.2%)—for its new performance measure, 'Home purchases settled through the Victorian Homebuyer Fund'.[107] The SRO's website indicates the scheme is now expected to support up to 13,000 applicants in total.[108]

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99 State Revenue Office, *Homebuyer Fund*, 24 November 2023, <https://www.sro.vic.gov.au/homebuyer> accessed 21 December 2023.

100 Ibid.

101 Ibid.

102 In the September 2022 quarter, the median house price in Melbourne was $850,000, the median unit price in Melbourne was $601,000, the median house price in country Victoria was $568,000 and the median unit price in country Victoria was $415,000. Source: Department of Transport and Planning, *Property sales statistics for September 2022 quarter now available*, 14 March 2023, <https://www.land.vic.gov.au/valuations/valuations-news/property-sales-statistics-for-september-2022-quarter-now-available> accessed 11 January 2024.

103 An additional $66.8 million was provided in output funding in the 2020–21 Budget and $12.8 million in Treasurer's Advance funding was accessed for operating costs in 2021–22. Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, pp. 137, 141; Department of Treasury and Finance, *2021–22 Financial Report*, p. 150; Department of Treasury and Finance, *2022–23 Financial Report*, p. 166; State Revenue Office, *Boost for Victorian Homebuyer Fund*, 3 October 2023, <https://www.sro.vic.gov.au/news/boost-victorian-homebuyer-fund> accessed 18 December 2023 (Committee calculation).

104 State Revenue Office, *Victorian Homebuyer Fund announced*, 8 October 2021, <https://www.sro.vic.gov.au/news/victorian-homebuyer-fund-announced> accessed 21 December 2023.

105 State Revenue Office, *Annual Review 2021–22: Delivering for Victorians: Launching the Victorian Homebuyer Fund*, 20 December 2022, <https://annualreview2122.sro.vic.gov.au/delivering-for-victorians/launching-victorian-homebuyer-fund> accessed 21 December 2023.

106 State Revenue Office, *Annual Review 2022–23: Delivering for Victorians: Helping Victorians own their homes*, 21 November 2023, <https://annualreview2223.sro.vic.gov.au/delivering-for-victorians/helping-victorians-own-their-homes> accessed 21 December 2023.

107 Department of Treasury and Finance, *Annual Report 2022–23*, p. 24.

108 State Revenue Office, *Frequently asked questions about Homebuyer Fund*, 5 December 2023, <https://www.sro.vic.gov.au/homebuyer/frequently-asked-questions-about-homebuyer-fund> accessed 19 December 2023.

FINDING 131: Since it was announced in the 2020–21 Budget, the *Victorian Homebuyer Fund* has grown from $500 million to $2.1 billion. The scheme was originally expected to support roughly 3,000 applicants and has been revised upwards to 13,000.

FINDING 132: In 2021–22 and 2022–23 the *Victorian Homebuyer Fund* made financial contributions to roughly 4,302 property sales, with the Government retaining a total shared equity of $667 million.

Participants are required to buy back the Government's share in their property over time through refinancing, using savings, or upon sale of the property, with the Government sharing in any capital gains or losses proportionate to its share in the property.[109] The budget papers state that when 'homeowners buy out the Government's equity interest or the property is sold, the Government will recover its investment, which can be used to support even more Victorians into home ownership'.[110] Applicants are not permitted to sell their property within two years of settlement without prior written consent from the SRO.[111]

Given the scheme has only been in operation since October 2021, it is unlikely many participants have sold their property or bought out the Government's share fully. However, as the scheme continues, the fund grows in size, and the number of applicants and active participants increases, it will be important to report on returns on investment realised by the Government's shared equity. Although the SRO reports on the number of approved applications, settled properties and shared equity each financial year in its annual review, it does not report on the overall balance of the scheme.[112] Additionally, neither DTF nor the SRO report on the number of Aboriginal and Torres Strait Islander peoples supported by the scheme.[113]

RECOMMENDATION 52: In its annual review of the *Victorian Homebuyer Fund* the State Revenue Office report on:

- the capital gains or losses realised through property sales, refinancing or equity buybacks
- the cumulative total number of approved applications, settled properties and total shared equity held by the Government
- the number of applicants and number of settled properties owned by Aboriginal and Torres Strait Islander peoples.

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109 State Revenue Office, *Homebuyer Fund*.
110 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 141.
111 State Revenue Office, *Frequently asked questions about Homebuyer Fund*.
112 State Revenue Office, *Annual Review 2021–22*; State Revenue Office, *Annual Review 2022–23*.
113 Ibid.

Chapter 13
Department of Premier and Cabinet

13.1 Overview

The Department of Premier and Cabinet's (DPC) vision is to be 'a recognised and respected leader in whole of Victorian Government policy and performance'.[1]

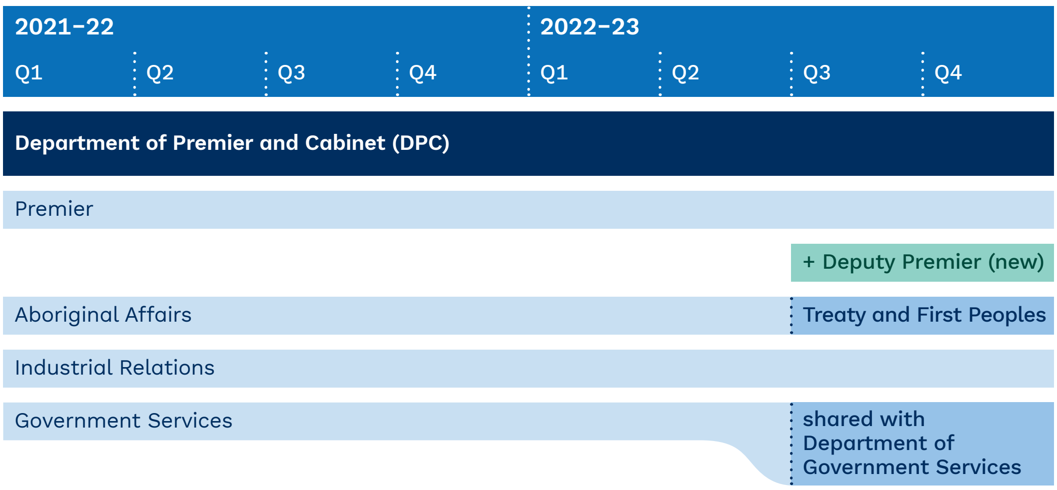
As of June 2023 DPC supported five ministerial portfolios: Premier, Deputy Premier, Treaty and First Peoples, Industrial Relations, and Government Services.[2]

DPC has three objectives:

- stronger policy outcomes for Victoria
- First Peoples in Victoria are strong and self-determining
- improved public administration and support for the Victorian public service.[3]

13.1.1 Machinery of government changes

Figure 13.1 Department of Premier and Cabinet—machinery of government changes, 2021–22 and 2022–23



1 Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, p. 6.

2 Department of Premier and Cabinet, *DPC portfolios, entities and agencies*, 1 August 2023, <https://www.vic.gov.au/dpc-portfolio-entities-and-agencies> accessed 7 December 2023.

3 Department of Treasury and Finance, *Budget Paper No. 3: 2023–24 Service Delivery*, Melbourne, 2023, p. 293.

As a result of the machinery of government (MoG) changes on 1 January 2023, the Digital Victoria group, the Corporate Services division and the portfolio entities Public Record Office Victoria, Service Victoria and Cenitex transferred from DPC to the newly formed Department of Government Services (DGS). Additionally, the Office of the Victorian Architect transferred to the Department of Transport and Planning (DTP), and Breakthrough Victoria (including the $2 billion *Breakthrough Victoria Fund*) transferred to the Department of Jobs, Skills, Industry and Regions.[4] DPC gained responsibility for DTP's Transport Precincts (Policy) team, which formed part of a new precincts and land coordination function.[5]

13.2 Outcomes and challenges

DPC identified its programs that delivered the most important outcomes in the community across 2021–22 and 2022–23. They included:

- advancing the delivery of Treaty elements under the Advancing the Treaty Process with Aboriginal Victorians Act 2018 (Vic): the Treaty Authority was established (June 2022), the Treaty Negotiation Framework was negotiated and executed (October 2022), and the Self-Determination Fund was established (October 2022)[6]
- supporting the work of the Yoorrook Justice Commission through coordinating the whole of government response to, and engagement with, the Commission. This included establishing a working group, developing and implementing policies and guidance to support the State's response to the Commission, tabling the Commission's first Interim Report in Parliament, coordinating the Government's submissions to the Commission, leading the implementation of recommendations made by the Commission, and coordinating State witness preparation
- the Wage Inspectorate Victoria meeting or exceeding its targets regarding child employment investigations completed and long-service leave investigations completed within 90 days in both 2021–22 and 2022–23, while also raising awareness about its role, engaging with businesses, unions, and media, and answering over 13,000 calls each financial year about wage theft through its helpline.[7]

DPC was asked by the Committee to identify its programs that did not deliver their planned outcomes and the key challenges faced by the department across the two years. It instead noted performance measures that it had not met. They included:

- delivering the Aboriginal Affairs report in 2021–22, which was due to be tabled in Parliament in June 2022 but was tabled in September 2022 because of COVID-19 impacts on Aboriginal organisations and departments

4 Department of Premier and Cabinet, *Annual Report 2022–23*, p. 12.

5 Ibid.; Department of Transport and Planning, *Annual Report 2022–23,* Melbourne, 2023, p. 14.

6 Department of Premier and Cabinet, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, received 13 November 2023, pp. 12–16; Department of Premier and Cabinet, *Pathway to Treaty,* 10 May 2023, <https://www.firstpeoplesrelations.vic.gov.au/treaty-process> accessed 20 February 2024.

7 Department of Premier and Cabinet, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 9–18.

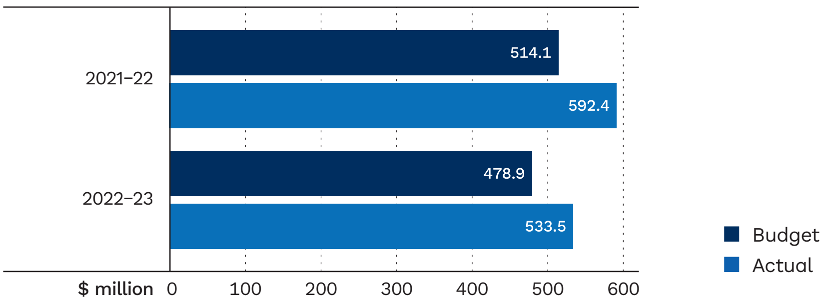
- in 2022–23, the average days to process applications to register an Aboriginal Cultural Heritage Place on the Victorian Aboriginal Cultural Heritage Register was 70 days, against the target of 60 days. This occurred because of a lack of resource capacity, which is expected to be remedied in 2023–24
- in 2022–23, DPC did not provide 80 hours of support a week to members of the Stolen Generations via Connecting Home, but instead provided 76 hours weekly. This was also due to lack of resource capacity, and depending on future funding outcomes, DPC anticipates that case management hours should increase in the 2023–24 financial year.[8]

13.3 Financial analysis

13.3.1 Output expenditure

Figure 13.2 illustrates DPC's budgeted and actual expenditure in 2021–22 and 2022–23.

Figure 13.2 Department of Premier and Cabinet—budget versus actual, 2021–22 and 2022–23



Source: Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, pp. 47–61; Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, pp. 49–59 (Committee calculation).

Tables 13.1 and 13.2 illustrate DPC's three largest variances in its budgeted and actual expenditures by output for 2021–22 and 2022–23.

Table 13.1 Department of Premier and Cabinet—outputs with highest positive variance, 2021–22

Output	Target ($ million)	Actual ($ million)	Variance (%)
Digital government and communications	91.2	141	54.6
Management of Victoria's public records	11.6	14.6	25.9
Strategic advice and government support	123.2	151.9	23.3

Source: Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, pp. 47–61.

13

8 Ibid., pp. 22–23.

Table 13.2 Department of Premier and Cabinet—outputs with highest positive variance, 2022–23

Output	Target ($ million)	Actual ($ million)	Variance (%)
Public sector administration and support	23.5	34.3	46.0
Social policy advice and intergovernmental relations	19.7	27.2	38.1
Executive government advice and support	126.8	168.4	32.8

Source: Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, pp. 49–59.

DPC had multiple outputs in 2021–22 and 2022–23 with high variances between budgeted expenditure and actual expenditure:

- In 2021–22, four of DPC's eleven outputs exceeded their budget by over 20%. Digital Government and Communications had the largest variance, which DPC explained was due to 'new funding decisions made during the year'.[9] While the Annual Report listed various achievements of the output, it did not specifically state which funding decisions had resulted in the overspend. The reasons for the remaining outputs with high variances also lacked specificity but were listed as due to 'higher operating costs' and 'new funding decisions made during the year'.[10]
- In 2022–23 seven of DPC's nine outputs experienced spending variances of at least 20%, both positive and negative. DPC's Annual Report stated that the large overspends were due to operational requirements, the reinstatement of previous Treasurer's Advances and special appropriation funding for the State Election.[11] These positive variances were balanced out by significant underspends, which were primarily due to delays in implementing industrial relations initiatives and Treaty and First Peoples initiatives where DPC requested that it carry over unused appropriations to the following year.[12]

13.3.2 Revenue and expenses

DPC's output appropriations grew to $599.8 million in 2021–22, an increase of 12.8% compared to 2020–21.[13] The increase was primarily due to funding provided for Breakthrough Victoria's operational activities, such as investing in translational research, innovation and commercialisation outcomes to accelerate growth in key industry sectors and create jobs in Victoria.[14] DPC's special appropriations decreased by 32.8% between 2020–21 and 2021–22 due to local elections that had occurred in 2020–21—which had inflated that year's appropriations. Revenue from the sale of

9 Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, p. 51.

10 Ibid., pp. 47–61.

11 Department of Premier and Cabinet, *Annual Report 2022–23*, pp. 49–59.

12 Ibid.

13 Department of Premier and Cabinet, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 75 (Committee calculation).

14 Ibid., pp. 75, 87.

goods and services increased by 27.6% over the same time period to $226.6 million, due to higher customer volume and additional services provided by Cenitex.[15]

In 2022–23 DPC's output appropriations declined by 6.1% to $563 million. There was no explanation provided for the decrease, given it was within a 10% variance. DPC's special appropriations increased by 178.5% on account of the State Election being held in November 2022. Sale of goods and services decreased by 47.4% to $119.3 million because of the transfer of Cenitex from DPC to DGS on 1 January 2023.[16]

Overall financial performance

Table 13.3 summarises DPC's financial performance in 2021–22 and 2022–23.

Table 13.3 Department of Premier and Cabinet—summary of comprehensive operating statement, 2021–22 and 2022–23

	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	706	922.2	30.6	831.9	855.3	2.8
Expenses from transactions	706.3	891.9	26.3	831.9	854.1	2.7
Net result	**(0.3)**	**30.3**	**–**	**0.0**	**1.2**	**–**

Source: Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, p. 118; Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, p. 157 (Committee calculation).

13.4 Performance information

DPC had 11 outputs in 2021–22 with 86 associated performance measures.[17] In 2022–23, DPC changed its output structure due to various MoG changes, resulting in nine outputs with 66 associated performance measures.[18]

Figure 13.3 shows DPC's performance measures results for 2021–22 and 2022–23.

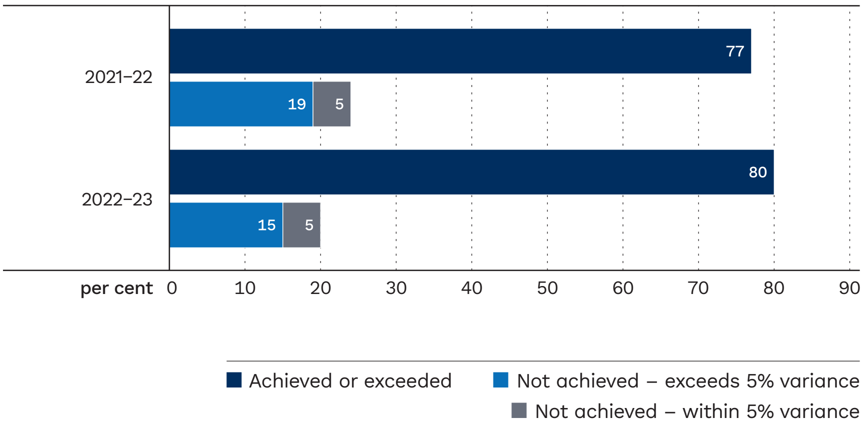
15 Ibid., pp. 75–76 (Committee calculation).

16 Ibid., p. 77 (Committee calculation).

17 Department of Premier and Cabinet, *Annual Report 2021–22*, pp. 47–61.

18 Department of Premier and Cabinet, *Annual Report 2022–23*, pp. 23, 49–59.

Figure 13.3 Department of Premier and Cabinet—performance measure results, 2021–22 and 2022–23



Source: Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, pp. 47–61; Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, pp. 49–59 (Committee calculation).

FINDING 133: The Department of Premier and Cabinet achieved or exceeded 77% of its performance measures in 2021–22 and 80% in 2022–23.

In 2021–22 some outputs performed especially well: Industrial Relations, Advice and Support to the Governor, and Chief Parliamentary Counsel Services achieved 100% of their performance measures. The Office of the Victorian Architect and Government-wide Leadership, Reform and Implementation outputs achieved all but one of their performance measures.[19]

In 2022–23 performance measures that did not meet their targets included 'Number of sets of House Amendments drafted for Members of Parliament', which was 36% under target due to the stopping of activity due to the caretaker period.[20] The measure 'Jobs resulting from government facilitation services and assistance under the Victorian Jobs and Investment Fund' was 34.6% under target due to a number of projects that were delayed, rescoped, varied or cancelled.[21] DPC noted that there were several factors that contributed to this, including market-wide challenges with identifying appropriate sites, labour and skills shortages and other economic drivers (including higher interest rates).[22]

19 Department of Premier and Cabinet, *Annual Report 2021–22*, pp. 47–61 (Committee calculation).

20 Department of Premier and Cabinet, *Annual Report 2022–23*, p. 58.

21 Ibid., p. 49 (Committee calculation).

22 Department of Premier and Cabinet, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire*, p. 131.

13.5 Key issue—First Peoples

13.5.1 Progress on the National Agreement on Closing the Gap

In July 2020 the *National Agreement on Closing the Gap* (the Agreement) was signed by the Joint Council, which comprises nine government representatives (the Prime Minister, Premiers and Chief Ministers or their Ministers for Aboriginal Affairs and the Australian Local Government Association) and twelve Aboriginal Community Controlled Organisations' (ACCO) peak representatives (one from each state and territory and four national ACCO peak representatives).[23] The Agreement's overall objective is to overcome the inequality experienced by Aboriginal and Torres Strait Islander people, and achieve life outcomes equal to all Australians.[24]

The Agreement sets out four priority reforms: formal partnerships and shared decision-making, building the community-controlled sector, transforming government organisations and shared access to data and information at a regional level. The Agreement includes 17 socioeconomic outcomes and 19 targets to be completed by 2031.[25] This Agreement revised the previous *Closing the Gap* strategy, which had originally been devised in 2008 through the *National Indigenous Reform Agreement*.[26]

DPC's role in Closing the Gap is to lead, coordinate and report on whole-of-Victorian-government (WoVG) actions to advance the reform areas, as part of its objective that 'First Peoples in Victoria are strong and self-determining'.[27] Victoria's current results towards Closing the Gap, notably in comparison to the national or other states and territories' results, are 'quite mixed' according to DPC.[28] DPC has acknowledged that while 'we have achieved some good outcomes in some of the 19 targets under Closing the Gap … frankly we have still got more work to do in a number of those areas'.[29] DPC noted several successes that Victoria has had regarding the national targets, including healthy birth weights, early childhood education enrolment and appropriate housing.[30] DPC also stated areas that Victoria needed to improve on, including early childhood development levels and out-of-home placement numbers.[31]

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23 Department of Premier and Cabinet, *Victorian Closing the Gap Implementation Plan 2021–2023,* Melbourne, June 2021, p. 9.

24 Closing the Gap, *National Agreement on Closing the Gap,* n.d., <https://www.closingthegap.gov.au/national-agreement> accessed 20 February 2024.

25 Ibid.

26 Coalition of Peaks, *National Agreement on Closing the Gap,* 2023, <https://www.coalitionofpeaks.org.au/national-agreement-on-closing-the-gap> accessed 13 February 2024.

27 Department of Premier and Cabinet, *Outcomes,* 24 May 2023, <https://www.firstpeoplesrelations.vic.gov.au/self-determination-and-reform-framework/actions-and-future-commitments-outcomes> accessed 18 January 2024.

28 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* p. 42.

29 Ibid.

30 Ibid.; Productivity Commission, *Closing the Gap: Dashboard,* June 2023, <https://www.pc.gov.au/closing-the-gap-data/dashboard> accessed 22 January 2024.

31 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* pp. 42–43; Productivity Commission, *Closing the Gap: Dashboard.*

Results are tracked nationally by the Productivity Commission, which reports on 19 targets across 17 socioeconomic outcome areas.[32] The Productivity Commission's database publishes results for all states and territories and assesses whether states and territories' progress against baseline data is improving, worsening, or not changing. However, the Productivity Commission has warned its assessments of progress should be treated with caution as they are based on a limited number of data points.[33]

Relevant data is only available to measure Victoria's progress for 13 of the 19 targets. The Productivity Commission does not have up-to-date information for four targets (life expectancy, family violence, languages, and digital inclusion), lacks Victorian-specific data for one target (life expectancy), lacks state-specific data for one target (suicide), and lacks all data for one target (households receiving essential services).[34]

Of the 13 targets where relevant data is available, Victoria is worsening in one (children in the child protection system) and improving in 12. Within those 12, it has already met the national targets for five:

- increasing the proportion of Aboriginal and Torres Strait Islander children enrolled in Year Before Full time Schooling (YBFS) early childhood education to 95%
- increasing the proportion of Aboriginal and Torres Strait Islander people aged 25–64 who are employed to 62%
- increasing the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (not overcrowded) housing to 88%
- reducing the rate of Aboriginal and Torres Strait Islander adults held in incarceration by at least 15%
- reducing the rate of Aboriginal and Torres Strait Islander young people (10–17 years) in detention by at least 30%.[35]

While Victoria has been improving on its early childhood development levels, the proportion of Aboriginal and Torres Strait Islander children assessed as developmentally on track in all five domains of the Australian Early Development Census was 35.6% in 2021, against a target of 55% by 2031.[36] For its out-of-home placement numbers, Victoria is far behind the national target of reducing the overrepresentation of Aboriginal and Torres Strait Islander children in out-of-home

32 Productivity Commission, *Closing the Gap: Dashboard.*

33 Ibid.

34 The Productivity Commission does not have any new data after 2018–19 for Targets 1, 13, 16 and 17, Victorian-specific data is lacking for Target 1, state-specific data is lacking for Target 14 and there is no relevant data for Target 9B for any of the states and territories. Source: Productivity Commission, *Closing the Gap: Dashboard.*

35 The Productivity Commissions notes year-on-year variations can impact results for rates or proportions and may not accurately represent real trends over time. Source: Productivity Commission, *Closing the Gap: Dashboard.* (Committee calculation).

36 Productivity Commission, *Closing the Gap: Socioeconomic outcome area 4,* June 2023, <https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area4> accessed 13 February 2024.

care by 45%—since 2020, the rates have increased.[37] Victoria's challenges in meeting this specific outcome are discussed further in Section 7.5.1.

Australia's progress in the Agreement received a critical review from the Productivity Commission in February 2024. The Commission's first review of the Agreement concluded that:

> governments are not adequately delivering on this commitment [to overcome the entrenched inequality faced by many Aboriginal and Torres Strait Islander people so that their life outcomes are equal to those of all Australians]. Despite some pockets of good practice, progress … has, for the most part, been weak and reflects tweaks to, or actions overlayed onto, business-as-usual approaches … what is needed is a paradigm shift.[38]

The review noted that tracking progress of the Agreement was difficult because 'the national targets do not adequately hold states and territories to account for progress … there is no agreed approach for determining whether individual jurisdictions have made acceptable progress'.[39]

FINDING 134: The Victorian Government is working to advance the Closing the Gap targets. As at June 2023, the Productivity Commission assessed Victoria as improving on 12 targets, worsening on one (children in the child protection system) and having insufficient or out-of-date information to judge the remaining six targets.

DPC led the development of *Victoria's Closing the Gap Implementation Plan* (the Plan), which was tabled in June 2021.[40] The Plan sets out Victoria's actions to achieve priority reform targets, including which departments are responsible for which actions, the funding and the timeframe for completion.[41] Considering Victoria's results thus far have been mixed, DPC's success in leading the WoVG actions towards Closing the Gap is unclear.

DPC is also responsible for reporting on the Government's progress in Closing the Gap by providing updates on the Plan. DPC does this through the *Victorian Government Aboriginal Affairs Report*, due to be tabled each July. While the reports do not include a specific section on Closing the Gap, the Agreement's socioeconomic outcomes and targets are reported on against the *Victorian Aboriginal Affairs Framework*, where applicable.[42]

13

37 Productivity Commission, *Closing the Gap: Socioeconomic outcome area 12,* June 2023, <https://www.pc.gov.au/closing-the-gap-data/dashboard/se/outcome-area12> accessed 13 February 2024.

38 Productivity Commission, *Review of the National Agreement on Closing the Gap: Study Report, Volume 1,* Canberra, January 2024, p. 3.

39 Productivity Commission, *Review of the National Agreement on Closing the Gap: Study Report: Supporting paper, Volume 2,* Canberra, January 2024, p. 213.

40 Department of Premier and Cabinet, *Outcomes*.

41 Department of Premier and Cabinet, *Victorian Closing the Gap Implementation Plan 2021–2023*, pp. 72–116.

42 Department of Premier and Cabinet, *How this Implementation Plan will work in practice,* 9 August 2021, <https://www.firstpeoplesrelations.vic.gov.au/victorian-closing-gap-implementation-plan/how-implementation-plan-will-work-practice> accessed 20 February 2024.

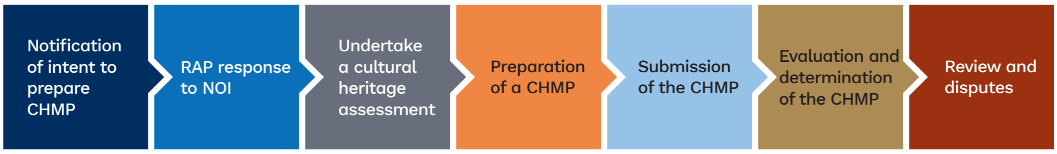
FINDING 135: The Department of Premier and Cabinet (DPC) plays a leading, coordinating and reporting role with regards to the *National Agreement on Closing the Gap*. While DPC has had achievements in aspects of its role—namely coordinating and reporting—its success in leading progress toward Closing the Gap is unclear, given Victoria's mixed results against national targets and outcomes.

13.5.2 Cultural Heritage Management Plans

In 2022–23 DPC spent $29.1 million on the Traditional Owner Engagement and Cultural Heritage Management Programs output, which supports the Government's commitment to Aboriginal cultural rights.[43] An integral part of this output is the management of Cultural Heritage Management Plans (CHMPs). CHMPs are written reports by heritage advisors that include an assessment of the potential impacts of a proposed activity on Aboriginal cultural heritage, as well as measures to be taken before, during and after that activity to manage and protect Aboriginal cultural heritage.[44]

The *Aboriginal Heritage Act 2006* (Vic) and the *Aboriginal Heritage Regulations 2018* (Vic) stipulate when a CHMP is required, the primary reason being: if 'all or part of the activity area for the activity is an area of cultural heritage sensitivity; and all or part of the activity is a high impact activity'.[45] CHMPs are often required for larger-scale infrastructure projects—such as the Suburban Rail Loop, for example.[46] A summary of the seven steps in the CHMP process is illustrated in Figure 13.4.

Figure 13.4 Department of Premier and Cabinet—summary of the Cultural Heritage Management Plan process[a]



a. RAP is an abbreviation for Registered Aboriginal Party. NOI is an abbreviation for Notice of Intent.

Source: Department of Premier and Cabinet, *Cultural Heritage Management Plans*, 21 November 2023, <https://www.firstpeoplesrelations.vic.gov.au/cultural-heritage-management-plans> accessed 23 January 2024.

The Secretary of DPC and any impacted Registered Aboriginal Party (RAP) must be notified of the intent to prepare a CHMP, as must the owner or occupier(s) of any land within the area of the CHMP and any municipal council whose municipal district includes an area to which the plan relates.[47] RAPs are recognised under Victoria's

43 Department of Premier and Cabinet, *Annual Report 2022–23,* p. 53.

44 Department of Premier and Cabinet, *Cultural Heritage Management Plans*, 21 November 2023, <https://www.firstpeoplesrelations.vic.gov.au/cultural-heritage-management-plans> accessed 16 February 2024.

45 *Aboriginal Heritage Regulations 2018* (Vic) s 7.

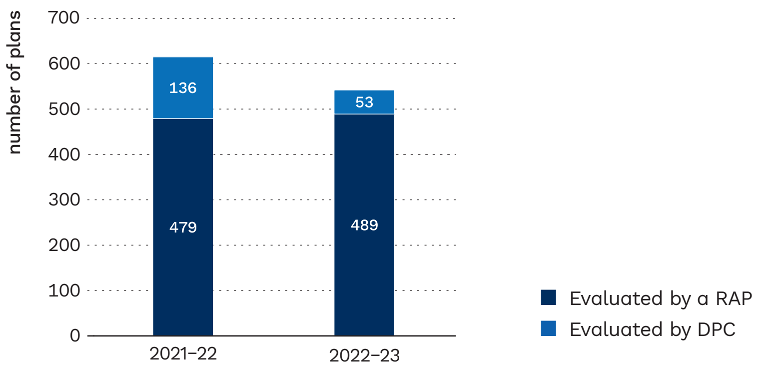
46 Victoria's Big Build, *Cultural Heritage Management Plans,* 5 July 2022, <https://bigbuild.vic.gov.au/library/suburban-rail-loop/fact-sheets/cultural-heritage-management-plans> accessed 13 February 2024.

47 Department of Premier and Cabinet, *Cultural Heritage Management Plans*.

Aboriginal Heritage Act 2006 (Vic) as 'the primary guardians, keepers and knowledge holders of Aboriginal Cultural Heritage', and there are currently 11 RAPs that cover approximately 75% of Victoria.[48] RAPs evaluate and approve CHMPs when they are submitted but DPC has a decision‑making role in evaluating CHMPs when there is no relevant RAP.[49]

The Committee asked DPC about the number of CHMPs that were responded to in the last two financial years. The department reported that 607 CHMPs had been submitted in 2021–22 and in 542 in 2022–23.[50] DPC's 2021–22 Annual Report states that 136 CHMPs were evaluated directly by DPC.[51] DPC's 2022–23 Annual Report did not report how many CHMPs were evaluated by RAPs but noted that they 'made decisions on 53 cultural heritage management plans.[52] Between the two years, the proportion of CHMPs evaluated by RAPs increased from 78.9% to 90.2% (Figure 13.5).[53]

Figure 13.5 Number of Cultural Heritage Management Plans evaluated, 2021–22 and 2022–23



Source: Department of Premier and Cabinet, *Annual Report 2021–22*, Melbourne, 2022, p. 40; Department of Premier and Cabinet, *Annual Report 2022–23*, Melbourne, 2023, p. 38; Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence*, p. 35 (Committee calculation).

FINDING 136: The proportion of Cultural Heritage Management Plans that were evaluated by Registered Aboriginal Parties rather than by the Department of Premier and Cabinet increased between 2021–22 and 2022–23.

48 Victorian Aboriginal Heritage Council, *About Registered Aboriginal Parties,* 19 December 2023, <https://www.aboriginalheritagecouncil.vic.gov.au/about-victorias-registered-aboriginal-parties> accessed 31 January 2024; Victorian Aboriginal Heritage Council, *Victoria's Registered Aboriginal Parties,* 2 January 2024, <https://www.aboriginalheritagecouncil.vic.gov.au/victoria-registered-aboriginal-parties> accessed 31 January 2024.

49 Department of Premier and Cabinet, *Cultural Heritage Management Plans*.

50 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* p. 35.

51 Department of Premier and Cabinet, *Annual Report 2021–22,* p. 40.

52 Department of Premier and Cabinet, *Annual Report 2022–23,* p. 38.

53 Ibid.; Department of Premier and Cabinet, *Annual Report 2021–22,* p. 40; Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* p. 35 (Committee calculation).

The Committee asked about the costs of conducting a CHMP and the current waiting times for CHMPs to be evaluated.[54] DPC advised that the costs for heritage assessments were market driven—the department does not set the costs.[55] DPC further stated that the statutory time frame for CHMPs to be evaluated is 30 days and that in 2021–22, 96.9% of CHMPs were conducted within that time frame.[56] It did not provide data for 2022–23 and there are no performance measures that provide this information in the annual reports. This lack of information is important to note, given the risk associated with CHMPs that are not processed in a timely fashion, resulting in the delay of a project.

DPC's 2021–22 Annual Report contained a relevant performance measure that gauged 'Assessments completed by Aboriginal Victoria within the legislative timeframe: cultural heritage management plans, cultural heritage permits, preliminary Aboriginal heritage tests'.[57] It was replaced with the measure 'Average days to process applications to register an Aboriginal Cultural Heritage Place (CHMP-related) on the Victorian Aboriginal Cultural Heritage Register' in 2022–23, with DPC stating this was to 'provide a better measure of performance rather than demonstrating expected compliance with obligations'.[58] Consequently, there is currently no way to judge the timeliness of CHMPs.

FINDING 137: The Department of Premier and Cabinet has not published complete, consistent data on the timeliness of its approval process for Cultural Heritage Management Plans.

RECOMMENDATION 53: The Department of Premier and Cabinet include a performance measure on the timeliness of processing Cultural Heritage Management Plans in the next budget.

Finally, the Committee asked about any impacts on the CHMP process of RAPs that have been placed into special administration.[59] DPC does not place Aboriginal corporations into special administration—organisations are placed under special administration by the Commonwealth Government's Office of the Registrar of Indigenous Corporations, if they are facing problems such as 'short-term financial troubles or the result of poor business practices, poor governance and/or a weak

54 Public Accounts and Estimates Committee, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 23 November 2023, *Transcript of evidence,* pp. 14–15.

55 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* p. 35.

56 Ibid., pp. 14, 35.

57 Department of Premier and Cabinet, *Annual Report 2021–22,* p. 55.

58 Department of Premier and Cabinet, *Response to the 2022–23 Budget Estimates General Questionnaire,* received 5 May 2022, p. 44.

59 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* pp. 18–19, 25–26.

organisational structure'.[60] Typically, a special administration will last for six months and during that timeframe the administrator will assist the corporation in fixing the named issues.[61] As all of the RAPs in Victoria are Aboriginal Corporations, they are subject to the same standards set by the Office of the Registrar of Indigenous Corporations. The Committee was interested in the cases of the Bunurong Land Council and Yorta Yorta Nation Aboriginal Corporation, which were placed into special administration on 11 September 2023 and 14 November 2023 respectively.[62]

DPC assured the Committee that being placed under special administration does not impact the status as a RAP and the party can still continue to perform its responsibilities in cultural heritage.[63] The Victorian Aboriginal Heritage Council similarly states on its website that due to 2022 amendments to the *Aboriginal Heritage Act 2006* (Vic), RAPs can continue to perform specific functions whilst being under special administration, including approval of CHMPs.[64]

60 Office of the Registrar of Indigenous Corporations, *Special administrations: what members and directors should know,* June 2016, <https://www.oric.gov.au/publications/catsi-fact-sheet/special-administrations-what-members-and-directors-should-know> accessed 23 January 2024.

61 Ibid.

62 Office of the Registrar of Indigenous Corporations, *Announcement: Special administration – Bunurong Land Council (Aboriginal Corporation),* media release, Canberra, 11 September 2023; Office of the Registrar of Indigenous Corporations, *Announcement: Special administration – Yorta Yorta Nation Aboriginal Corporation,* media release, Canberra, 17 November 2023.

63 Mr Terry Garwood, Deputy Secretary, First Peoples–State Relations, Department of Premier and Cabinet, *Transcript of evidence,* pp. 18, 26.

64 Victorian Aboriginal Heritage Council, *Working with a Registered Aboriginal Party under Special Administration,* 18 December 2023, <https://www.aboriginalheritagecouncil.vic.gov.au/clone-working-registered-aboriginal-party-under-special-administration> accessed 23 January 2024.

Chapter 14
Parliament

14.1 Overview

The Parliament of Victoria is an independent body that, through its elected representatives, is accountable to the Victorian community for the provision and conduct of representative government in the interests of Victorians.[1]

The Parliament of Victoria's vision is to deliver apolitical, professional and innovative services which will support Victoria's elected representatives and the Parliament as an institution to ensure the proper, effective and independent functioning of the Parliament.[2]

The Parliament of Victoria is comprised of three departments—the Legislative Assembly, the Legislative Council and the Department of Parliamentary Services (DPS).

In 2021–22 and 2022–23 the Parliament of Victoria aimed to:

- support Members to fulfil their roles
- protect the independence and integrity of Parliament
- inform and engage with the community
- engage with Victoria's First People
- ensure the organisational resilience and efficiency of Parliament.[3]

The budget papers group the outputs of the Victorian Auditor-General's Office, the Parliamentary Budget Office and several integrity agencies together with the Parliament of Victoria.[4] Each agency produces its own Annual Report. This chapter focuses on the Parliament of Victoria's four outputs, referred to collectively as the Parliamentary Departments.

14.2 Outcomes and challenges

The Parliamentary Departments did not identify programs that delivered the most important outcomes to the Victorian community or any least-performing programs in 2021–22 and 2022–23, as the Parliamentary Departments advise they 'are not

1 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23 Service Delivery,* Melbourne, 2022, p. 370.

2 Ibid.

3 Ibid., p. 371; Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, p. 365.

4 Department of Treasury and Finance, *Budget Paper No. 3: 2022–23,* pp. 370–373.

service delivery departments'.[5] However, the Committee notes that the Parliamentary Departments delivered several initiatives funded through significant public funding across both financial years that contributed to its aims as outlined in Section 14.1 and had varying levels of success in terms of outcomes. To enhance transparency and model best practice regarding the Parliament's outcomes and deliverables, the Committee recommends the Parliamentary Departments respond to question two of the financial and performance outcomes questionnaire in future years.

A number of challenges to the Parliamentary Departments were outlined for both financial years. For 2021–22 these included:

- responding to the COVID-19 pandemic
- an increased cyber security threat and higher information and communication technology costs (discussed further in Section 14.5)
- physical security at the Parliamentary precinct and electorate offices. An increase in security incidents at Parliament were discussed in the Committee's Report on the 2020–21 Financial and Performance Outcomes.[6]

In 2022–23 the Parliamentary Departments also reported cyber security and physical security as challenges. Maintaining Parliament House for future generations, implementing the recommendations of Operation Watts and the 2022 State Election were also listed as challenges in 2022–23.[7] Operation Watts is discussed further in Section 14.6.

RECOMMENDATION 54: To promote transparency and model best practice, the Parliamentary Departments respond to question two of the Committee's financial and performance outcomes questionnaire, which relates to the best performing and least performing programs that delivered outcomes to the community in the previous financial year.

14.3 Financial analysis

14.3.1 Output expenditure

Figure 14.1 shows the variance between budgeted and actual figures for the Parliamentary Departments' output expenditure in 2021–22 and 2022–23.

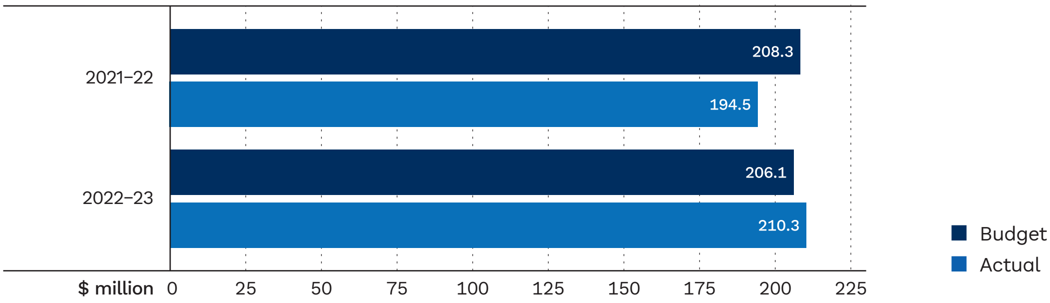
14

5 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* received 10 November 2023, pp. 8–9.

6 Ibid., pp. 58–59; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Financial and Performance Outcomes,* April 2022, p. 198.

7 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 59–60.

Figure 14.1 Parliamentary Departments—budget versus actual, 2021–22 and 2022–23



Source: Department of Parliamentary Service, *Annual Report 2021–22,* Melbourne, 2021, pp. 31–34; Department of Parliamentary Services, *Annual Report 2022–23,* Melbourne, 2022, pp. 37–40 (Committee calculation).

In 2021–22 there was a 7.1% ($13.8 million) underspend.[8]

In 2022–23 the Parliamentary Departments recorded an overspend of 2% ($4.2 million).[9] This was driven by the Legislative Assembly, Legislative Council and Parliamentary Investigatory Committees outputs exceeding their budgets in 2022–23.[10] No explanation was provided for the overspend in the Legislative Council (6% higher than budget) and the Parliamentary Investigatory Committees (6.9% higher than budget) outputs.[11]

As the *2022–23 Model Report for Victorian Government Departments* does not apply to the Parliamentary Departments, it is not required to provide explanations for not meeting performance measures, including cost-related performance measures.[12] However, the model report states the Parliament of Victoria is 'encouraged' to produce its reports with reference to the model.[13] Inclusion of explanations for determined variances when meeting or not meeting performance measures would increase consistency and comparability, and enhance transparency regarding why measures were not met.

RECOMMENDATION 55: From 2023–24, the Parliamentary Departments include explanations for variations on meeting or not meeting performance measure targets in its annual reports, as per the Model Report.

Table 14.1 illustrates the breakdown of the Parliamentary Departments' expenditure by output in 2021–22 and 2022–23.

14

8 Department of Parliamentary Services, *Annual Report 2021–22,* Melbourne, 2021, pp. 31–34.

9 Department of Parliamentary Services, *Annual Report 2022–23,* Melbourne, 2022, pp. 37–40 (Committee calculation).

10 Department of Parliamentary Services, *Annual Report 2021–22,* pp. 31–34.

11 Department of the Legislative Assembly, *Annual Report 2022–23,* Melbourne, 2023, p. 31; Department of the Legislative Council, *Annual Report 2022–23,* Melbourne, 2022, p. 40.

12 Department of Treasury and Finance, *2022–23 Model Report for Victorian Government Departments,* Melbourne, 2023, p. 5.

13 Ibid.

Table 14.1 Parliamentary Departments—expenditure by output, 2021–22 and 2022–23

Output	2021–22 Budget ($ million)	2021–22 Actual ($ million)	2021–22 Variance (%)	2022–23 Budget ($ million)	2022–23 Actual ($ million)	2022–23 Variance (%)
Parliamentary Services	133.7	128.1	(4.2)	137.7	138.3	0.4
Legislative Assembly	45.1	39.8	(11.8)	41.5	43.0	3.6
Legislative Council	23.5	20.8	(11.5)	21.5	22.8	6.0
Parliamentary Investigatory Committees	6.0	5.8	(3.3)	5.8	6.2	6.9
Total	**208.3**	**194.5**	**(6.6)**	**206.5**	**210.3**	**1.8**

Source: Department of Parliamentary Service, *Annual Report 2021–22,* Melbourne, 2021, pp. 31–34: Department of Parliamentary Services, *Annual Report 2022–23,* Melbourne, 2022, pp. 37–40 (Committee calculation).

FINDING 138: In 2022–23 the Parliamentary Department's actual expenditure was $210.3 million, 2% over its 2022–23 Budget. In comparison, the actual result for 2021–22 was $194.5 million, representing a 7% underspend compared to the 2021–22 Budget.

14.3.2 Revenue and expenses

The Parliamentary Departments reported minimal variances in their revenue and expenses.[14] The COVID-19 pandemic and subsequent changes to operations resulted in growing revenue under Parliament refreshment rooms and gift shop sales, which grew by 161% ($370,000) over the previous year when events were cancelled as a result of the pandemic.[15] Revenue in this category grew again by 95% ($570,000) in 2022–23, due to an increased number of catered events and sales as 'a result of normalised operations after [the] COVID-19 pandemic'.[16]

In 2022–23 Parliament's refreshment rooms and gift shop expenses grew by 51% compared to the 2021–22 actual for the same reason as revenue grew, with increased catering expenses corresponding to increased sales post-COVID-19.[17]

Overall financial performance

Table 14.2 summarises the Parliamentary Departments' financial performance in 2021–22 and 2022–23.

14 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 28–35.

15 Ibid., p. 29 (Committee calculation).

16 Ibid., p. 30 (Committee calculation).

17 Ibid., pp. 34–35 (Committee calculation).

Table 14.2 Parliamentary Departments—summary of comprehensive operating statement, 2021‑22 and 2022‑23

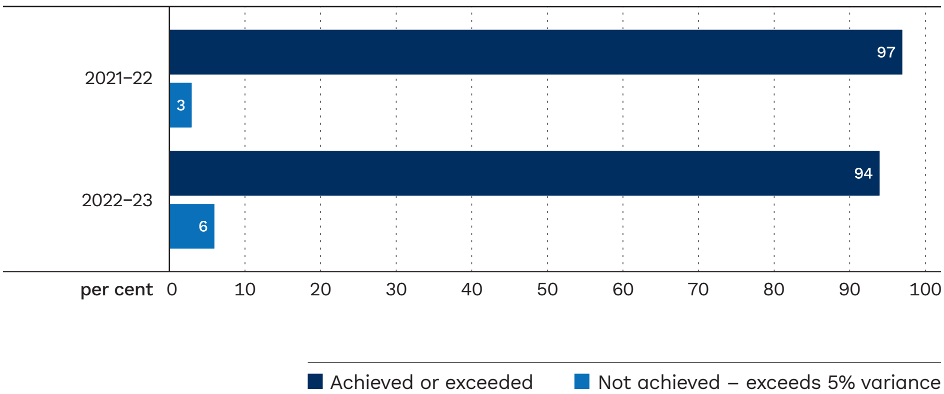
	2021–22			2022–23		
Controlled items	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**	**Budget ($ million)**	**Actual ($ million)**	**Variance (%)**
Income from transactions	208.3	195.5	(6.0)	206.1	211.6	3.0
Expenses from transactions	208.3	186.7	(10.0)	208.0	200.9	(3.0)
Net result	**0.0**	**8.8**	**–**	**(1.9)**	**10.7**	**–**

Source: Department of Parliamentary Service, *Annual Report 2021–22,* Melbourne, 2021, p. 126; Department of Parliamentary Services, *Annual Report 2022–23,* Melbourne, 2022, p. 132.

14.4 Performance information

In 2021–22 and 2022–23 the Parliamentary Departments met the majority of their performance measures for all four outputs.[18]

Figure 14.2 Parliamentary Departments—performance measure results, 2021–22 and 2022–23



Source: Department of Parliamentary Service, *Annual Report 2021–22,* Melbourne, 2021, pp. 31–34; Department of Parliamentary Services, *Annual Report 2022–23,* Melbourne, 2022, pp. 37–40 (Committee calculation).

The two performance measures not met in 2022–23 related to the total output costs for the Legislative Council and the Parliamentary Investigatory Committees outputs.[19]

There were 28 non-cost performance measures for the Parliamentary Departments in 2021–22 and 29 in 2022–23. In regard to these measures, the Parliamentary Departments have met or exceeded the majority of its performance measures each year since 2010–11. Several of these performance measures have recorded the same

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18 Department of Parliamentary Services, *Annual Report 2021–22,* pp. 31–34; Department of Parliamentary Services, *Annual Report 2022–23*, pp. 37–40.

19 Department of Parliamentary Services, *Annual Report 2022–23,* pp. 37–40.

result year over year for an extended period of time.[20] As such, the Committee recommends that the Parliamentary Departments review their performance measures and performance targets to ensure both the published measures and related targets are sufficiently challenging.

RECOMMENDATION 56: The Parliamentary Departments review their performance measures and targets to ensure they are sufficiently challenging.

14.5 Key issue—cyber security

In 2021–22 and 2022–23 the Parliamentary Departments listed 'increased cyber security threat, and higher information and communication technology costs' as key challenges.[21] Cyber security is critically important because cyber attacks can result in the breach of personal data, disrupt communication networks and stop government departments and public services from operating for short or long periods.[22]

The Parliamentary Departments described the significance of cyber security for the organisation and its risk profile, noting that:

- more than 10 million connection requests from suspicious sources are blocked each week
- of the one million webpages Parliament personnel access each week, 0.1% are detected as malicious and blocked
- the Parliament network receives approximately 400,000 emails weekly, 62% of which are blocked or held due to cybersecurity issues such as spam, phishing and Malware.[23]

In 2021–22 Parliament received $8.6 million over four years for the initiative *Cybersecurity upgrades,* to implement systems testing, training and awareness programs, improve incident response mechanisms, embed 24-hour event logging and upgrade existing IT security systems, with a view to improving 'Parliament's ability to prevent and respond to cybersecurity threats'.[24]

As an outcome of this funding, the Parliamentary Departments have put in place several security upgrades including running phishing simulations multiple times a year, testing new systems to identify vulnerabilities, updating email security, mobile

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20 Department of Treasury and Finance, *Departmental performance measures—Parliament and Auditor-General's Office and Parliamentary Budget Office output performance measures 2023–24,* 18 September 2023, <https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements> accessed 8 November 2023.

21 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 58–59.

22 Victorian Auditor-General's Office, *Cybersecurity: Cloud Computing Products,* Melbourne, 2023, p. 4.

23 Parliamentary Departments, 2021–22 and 2022–23 Financial and Performance Outcomes hearing presentation, supplementary evidence, received 20 November 2023, p. 13.

24 Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 Service Delivery,* Melbourne, 2021, pp. 128 (Committee calculation).

data and application management on all mobile devices with access to Parliament of Victoria data, increased staffing to implement and manage improved Cyber Operation, Governance, Risk and Control, among other measures.[25]

FINDING 139: Parliament was provided $8.6 million in the 2021–22 Budget for cyber security upgrades, which have allowed it to undertake several activities to increase its cyber security.

The Committee previously recommended that Parliament review the suitability of its IT security, to which Parliament advised that it 'continually undertakes reviews' through its internal audit program and through its engagement of specialist cybersecurity assessment services, allowing security settings to be adapted as needed.[26]

14.6 Key issue—implementation of the recommendations from Operation Watts

On 20 July 2022, the Independent Broad-based Anti-corruption Commission (IBAC) and the Victorian Ombudsman (VO) tabled in Parliament a joint investigation report *Operation Watts: Investigation into allegations of misuse of electorate office and ministerial office staff and resources for branch stacking and other party related activities*.[27] The investigation made a number of key findings, including that evidence of misuse of electorate and ministerial office staff for factional work[28] was substantiated and that factional allies and operatives or their relatives were appointed to taxpayer-funded jobs for factional reasons.[29]

The Operation Watts report contained a package of recommendations. Several recommendations were directed towards DPS, as the Secretary of DPS is the delegated employer of all electorate officers (EOs) in 'accordance with a delegation by the presiding officers[30] [of the Parliament of Victoria]'.[31] Several recommendations were

25 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* pp. 5–6.

26 Ibid., p. 63.

27 Independent Broad-based Anti-corruption Commission, *Joint IBAC and VO report highlights widespread misuse of public resources for political purposes,* media release, Melbourne, 20 July 2022.

28 According to the summary of the Operation Watts report, 'Factions are groupings in a political party. Commonly they are based on ideological or policy views (reflected in faction names such as 'Moderate Labor' or the 'Socialist Left'), but they can also be based on personalities and personal networks. Factions can provide a mechanism for negotiating matters such as the formulation of a policy platform for the party and the pre-selection of candidates'. Source: Independent Broad-based Anti-corruption Commission and Victorian Ombudsman, *Summary: Operation Watts,* n.d., <https://www.ibac.vic.gov.au/media/358/download> accessed 5 January 2024, p. 1.

29 Independent Broad-based Anti-corruption Commission and Victorian Ombudsman, *Operation Watts: Investigation into allegations of misuse of electorate office and ministerial office staff and resources for branch stacking and other party-related activities,* Melbourne, 2022, pp. 40, 90.

30 The President of the Legislative Council and the Speaker of the Legislative Assembly are the Presiding Officers of the Parliament of Victoria.

31 Independent Broad-based Anti-corruption Commission and Victorian Ombudsman, *Operation Watts: Investigation into allegations of misuse of electorate office and ministerial office staff and resources for branch stacking and other party-related activities,* p. 38.

made with a view to improving employment arrangements for EOs, which the report found to be unclear and unsatisfactory and to make sure that work is performed only to assist MPs to discharge their public functions and not undertake party-specific work.[32]

Implementing the recommendations from Operation Watts was nominated as a key challenge by DPS in 2022–23.[33] The questionnaire also shows DPS received $1.3 million in funding through a Treasurer's Advance in 2022–23 to implement the relevant recommendations.[34] According to a Government media release from 12 October 2022, DPS has received $8.5 million to implement the relevant recommendations.[35] It is unclear whether this further funding was provided through another Treasurer's Advance.

DPS's 2022–23 Annual Report provides information regarding the department's progress in implementing the relevant recommendations.[36] The Secretary of DPS advised the recommendations directed to DPS were 'well progressed', with two progress reports having been provided to IBAC and the VO.[37] The Secretary added that DPS had been working and meeting regularly with the Department of Premier and Cabinet to share information about its progress, and had also met with IBAC and the VO to ensure DPS will 'hit the mark' when implementing the report's recommendations.[38]

DPS's 2022–23 Annual Report states that in response to the recommendations, in 2022–23 DPS focused on 'electorate officer recruitment, onboarding and professional development processes' as areas where 'support and direction could be provided for both members and electorate officers'.[39] The Secretary highlighted the actions taken in these areas, such as improving recruitment practices, and training of EOs to enhance their understanding of their role.[40] During 2022–23 DPS also employed more HR advisors.[41]

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32 Ibid., p. 168.

33 Parliamentary Departments, *Response to the 2021–22 and 2022–23 Financial and Performance Outcomes General Questionnaire,* p. 60.

34 Ibid., p. 12.

35 Independent Broad-based Anti-corruption Commission and Victorian Ombudsman, *Operation Watts: Progress report,* Melbourne, September 2023, p. 11; Hon Daniel Andrews MP, *Action and Funding to Deliver Integrity Reforms*, media release, Melbourne, 12 October 2022.

36 Department of Parliamentary Services, *Annual Report 2022–23,* p. 24.

37 Ms Trish Burrows, Secretary, Department of Parliamentary Services, 2021–22 and 2022–23 Financial and Performance Outcomes hearing, Melbourne, 20 November 2023, *Transcript of evidence,* p. 3.

38 Ibid., pp. 3, 4.

39 Department of Parliamentary Services, *Annual Report 2022–23,* p. 24.

40 Ms Trish Burrows, Secretary, Department of Parliamentary Services, *Transcript of evidence,* p. 3.

41 Ibid.

One of the progress reports, published in September 2023, provides further information on how DPS has responded to the investigation's recommendations thus far.[42] These included:

- **Recommendation 10—Prohibition on employment of family members as electorate officers**

  IBAC and the VO recommended Members of Parliament (MPs) be prohibited from employing close family members in their electorate office, and the Government and Parliament consider whether this prohibition should be extended to include close family members of other MPs of the same political party.[43] In response, DPS advised as of December 2022 MPs are required to declare perceived or actual conflicts of interest during the EO recruitment process or when requesting an appointment. When an MP indicates a perceived or actual conflict of interest in the recruitment of an EO, DPS assists MPs to manage related risks through a written management plan.[44]

- **Recommendation 12—Recruitment processes for Electorate Officers**

  The report recommended the Presiding Officers and DPS 'review the processes for recruiting and selecting electorate office staff, to promote a more competitive, open and merit-based process' and provides several possible topics for review.[45]

  In the progress report, DPS listed several ways it has updated its processes in line with the recommendation, such as reviewing EO employment guidance material, implementing an end-to-end recruitment service for MPs, and introducing candidate capability assessments.[46] Regarding the report's specific topics for review, DPS advised it had updated the standard position description for EOs to include an explicit statement on the prohibition of party specific activity.[47]

  In the progress report IBAC and the VO state DPS had undertaken 'extensive work… to improve the recruitment, training and management of electorate officers' since the release of the Operation Watts report.[48]

42 Independent Broad-based Anti-corruption Commission and Victorian Ombudsman, *Operation Watts: Progress report*.

43 Ibid., p. 18.

44 Ibid.

45 Ibid., p. 20.

46 Ibid.

47 Ibid., p. 21.

48 Ibid., p. 9.

FINDING 140: During 2022–23, the Department of Parliamentary Services progressed its work implementing the relevant recommendations arising from the Operation Watts report. This included work to create greater awareness and appropriate management of perceived or actual conflicts of interest when Members of Parliament (MPs) hire electorate officers (EOs). Work has also been undertaken to improve the recruitment of EOs by improving the accessibility and delivery of information to MPs about engaging EOs, adding an EO careers page on the Parliament's website to provide more information about the role, and implementing a candidate capability assessment to promote a competitive and merit-based recruitment process.

Adopted by the Public Accounts and Estimates Committee
55 St Andrews Place, East Melbourne
4 March 2024