PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

THIRTY-EIGHTH REPORT TO PARLIAMENT

REPORT ON THE 2000-2001 BUDGET ESTIMATES

NOVEMBER 2000
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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

MEMBERSHIP - 54TH PARLIAMENT

Mr P Loney, MP (Chairman)
Hon. W Forwood, MLC (Deputy Chairman)¹
Hon. L Asher, MP
Ms A Barker, MP
Ms S Davies, MP
Hon. D Davis, MLC²
Hon. R Hallam, MLC (Deputy Chairman)³
Mr T Holding, MP
Mrs J Maddigan, MP
Hon. G Rich-Phillips, MLC
Hon. T Theophanous, MLC

For this inquiry, the Committee was supported by a secretariat comprising:

Executive Officer: Ms M Cornwell
Assistant Executive Officer: Ms F Essaber
Research Officer, on secondment from the Victorian Auditor-General’s Office: Mr M Holloway
Consultant: Mr T Wood
Office Manager: Ms C Walker

¹ Discharged as a Member of the Committee on 6 September 2000
² Appointed as a Member of the Committee on 6 September 2000
³ Appointed as Deputy Chairman on 4 October 2000
Specialist Adviser: Professor James Guthrie from Macquarie University provided advice on certain aspects of the Budget Overview.

The Committee’s address is:

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DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the Parliamentary Committees Act 1968, as amended.

The Committee comprises ten Members of Parliament drawn from both Houses of Parliament and all political parties and includes an Independent Member.

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

(a) any proposal, matter or thing connected with public administration or public sector finances;

(b) the annual estimates or receipts and payments and other budget papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

The Committee also has a consultative role in determining the objectives of performance audits and identifying any particular issues that need to be addressed during these audits.
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<tr>
<th>Glossary Terms</th>
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<tr>
<td>Accrual Accounting</td>
<td>Recognition of revenue, expenses, assets and liabilities when a transaction occurs, irrespective of the timing of the related cash flow.</td>
</tr>
<tr>
<td>Accrual output-based management</td>
<td>The Government, as purchaser, decides which outputs it will purchase from departments at specified levels of quantity, quality and price. As owner, the Government decides the investment required in departments in order to enable them to maintain their capacity to meet output delivery targets.</td>
</tr>
<tr>
<td>Additions to the net asset base</td>
<td>An appropriation which provides authority to increase the net capital base of a department’s statement of financial position.</td>
</tr>
<tr>
<td>Annual appropriation</td>
<td>The appropriations to departments and the Parliament contained in the Appropriation Act and Appropriation (Parliament) Act. These appropriations lapse at the end of each financial year.</td>
</tr>
<tr>
<td>Annual Financial Statements</td>
<td>Comprises operating statement, statement of financial position and statement of cash flow for a given financial year.</td>
</tr>
<tr>
<td>Australian Health Care Agreement</td>
<td>A bilateral agreement between the Commonwealth and Victorian Governments for the funding of public hospital services.</td>
</tr>
<tr>
<td>Assets</td>
<td>Service potential or future economic benefits controlled by an entity (eg. a department) as a result of past transactions or other past events. Assets may be physical (eg. plant, equipment or buildings) or non-physical (eg. financial</td>
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</table>
investments). Assets may also be current (having a store of service potential which is consumed in one year or less) or non-current (having a store of service potential that is consumed over a period of more than one year).

**Budget sector**

Comprises agencies within the general government sector that each obtain 50 per cent or more of funding through appropriations and that are directly accountable, through Ministers, to Parliament.

**Budget sector debt portfolio**

The portfolio of debt borrowed by the Treasury Corporation of Victoria on behalf of the State to fund the Budget.

**Capital asset charge**

A charge generally on the written down value of non-current, physical assets controlled by agencies within the budget sector. The cost is designed to reflect the full cost of service provision and to encourage the management of surplus or under performing assets.

**Capitalisation**

Recognising the value of an item as an asset rather than as an expense.

**Cash-based budgeting**

A budgeting system based on the funding and reporting of cash. It is primarily focused on inputs and does not account for accruing liabilities.

**Cash flow statement**

A statement that provides information on the cash inflows and outflows as they relate to operating, investing and financing activities.
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<tr>
<td>Commonwealth grants</td>
<td>Includes general revenue from the Commonwealth Government for the purpose of aiding in the financing of the current operations of the recipient; in addition to monies received for specific purposes (when the Commonwealth wishes to have some involvement in the direction of the expenditure). Grants are also received for onpassing to third parties (eg. to non-government schools), where the State has no discretion as to their allocation.</td>
</tr>
<tr>
<td>Community service obligation</td>
<td>The non-commercial programs and activities of government business enterprises designed to meet community and social objectives determined by Government.</td>
</tr>
<tr>
<td>Consolidated fund</td>
<td>The government’s primary account that receives all consolidated revenue and from which payments appropriated by Parliament for government purposes are made.</td>
</tr>
<tr>
<td>Consolidated Fund Revenues</td>
<td>Defined as Crown revenues available to be appropriated by the Parliament and required to be paid into the Consolidated Fund.</td>
</tr>
<tr>
<td>Depreciation</td>
<td>The allocation of the cost of an asset over the years of its useful life.</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>Benefit entitlements which employees accumulate as a result of the rendering of their services to an employer up to the reporting date. They include wages and salaries, annual leave, sick leave, long service leave, superannuation benefits, and other post-employment benefits.</td>
</tr>
<tr>
<td>Financial assistance grants</td>
<td>Grants made by the Commonwealth to State and Territory governments for expenditure by the latter according to their own priorities. Financial assistance grants are sometimes referred to as general revenue or general purpose grants.</td>
</tr>
<tr>
<td>Franchising</td>
<td>The sale to an external party (usually on the basis of a competitive bidding process) of the right to distribute a particular good or service to a particular market for a defined period. Franchising is often seen as a way of introducing competition into an industry that may otherwise be seen as a monopoly.</td>
</tr>
<tr>
<td>General purpose payments</td>
<td>Grants made by the Commonwealth Government to State Governments to be passed to third parties, such as non-government schools.</td>
</tr>
<tr>
<td>Good and services tax (GST) grant</td>
<td>GST revenue collected by the Commonwealth will be distributed to the States and Territories on the basis of horizontal fiscal equalisation principles. From 1 July 2000, GST grants will replace financial assistance grants.</td>
</tr>
<tr>
<td>GST transitional payments</td>
<td>As part of the Commonwealth’s agreement with the States and Territories that their budgetary position will be no worse under national tax reform, the Commonwealth will provide GST transitional payments to the States and Territories. This will be paid in the form of grants and an interest free loan. The loan is recognised as Commonwealth grants received in the operating statement.</td>
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<tr>
<td>Glossary</td>
<td>Definition</td>
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<tr>
<td><strong>Government Business Enterprise</strong></td>
<td>A publicly-owned entity providing goods or services on commercial terms with the objective of recovering its costs of production and, in most cases, of providing some financial return to its owner.</td>
</tr>
<tr>
<td><strong>Government Finance Statistics</strong></td>
<td>The economic framework implemented by the Australian Bureau of Statistics for the presentation of public sector financial statements. As from 1999-2000, these are on an accruals basis, similar in presentation to the accounting statements although the underlying concepts are different.</td>
</tr>
<tr>
<td><strong>Gross state product</strong></td>
<td>Gross domestic produce for a State or Territory.</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>Liabilities comprise future payments that an entity is currently obliged to make to other entities as a result of past transactions or other past events. Liabilities are thus a broader concept than debt. They also include obligations which do not have a predetermined repayment schedule, and those which do not require payments of interest - such as unfunded liabilities of superannuation funds, liabilities in respect of other employee entitlements (long-service and annual leave), trade creditors, and provisions for deferred maintenance.</td>
</tr>
<tr>
<td><strong>Materiality</strong></td>
<td>The concept of establishing the importance of the information in accordance with Australian Accounting Standard AAS 5. In general, an item of information is material if its omission, non-disclosure or mis-statement from the financial statements would adversely affect a users decisions about the allocation of scarce resources.</td>
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<tr>
<td>Term</td>
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<tr>
<td>Non-budget sector</td>
<td>Public sector entities, mainly business enterprises, that are not classified as “budget sector” (e.g. the water and ports authorities).</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>All liabilities other than current liabilities. They are usually obligations that do not require payment within one year of the reporting date.</td>
</tr>
<tr>
<td>Non-current physical assets</td>
<td>Durable goods intended to be employed in the production process for longer than a year. Excluded are current assets and non-reproducible tangible assets.</td>
</tr>
<tr>
<td>Outcomes</td>
<td>The government’s intended impact on the community as a result of the funding of services. Outcomes establish both the rationale and foundation for the budget.</td>
</tr>
<tr>
<td>Output-based management</td>
<td>The process of planning for, and providing, products or services on behalf of Government, in return for the allocation of budgeted resources. Under output management, the Government sets its strategic priorities or intended outcomes, and then commissions departments to deliver outputs that the department determines will best achieve these outcomes.</td>
</tr>
<tr>
<td>Output costing</td>
<td>The process of determining on a full accrual basis all direct and indirect costs of producing an output in a period.</td>
</tr>
<tr>
<td>Output group</td>
<td>For purposes of budgeting and reporting, a grouping of individual outputs that contribute to a common outcome.</td>
</tr>
<tr>
<td>Outputs</td>
<td>Measurable direct results of activities provided to external consumers, such as products or services.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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</tr>
<tr>
<td>Payments on behalf of the State</td>
<td>An appropriation which provides authority to a department to on-pass payments of the State over which the department has no direct control with respect to the quantity of outputs delivered.</td>
</tr>
<tr>
<td>Performance measures</td>
<td>Quantity, quality and timeliness indicators used to describe how many, how well, when, or how frequently government funded outputs will be delivered.</td>
</tr>
<tr>
<td>Performance targets</td>
<td>Intended output delivery levels expressed in terms of each of the performance measures. Targets are used as a benchmark to assess performance in delivered budgeted outputs.</td>
</tr>
<tr>
<td>Public account</td>
<td>The consolidated fund and the trust fund combined.</td>
</tr>
<tr>
<td>Public authority dividend</td>
<td>A payment made by government business enterprises to the Victorian Government under the provisions of the State Owned Enterprises Act 1992 or other industry specific legislation. Conceptually, public authority dividends are intended to represent a return to the Government on its investment in those enterprises. The Treasurer determines the amount and timing of the payments after consultation with the relevant Minister and board of each enterprise.</td>
</tr>
<tr>
<td>Public sector</td>
<td>Non-financial public enterprises and public financial institutions that have government ownership and control.</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
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</tr>
<tr>
<td>Sale of goods and services</td>
<td>This represents revenue earned from the sale of goods or provision of services to external parties in the current period, whether received or receivable (e.g. supply of water, gas distribution, and public transport services).</td>
</tr>
<tr>
<td>Special appropriation</td>
<td>A standing authority (that remains in force until amended or repealed by Parliament) for ongoing payments to be independently made of the government’s annual budget priorities.</td>
</tr>
<tr>
<td>Specific purpose payments</td>
<td>Grants made by the Commonwealth to State and Territory governments subject to terms and conditions specified by the Commonwealth, generally to ensure that Commonwealth policy objectives (or national objectives agreed between the Commonwealth and the States) are met.</td>
</tr>
<tr>
<td>Statement of cash flows</td>
<td>A statement that provides information on the cash inflows and outflows as they relate to operating, investing and financing activities of an entity. The net cash flow is added to the opening balance to report the cash on hand at the end of the reporting period.</td>
</tr>
<tr>
<td>Supplies and consumables</td>
<td>This encompasses the day-to-day running costs incurred in the normal operations of government entities, but specifically excluding costs specified under separate headings included in the Statement of Financial Performance, viz. Employee entitlements, superannuation, depreciation, amortisation, interest and other finance costs, grants and transfer payments and ‘other expenses’. This expense category includes any cost of sales expense. Cost of sales includes the costs of</td>
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purchase (purchase price, duties, taxes, inwards transportation costs etc.), costs of conversion (direct labour and other production costs including maintenance of assets) and other costs incurred in the normal course of operations in bringing inventory to the point of sale.

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Unfunded liabilities</td>
<td>Liabilities that are accruing but for which no explicit provision has been made for payment.</td>
</tr>
<tr>
<td>Unfunded superannuation liabilities</td>
<td>The present value of future benefits, determined by actuarial assessment, that a superannuation scheme’s members have accrued during past service which are not covered by fund assets. Unfunded superannuation liabilities arise when superannuation costs are not contributed as the members’ benefits accrue.</td>
</tr>
</tbody>
</table>
A major theme of the Committee's work involves improving Government accountability. We believe that accountability is not just good theory. Put into practice, it is a tool for better Government.

Earlier this year the Committee resolved to make major changes to the way the Budget is scrutinised in order to bring about a more open and transparent review of the way the Government plans; budgets; spends; measures and reports on its performance.

With these reforms, the Committee's review of the 2000-2001 Budget has resulted in:

- the Premier, every Minister and the Presiding Officers of the Victorian Parliament all appearing before the Committee for the first time;
- the most extensive examination of the Budget Estimates ever undertaken by the Public Accounts and Estimates Committee during the Committee's 105 year history; and
- the most comprehensive parliamentary committee report on the Budget Estimates of any jurisdiction in Australia.

The report contains 119 recommendations, most of which are intended to improve:

- reporting to the Parliament and the community on the Government’s intentions and results; and
- performance management practices within the public sector.

During this review we have been assisted by many people. I would like to acknowledge the co-operation the Committee has received from the Premier, all Ministers and the Presiding Officers, and senior departmental officers - both at the public hearings and through their responses to our numerous requests for additional information. The
support for the new estimates process and leadership demonstrated by the Premier, who is a former Deputy Chairperson of the Committee, is an indication of the strong commitment of the Government to improving accountability. This commitment was apparent in the way Ministers provided information to the Committee both during the hearings and in writing. No Committee request for information was refused.

I would like to place on record the very significant contribution made by the staff of the secretariat and, in particular the outstanding work undertaken by Mr Mark Holloway, the seconded auditor. I also wish to record my appreciation to Ms Michele Cornwell, Executive Officer, Ms Frances Essaber, and Ms Christine Walker for their professionalism, hard work and dedication to the work of the Committee. Without their long hours of work this report would not have been as extensive nor would it have been completed in as timely manner as it was.

I also wish to thank the former Deputy Chairman of the Committee - Hon. Bill Forwood, MLC - for his assistance in ensuring the new procedures for the estimates hearings worked smoothly.

I believe that the new estimates procedures have been a success. I hope that this report will provide useful information to the community, parliamentarians, government departments and agencies and lead to further improvements in public administration and the way the Government reports to the Parliament.

Peter Loney, M P
Chairman
EXECUTIVE SUMMARY

Chapter 1 - Review of Budget Estimates

As a result of changing community expectations about public accountability, there has been considerable effort by the Government, the Committee and other interested parties such as the Auditor-General, into strengthening the way the Government manages and accounts for public funds.

In early 2000, the Government introduced a number of reforms to further improve the public disclosure of financial and budget information and to provide for the review of estimated financial statements by the Auditor-General. These initiatives should improve accountability and provide more meaningful and timely financial information.

In April 2000, the Committee adopted a number of reforms for scrutinising the Government's budget. These changes resulted in an estimates scrutiny process that involves holding public hearings between May and August at which all Ministers and the Presiding Officers of the Parliament are examined on proposed expenditure and revenue for the next financial year, and a supplementary estimates process in December which will review the outcomes of individual departments and agencies for the previous financial year.

Under this format, the Budget Estimates for 2000-2001 were subjected to 52 hours of public scrutiny by the Committee compared to 19 hours in 1999-2000. This has resulted in more detailed information being provided to the Parliament, to taxpayers and citizens on Government programs and services.

Of the 36 recommendations contained in the Committee’s report on the 1999-2000 Budget Estimates, 17 were accepted; 13 were partially accepted and six were rejected.

The Committee was particularly interested in the Government’s response to the recommendations in Chapters 1 to 3 relating to the quality of financial, performance and other information contained in the Budget Papers. Of the ten recommendations concerning these issues, the Government accepted four, accepted five in part and rejected one.

The four major recommendations accepted by Government related to the need for an independent assessment of performance information contained in the Budget Papers and annual reports, and for the Budget Papers to provide better links between inputs, outputs and outcomes.

The Government indicated it would internally review the output measures contained in the Budget Papers against those presented by departments and agencies in other financial and accountability documents, such as corporate and business plans.

The Government’s response to the recommendation for detailed explanations of significant variances in actual expenditure compared with previous year’s budget estimates, and explanations for significant items in the Budget Papers, does not address the thrust of the Committee’s recommendation.

One rejected recommendation concerned half-yearly performance reports by departments which the Committee believes would enhance accountability.
Executive Summary

The Committee is disappointed that the Guidelines for Corporate and Business Planning have not been revised to reflect developments under the financial management framework.

The Committee welcomes the improvement in the reporting and explanation of administered revenue and expenses contained in departmental operating statements.

Chapter 3 - Budget Overview

The 2000-2001 Budget Estimates were prepared in accordance with the provisions of the Financial Management (Financial Responsibility) Act 2000 which was enacted in April 2000. This legislation provided that budget estimates be prepared in accordance with the Principles of Sound Financial Management adopted by the Government. The legislation also:

- provided for improved disclosure of financial and budget information; and
- included a requirement that the Auditor-General review and report on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.

The Committee welcomed the above initiatives as the inclusion of additional detailed information in the Budget Papers significantly improves the level of information provided to the Parliament and the community and strengthens the accountability of the Executive to the Parliament.

The 1999-2000 Budget Papers originally estimated a surplus of $129 million, which was revised by the new Government in January 2000 to a surplus of $1 339.3 million. This very large increase was attributed to higher than anticipated revenue from State taxation, public authority income, and revenue increases as a result of buoyant economic conditions.
The operating surplus for 2000-2001 is expected to be $592 million, or $747 million less than the revised estimate for 1999-2000 of $1 339 million. The Committee understands that the change in the 2000-2001 operating surplus in part represents a projection of moderate growth in revenue for 2000-2001, together with increased operating expenses as a result of the impact of new initiatives announced by the Government in the Budget.

Total operating revenue is expected to increase by $734 million or 3.4 per cent in 2000-2001 to $22 180 million. This modest increase in total revenue can be largely attributed to a strong growth in Commonwealth grants of up to $2 426 million as a result of the impact of the GST, which will also be accompanied by a decline of around $1 545 million in State taxation revenue.

Operating expenditure in 2000-2001 is expected to increase by $1 482 million to $21 588 million by comparison with the revised estimate of $20 107 million in 1999-2000. The increase in expenditure results mainly from the implementation of policy decisions of Government, particularly in respect of new initiatives in the key areas of education, health and community safety; an increase in employee entitlements of $463 million; and expenses associated with the large increase in Commonwealth grants arising from the GST.

Over the next four years the Government has committed $987 million to new infrastructure projects. The 2000-2001 budget allocation towards the cost of these projects was $391.7 million.

The budget sector statement of financial position discloses an increase in budget sector net assets from $11.6 billion at 30 June 1999 to $12.9 billion at 30 June 2000, mainly as a result of the large operating surplus. As at 30 June 2001, assets with an aggregate value of $35.86 million will be under the control of the State, representing an increase of approximately $1 285 million, compared to the 1999-2000 revised total of $34.56 million. The increase in assets reflects the Government’s strategy of undertaking new infrastructure projects,
particularly in relation to transport, hospitals, schools and other community activities.

As at 30 June 2001, total liabilities will be $22.3 billion compared to the revised budget figure for 1999-2000 of $21.2 billion. The overall increase in total liabilities of $1 119 million can mainly be attributable to net increases in employee entitlements of $163 million, payables of $224 million and borrowings by $1 315 million. The increase in total liabilities was offset by a decrease in superannuation liabilities of $78 million.

Budget sector net financial liabilities are expected to decrease from $16.5 billion or 10.9 per cent of Gross State Product (GSP) as at 30 June 1999 to $15.4 billion or 7.7 per cent of GSP by June 2004.

Public sector debt is currently very low with gross budget sector borrowings totalling $6.5 billion at 30 June 2000. It is expected to remain at this level until at least June 2004. As a result of the reduction in debt levels and the ongoing improvements in the State’s credit rating, interest and finance costs fell from $733.2 million in 1998-1999 to $452.9 million in 1999-2000. The Budget Papers indicate that, as a result of the GST, these costs will increase marginally to $510.4 million in 2000-2001.

The most significant liability on the State’s Balance Sheet is the net unfunded liabilities of the public sector superannuation schemes, which were estimated at $11.9 billion at 30 June 2000 and are expected to peak at $12.6 billion in 2009. In conjunction with an actuary the Government has established a new framework, whereby an increase in Government contributions to the superannuation funds will result in the unfunded liability being fully extinguished by 2035.

Chapter 4 - Review of Budget Papers

The Committee acknowledged that the Government had adopted several recommendations made in the Committee’s Report on the
1999-2000 Budget Estimates aimed at improving the adequacy and presentation of information contained in the Budget Papers. In addition, the 2000-2001 Budget Papers contained a considerable amount of new information which further enhanced their usefulness.

Nevertheless the Committee considers that substantial scope for further improvements still exists and has made a number of recommendations to provide that:

- prior year actual data should be included in the Statement of Cashflow and the Operating Statement for each Department in Budget Paper No. 3;
- variances between years for line items in the Budget Papers should be reported on the basis of the prior year’s actual expenditure versus the budget instead of the existing practice of the prior year budget versus current budget;
- the Department of Treasury and Finance should review the accuracy of output data submitted by agencies and assist agencies in improving the quality and nature of their output forecasting and reporting systems;
- changes to performance measures between budget periods should be minimised with explanations provided for the deletion or addition of performance measures;
- further attention be given to the ongoing development of meaningful performance measures, especially of a qualitative nature that more accurately reflect the nexus between Government policy and departmental strategic directions;
- where budgets approved by Parliament for output groups are subsequently materially amended by departments, a protocol be developed requiring that such amendments are brought to the attention of the Parliament within two sitting weeks;
Executive Summary

- total expenditure under all output groups be provided in the Budget Papers; and
- supplementary disclosures relating to the operation and effect of the Capital Asset Charge be made within Budget Paper No. 3.

Chapter 5 - Implementation of the GST in the Victorian Public Sector

The introduction of the Commonwealth Government’s National Taxation Reform Package had a major impact on the revenue collection methods of the Government. Under the new system, the States receive all revenue generated from the GST as compensation for the abolition of nine indirect taxes; the elimination of financial assistance grants; a reduction in gambling taxes; and administration of a new first home owners’ scheme.

The net impact of the new tax regime, on a cash basis, in 2000-2001 was a $681 million shortfall which was recouped from the Commonwealth Government as part of its commitment to ensure the net budgetary impact is zero.

The introduction of the GST represented a significant challenge to the Government to ensure that Victorian public sector agencies were GST compliant by 1 July 2000. Of the 123 public sector agencies who reported implementation progress, 96.5 per cent were confident of meeting the deadline. The outcome of completion testing and implementation will not be known until a post-implementation review is completed.

It is estimated that implementation of the tax regime has cost the Government approximately $40 million, comprising $15 million for central agency facilitation and $23.2 million for departmental expenses. The Committee believes it is important that the Government monitors the extent of ongoing compliance costs.
The major challenges for the Government will be to ensure that:

- all agencies have Australian Business Numbers;
- departments and agencies achieve the level of embedded tax savings already taken from their budgets; and
- changes to the tax legislation are monitored and communicated in a timely manner.

Chapter 6 - Management Reform Program and a Review of Annual Reports for 1998-1999

In 1997, the previous Government introduced a new concept in budget sector management known as the Management Reform Program which was designed to improve resource management across the Victorian public sector in line with the Government’s intended outcomes.

The Committee surveyed all departments as to the benefits to date of the Management Reform Program and scope for improvement. The responses generally commented favourably on the benefits of the program, particularly in terms of:

- better utilisation of assets;
- improved budget processes;
- more effective business planning;
- an emphasis on linking outputs with outcomes;
- better performance measures; and
- far more reliable financial and management information.

Notwithstanding the benefits flowing from the Management Reform Program, considerable scope for improvements was also identified. Areas identified related to:

- the need to better define outcomes and the relevant outputs needed to achieve these outcomes;
- the lack of consistency in financial and management information systems across departments;
Executive Summary

• the ongoing requirement that departments provide efficiency dividends and meet productivity charges, and the emerging impact on their ability to introduce new computer systems; and

• the need to communicate the benefits of the program to non-financial staff.

The Committee believes a number of areas must be addressed by the Government if the maximum benefits from the Management Reform Program are to be realised, and argues that a comprehensive review of the program should now be undertaken by the Auditor-General.

Annual reports, whatever their public relations or other uses, are an important instrument in the accountability process. They give Parliament and the community an annual overview of the operations of departments and agencies and an opportunity to review aspects of departmental activities.

The Committee engaged a consultant to review twelve 1998-1999 annual reports of various departments and agencies against assessment criteria developed by the Committee. The criteria were centred on departments' accountability obligations and based on the Committee's review of developments elsewhere. The annual reports of a number of departments did not rate very highly in the assessment, due to the absence of specific objectives, or objectives that could not be quantified in terms of outcomes. The reports of the Environment Protection Authority and the Department of Premier and Cabinet rated highly, due to their efforts to meet their accountability obligations through reporting on achievements against objectives.

The Committee is concerned that the annual reports did not provide a detailed and comprehensive account of departmental performance in meeting objectives and continued to confuse 'activities' with 'outcomes'. There appeared to be a greater focus on producing a public relations document as distinct from meeting accountability requirements.
The Committee believes that all agencies need to place greater emphasis on the quality of information contained in their annual reports and to ensure that there are clear links between defined outcomes, corporate and business plans and financial and management performance.

**Chapter 7 - Performance Payments in the Victorian Public Sector**

The Committee reviewed the extent of performance pay in the Victorian public sector, accountability provisions and the administrative processes governing the payment of performance pay. In 1998-1999, 663 executive officers, who earned an aggregate amount of $63.3 million, were additionally paid bonuses totalling $5,586,135. In the same year the cost of performance pay for around 14,000 non-executive public servants, was at least $18 million.

Despite the Government in 1997 tightening the criteria for executive officers to receive bonuses, 92.39 per cent of all executive officers received bonuses in 1998-1999 of up to 15 per cent of their remuneration packages. The Committee is concerned that there could be a public perception that, due to the very high level of bonuses paid, bonuses became in effect a de facto pay rise instead of a reward for executives who performed far beyond the normal expectations of their positions.

A range of arguments was advanced to the Committee in favour of retaining executive bonuses, including the proposition that executive bonuses in the public sector were already well below those offered in the private sector and to eliminate them would create difficulties in recruiting and retaining highly skilled staff. The Committee received evidence that there is a range of mitigating factors which must be addressed before any consideration could be given to reducing or eliminating bonuses.

The Committee also established that on average across the public sector, Band 2 executives, who were at very senior levels such as
Deputy Secretary of a department, received proportionately higher percentages of their packages as a bonus (average service wide bonus was 10 per cent of packages in 1998-1999) as compared to the Band 3 executives who received in 1998-1999 an average of 7.7 per cent of their packages as a bonus. Actual average bonus levels paid varied considerably between departments, ranging from averages of 15 per cent for Band 2 executives to 6.83 per cent for Band 3 executives.

The Committee considered that although the Band 2 executives possessed very high level skills, this was reflected in their remuneration packages and did not necessarily justify higher bonuses than lower ranked executives. Moreover, the Committee was not aware of any level of scrutiny by Government as to why some agencies paid higher bonuses than other agencies.

The Committee is concerned about the level of accountability for the payment of bonuses to such a large number of executive officers. It was not possible to identify the extent of bonuses paid to executives in the annual reports of departments, except in broad aggregate terms inclusive of a range of other payments. With few exceptions, most departments did not communicate to their staff performance ratings of executives and bonuses paid in aggregate for each rating.

Overall, there is a range of inconsistencies across the public sector as to the manner in which bonuses to executives were administered. The Committee understands that the Government intends to review executive remuneration in the near future. In the meantime, the Committee is of the view that, if executive bonuses are to remain, there must be a consistent approach to the manner in which bonuses are determined and awarded, matched by a substantial improvement in accountability mechanisms both within agencies, to the Government, and ultimately, to the Parliament.

With respect to performance pay for non-executive staff, referred to as VPS officers, a diversity of performance pay systems was
introduced across the public sector as the responsibility for these systems was delegated to Department Heads.

The Committee identified that, as a result of this factor, VPS officers across the public sector were treated differently in respect to their entitlements to performance pay. Some departments had a preference for providing performance pay in terms of salary increases, the quantum of which varied considerably depending on the department and their budget allocation. Other departments preferred to pay bonuses to staff, the criteria for which also varied. As a general practice, around 15 per cent of all VPS officers who had not signed Australian Workplace Agreements or entered into Certified Agreements were denied access to performance pay. These officers were eligible to receive a bonus from the balance remaining in the performance pay allocation.

Accountability for performance pay was also poor. Despite at least $18 million being expended on performance pay in 1998-1999, this amount was not reflected in the annual reports of agencies or identified in the Budget Papers or whole of Government Financial Statements. With few exceptions, departments did not communicate performance pay outcomes to their staff.

The Committee acknowledged that revised arrangements for performance pay are to be implemented by the Government following a new industrial agreement. However the Committee considered that, prior to implementing new arrangements, the Government needs to undertake research into whether performance pay is achieving its objective. In addition, the Government needs to ensure that any future arrangements for performance pay provide for full accountability and equity across the public sector in the manner in which it is administered.
Chapter 8 - Department of Education, Employment and Training

In 2000-2001, the Department of Education, Employment and Training received a 7.4 per cent or $384.5 million increase in budget from 1999-2000 and gained the responsibilities for Employment and Youth Affairs.

The Department’s corporate and business plans have not been completed because they are dependent on the outcomes of two ministerial reviews that will be completed in late 2000.

The Committee was advised that there is a current shortage of teacher expertise in important subject areas such as English, Physical Education, Mathematics and Science. The Committee will monitor the effectiveness of strategies to address these shortages at the next estimates hearings.

The Committee noted that the Government has allocated $170 million over four years for the employment of 800 additional teachers and $32 million over three years for 444 new class room facilities in order to reduce average class sizes to 21 for Prep to Year two.

There is an increasing number of children in the State’s education system with disabilities and/or impairments, and while the Government has allocated $236.8 million in 2000-2001, which is more than any other State, the Committee notes that the issue of increasing demand continues to be a considerable challenge.

The Government has conducted an Occupational, Health and Safety audit of all Government schools and subsequently developed an asbestos management plan for each school.

A number of TAFE institutes have experienced financial difficulties over a number of years, with six institutes having negative working capital positions at 31 December 1999. The Government has provided $127 million over four years to improve this situation.
The Government has undertaken a review of educational and training pathways for young people and allocated $65 million to implement the recommendations of the review. The Minister advised this was necessary because of a lack of coordination between the State's education, training and employment systems which contributes to many young people being denied opportunities and this varies significantly across the State.

The Commonwealth Government's position in negotiations for the Australian National Training Authority Agreement is for no new funding growth (except for CPI adjustments) over the next three years. This will result in a $19.5 million shortfall in funding for an expected 2.8 to 5.7 per cent annual increase in training demand. The Committee was advised that 5000 Victorians will be denied training opportunities in 2000-2001 rising to 15000 in 2003.

Chapter 9 - Department of Human Services

In 2000-2001, the Department of Human Services received a 8.6 per cent or $576.4 million increase in budget from 1999-2000.

The responsibilities of the Department have varied from 1999-2000 with the Youth component of the Youth and Family Services output group (currently Community Care output group) transferred to the Department of Education, Employment and Training and Aboriginal Services output group transferred to the Department of Natural Resources and Environment.

The Committee was advised that the Department is experiencing shortfalls in experience and expertise within its workforce in social work (particularly Child Protection Workers), information technology professionals and care workers.

The highest priority of the Government in the health portfolio is to address the inability of hospital emergency departments to cater for demand resulting in ambulance by-pass and blocked hospital
admissions. The number of hospital by-pass instances in 1999-2000 (2021) increased by 547.8 per cent from 1998-99 (312). The Government has allocated $60 million to open 360 beds across the hospital system.

The adequacy of staffing in the hospital system is an issue of concern to the Committee. Currently there are two critical staffing areas in need of substantial action, a shortage of medical staff and nurses. The Department has adopted strategies to address these shortfalls including the allocation of $21.7 million over four years to address nursing workforce issues.

There has been a significant level of disagreement between the State and Commonwealth Governments over the level of funding allocated to Victoria from the Australian Health Care Agreement. The cost indexation formula used by the Commonwealth Government resulted in a shortfall of $285 million for Victoria over four years from the cost indexation formula recommended by an independent arbiter.

The Committee noted that the Government has a number of challenges ahead in meeting the needs of an increasing number of people with profound or severe disabilities. The situation for people in urgent need of disability services is particularly severe with 597 people in urgent need of shared supported accommodation, 215 people in urgent need of other forms of accommodation support services and 473 people in urgent need of day programs. The Committee was advised that it would take at least two years to clear this backlog notwithstanding the addition of people to this list on an ongoing basis.

There are serious concerns about the qualifications of staff delivering disability services including:

- approximately one third (1,690) of staff employed in Government-managed disability accommodation are unqualified; and
• 900 people transferred into disability services in the untrained qualification classification.

In addition, the disability training unit was reduced and much of the training activity outsourced. The Committee believes that there is a need for a strong and well resourced training unit for the disability services workforce.

The majority of the Department’s out-of-home care services were outsourced as a result of the Placement and Support Redevelopment Strategy in 1998. Currently, the Department is unable to determine the effectiveness of the outsourcing strategy in terms of reducing multiple placements and placement breakdowns which are particularly damaging to a child’s development. The Committee believes that the Department needs to urgently develop data collection and monitoring systems capable of measuring these incidents.

The Committee noted that a significant challenge facing the Government is the provision of support and care to meet the present and future needs of older Victorians. Statistics provided to the Committee suggest that the number of Victorians in the 70-plus age group will increase by more than 70 per cent by 2020 and substantial planning is required to cater for this increase in demand. The Minister advised the Committee that the Aged Care system is currently under-funded by the Commonwealth Government and is now falling below the national benchmark.

There are gaps in the regulation of Aged Care facilities by the Commonwealth Government and the Government is aiming to introduce a regulatory framework to address these areas.

The Committee was informed there is a substantial unmet demand for Home and Community Care services in Victoria. However, the Department is unable, at present, to quantify this level of demand.
Executive Summary

There has been a gradual decline of 26 per cent or $75 million in real terms since 1989-1990 in the funding received from the Commonwealth-State Housing Agreement. The Commonwealth Government has indicated a preference for recurrent funding only beyond 2003. The Committee is concerned that this will have a substantial negative impact on low income families and increase housing-related poverty in the State.

Chapter 10 - Department of Infrastructure

In 2000-2001, the Department of Infrastructure received a 7.3 per cent or $162.9 million increase in budget from 1999-2000.

A key element of the Government’s transport policy revolves around reducing travel times between Melbourne and a number of key regional centres including Geelong, Ballarat, Bendigo and Traralgon. Feasibility studies have been conducted to provide a framework from which the Government can enter negotiations with current service providers and negotiate with the private sector to fund the projects through a partnership arrangement.

Victoria’s share of national roads funding is approximately 15 per cent even though Victorians contribute 25 per cent of fuel taxes. This situation has a detrimental effect on the State’s road and bridge construction/ maintenance program and the Committee believes that it will be important for the Government to negotiate for a fairer portion of national roads funding in line with the contributions made by Victoria.

The Government has achieved a number of concessions for motorists in relation to the City Link project through the introduction of cheaper and more flexible day pass options, and improvements in the existing enforcement regime for toll company abuses.

In order to reduce Victoria’s road toll and the number of accidents occurring on the State’s roads, the Government has allocated an
additional $240 million over four years from a one-off safety dividend imposed on the Transport Accident Commission.

A significant issue arising from the Auditor-General’s Special Report No. 62, Land Use and Development in Victoria - the State’s Planning System was the lack of adequate documentation on departmental advice to the Minister when deciding various statutory matters. The Government has responded with the development of ministerial guidelines to provide for a more transparent intervention process.

The major initiative within the Local Government portfolio has been the introduction of Best Value Principles which require Councils to consult with their local community in developing quality and cost standards for all services and in setting performance outcomes. The Committee believes that it will be important for the Government to monitor the impact of this initiative on the quality of services delivered.

The Committee was advised that the biggest challenge for the Ports portfolio is to work in partnership with industry to ensure that supporting transport systems and infrastructure is adequate. As an initial step, the Government has allocated $40 million from the Regional Infrastructure Development Fund to standardise broad gauge rail lines in Victoria. This is an important initiative in linking inter-modal transport.

Chapter 11 - Department of Justice

In 2000-2001, the Department of Justice received a 4.1 per cent or $70.8 million decrease in budget from 1999-2000.

In relation to human resources issues, the Department is currently experiencing skill shortages in information technology, financial management and in the accrual accounting aspects of the Management Reform Program. This is due to labour market demand and the inability of the Government to match the remuneration rates offered by the private sector.
A major issue in law reform is to simplify areas of law and speed up legal procedures and dispute resolution methods. The Committee was advised that there is some capacity to redistribute available resources and address seasonal or one-off demand pressures. However, there are a number of long-term growth trends and emerging budgetary pressures currently experienced in the Courts and legal services, that need to be addressed.

The negotiation of legal aid funding with the Commonwealth Government is a major cause for concern because the Commonwealth Government's position would effectively reduce Victoria's share of national funding from 27 per cent to 22 per cent or by $5.5 million. This would result in Victoria receiving the lowest level of per capita funding for legal aid of any State or Territory.

The Government's policy in relation to the resolution of native title claims is for mediation and negotiation, rather than litigation, where possible. The Government has an ambitious target of finalising 10 indigenous land use agreements in 2000-2001. However, the Committee believes that it will be important for this target to be reviewed in light of developments in 2001-2002.

The Committee was advised that the incidence of drug-related crime is placing an increasing demand on police resources and the administration of justice in the court system. While the Government has a crime prevention policy which aims to break the link between drugs and crime, it will be essential for the Department of Justice, Victoria Police and other related agencies to adopt a coordinated approach to crime prevention.

The capacity of the State's prison system, including privatised prisons, to cater for the significant growth in prison population in recent years is a major strategic issue for the Department. The prison population has grown by 27 per cent since 1995 and resulted in a growth in prison occupancy rates from 88.5 per cent to 109.7 per cent at 30 June 2000. This rate is expected to remain constant or even
slightly increase in 2000-2001. The Department has taken remedial action to increase the bed capacity of the prison system and develop diversion options for low level offenders. The Committee believes that these options must be closely monitored.

The Committee was informed that there are a number of deficiencies in the current contractual framework overseeing private prison performance. Many of these deficiencies relate to the inadequacy of performance information which focus on the most easily quantifiable performance measures rather than the quality of the service. There is also a lack of consistency where each prison operator uses different operating standards and rules.

The demand for consumer information and complaint resolution services is increasing. The Department has yet to identify the cause of this increase. The Committee believes that it will be important to establish the reasons behind this demand so that information initiatives are directed to those most in need.

The Committee noted that the Government is unable to determine the pricing regimes for LPG in country Victoria given that initial data has indicated no logical grounds for price determination based on geographic location, distance or size of the town. The Committee was informed that the Government has requested an inquiry by the Australian Competition and Consumer Commission in relation to this issue.

Chapter 12 - Department of Natural Resources and Environment

In 2000-2001, the Department of Natural Resources and Environment received a 5.1 per cent or $44.7 million increase in budget from 1999-2000.

The Department is currently experiencing a number of human resource related problems such as recruiting and retaining staff with skills in agricultural science, veterinary science, forestry and water engineering. In addition, recruiting staff with skills in financial and
project management, risk management and staff management are problem areas as is retaining expertise in particular geographic locations, particularly rural locations.

The Government has made a number of changes to the strategic and operational direction of the Environment Protection Authority (EPA). The EPA’s monitoring and enforcement capacity has been strengthened, its cross-government role broadened and new initiatives introduced in air, water and waste management. A specialist audit team has been established to target industry sectors, environmental segments and investigate the waste industry.

The extent of the salinity problem has been highlighted by the findings of the salinity audit across Australia, which revealed that the problem is much greater than first believed, particularly with dry-land salinity.

The issue of water conservation is of particular concern as Victoria has entered its fourth consecutive year of low rainfall resulting in more than 100 towns across the State on water restrictions. The Committee was advised that the Government has developed short, medium and long-term strategies aimed at water conservation.

The inability of Victoria’s power supplies to cope with demand in February 2000 resulted in power restrictions across the State. Accordingly, the Government established a Cabinet Sub-Committee to consider the ability of Victoria’s electricity market to manage supply shortages and to meet ongoing electricity demand. In the short term, the Government believes that effective management of demand is more realistic than increasing supply capacity.

A high priority of the Department in the implementation of its various programs is the issue of sustainability. While all programs in the Agriculture portfolio have an in-built sustainability and productivity based outcome, there is some difficulty in categorising sustainability related activities described in the Budget Papers. The
Committee believes there is a need to review the delineation of the output measures in the Budget Papers.

The Committee was advised that there are a number of deficiencies in the protection and management of Victoria’s Aboriginal Cultural Heritage. At present, there is no policy framework overseeing protection and management activities and there is a need to develop a whole of government approach to these issues.

Chapter 13 - Department of Premier and Cabinet

In 2000-2001, the Department of Premier and Cabinet received a 22.1 per cent or $65.3 million increase in budget from 1999-2000.

The Department is currently experiencing a shortage of expertise in key areas of its operations including long-term policy development and research in the Cabinet Office and policy implementation and research in the Victorian Office of Multicultural Affairs. The Committee believes that there is an urgent need to review and re-assess current recruitment strategies given the ongoing nature of these problems.

The Committee was advised that the Growing Victoria Together Summit was seen as a valuable tool for building trust and support between industry, unions and key leaders of the community sector. The summit raised a number of issues unanimously supported by all parties, particularly the importance of training and boosting economic infrastructure.

The operations of the Community Support Fund have been reviewed following calls from the previous Auditor-General and this Committee. Key initiatives resulting from this review include the development of new guidelines governing the distribution of monies, an increased focus on promoting social and economic development in areas most affected by gambling, and the establishment of the CSF Community Advisory Council.
The Government has implemented a number of whole of government programs involving the Victorian Greenhouse Strategy, the management of illicit drugs and Aboriginal Affairs. However, there is no reference to the performance of these initiatives as whole of government programs in the Budget Papers. The Committee is of the view that there is a need for a separate chapter in the Budget Papers that covers whole of government initiatives.

The introduction of legislation and the development of an education campaign to combat racial vilification is a major component of the Government’s multicultural Victoria policy. The Committee was informed that the production of a discussion paper in late 2000, subsequent to consultation with major multicultural groups and Government authorities, is an important mechanism to identifying issues to be considered in the development of the legislation.

The Regional Arts Infrastructure Fund is allocating $6 million over three years to improve regional museums, concert halls, theatres and other cultural facilities. The Committee believes that it will be important for Arts activities to be focussed evenly across the State and not just in areas with substantial Arts infrastructure.

The Queen Victoria Women’s Centre is currently experiencing a number of operational problems which are impacting on its financial viability. The Government needs to develop a strategy for the ongoing operation of the Centre.

Chapter 14 - Department of State and Regional Development

In 2000-2001, the Department of State and Regional Development received a 35.8 per cent or $86.6 million increase in budget from 1999-2000.

The Committee is concerned that the Commonwealth Government’s continual tendency to favour other States when focussing its investment programs may jeopardise the achievement of the
Government’s targeted $10 billion or 30 per cent of national private sector investment in Victoria.

The Committee was informed that Victoria received assistance in attracting 13 projects worth $779 million and creating 438 jobs in 1998-1999, well below the level of assistance received in NSW, Queensland, Western Australia and Tasmania.

The emerging skills shortage in information and communications technology is an issue that will test the State’s flexibility in responding to this new growth industry. While the Government has implemented a number of initiatives to address the skills shortage, the Committee believes that these initiatives need to be governed by a framework ensuring consistency and effectiveness.

A strategic audit of Victorian industry is being conducted to identify the major strengths of, and challenges to, Victorian industry, and to provide strategic directions for the development of policy. The Textiles, Clothing, Footwear and Leather Industry is the first industry subjected to the audit process and this will be followed by audits of a further six industries.

There has been a significant level of concern by local manufacturers, particularly in south-eastern Melbourne, about the franchise agreements with private transport operators which did not provide for any level of local content in the refurbishment and replacement of Victoria’s rolling stock. The Government has subsequently secured an agreement for around 40 per cent local content so far, and is continuing to negotiate for a higher level.

The Government is currently conducting an overall review of governance in Victorian racing, including the representation and role of country racing.

The level of new Government regulation on small business in Victoria has continuously decreased over recent years. The Committee was informed this trend continued in 1999-2000 where 74
new regulations were established compared to 171 in 1998-1999. However, the Minister advised the Committee that the Government is aware of the need to minimise the regulatory burden on small business and the Government intends to review the regulatory obligations of business in the near future.

The Committee was advised that the use of e-commerce in small business is an increasingly important tool for effective management and operation. The Government has established the Victorian e-commerce early movers scheme to provide small business with opportunities to easily advance into e-commerce.

A key recommendation from the Growing Victoria Together Summit revolved around the establishment of an independent taskforce to examine the industrial relations framework, and a number of operational matters concerning the industrial relations system in Victoria. The taskforce has presented its report to the Government which is currently considering the 106 recommendations.

There are significant concerns relating to existing laws covering child labour and the exploitation of outworkers both in Victoria and nationally. The Committee was informed that the existing child labour laws are considered weak and are rarely enforced, while the regulation of outworker employment is extremely difficult given much of the work occurs in private homes, garages and backrooms. The Government intends to introduce legislation significantly increasing penalties for breaches in child labour laws, and develop a home workers’ code of practice.

The Federation Square project has experienced various problems including the fact that titles had not been structured in accordance with the proposed basis of development, creating difficulties in sub-leasing titles to commercial tenants. There was also a lack of documentation on commercial leases resulting in delays and cost implications for the project. The Committee believes that it is essential that proper governance processes are established.
Chapter 15 - Department of Treasury and Finance

In 2000-2001, the Department of Treasury and Finance budget allocation was $275.1 million, representing a $59.2 million or 17.7 per cent decrease from 1999-2000.

The Department advised the Committee that it was having difficulty in recruiting specialist finance staff, particularly with GST experience. Difficulties were also being experienced in recruiting economists and staff with commercial expertise.

A major priority for the Department is to obtain a better deal for Victoria under the fiscal equalisation policy of the Commonwealth Government. The Treasurer advised the Committee that Victoria is currently subsidising other States by $847 million, which is more than any other State including New South Wales. Other areas of subsidisation of other States involve:

- the Australian Health Care Agreement;
- roads funding; and
- the allocation of specific purpose payments, which collectively represent a shortfall to Victoria of $304 million.

The Government intends to deliver $400 million in tax cuts to businesses over the next four years, subject to the maintenance of a substantial operating surplus of $100 million. The composition of the tax cuts will be determined by an independent State Tax Review Committee, which will report to the Treasurer by 11 December 2000.

Another key policy objective of the Government involves a move away from privatisation and to establish public and private sector partnerships in the provision of public infrastructure and related ancillary services. The Committee believes this policy has the potential, if effectively implemented, to play a key role in the construction and transformation of the State's infrastructure through the transfer of risk from the public to the private sector, the
introduction of flexibility and innovation, and an accelerated delivery of partnership projects.

The Government has allocated $14.5 million for two years from 2000-2001 to implement electronic commerce across the eight departments and to assist small/medium businesses to establish electronic commerce to allow improved access in tendering for government contracts.

A key initiative for 2000-2001 is the implementation of the new WorkCover scheme resulting from the restoration of common law rights for injured workers, which is expected to result in payments of an additional $47 million for workers injured between October 1999 and April 2000. Other initiatives include reviewing the role of WorkCover in Occupational Health and Safety, maintaining a solvency margin for the TAC scheme of at least 15 per cent and improving the operational efficiency of this scheme.

During 2000-2001, the Minister for Gaming will have responsibility for implementing the new Responsible Gaming Act 2000 which includes new regulations covering issues such as advertising and the provision of meaningful information to players. The legislation is designed to reduce the impact of gambling on Victoria, address problem gambling and to take into account Commonwealth Government concerns about internet gaming.

Chapter 16 - Parliamentary Departments

In 2000-2001, the Parliamentary Departments received a 9.9 per cent or $9 million increase in budget from 1999-2000.

The Parliamentary Departments are currently experiencing a shortage of skills and/or expertise in a number of key areas of operation including qualified and experienced officers for chamber duties, financial management, information technology and suitably qualified Hansard reporters and editors. The Parliamentary
Departments are focussing heavily on the provision of in-house training to overcome these deficiencies.

Although the Parliamentary Library’s self-help service has been in operation for approximately 12 months the media service, which is heavily used by Members, still requires substantial enhancement. There was no funding allocated in 2000-2001 to enhance this facility and the Committee believes that it will be important that high priority be given to the establishment of an electronic news service in 2001-2002.

The Committee is concerned about the significant delays experienced in the publication of parliamentary reports due to a requirement for these reports to be tabled in the Parliament, which only meets at set times during the year. The issue of tabling reports by the Parliamentary Committees and the Auditor-General out of session has been raised repeatedly in the past, and there is an urgent need for this matter to be resolved.

The Committee believes that the work of Parliamentary Committees is compromised by an inability to carry-over funding for inquiries between financial years. The Committee is of the view that the funding mechanism for parliamentary inquiries should be consistent with the process used for funding performance audits by the Auditor-General. In this instance, funding is provided as part of the normal appropriation process and, in the event that performance audits are in progress at the end of a financial year, the unexpended portion is carried forward to the next financial year.

Currently, Members of Parliament do not have access to the leasing agreements of their electorate offices. The Committee is strongly of the view that Members should have access to certain information relating to their rights and responsibilities as occupants, and it will be important that protocols be established in relation to this information.
Key Findings and Recommendations

Key Findings:

Chapter 1 - Review of Budget Estimates

1. The Government has introduced a number of legislative reforms to improve the public disclosure of financial and budget information. This will further improve the accountability of the Executive Government to the Parliament and the community and provide more meaningful information about the performance of the public sector.

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2. The Public Accounts and Estimates Committee has adopted an estimates scrutiny process involving an examination of all Ministers and the Presiding Officers of the Parliament on the Budget Estimates for the next financial year, and an examination of the outcomes of the previous financial year. These reforms will result in a more open, transparent and systematic review of the Government's Budget and the financial management of the State.

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Chapter 2 - Government Response to PAEC Report No. 33

3. The Government rejected the recommendation for half yearly performance reports by departments on the grounds of cost and unreliability of data. However, the Committee is aware that other jurisdictions use this accountability mechanism.

Page 114

4. The Department of Treasury and Finance previously gave a commitment to revise the Guide to Corporate and Business Planning in time for the 2000-2001 budgetary cycle. However, this did not occur.

Page 117
5. Corporate plans need to be public documents and be scrutinised against other management and accountability documents.

Page 118

6. In the global budgeting environment in which departments operate, there should be a requirement for individual departments to provide explanations for material variances from original budget estimates.

Page 118

7. The Government accepted the need for Budget Paper No. 3 to describe the link between inputs, outputs and outcomes and advised that current Ministerial Directions required linkages between budget and actual performance. However, the Committee is concerned this has not been monitored by the Department of Treasury and Finance.

Page 123

8. There appears to be a major tension between the stated management philosophy of accrual output-based management and the global resource management framework.

Page 124

9. Since the 1999-2000 Budget, there has been an improvement in the reporting and explanation of the administered financial statements.

Page 126

10. There are still several key concepts missing from the Glossary contained in Budget Paper No. 2, such as whole of government; key performance indicators; corporate and business plans; audit of performance measures; and global budgeting.

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**RECOMMENDATIONS:**


Recommendation 2.1:

The previous recommendations (1.2 of Report No. 27 and 1.1 of Report No. 33) of the Public Accounts and Estimates Committee requesting that the Ministerial Directions on Financial Reporting be amended to require half-yearly departmental performance reports - including financial statements in an abbreviated form, comparisons with budget revenues and outlays, and progress against output and outcome performance targets - be prepared by departments and provided to the Public Accounts and Estimates Committee.

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Recommendation 2.2:

The Budget Papers include detailed explanations for significant variances in funding levels from the previous year’s budgeted figures at the global and individual departments revenue and expenses level.

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**KEY FINDINGS:**

Chapter 3 - Budget Overview

11. The Financial Management (Financial Responsibility) Act 2000, which was passed by Parliament in April 2000, provides for the enhanced disclosure of financial and budget information by the Victorian Government.

Page 129
12. There is considerable controversy as to whether the valuation of heritage, historical and social assets is a worthwhile exercise.

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Chapter 4 - Review of Budget Papers

13. Scope remains for further improvements in the standard of information contained in the Budget Papers. More attention needs to be given to better explaining what resources, other than in dollar terms, are to be provided to each output group, the outcomes sought by Government, and the performance measures that are relevant to determining whether those outcomes are being achieved.

Page 150

14. Lack of actual data from previous periods in the operating statement means that there is no suitable benchmark against which to compare the aggregate revenues and expenses of each department on a year-on-year basis.

Page 151

15. In many cases the output data reported in the 2000-2001 Budget Papers series carries little meaning, and is the result of a process of transposing prior year figures into a new data column rather than as the result of a considered response to future period’s activity levels.

Page 152

16. Considerable scope remains to better define outcomes required, the outputs needed to achieve the outcome as defined and the further development of meaningful performance measures that can assist in determining whether outputs are achieving departmental objectives.

Page 156
17. Where funding approved by Parliament for output groups requires subsequent amendment, Parliament must be advised by the responsible Minister.

RECOMMENDATIONS:

Recommendation 4.1:
Actual data be provided for both departmental operating statements and statements of cashflow in Budget Paper No. 3.

Recommendation 4.2:
Variance be reported on the same basis as information for performance measures. For example, in the operating statement contained within the 2000-2001 Budget Papers financial information should be presented in the following form:
(a) 1998-1999 actual revenue/expenditure;
(b) 1999-2000 Budget;
(c) 1999-2000 Revised Budget; and
(d) 2000-2001 Budget.

Recommendation 4.3:
The Department of Treasury and Finance:
(a) review the output data submitted by agencies, with a view to ensuring that it is accurate and reflects activities undertaken by the agencies, and is not an exercise in roll forward budgeting; and
(b) actively assist agencies to improve the quality and nature of their output forecasting and reporting systems; including the selection of outputs, outcomes and performance indicators to ensure that they are meaningful and measurable and relate to the underlying activities of agencies.

Recommendation 4.4:
Changes to performance indicators be minimised, where possible, and that explanations accompany the addition or deletion of performance indicators.

Recommendation 4.5:
Further attention be given by the Government to the ongoing development of meaningful performance measures, especially of a qualitative nature that accurately reflect the nexus between Government policy and departmental strategic directions.

Recommendation 4.6:
In circumstances where budgets approved by Parliament require a subsequent material amendment, a protocol be developed requiring that such amendments are brought to the attention of the Parliament within two sitting weeks.
Recommendation 4.7:
Details of expenditure under all output groups be provided in the Budget Papers. For example, if transport concessions represent expenditure by the Department of Infrastructure, then details should be provided in that department’s budget.

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Recommendation 4.8:
Supplementary disclosures relating to the operation and effect of the Capital Asset Charge be made within Budget Paper No. 3.

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KEY FINDINGS:
Chapter 5 - The GST in the Victorian Public Sector

18. Noting that GST revenues will flow to the States, Victorian Government departments have reported the need to absorb costs of approximately $23.2 million to become GST compliant. This figure does not include on-going compliance costs post 2000-2001.4

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19. The key challenge for departments and agencies is the recovery of embedded tax savings, given that the funding has already been deducted from budgets.

Page 175

4 The Department of Treasury and Finance advised that Victoria will not see any net gains to revenue from the new Commonwealth-State financial arrangements until 2007-2008 (2000-2001 Budget Paper No. 2, Budget Statement, p. 7)
20. The GST legislation has already been subjected to significant change since its introduction, and departments and agencies have had to continually adjust to address these changes and will continue to do so.

RECOMMENDATIONS:

Recommendation 5.1:
The Government conduct, as soon as practicable, a post implementation review on the introduction of GST compliance systems and processes.

Recommendation 5.2:
The Department of Treasury and Finance collect the following information relating to the GST:
(a) the costs absorbed by departments and agencies to date; and
(b) the source of funding compliance costs.

Recommendation 5.3:
The Government closely monitor the impact of GST legislative changes on the operations of departments and agencies, particularly the extent of continuous compliance costs.
Recommendation 5.4:
The Government include within the scope of its GST post implementation review:
(a) difficulties with the process that have been identified but not changed;
(b) a re-examination of the existing GST compliance function such as the current cashflow impacts;
(c) monitoring the extraction of embedded taxes to ensure that all possible savings have been identified and recovered; and
(d) the administration of the tax within an agency such as structuring of transactions, that will optimise the tax and service delivery outcomes.

KEY FINDINGS:

Chapter 6 - Management Reform Program

21. The Management Reform Program (MRP) is making a major contribution towards improving the efficiency and effectiveness of the services delivered to Government and the community.

22. Following the need to implement new financial and management systems to implement the MRP, a fragmented mixture of computer systems has been installed in the various departments, some of which are not ideal. Other systems may not necessarily integrate with those operated by the Department of Treasury and Finance.
23. While corporate service areas were aware of the requirements and benefits of the MRP, this was not necessarily the situation with other staff, particularly at the lower classifications. Better communication and training is important including more involvement by the Department of Treasury and Finance in this process.

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24. The MRP places a strong emphasis on testing existing outputs against external benchmarks or benchmarks elsewhere in the public sector. Apart from the difficulty of determining appropriate benchmarks for services, especially those of a unique nature to Government, from the experience of departments this was often seen as a costly exercise in return for minimal tangible benefits.

Page 183

25. A consultant’s review of twelve annual reports for 1998-1999 found:

- in eight of the twelve cases (67 per cent), the department or agency reported goals/objectives. However, in almost all cases they were expressed in very general terms so as to be of little use from either a management or accountability perspective;

- in seven of the twelve cases (58 per cent) agencies did report under the heading performance/achievements. However, in most cases “activity” was substituted for outcome and only the Department of Justice made any references to the benchmarking of performance information;

- only half of the agencies provided a financial summary, and, in most cases, financial information was by far the most poorly reported information;

- only half of the annual reports reviewed appeared to be focused on meeting accountability requirements with the remainder concerned about public relations;
only 25 per cent of agencies provided a detailed and comprehensive account of achievements; and

only 42 per cent of these reports were considered to be frank and credible.

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26. The Committee found that six of the twelve annual reports provided a financial summary. However, in only four of these cases was the information helpful.

Page 187

27. In almost all cases (except the Department of Premier and Cabinet), the financial statements provided little more than the minimum amount of information.

Page 188

28. Annual reporting in the Victorian Public Sector is still primarily concerned with financial accountability rather than providing adequate performance information. It appears the Department of Treasury and Finance has not given adequate consideration to the Committee’s previous recommendations to update reporting directives relating to annual reporting to reflect the new financial and output management framework.

Page 189

RECOMMENDATIONS:

Chapter 6 - Management Reform Program

Recommendation 6.1:

Agencies place greater emphasis on the quality of information contained in their annual reports to ensure clear links between corporate and business plans, budgets and annual reports. In addition, these agencies should assess the following:

(a) the composition of a useful statement of a goal or objective;
(b) defining an outcome;
(c) establishing the difference between an activity and an outcome;
(d) defining accountability and the best means for the agency to meet accountability responsibilities;
(e) methods by which the agency can effectively report financial management and financial performance; and
(f) inclusion of objective/target achievement and information on what was not achieved, and the reason for non-achievement.

Recommendation 6.2:

The Department of Treasury and Finance:

(a) amend, as a matter of priority, the Directions of the Minister for Finance to incorporate the Committee’s recommendations on changes to annual reporting that were accepted by the Government in December 1999; and

(b) update the Guidelines for Annual Reporting to improve performance information and accountability as outlined in the Public Accounts and Estimates Committee’s Report No. 28 on Annual Reporting in the Victorian Public Sector.
KEY FINDINGS:

Chapter 7 - Performance Payments in the Victorian Public Sector

29. Given the very high level of bonuses paid to executive officers in 1997-1998 and 1998-1999, there could be a public perception that bonuses were in effect a de facto pay increase, instead of a reward for officers who performed far beyond the normal expectations of their positions.

Page 197

30. Around $6 million of taxpayer funds is paid annually in the form of bonuses to most, if not all, executives in Government Departments, largely on the assumption that bonuses motivate performance beyond normal expectations of a position.

Page 200

31. The existing executive officer bonus system, whereby public funding is expended on executive bonuses as a result of internal subjective assessments of performance, without public disclosure of the individual amounts involved, does not constitute adequate public accountability.

Page 207

32. The devolution of authority to departments and agencies to develop their own performance management systems has created inequities in that, depending upon the type of performance management systems in place and funding available, public servants will be treated differently, even though the work value will be similar.

Page 215

33. The public sector-wide average for eligible VPS officers receiving performance pay in remuneration increases was around 94 per cent.

Page 217
34. One of the underlying principles governing performance pay is that there should be a fair and equitable distribution across all classifications and gender, not only within departments but also across the public sector. However, the data developed by the Committee demonstrates that this principle has not been put into practice.

Page 218

35. The current performance pay management system has the potential to promote an anti-teamwork bias by encouraging some individuals to retain some information for their own benefit rather than communicate such information to team members.

Page 225

RECOMMENDATIONS:

Recommendation 7.1:
An independent review be undertaken to examine existing performance management arrangements within each department and agency with the intention of ensuring that common criteria for awarding performance pay applies across the public sector.

Page 216

Recommendation 7.2:
In any future arrangements for performance pay, Government accept responsibility for ensuring that performance pay is distributed equitably within all departments and agencies, and monitored accordingly.

Page 220
Recommendation 7.3: Performance pay should be distributed equitably across classifications recognising not only high level outcomes achieved, but also as a reward for initiative. Page 221

Recommendation 7.4: If performance pay is to remain within the Victorian Public Sector, adequate accountability mechanisms be developed and implemented both to account for this expenditure and to demonstrate its impact on departmental performance. Page 223

Recommendation 7.5: Prior to implementing any future performance pay systems, the Government undertake research to determine whether performance pay is achieving its objectives. Page 225

KEY FINDINGS:

Chapter 8 – Department of Education, Employment and Training

35. The completion of the Department’s 2000-2001 Corporate and Business Plans were delayed until the completion of two significant Ministerial Reviews in late 2000. Page 230

36. The Department is currently experiencing teacher skills shortages in subject areas including English, Physical Education, Mathematics, Science and languages other than English. Page 237
37. The allocation of an additional $22 million for children with disabilities and impairments attending Government schools represented a total output cost of $236.8 million in 2000-2001, and is more substantial than any other Australian State. However, unmet demand will continue to be a considerable challenge.

Page 246

38. A number of TAFE Institutes have experienced financial difficulties over a number of years, with six TAFE Institutes having negative working capital positions as at 31 December 1999, resulting in the Government injecting a significant capital investment to address this issue.

Page 251

39. Presently the education, employment and training system lacks coordination and contributes to many young people being denied opportunities and this varies significantly across the State.

Page 252

40. The expiration of the Australian National Training Authority Agreement at the end of 2000, and the Commonwealth Government’s position of no new funding growth, except for CPI, over the next three years, may result in a $19.5 million funding shortfall in Victoria, and 5 000 Victorians being denied training in 2000-2001.

Page 253

41. The performance measures in the Budget Papers relating to the Youth Affairs portfolio are in need of substantial improvement.

Page 255

42. Information contained in the Budget Papers is not fully consistent with information presented by the Minister for Youth Affairs and the Department’s response to the Committee’s questionnaire.

Page 257
RECOMMENDATIONS:

Recommendation 8.1:

The Department of Education, Employment and Training:

(a) complete its corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

Page 231

Recommendation 8.2:

The Department of Education, Employment and Training review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

Page 236

Recommendation 8.3:

The Department of Education, Employment and Training:

(a) establish formal protocols with the Office of Women to identify emerging issues in a timely manner; and

(b) develop a comprehensive monitoring system to ensure the Focus on Women strategy is achieving stated objectives.

Page 241
Recommendation 8.4: The Department of Education, Employment and Training:

(a) review its current performance measures in relation to the quality of teaching and teacher development, in conjunction with the establishment of the Institute of Teaching, to ensure consistency with the measures used in the corporate and business plans;

(b) enhance the Non-Government School Education output by incorporating literacy, numeracy and curriculum standards into output objectives and performance measures in the Budget Papers to provide an adequate measure of a key Government outcome; and

(c) develop a performance measure that reflects the level of school satisfaction with new learning technologies, multimedia and open learning services.

Recommendation 8.5: The Department of Education, Employment and Training closely monitor the impact of the strategy to reduce class sizes to ensure that average class sizes across the State are in fact reduced.
Recommendation 8.6:

The Department of Education, Employment and Training:

(a) develop performance measures relating to teacher quality and the professional development of teachers in line with those developed for the Institute of Teaching on its establishment;

(b) develop performance measures that relate to outputs and outcomes from the Community Business Employment Program; and

(c) split the current performance measure relating to student hours in TAFE into government funded hours and non-government funded hours to provide more accurate information.

Page 250

Recommendation 8.7:

The Government continue to negotiate for Commonwealth funding to equate with the expected increase in demand for training under the Australian National Training Authority Agreement.

Page 254

Recommendation 8.8:

The Department of Education, Employment and Training review the current performance measures in the Youth Affairs output to ensure they more accurately reflect performance and not just activity based inputs.

Page 256
**Recommendation 8.9:**

When a Minister has informed the Public Accounts and Estimates Committee of inaccuracies in the Budget Papers, this information should be reported to the Parliament within two sitting weeks.

Page 258

**KEY FINDINGS:**

**Chapter 9 - Department of Human Services**

43. The inability of hospital emergency departments to cope with the demand for services, resulting in ambulance by-pass and blocked hospital admissions, remains a serious challenge.

Page 274

44. There is a current shortage of staff in two critical areas of the health system, medical staff and nurses.

Page 276

45. There has been significant disagreement between the State and Commonwealth Governments over the level of health funding received by Victoria under the Australian Health Care Agreement, and the basis used to calculate the level of cost indexation.

Page 277

46. There are problems in meeting the needs of people with disabilities with projections showing the number of people in Victoria with a profound or severe disability for the year 2000 being 212,000, and this will rise to 224,000 by 2003. The situation for people in urgent need of disability services is particularly severe.

Page 285
47. There are serious problems concerning the qualifications of staff employed in the disability services system with about one-third of staff in Government managed disability accommodation services unqualified, approximately 20 per cent in the untrained qualification classification and 1,000 disability staff on temporary contracts as at October 1999.

Page 287

48. In relation to children in protection, the Government is unable to determine the effectiveness of outsourcing strategies in terms of reducing the incidence of multiple placements and placement breakdowns as existing data collection and monitoring systems do not provide the necessary information.

Page 289

49. Based on the evidence provided by the Minister, the Committee is concerned about the outcome of Commonwealth per capita funding on the present capacity of the residential aged care system in Victoria.

Page 295

50. A major consequence of the shortage of nursing home beds is that elderly people have to remain in high cost, acute settings for lengthy periods, which is inappropriate for their needs.

Page 296

51. There is a substantial unmet demand for Home and Community Care services in Victoria with the program currently servicing approximately 100,000 people representing about 26 per cent of the frail, aged and disabled members of the community. The Department is unable to quantify the level of unmet demand.

Page 297
52. The most significant challenge facing the Housing portfolio is the high level of demand for low-income housing and homelessness assistance in Victoria. This situation is compounded by the gradual decline of funding in real terms (26 per cent or $75 million since 1989-90) received by Victoria under the Commonwealth-State Housing Agreement.

RECOMMENDATIONS:

Recommendation 9.1:
The Department of Human Services review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

Recommendation 9.2:
The Department of Human Services:
(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

Recommendation 9.3:
The Department of Human Services review the winter demand and elective surgery strategy at the end of 2000 to assess the success of the strategy in terms of achieving key objectives, and ensure that existing problems and emerging issues are addressed for the 2001-2002 year.
Recommendation 9.4:

The Department of Human Services:
(a) incorporate all workforce initiatives into a common strategy with overall objectives and short/medium/long-term targets to be achieved; and
(b) review the success of that strategy using performance measures which provide an accurate indication of performance.

Recommendation 9.5:

The Department of Human Services:
(a) develop a strategy aimed at both identifying qualifications required for positions in the disability services area and professional development activities to address current qualification shortfalls;
(b) introduce a comprehensive professional development plan outlining short/medium/long-term activities to meet requirements;
(c) implement processes to identify the continuing training needs of disability services staff in a timely manner; and
(d) develop and implement a monitoring framework which includes the evaluation of specific professional development activities.
Recommendation 9.6:

(a) The Department of Human Services prepare a long-term strategy to cater for the expected demand for health and aged care services and facilities as the population ages over the next 20 years;

(b) The Government initiate a joint Commonwealth-State committee with the objective of identifying measures to cater for the increasing demand for services.

Page 296

Recommendation 9.7:

The Department of Human Services review performance measures relating to homelessness.

Page 300

Recommendation 9.8:

The Department of Human Services:

(a) establish a long-term refurbishment strategy for public housing which sets short/medium/long-term targets and the actions necessary to achieve those targets;

(b) develop refurbishment criteria which allows the Department to identify high/medium/low priority estates and areas within estates to ensure that scarce resources are directed to areas most in need; and

(c) develop a comprehensive framework to monitor the achievement of predetermined targets and the emerging need.

Page 303
Recommendation 9.9:

(a) The Department of Human Services develop a comprehensive and coordinated monitoring framework for policies and services relating to homelessness comprising key Government objectives, underlying actions and initiatives, performance measures and targeted milestones; and

(b) The Government continue negotiations with the Commonwealth Government in so far as is consistent with the Supported Accommodation Assistance Program (SAAP4) Agreement, with a view to increasing the level of SAAP funds allocated to Victoria as well as a contribution to the increase in award costs to SAAP workers.

Page 305

KEY FINDINGS:

Chapter 10 – Department of Infrastructure

53. The Department is negotiating with the private operators of the Public Transport system to lower the cost of tertiary travel cards and make it more affordable for tertiary students to use public transport. The intention is for these new arrangements to come into effect as from the commencement of the next academic year.

Page 324

54. Victoria’s share of Commonwealth roads funding is approximately 15 per cent while Victorians contribute 25 per cent through fuel taxes. This situation has a significant detrimental impact on the State’s roads and bridge construction/ maintenance program.

Page 325
55. The Government is working in partnership with local government and the Municipal Association of Victoria to improve the administration of the State's planning system. However, there is currently a shortage of experienced planners in councils together with large workloads and pressures on existing council planners.

Page 332

56. Residential development is in need of a new planning framework and code. Accordingly, the Government plans to consolidate Viccode 1 (detached housing) with the Good Design Guide (multi-density housing) into one new residential code by the end of the year 2000.

Page 333

57. The GST has impacted on the local government sector with Councils passing on the costs of some services, and absorbing the additional administrative burden and associated costs on others.

Page 337

58. The current dual gauge rail system is wasteful and inefficient, and a standard gauge would open up regional markets to Victoria's ports and contribute to the establishment of more inland ports throughout the State.

Page 342

RECOMMENDATIONS:

Recommendation 10.1: The Department of Infrastructure review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

Page 315
Recommendation 10.2:
The Department of Infrastructure:
(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

Recommendation 10.3:
The Department of Infrastructure review its performance measures contained in the Budget Papers with a view to closely aligning them with expected outcomes. More specifically, the Department should also:
(a) ensure that performance measures are continuously reviewed to reflect those measures contained in transport service delivery contracts after negotiated changes;
(b) provide an explanation of the performance measure ‘Track Ride Quality Index measured – passenger lines only’ to explain the meaning of the measure and the basis of the Department’s target; and
(c) provide an explanation of the means for measuring customer satisfaction of transport services and the basis for the Department’s target score.
Recommendation 10.4:
The Department of Infrastructure monitor the performance of City Link and the contract to ensure there is adequate protection for the consumer.

Page 327

Recommendation 10.5:
The Department of Infrastructure develop performance measures that indicate whether planning strategies reflect and meet the needs of rural, regional and metropolitan Victoria.

Page 331

Recommendation 10.6:
The Department of Infrastructure review the performance measures relating to the Supporting Local Government output group to ensure they measure key Government outcomes in the 2001-2002 budget.

Page 335

Recommendation 10.7:
The Department of Infrastructure:
(a) review the implementation of the Best Value Principles in terms of achieving Government objectives and consistency of application across the local government sector;
(b) consider the use of a pilot program for Best Value to be applied in a large, medium and small council to ensure the model can be applied to all councils and be tailored to the extent required.

Page 336
Recommendation 10.8:

The Office of Local Government should:
(a) develop a process, in conjunction with the local government sector, to inform councils of GST rules and applications in a timely manner; and
(b) encourage councils to review periodically the impact of the GST on the operational and financial activities of local government.

Page 338

Recommendation 10.9:

The Department of Infrastructure review the performance measures contained in the Budget Papers that relate to the three output groups within the Ports Portfolio to ensure they measure the outcomes of activities and enable a meaningful assessment of whether the Department's objectives are being achieved.

Page 342

Recommendation 10.10:

The Government develop an action plan that identifies priority areas of the State so that the conversion to standard gauge rail lines secures maximum economic and social benefit to Victoria.

Page 343

KEY FINDINGS:

Chapter 11 - Department of Justice

59. Major skill shortages are currently being experienced in information technology and in the financial management and accrual accounting aspects of the management reform program.

Page 354
60. Victoria’s negotiation of legal aid funding with the Commonwealth Government is a major issue. The current position of the Commonwealth Government will effectively reduce Victoria’s share of national funding from 27 per cent to 22 per cent, and result in Victoria receiving the lowest level of per capita funding of any State or Territory.

Page 362

61. The challenge to combat crime, particularly drug related crime, is placing an increasing demand on police resources and the administration of justice in the court system.

Page 369

62. The existing capacity problems experienced by the State’s prison system is a major logistic issue with prison occupancy levels growing from 88.5 per cent in 1995 to 109.7 per cent in June 2000.

Page 374

63. There are a number of deficiencies in the current contractual framework overseeing private prison performance. These deficiencies relate to the focus on the most easily quantifiable performance measures rather than the quality of the service, and a lack of consistency in operating standards and rules.

Page 376

64. The demand for consumer information and complaint resolution services is increasing. However, the Government has yet to identify the source and the reasons behind this demand.

Page 380

65. Given the unexplained fuel price variations across country Victoria, there is a need for an investigation by the Australian Competition and Consumer Commission into this specific issue.

Page 381
RECOMMENDATIONS:

Recommendation 11.1:

The Department of Justice:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process;

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion; and

(c) review output information and related performance measures prior to the 2001-2002 Budget to ensure they are linked to key Government outcomes.

Page 349

Recommendation 11.2:

The Department of Justice review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

Page 353

Recommendation 11.3:

The Department of Justice:

(a) in the absence of a new comprehensive Commonwealth-State funding agreement on legal aid, roll-over the current agreement for Legal Aid funding to allow a further twelve months to negotiate and consider other service delivery options;
(b) continue to negotiate with the Commonwealth Government with a view to improving its current position in terms of the amount of funding over the next four years; and

(c) analyse the cost and its implications to the State of establishing a dual system of legal aid in Victoria.

Recommendation 11.4:

The Department of Justice:

(a) assess the progress of the 2000-2001 target for the resolution of native title claims and set the target for 2001-2002 accordingly; and

(b) review the effectiveness of the Government's system for negotiation and mediation, compared with litigation.

Recommendation 11.5:

The Department of Justice review its performance measures to ensure the performance information in the Budget Papers reflects the outcomes of initiatives funded in 2000-2001 rather than activity based inputs and outputs.

Recommendation 11.6:

The Department of Justice review the performance measures in the Correctional Services output group to ensure they reflect key outcomes in all priority areas.
Recommendation 11.7:
The Department of Justice review its performance measures in the Budget Papers to ensure they reflect the new performance standards applied across the prison system.

Page 376

Recommendation 11.8:
The Department of Justice conduct a survey of users of consumer information and education in order to ensure that consumer policy and services are effectively targeted and delivered.

Page 381

Recommendation 11.9:
The Department of Justice:
(a) obtain more conclusive data on towns with varied populations to allow a better indication of the next stage for the Victorian fuel pricing monitoring initiative;

(b) continue negotiations with the Commonwealth Government in relation to the conduct of an inquiry by the Australian Competition and Consumer Commission into fuel prices; and

(c) ensure that the scope of any such inquiry under paragraph (b) includes the impact of both world parity pricing and the GST and the reasons for large variances in fuel prices across the State.

Page 382
KEY FINDINGS:

Chapter 12 - Department of Natural Resources and Environment

66. The Murray-Darling Basin Commission salinity audit across Australia concluded that the salinity problem is much greater than first believed, particularly dry-land salinity. Page 403

67. The issue of water conservation is of particular concern given the State is in its fourth year of low rainfall resulting in more than 100 towns across the State currently on water restrictions. Page 404

68. A major challenge currently facing the Government is the development of markets for agriculture and food products. Page 418

69. There are a number of problems in the protection and management of Victoria’s Aboriginal Cultural Heritage including the lack of a policy framework to deliver cultural heritage management and protection, and the need to develop a whole of Government approach to cultural heritage management and protection. Page 421

RECOMMENDATIONS:

Recommendation 12.1:

The Department of Natural Resources and Environment review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement. Page 391
Recommendation 12.2:
The Department of Natural Resources and Environment:
(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

Recommendation 12.3:
The Environment Protection Authority:
(a) develop a comprehensive monitoring framework to assess the effectiveness of the special audit program in terms of the number of breaches identified and improvements in guidelines and processes resulting from audit activity;
(b) implement a program of follow-up reviews to ensure those parties subjected to the audit process implement recommendations in a timely manner; and
(c) undertake an annual review of the audit team’s work program to ensure emerging issues are identified and prioritised accordingly.
Recommendation 12.4:
The Department of Natural Resources and Environment develop a comprehensive set of funding criteria to be applied to issues/areas identified in stormwater management plans to ensure that resources are effectively allocated.

Page 402

Recommendation 12.5:
The Department of Natural Resources and Environment develop a comprehensive monitoring framework to ensure the effectiveness of short/medium/long-term water conservation initiatives.

Page 405

Recommendation 12.6:
The Department of Natural Resources and Environment review its performance measures contained in the Budget Papers to ensure:

(a) the measures are aligned with the achievement of key Government outcomes in the fisheries industry; and

(b) measures reflecting high level objectives of key Government initiatives under the responsibility of the Minister for Energy and Resources, such as greenhouse gas emissions, renewable energy and the restoration of natural flows to the Snowy River, are developed and included in the Budget Papers.

Page 409
Recommendation 12.7:
The Department of Natural Resources and Environment:
(a) develop a long-term power strategy based around demand management and the State’s ability to increase supply capacity in extreme periods; and
(b) develop an advertising and community education program to improve consumption practices and to minimise electricity use in periods of high demand.

Page 412

Recommendation 12.8:
The Department of Natural Resources and Environment prepare, as a matter of priority, an integrated business plan that contains the Government’s high level objectives and targets for the aquaculture industry, programs and initiatives in order to assess the level of achievement.

Page 413

Recommendation 12.9:
The Department of Natural Resources and Environment review its current output structure in the Budget Papers to provide a clearer indication of sustainability activities.

Page 417

Recommendation 12.10:
The Annual Indigenous Victorian’s Budget Statement be incorporated into a separate chapter in the Budget Papers dealing with whole of government programs.

Page 420
Recommendation 12.11:
The Department of Natural Resources and Environment:
(a) amend the guidelines for the Koori Community Fund to provide that grant applications require the identification of expected outcomes and deliverables from grant monies; and
(b) establish a comprehensive monitoring process to ensure that programs funded by the grants are achieving stated outcomes or deliverables.

KEY FINDINGS:
Chapter 13 - Department of Premier and Cabinet

70. The Department is currently experiencing a shortage of expertise in the Cabinet Office in relation to long-term policy development, support for the new system of Cabinet Committees and in the conduct of policy research.


72. A new approach is necessary as previous policies to address the use of illicit drugs have not been successful in stemming the problem.
73. The Queen Victoria Women’s Centre has a number of major operational problems including financial viability, location and the inability of women’s groups to use the Centre due to high prices and rents.

**RECOMMENDATIONS:**

**Recommendation 13.1:**

The Department of Premier and Cabinet:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

**Recommendation 13.2:**

The Department of Premier and Cabinet ensure that all material revenue and expense items are adequately disclosed in the Budget Papers each year.

**Recommendation 13.3:**

The Department of Premier and Cabinet:

(a) review current strategies aimed at addressing recruitment issues and accelerating leadership, particularly in relation to the Cabinet Office and the Office of Multicultural Affairs;

(b) identify specific skill requirements for the support of the new system of Cabinet committees and incorporate these requirements into updated recruitment strategies; and
(c) regularly review the impact of current skill deficiencies on the Department’s ability to perform its policy advice function.

Recommendation 13.4:

The Department of Premier and Cabinet:

(a) develop a comprehensive strategy, in consultation with the Office of Women’s Policy, based on the results of the current reviews on workplace equality and flexibility;

(b) establish formal protocols to ensure that actions/initiatives within the strategy are properly monitored in terms of achieving strategic objectives; and

(c) survey the workforce on a periodic basis to measure employee satisfaction and identify service gaps or deficiencies in the strategy.

Recommendation 13.5:

The Department of Premier and Cabinet review the information contained in the Budget Papers to create a link between the performance measures in each output group and key Government outcomes.

Recommendation 13.6:

The Department of Premier and Cabinet:

(a) review the operation of the new guidelines for the distribution of monies from the Community Support Fund (CSF) after twelve months to
ensure the targeted benefits have been achieved;

(b) ensure the role of the CSF Community Advisory Council is governed by a formalised corporate/business plan; and

(c) incorporate relevant performance measures from the corporate and business plans into the Community Support Fund output group to ensure these provide an adequate and accurate indication of the achievement of Government outcomes.

Page 444

Recommendation 13.7:

The Government consider incorporating into the Budget Papers for 2001-2002 performance information relating to the State’s greenhouse gas initiatives, consistent with performance information to be contained in the Victorian Greenhouse Strategy, in order to measure the achievement of its objectives.

Page 445

Recommendation 13.8:

The Government consider incorporating into the Budget Papers for 2001-2002 a separate chapter relating to whole of government initiatives such as the control of greenhouse gas emissions and the management of Aboriginal Affairs.

Page 446
Recommendation 13.9:
The Department of Premier and Cabinet review the performance measures contained in the Multicultural Affairs output group to ensure that:
(a) target levels encourage service improvement;
(b) units of measure and targets are justified; and
(c) Government outcomes are appropriately measured.

Recommendation 13.10:
The Department of Premier and Cabinet:
(a) adopt a comprehensive monitoring process within the Victorian Office of Multicultural Affairs and Multicultural Affairs Cabinet Committee to ensure that the whole of government policy for multicultural affairs is being achieved in a timely manner; and
(b) review performance information contained in the Budget Papers to ensure consistency with performance measures used in the corporate and business plans of the Victorian Office of Multicultural Affairs and Multicultural Affairs Cabinet Committee.

Recommendation 13.11:
The Government monitor the distribution of funding from the Regional Arts Infrastructure Fund to ensure that all regions benefit.
Recommendation 13.12:
The Department of Premier and Cabinet review the performance measures contained in the Women’s Policy Output group to ensure that:

(a) performance information in the Budget Papers measure the achievement of Government outcomes; and

(b) the basis used to set the level of satisfaction and the targets are incorporated into the Budget Papers.

Page 457

Recommendation 13.13:
The Government consider incorporating the whole of government response to the Victorian Women’s Summit into Government policy and in the four year forward plan for women.

Page 458

Recommendation 13.14:
The Government develop a comprehensive strategy for the ongoing operation of the Queen Victoria Women’s Centre based on the findings of the Ministerial Advisory Committee.

Page 459

KEY FINDINGS:
Chapter 14 - Department of State and Regional Development

74. Private sector investment in Victoria is targeted to increase to the State’s highest ever level of 30 per cent of the national figure ($10 billion).

Page 480
75. There was also evidence that other factors could affect the target of attracting major investments in Victoria, including interest rates and short/medium/long-term instability created by the GST.

Page 480

76. There is evidence of a continual tendency of the Commonwealth Government to facilitate major investments towards other States.

Page 480

77. The emerging skills shortage in information and communications technology is a global issue and will test the State’s flexibility in responding to this new growth industry.

Page 482

78. Many local manufacturers, particularly in southeastern Melbourne, are concerned that franchise agreements, entered into by the previous Government with private transport operators, did not provide for any level of local content in the refurbishment and replacement of Victoria’s rolling stock.

Page 487

79. There is a perceived conflict of interest in both thoroughbred and harness racing in that the Victoria Racing Club operates Flemington Racecourse as a club and thoroughbred racing in general, and Harness Racing Victoria operates harness racing at Mooney Valley Racecourse and Harness racing in general.

Page 491

80. The Committee welcomes the Minister’s commitment to diversifying the membership of racing’s governing boards, particularly the inclusion of women and young people.

Page 491
81. One of the major issues confronting small business is the implementation of the GST, particularly effective cash management processes, and the current shortage of accountants to assist small business.

Page 497

82. The limited capacity of the public sector to advise and deal with industrial disputes, particularly where a dispute had the potential for statewide implications, has been a key deficiency of the Industrial Relations system in Victoria.

Page 503

83. The extent of outworker exploitation in Victoria and nationally is a serious problem.

Page 504

84. A major issue currently placing significant pressure on community based clubs and sporting organisations is the impact of user charges or costs passed on by local government authorities.

Page 512

85. An important challenge for the Tourism portfolio is to maximise the benefits flowing from the Sydney Olympic Games in terms of domestic and international tourism to Victoria.

Page 515

86. There has been a serious lack of documentation relating to the Federation Square project. This has resulted in delays and has cost implications.

Page 517
RECOMMENDATIONS:

Recommendation 14.1:
The Department of State and Regional Development review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information contained in the operating statement.

Page 470

Recommendation 14.2:
The Department of State and Regional Development:
(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

Page 471

Recommendation 14.3:
The Department of State and Regional Development:
(a) develop specific targets to be incorporated into the action plan for Women in Management which are based on departmental policy and objectives;
(b) develop a formal monitoring framework to ensure the status of the action plan is continuously reviewed; and
(c) establish a working party, with representation from women in all levels of the Department, in addition to a representative from the Office of Women, to identify emerging issues within the Department.

Page 474

Recommendation 14.4:

The Department of State and Regional Development ensure that the performance measures in the Budget Papers provide a clear link between budget initiatives for each output group, and the achievement of the Government's desired outcomes.

Page 477

Recommendation 14.5:

Regional Development Victoria and the Office of Rural Communities should have:

(a) clear mission statements and high level government objectives which are incorporated into formalised corporate plans;

(b) short/medium/long-term strategies and action plans directed at the achievement of high level objectives and missions;

(c) a comprehensive monitoring framework with performance indicators that properly measure key result areas within each high level objective; and

(d) formal protocols with each other to ensure that initiatives are complementary and to minimise duplication and service gaps.

Page 479
Recommendation 14.6:

The Government continue to make representations to the Commonwealth Government to ensure that Victoria is not disadvantaged due to inequitable industry attraction incentives and financial assistance by Government.

Recommendation 14.7:

The Department of State and Regional Development:

(a) develop a whole of government strategy to tackle the emerging skills shortage based on the findings of the Information and Communications Technology Taskforce, and the Government’s subsequent position, and incorporating key initiatives from the Post Compulsory Education, Employment and Training portfolio;

(b) develop a comprehensive monitoring framework which identifies key result areas within the strategy and performance measures which accurately reflect achievement; and

(c) review the key initiatives to ensure that emerging issues are identified and incorporated into the strategy in a timely manner.
Recommendation 14.8:
The Department of State and Regional Development, in relation to the Industry Development output group, provide an explanation of quality standards and incorporate this information into future Budget Papers.

Recommendation 14.9:
The Department of State and Regional Development:
(a) establish a separate output relating to racing activities;
(b) develop performance measures based on key racing portfolio strategies including:
   (i) growing racing industry investment;
   (ii) growing racing industry capabilities and infrastructure;
   (iii) positioning Victoria as the racing industry leader; and
   (iv) the progressive reform of legislation governing racing and the implementation of a management framework; and
(c) ensure performance measures are aligned with the key corporate strategies and objectives of the Office of Racing.
Recommendation 14.10:
The Department of State and Regional Development review the results of the evaluation of business access to development programs to ensure performance measures in the Budget Papers reflect key strategic directions and actions to be adopted.

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Recommendation 14.11:
The review of performance measures relating to the output group Industrial Relations Services should ensure performance measures:
(a) provide an accurate assessment of the objectives and strategies of the Industrial Relations portfolio; and
(b) are aligned to the corporate and high level objectives and outcomes of Industrial Relations Victoria.

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Recommendation 14.12:
(a) Industrial Relations Victoria actively promote the proposed code of practice for outworkers throughout the industry and pursue its acceptance by the industry;
(b) To ensure the code of practice is effective, Industrial Relations Victoria:
(i) review the current regulation processes for adequacy; and
(ii) determine the priority areas requiring regulation;
(c) The Department of State and Regional Development review the code’s effectiveness, approximately 12-18 months after implementation, to address deficiencies and identify emerging issues that require incorporation into the code; and

(d) The Government undertake formal discussions with the Commonwealth Government and the other States and Territories about the possibility of a national code of practice for outworkers.

Recommendation 14.13:

The Department of State and Regional Development:

(a) review performance measures for the Sport, Recreation and Racing output group to ensure they provide a link between the activities in the portfolio and the achievement of the key Government outcome; and

(b) align the performance measures with the corporate plan and high level strategies and objectives of Sport and Recreation Victoria.

Recommendation 14.14:

The performance measures for the Tourism and Major Projects Portfolios be reviewed to ensure they are adequate.
**Recommendation 14.15:**

(a) The Federation Square Management Company assign high priority to establishing governance processes to ensure that documentation is properly accounted for, and that an effective audit trail exists; and

(b) The Government continue to pursue the $50 million promised by the Commonwealth Government.

**KEY FINDINGS:**

**Chapter 15 - Department of Treasury and Finance**

87. Under the horizontal fiscal equalisation policy employed by the Commonwealth Government, Victoria is currently subsidising other States by $847 million, which is more than any other State.

88. The establishment of e-commerce is critical to the Government’s intention for procurement activities to take place electronically, and to ensure that isolation or the size of a business will not impede regional firms from tendering for contracts with Government.

89. Victoria’s manufacturing industry has a high incidence of work-related deaths and occupational health and safety issues.

90. The Government is considering over 200 submissions from the gaming industry, individuals, local government and community groups in response to the responsible gaming consultation paper and public forums.
RECOMMENDATIONS:

Recommendation 15.1:
The Department of Treasury and Finance review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

Recommendation 15.2:
The Department of Treasury and Finance:
(a) establish formal protocols, with the Office of Women, to identify emerging issues in a timely manner; and
(b) develop a comprehensive strategy to encourage women into management positions.

Recommendation 15.3:
The Department of Treasury and Finance urgently review its performance measures contained in the Budget Papers to ensure that they are adequate and meaningful.

Recommendation 15.4:
The Government develop a strategy to implement relevant tax changes which detail the Government’s tax reform objectives. This should include short/medium/long-term actions required to implement that reform and key performance indicators that measure the effectiveness of these actions.
Recommendation 15.5:

The implementation of partnership projects be based on:

(a) consistent and well defined tendering processes;

(b) an element of flexibility and innovation in project delivery to allow both parties to introduce innovative solutions;

(c) an assessment of the Government’s skills to develop effective specifications and manage the subsequent contract; and

(d) an acceptable level of risk responsibility for each party.

Page 539

Recommendation 15.6:

The Department of Treasury and Finance undertake a review to link their performance measures in the Budget Papers to objectives, targets and indicators contained in the Department’s corporate and business plans.

Page 542

Recommendation 15.7:

The Government:

(a) closely monitor the results of the pilot project for Electronic Commerce for Procurement (EC4P) within the Department of Natural Resources and Environment and prepare a summary report at its conclusion;

(b) develop an implementation model based on the results of the pilot project;
(c) develop a strategy which aims to implement EC4P across government in a timely and effective manner; and

(d) promote regular consultation with business in regional areas to ensure that e-commerce infrastructure is appropriate and identify areas where the EC4P strategy can be improved.

Recommendation 15.8:

The Department of Treasury and Finance:

(a) develop and implement the reporting framework for taxation compliance in a timely manner and ensure that the framework is reviewed after the initial returns in November 2000; and

(b) a similar review be completed after the 2000-2001 financial year.

Recommendation 15.9:

The Department of Treasury and Finance review the performance measures for the WorkCover Policy Advice Output contained in the Budget Papers to ensure that they:

(a) align with key targets in the corporate and business plans of the Victorian WorkCover Authority (VWA) and Transport Accident Commission (TAC);

(b) reflect key targets in public health and safety, including Occupational Health and Safety;

(c) include the financial position of the WorkCover and TAC schemes;
Recommendation 15.10:

The Government develop a strategy/action plan which caters for Occupational Health and Safety in the manufacturing industry, including:

(a) education of employers, employees and suppliers in the industry to ensure emerging issues are identified and addressed in a timely manner;

(b) methods of enforcement with inspection resources directed to priority areas and/or companies using a risk based approach through the application of pre-determined criteria;

(c) development of adequate performance measures allowing an accurate assessment of the strategy’s effectiveness; and

(d) implementation of a monitoring framework that allows timely and effective review of initiatives in the strategy/plan and a re-assessment of priorities as emerging issues arise.
(b) ensure measures are developed to assess the objectives of the research into the impact of gambling.

Recommendation 15.12:
The Government develop a comprehensive monitoring framework to ensure the objectives of the responsible gambling legislation are being achieved through self-regulation and Government regulation, including the operational impact of the legislation on gaming operators.

KEY FINDINGS:
Chapter 16 - Parliamentary Departments

91. There are a number of areas where the Parliamentary Departments are experiencing shortages in skills and expertise including suitably qualified and experienced graduates for chamber duties, financial management, information technology and suitably qualified Hansard reporters and editors.

92. There are significant delays in the publication of parliamentary reports due to a requirement for these reports to be tabled in the Parliament which only meets at set times during the year.

93. Parliamentary inquiries often extend beyond a particular financial year, and Committees must seek approval for funding to complete inquiries commenced the previous financial year but still in the same parliamentary term. This arrangement can result in some inquiries not being completed or undertaken. This is a particular problem for the Public Accounts and Estimates Committee.
94. Members of Parliament do not have access to the leasing agreements of their electorate offices. Page 572

95. The Committee does not accept the unsubstantiated assertions which prevents disclosure of parliamentary electorate leasing agreements. Page 573

RECOMMENDATIONS:

Recommendation 16.1:

The Parliamentary Departments:

(a) identify performance measures that determine Member satisfaction with the quality of services provided; and

(b) incorporate these measures into the Budget Papers for 2001-2002. Page 562

Recommendation 16.2:

The Parliamentary Departments review their current disclosures in the 2000-2001 Budget Papers with a view to enhancing the quality of information in the operating statement and in the 2001-2002 Budget Papers. Page 564

Recommendation 16.3:

The Parliamentary Departments complete their annual business plans in time for the Budget Estimates inquiry process and forward them to the Public Accounts and Estimates Committee for review. Page 565
Recommendation 16.4:
The Parliamentary Departments as a group:
(a) develop a staff professional
development strategy with high level
objectives for each department and
report against this strategy in their
annual reports; and
(b) at the completion of the Department of
the Legislative Assembly’s skill audit
and training needs analysis, the
findings be incorporated into a
professional development strategy and
similar reviews be undertaken by the
other parliamentary departments.

Page 568

Recommendation 16.5:
The Government allocate sufficient funding
in the Budget for 2001-2002 for the
Parliamentary Library to implement an
electronic news service for Members of
Parliament.

Page 570

Recommendation 16.6
The Presiding Officers urgently pursue the
required legislative changes to ensure a
procedure for tabling reports out of session
is implemented.

Page 571

Recommendation 16.7
The Presiding Officers pursue the adoption
of a process, similar to that applied to the
Auditor-General for funding performance
audits, whereby parliamentary inquiries are
funded out of the normal appropriation for
Parliament rather than by special
appropriation.

Page 572
Recommendation 16.8:

The Department of Parliamentary Services develop a policy relating to information that can be released to Members concerning leasing arrangements. This information should at least include:

(a) commencement and termination dates of the relevant lease;
(b) a summary of the general terms and conditions of the relevant lease;
(c) respective responsibilities of the landlord, the tenant, and the occupant; and
(d) an outline of any issues or restrictions which impact on the Member's occupation of the premises.

Page 574

Recommendation 16.9:

The Presiding Officers give consideration to undertaking an external review of the Department of Parliamentary Services to ensure that its services are aligned with the expectations and needs of its clients.

Page 575
CHAPTER 1: REVIEW OF BUDGET ESTIMATES

Key Findings:

1.1 The Government has introduced a number of legislative reforms to improve the public disclosure of financial and budget information. This will further improve the accountability of the Executive Government to the Parliament and the community and provide more meaningful information about the performance of the public sector.

1.2 The Public Accounts and Estimates Committee has adopted an estimates scrutiny process involving an examination of all Ministers and the Presiding Officers of the Parliament on the Budget Estimates for the next financial year, and an examination of the outcomes of the previous financial year. These reforms will result in a more open, transparent and systematic review of the Government’s Budget and the financial management of the State.

1.1 Introduction

In Victoria, as in many parts of the world, the community is now asking for better and more open government. It wants parliamentarians to exercise effective governance and it wants to know what the Government is achieving. People no longer judge Government simply on the basis on how much it spends on delivering services. Rather, as taxpayers and citizens, they want to know if the promise of better and more efficient Government has been realised. And as users of government services, they want to know whether the policies and programs of Government are effective, administratively efficient and of high quality.
These developments have motivated the Government, the Public Accounts and Estimates Committee – and many other interested parties, including the Auditor-General, senior departmental officers, and various agencies – to put significant effort into strengthening the way the Government manages, spends and accounts for public funds.

Fundamental to this is the need for the Government to provide to the Parliament improved information about its plans and its results. During the past three years, the Public Accounts and Estimates Committee has made many recommendations which provide for broader, results-focused public reporting as the Committee believes this is the key to demonstrating transparency in government activities, and is a crucial step towards further improving the performance of the public sector.

As a significant step in that direction, earlier this year the Government introduced a number of reforms to further improve the disclosure of financial and budget information by the Government and provide for the review of estimated financial statements by the Auditor-General. The Committee welcomes these new initiatives as they can only improve accountability and provide more meaningful information about performance management in the public sector.

1.2 Objectives of the Budget Estimates process

In submitting this report, the Committee does not intend to replicate the information contained in the 2000-2001 Budget Papers. Rather, the Committee is presenting information on selected areas where additional information may assist in the public understanding of those documents.

The Committee’s analysis of the budget estimates aims to:

- facilitate a greater understanding of the budget estimates;
- assist the Parliament and the community of Victoria to assess the achievement of the planned budget outcomes against actual performance;
constructively contribute to the quality and the presentation of the budget information; and

enable more effective monitoring of the performance of departments and agencies.

1.3 Reforms for scrutinising the Budget Estimates process

In April 2000, the Public Accounts and Estimates Committee presented a report to the Parliament outlining a number of changes that it proposed to make to scrutinising the Budget Estimates. In future the Committee will have an estimates scrutiny process that will involve:

- Estimates hearings between May and August with the Committee examining all Ministers and the Presiding Officers on the proposed expenditure and revenue of departments for the next financial year (for example 2000-2001); and
- A further review process in December with the Committee examining the outcomes of the previous financial year (for example 1999-2000).

This further review process will involve a retrospective review of the annual reports of departments, the Government Statement of Budget Outcomes, the financial report for the State, and a review of corporate and business plans.

This new process will improve the accountability of departments and agencies and give the Parliament more meaningful information about results achieved compared with the results intended.

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5 Public Accounts and Estimates Committee, Report No. 36, Report on Reforms for scrutinising the Budget Estimates, April 2000
1.4 Process followed by the Committee

In March 2000, the Committee circulated a questionnaire to all departments requesting supplementary information to that likely to be contained in the 2000-2001 Budget Papers. The Committee's questionnaire was significantly different to previous years in order to reflect the changes to the format of the Budget Papers and to obtain more detailed and specific information relating to each portfolio.

This year’s review of the Budget Estimates was historic in that it has been eleven years since a Premier appeared before the Committee to answer questions relating to the Budget and the first time that every Minister attended the public hearings.

Under this format, the Budget Estimates for 2000-2001 were subjected to 52 hours of public hearings by the Committee, compared to 19 hours the previous financial year.

This represents a major reform of the budget scrutiny process and has resulted in more detailed information being provided to the Parliament and to taxpayers on how Government expenditure will be spent.

The Committee welcomes the Government’s cooperation in this major reform of the primary estimates process, and appreciates the provision of extensive information prior to and during the hearings.

This report is based on an analysis of the 2000-2001 Budget Estimates, the information provided in responses to the Committee’s questionnaire and evidence given by all Ministers and the Presiding Officers of the Parliament, at public hearings held from May to August 2000. It also includes written material received from Ministers during the period May to October, but does not necessarily reflect changes to Government policy and directions which have since taken place.
In preparing this report, the Committee has also taken into consideration the following documents:

- annual reports of departments and agencies;

Copies of the Hansard transcripts of evidence are tabled for the information of Members and are on the Committee’s internet site www.parliament.vic.gov.au/paec
CHAPTER 2: GOVERNMENT RESPONSE TO THE PAEC REPORT NO. 33 - BUDGET ESTIMATES FOR 1999-2000

Key Findings:

2.1 The Government rejected the recommendation for half yearly performance reports by departments on the grounds of cost and unreliability of data. However, the Committee is aware that other jurisdictions use this accountability mechanism.

2.2 The Department of Treasury and Finance previously gave a commitment to revise the Guide to Corporate and Business Planning in time for the 2000-2001 budgetary cycle. However, this did not occur.

2.3 Corporate plans need to be public documents and be scrutinised against other management and accountability documents.

2.4 In the global budgeting environment in which departments operate, there should be a requirement for individual departments to provide explanations for material variances from original budget estimates.

2.5 The Government accepted the need for Budget Paper No. 3 to describe the link between inputs, outputs and outcomes and advised that current Ministerial Directions required linkages between budget and actual performance. However, the Committee is concerned this has not been monitored by the Department of Treasury and Finance.
2.1 Legislative requirement to respond to Committee's recommendations

Section 40 (2) of the Parliamentary Committees Act 1968, as amended, provides that:

Where a report to the Parliament of a Joint Investigatory Committee ... recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown shall, within six months of the report of the Committee being laid before both Houses of Parliament, report to the Parliament as to the action (if any) proposed to be taken by the Government with respect to the recommendations of the Committee.

Consequently, there is a legislative requirement that the responsible Ministers provide a response within six months to the recommendations contained in this report.

2.6 There appears to be a major tension between the stated management philosophy of accrual output-based management and the global resource management framework.

2.7 Since the 1999-2000 Budget, there has been an improvement in the reporting and explanation of the administered financial statements.

2.8 There are still several key concepts missing from the Glossary, such as whole of government; key performance indicators; corporate and business plans; audit of performance measures; and global budgeting.
2.2 Previous recommendations

Of the 36 recommendations contained in the Committee’s report on the 1999-2000 Budget Estimates, 17 were accepted; 13 were partially accepted and six were rejected.

The Committee was particularly interested in the response from the Government to Chapters 1, 2 and 3 of the previous estimates report, which dealt with the quality of budget, financial, performance and other information contained in the Budget Papers.6

The Government indicated that it accepted four of the Committee’s ten recommendations, accepted five in part; and rejected one. The Government’s response is at Appendix 4.

Of the four recommendations accepted by the Government, two of them (1.3; 3.1) related to the need for an independent audit of performance measures, target and actual figures reported in the Budget Papers and annual reports; and a review of outcomes and objectives to ensure they are suitable for meaningful measurement.

The other two recommendations (3.2; 3.4) that were accepted by the Government related to proposed changes in the Budget Papers to more fully describe the links between inputs, outputs and outcomes and to improve the correlation between Budget information and the information to be reported in each department’s annual report. The Committee looks forward to seeing real improvement in the linkages between outputs and outcomes and between the Budget information and that reported in annual reports in the next budget period.

Of the five partially accepted recommendations, recommendation 1.2 refers to the Department of Treasury and Finance undertaking a review of output measures used in the Budget Papers to compare those presented by agencies in other financial and accountability

documents. The Government’s response indicated that the Department of Treasury and Finance, in consultation with Department of Premier and Cabinet, will undertake such a review in 2000-2001 to the extent that information is available. The Committee would like to see this review conducted promptly, as it has for a number of years flagged the importance of public corporate and business plans.

This partial acceptance, however, does not address the main thrust of the Committee’s recommendation which was that corporate plans need to be public documents and need to be scrutinised against budget information, annual reports and other management and accountability documents.

Other partially accepted recommendations (2.1; 3.3) concern the need for detailed explanations for significant variances in actual expenditure versus previous years estimates and explanations for significant items in the Budget Papers. The Government response is limited to a discussion about global funding levels. The response does not address the need to explain any material variances, even if it is an accounting variance brought about by the transition to accrual budgeting. The Committee is still of the view (which it has expressed in a number of recent reports) that for parliamentary and public accountability to be effective, variances from estimates to actual expenditure need to be fully explained in the Budget Papers.

A number of the other partially accepted recommendations, deal with the identification and reporting of assets (2.2) and the need for significant terms to be clearly explained (3.5).

The one rejected recommendation (1.1), concerned half yearly performance reports by departments which the Committee believes would add valuable public accountability tools to current Victorian financial management practices (for instance, half yearly performance reports; actual performance achieved against targets to be reported in these and Budget papers). The Committee is aware that other jurisdictions use this accountability mechanism to improve
performance management and public accountability. The Committee once again strongly supports the principles established in our previous Reports Nos. 23, 27 and 337 concerning the need to improve the quality of financial and performance information and the information contained in the Budget overview.

The Committee has reconsidered the rejected recommendations in light of the Government response. The following views are presented:


That the Ministerial Directions on Financial Reporting be amended to require half yearly performance reports - including financial statements in an abbreviated form, comparisons with budget revenues and outlays, and progress against output and outcome performance targets - to be prepared by departments and provided to the Public Accounts and Estimates Committee.

This recommendation was rejected on the grounds that the Financial Management Act was amended earlier this year to incorporate enhanced reporting requirements to increase financial accountability and transparency. The new provisions included requirements for half yearly whole of government financial reporting, a mid-year Budget update and quarterly budget sector reporting commencing in the 2000-2001 financial year. While the Committee welcomes these developments, and agrees that they constitute a significant advance on previous practice, we note that the reforms are only at the whole of government level and only concern financial information. The main purpose of the Financial Management (Financial Responsibility) Act was to enhance disclosure of financial and budget information by the Government.

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The recommendation that these documents be prepared by departments and provided to the Committee was rejected by the Government on the grounds of cost and unreliability of data. The major thrust of the recommendation, which was about consistency in reporting in a timely manner against budget outlays, costs, output and outcome performance targets, has not been addressed.

Accordingly, the Committee again recommends that:

**Recommendation 2.1:**

The previous recommendations (1.2 of Report No. 27 and 1.1 of Report No. 33) of the Public Accounts and Estimates Committee requesting that the Ministerial Directions on Financial Reporting be amended to require half-yearly departmental performance reports - including financial statements in an abbreviated form, comparisons with budget revenues and outlays, and progress against output and outcome performance targets - be prepared by departments and provided to the Public Accounts and Estimates Committee.

**Previous Recommendation 1.2 - 1999-2000 Budget Estimates**

That the Department of Treasury and Finance review the output measures used in the 2000-2001 Budget Papers to compare those presented by agencies in their corporate and business plans, annual reports and other management and accountability documents. The purpose of the review would be to establish best practice in output, outcome, and performance measurement and reporting for the Victorian Public Sector.

The Government has accepted this recommendation in part and indicated that such a review will be undertaken during 2000-2001 to the extent that information is available. The Government pointed out
that there is no requirement for departments to submit corporate and business plans for central agency scrutiny. The Committee points out that this does not mean that corporate and business plans are not available to central agencies.

The Department of Treasury and Finance gave a commitment to this Committee to revise the Draft Guidelines for Corporate and Business Planning to reflect the output and accrual output based framework and to re-issue it to all departments and agencies in time for the 2000-2001 budgetary cycle. The Committee is disappointed that this has not happened.

The Committee reiterates the importance of updating this information and will be very concerned if the review does not occur and the revised guidelines are not available for the start of the next budgetary cycle. The Committee will monitor developments in this regard.

**Partly accepted Recommendation 1.3 - 1999-2000 Budget Estimates**

That the outputs, performance measures, targets and actual figures reported in the Budget Papers and annual reports be independently audited or evaluated.

The Government indicated that it had accepted this recommendation. However, the Committee noted that the Government has indicated that it has only accepted that part of the recommendation relating to annual reports.

The Committee is aware that the Auditor-General now has the discretionary power to audit performance measures in annual reports and to express an opinion as to whether they are:

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relevant to the stated objectives of the department; 
appropriate for the assessment of actual performance; and 
fairly represent actual performance.9

The Committee reiterates that to ensure transparency of information and accountability of performance information in Budget Papers and departmental annual reports, the performance information must be subject to scrutiny by an independent body. The Public Accounts and Estimates Committee does not have sufficient resources to undertake this detailed task and the Committee again suggests an independent review and evaluation of key performance information contained in the Budget Papers.


That the Budget Papers include detailed explanations for significant variances in funding levels from the previous year’s budgeted figures.

The Government only partially accepted this recommendation. The Government argued that since the 1999-2000 Budget, there has been an increased focus on providing better explanations of variations in budget estimates. It was stated by Government that in the 2000-2001 Budget Papers there was a reconciliation of variations at the global aggregate budget sector revenue and expenses level.10 The Committee could not find a detailed reconciliation of variations from previous years figures and clear explanations. Previous Public Accounts and Estimates Committee Budget Estimates reports have indicated that the practice of providing revised estimates was in summary form only and this practice appears not to have changed.

The Committee believes that the global budgeting environment in which Victorian Government departments operate should require that individual departments provide explanations of material

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9 Section 8(3) of the Audit Act 1994 (as amended)  
10 2000-2001 Budget Paper No. 2, Budget Statement, pp. 74-77
variations from original budget estimates and especially any major transfers within a department. The Committee is of the view that for increased parliamentary accountability and transparency, material transfers within departments need to be reported in the Budget Papers.

The Committee also believes that material variations in the composition of expenses relative to published budget estimates should be highlighted and variances explained. Once again Budget Paper No. 3 appears not to provide sufficient information. For instance, in the Department of Education, Employment and Training there is an aggregate change in budget of 15.2 per cent for the Tertiary Education, Employment and Training output group. 11

Exhibit 2.1

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<td>4354.7</td>
<td>4409.6</td>
<td>4608.4</td>
<td>5.8</td>
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<td>Tertiary Education,</td>
<td>848.8</td>
<td>893.3</td>
<td>977.6</td>
<td>15.2</td>
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<td>Employment and Training</td>
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<tr>
<td>Policy, Strategy and Information Services</td>
<td>27.0</td>
<td>25.9</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5230.4</strong></td>
<td><strong>5328.8</strong></td>
<td><strong>5614.9</strong></td>
<td><strong>7.4</strong></td>
</tr>
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</table>

However, there appears to be no mention of actual expenditure compared to budget and the explanation suggests an accounting treatment was responsible. Also there was an increase of nearly 90 million in other expenses (85% change), which is not adequately explained. This is only one illustration of numerous examples that could be found in the 2000-2001 Budget Papers.

11 2000-2001 Budget Paper No. 3, 2000-01 Budget Estimates, p.20. The Department of Education, Employment and Training (DEET) was selected for illustrative purposes only because it is the first mentioned in Budget Paper No. 3 and it was used in previous Public Accounts and Estimates Committee Reports. If anything, the DEET budget reporting is one of the better examples.
Exhibit 2.2

<table>
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<td>Employee related expenses</td>
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<td>Purchase of supplies and services</td>
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<td>Depreciation and amortisation</td>
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<td>60.9</td>
<td>62.8</td>
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</tr>
<tr>
<td>Capital asset charge</td>
<td>93.8</td>
<td>90.9</td>
<td>90.0</td>
<td>- 4.1</td>
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<tr>
<td>Other expenses</td>
<td>102.7</td>
<td>143.8</td>
<td>190.7</td>
<td>85.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>848.8</strong></td>
<td><strong>893.3</strong></td>
<td><strong>977.6</strong></td>
<td><strong>15.2</strong></td>
</tr>
</tbody>
</table>

Once again, the Department of Treasury and Finance has not addressed the major thrust of the recommendation concerning the department’s material variances.

Accordingly, the Committee again recommends that:

**Recommendation 2.2:**

The Budget Papers include detailed explanations for significant variances in funding levels from the previous year’s budgeted figures at the global and individual departments revenue and expenses level.

**Previous Recommendation 3.1 - Budget Estimates 1999-2000**

That as part of the budget development process for 2000-2001, all departments review their outcomes and objectives to ensure that they are suitable and able to be measured in a meaningful way.

The response by the Government to this recommendation stated “the work outlined in response to recommendation 1.3 addresses the issue
of department outcomes".\textsuperscript{12} In the last Estimates Report,\textsuperscript{13} the Committee expressed concern about how key Government outcomes were expressed in extremely broad terms, which therefore made it difficult to assign or group units of measures to facilitate performance evaluation. The Committee noted that the outcomes used as an example in the last estimates report concerning Tertiary Education, Employment and Training, are expressed differently in the Budget Papers for 2000-2001, but still in the following very broad terms:

**Key Government Outcomes**

All Victorians will have access to articulated tertiary education, training and employment services necessary for the social and economic development of the State. This will be achieved by:

- ensuring that tertiary education and training services provided are of the highest quality;
- creating additional employment opportunities, particularly for young people and disadvantaged communities; and
- linking training and further education to employment, especially in high-skill areas and areas of skill shortage.\textsuperscript{14}

The Committee is of the opinion that these outcomes are more like vision statements rather than a list of meaningful and measurable outcomes. The Government response that the Victorian Auditor-General’s Office will audit performance measures in annual reports, while a welcome improvement, does not address the Committee’s concerns in this area.

Also, there appears to be no links between the key Government outcomes and the reporting of output groups. This is particularly

\textsuperscript{12} Government response to Public Accounts and Estimates Committee Report No. 33
\textsuperscript{14} 2000-2001 Budget Paper No. 3, Budget Estimates, p. 33
apparent with the major outputs/deliverables for Tertiary Education, Employment and Training.\footnote{2000-2001 Budget Paper No. 3, Budget Estimates, pp. 33-34}

The major inputs and deliverables are:

- Training and Further Education (TAFE) places;
- Community and Adult Education (CAE) places and Community Support;
- Employment Services; and
- Higher Education Accreditation and Monitoring.

The description of the TAFE and CAE outputs do not reflect the key Government outcome of providing high quality education and training services, while the performance measures within these outputs do not provide an assessment of course quality in the TAFE and CAE system.

The Employment output comprises performance measures which are based on employment places in short-term ongoing employment. However, there are no measures relating to medium and long-term employment from these programs, which is a key Government outcome.

Therefore, the Committee emphasises the importance of having a clear statement about outcomes and output group information within the Budget Papers.
Previous Recommendation 3.2 - Report No. 33

That Budget Paper No. 3 be structured in a manner that more fully describes the link between inputs, outputs and outcomes. In addition, the annual report of each department should include full explanations of the results achieved for all output statements and performance measures against those detailed in the Budget Papers.

The Government response was to accept this recommendation by stating that the 2000-2001 Budget Papers included costs for each output as well as for each output group. This was to assist with the alignment of input costs to outputs. However, in the Committee's Department of Education, Employment and Training example, there are only five major expenses categories and these are related to the output group which consumes about $4.6 billion. This aggregation at a global level makes it impossible to relate financial information to performance measures, and outcomes.

Exhibit 2.3

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related expenses</td>
<td>2617.4</td>
<td>2602.2</td>
<td>2717.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Purchase of supplies and services</td>
<td>848.8</td>
<td>899.4</td>
<td>956.6</td>
<td>12.7</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>162.5</td>
<td>176.5</td>
<td>179.4</td>
<td>10.4</td>
</tr>
<tr>
<td>Capital asset charge</td>
<td>403.4</td>
<td>391.4</td>
<td>388.3</td>
<td>- 3.7</td>
</tr>
<tr>
<td>Other expenses</td>
<td>322.5</td>
<td>340.1</td>
<td>366.5</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4354.7</strong></td>
<td><strong>4409.6</strong></td>
<td><strong>4608.4</strong></td>
<td><strong>5.8</strong></td>
</tr>
</tbody>
</table>

The Government response stated that current Ministerial Directions already implemented require linkages between budget and actual performance. However, the Committee is concerned that this has not
been monitored by the Department of Treasury and Finance and requests the Department to urgently review the current practices and directions to enhance public performance information and accountability. As indicated above, the current budget and annual reporting format does not allow for more fully informed decisions about linkages between inputs, outputs and outcomes. Without this type of current financial, performance and planning information within Budget Papers, current information can only be judged to be symbolic and not meaningful for decision making.

Partly accepted Recommendation 3.3 - 1999-2000 Budget Estimates

That more detailed explanations be provided for significant items contained in the Budget Papers including detailed explanations for significant variations from the previous year.

The Government response was to partially accept this recommendation relating to information provided in Budget Paper No. 3 in relation to output group costs. Specifically, the Committee’s report suggested that further information be provided about the items making up the expense type ‘Other’.

The Government response stated that the focus of Budget Paper No. 3 is predominantly on outputs. However, some information linking inputs such as costs has also been published in the Budget Papers to date. It is the Committee’s view that there now seems to be a major tension between the stated management philosophy of accrual output-based management (AOBM) and the global resource management framework (which is not defined in the Glossary).

According to Budget Paper No. 2, accrual output-based management is defined as:
The Government, as purchaser, decides which outputs it will purchase from departments at specified levels of quantity, quality and price. As owner, the Government decides the investment required in departments in order to enable them to maintain their capacity to meet output delivery targets.\(^\text{16}\)

Under the AOBM, outputs to be purchased need a price to be established. This was the Committee’s concern about costs needing to be reported and variances explained. At present, it would appear that global reporting of information (with no links to departmental outputs or performance information and measures) is still the dominant reporting mechanism within the Budget Papers.

The Government response indicated that “Providing further detailed breakdown of output costs is not considered necessary or appropriate as this may be inconsistent with the shift in management focus to ensuring effective and efficient delivery of budgeted outputs within a global resource management framework.”\(^\text{17}\) However, the Committee has found a number of examples of material financial and output oriented changes to budget figures by departmental managers, namely:

- 35 new performance measures introduced into the School Education output group within the Department of Education, Employment and Training, and 33 discontinued from 1999-2000;
- the Disability Services output group from the Department of Human Services has increased by 16.9 per cent or $96.6 million from 1999-2000;
- in the Department of Infrastructure’s operating statement, revenue for increases in net assets is expected to increase by 56 per cent from $79.1 million in 1999-2000 to $124.3 million in 2000-2001;

\(^\text{16}\) 2000-2001 Budget Paper No. 2, Budget Statement, Glossary, p. 349
\(^\text{17}\) Government response to PAEC Report No. 33
the Arts and Cultural Environment output group budget within the Department of Premier and Cabinet increased by $65.7 million or 30.2 per cent from $217.8 million in 1999-2000 to $283.5 million in 2000-2001; and

- current Grants to Households and Persons within the ‘Other Expenses’ (Administered) category of the Department of Treasury and Finance’s operating statement increased from $1.6 million in 1999-2000 to $239.8 million in 2000-2001.

The Department of Treasury and Finance stated that in relation to the expenses reported under the category ‘Other’ in Budget Paper No. 3, these largely comprise grant expenditures. The Committee will later review action by the Department of Treasury and Finance in regard to separately identifying grant payments and providing further details on significant variations to previous year’s budget where appropriate.

**Previous Recommendation 3.4 - Budget Estimates 1999-2000**

That the Budget Papers provide further explanations of the amounts detailed in the administered financial statements of all departments. In addition, the Department of Treasury and Finance needs to clarify the purpose of reporting administered balances in the Budget Papers and ensure that full disclosures are made.

In accepting this recommendation, the Government stated that more detailed explanations have been provided in the 2000-2001 Budget. The Committee is pleased that there has been an improvement in the reporting and explanation of the administered financial statements since the 1999-2000 Budget. For example, an explanation of the nature of the Department of Education, Employment and Training’s expenses and administered operating expenses – which mainly relate to grants for on-passing to non-government schools – was provided in the 2000-01 Budget Paper No. 3 (pp.48-49).
Partly accepted Recommendation 3.5 - Budget Estimates 1999-2000

That the meaning of significant terms be clearly explained, including, where necessary, an explication of relevant assumptions related to those terms, either within a clearly referenced glossary, or within each set of departmental estimates.

The Government partly accepted this recommendation. The example given in the Committee’s Report No. 33 relates to the term ‘Revised’, with the report suggesting that this term is not clearly explained in the Budget Papers. The Committee noted that once again this is not explained in the Glossary, but is mentioned in the introduction to Budget Paper No. 3. However, no clear operational definition is provided as to what is “revised”. For instance, what was the cut off date, what actual financial and performance information has been included, what is the link between this figure and the quarterly reporting of budget information to Department of Treasury and Finance.

The Committee believes that there are still several key concepts missing from the Glossary, such as “whole of government”; “key performance indicators”; “corporate and business plans”; “audit of performance measures”; and “global budgeting”.
CHAPTER 3: BUDGET OVERVIEW

Key Findings:

3.1 The Financial Management (Financial Responsibility) Act 2000, which was passed by Parliament in April 2000, provides for the enhanced disclosure of financial and budget information by the Victorian Government.

3.2 There is considerable controversy as to whether the valuation of heritage, historical and social assets is a worthwhile exercise.

3.1 Basis of preparation of the Budget Estimates

The 2000-2001 Budget Estimates were prepared in accordance with the provisions of the Financial Management (Financial Responsibility) Act 2000, which was passed by Parliament in April 2000. This legislation provides for the enhanced disclosure of financial and budget information by the Victorian Government.

The 2000-2001 Budget Estimates were prepared in accordance with the Principles of Sound Financial Information which provide that the Government must:

(a) manage financial risks faced by the State prudently, having regard to economic circumstances;

(b) pursue spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden;

(c) maintain the integrity of the Victorian tax system;
(d) ensure that its policy decisions have regard to the financial effects on future generations; and
(e) provide full, accurate and timely disclosure of financial information relating to the activities of the Government and its agencies.

Specific initiatives provided for in the Financial Management (Financial Responsibility) Act and now included in Budget Paper No. 2 are:

(a) the inclusion of Estimated Financial Statements and notes setting out the forecast financial results for the Victorian budget sector for the forthcoming year and the following three years. The accompanying notes to the Estimated Financial Statements provide details of:
   • the material economic and other assumptions used and the specific forecast assumptions;
   • an overview of estimated tax expenditures; and
   • a statement of risks that may have a material effect on the estimated financial statements;\(^\text{19}\)

(b) the requirement that the Auditor-General review and report on the estimated financial statements to ensure they were consistent with accounting convention and the methodologies and assumptions used were reasonable.\(^\text{20}\)

The Committee noted that the Budget also included for the first time the costs of each individual output group within every Government Department and estimates of revenues foregone through exemptions and concessions including payroll tax exemptions, directly attributable to State tax legislation. For the financial year 2000-2001, it is estimated that revenue foregone in this manner will be in the vicinity of $1,523 million.

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\(^{19}\) Ibid, pp. 175-193
\(^{20}\) Ibid, p. 228
The 2000-2001 Budget Statement contained far more information than previously provided in the Budget Papers. This additional information related to:

- **Election Commitments** - this chapter provides a summary of the Government’s key election promises in relation to output, savings and asset investment initiatives and progress to date with implementation;\(^{21}\)

- **Statement of Risks** - detailed information on key economic risks, including exposure to economic activity, share price movements, fluctuations in consumer prices and interest rates and contingent liabilities;\(^{22}\)

- **Accrual Uniform Presentation of Government Finance Statistics** - in line with the intention of all states, territories and Commonwealth Governments for uniform reporting of financial data, for the first time information was presented based on the reporting standards of the Australian Bureau of Statistics’ Government Finance Statistics (GFS) accrual based framework;\(^{23}\)

- **Budget Sector Historical and Forward Estimates Tables** - provision of data depicting budget sector aggregate cash flows over the period 1984-85 to 2003-04;

- **Reconciliation of 1999-2000 published Budget Estimates to 1999-2000 Mid-Year Budget Review** - detailed information reconciling the data contained in the published 1999-2000 Budget for revenue and operating expenses with the new revenue and expenditure initiatives introduced by the Government in its mid-year budget review in January 2000; and

- **Aggregate tax expenditure by type of tax over the period 1998-1999 to 2003-2004** - Estimates of revenue foregone as a result of preferential treatment of certain taxpayers,

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\(^{21}\) Ibid, Chapter 8, pp. 159-173

\(^{22}\) Ibid, Chapter 9, pp. 175-193

\(^{23}\) Ibid, Appendix C, pp. 305-319
such as pensioners, in the form of tax exemptions, deductions, deferrals, rebates or special rate relief. Appendix F of Budget Paper No. 2, provided further detailed information on tax expenditures including information on the persons or entities affected by tax expenditures over the period 1995-1996 to 1999-2000.

The Committee welcomes these initiatives as the inclusion of this detailed information in the Budget Papers significantly improves the level of information provided to the Parliament and the community and strengthens the accountability of the Executive to the Parliament.

3.2 Budget strategy, objectives and priorities

According to the Budget Papers, the broad strategic priority underlying the Government’s budget strategy is to provide a sound and stable financial basis to promote growth across the whole State.24

To achieve this, the Government has adopted the following financial objectives and strategies:

- maintain a substantial budget sector operating surplus of at least $100 million in each year;
- provide capital works to enhance social and economic infrastructure throughout Victoria, partly through the establishment of a $1 billion infrastructure reserve directed towards new and better schools, hospitals, transport and other community facilities;
- provide improved service delivery to all Victorians, focusing on key areas of education, health and community safety;
- ensure competitive and fair taxes and charges to Victorian businesses and households, including cutting business taxes by a minimum of $200 million by July 2003; and

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24 Ibid, p. 14
3.3 1999-2000 budget outcomes and overall position

The 1999-2000 Budget Papers estimated a surplus of around $129 million. Following the election of the Bracks Government this was revised in January 2000 to an operating surplus of $1,339.3 million. This very large increase in the anticipated results was attributed to higher than anticipated revenue from State taxation, public authority income and revenue increases as a result of buoyant economic conditions. Higher than anticipated revenue from taxation, particularly from property taxes such as land tax and conveyancing duties, gambling taxes and payroll tax could be attributed to stronger than projected economic growth and the exceptional strength of the housing market during 1999-2000.

The Committee noted that the actual surplus for 1999-2000 of $1.2 billion, as quoted in the Auditor-General’s Report on the Victorian Government’s Finances 1999-2000, shows these assumptions to be fairly accurate.

Overall, revenue estimates were revised to $21,446 million, an increase of $1,957 million compared to the original budget of $19,489 million. Operating expenses were revised from $19,361 million to $20,107 million, an increase of $746 million.

Exhibit 3.1 highlights the components of both the estimated and revised budgets for 1999-2000 together with the corresponding budget estimates for 2000-2001.

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26 Ibid, Appendix A, p. 230
27 Ibid
Exhibit 3.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>8691.0</td>
<td>9390.5</td>
<td>7845.3</td>
</tr>
<tr>
<td>Fines &amp; Regulatory Fees</td>
<td>246.6</td>
<td>271.1</td>
<td></td>
</tr>
<tr>
<td>Public Authority Income</td>
<td>646.5</td>
<td>1136.3</td>
<td>947.7</td>
</tr>
<tr>
<td>Grants</td>
<td>7606.6</td>
<td>7734.8</td>
<td>10198.1</td>
</tr>
<tr>
<td>Sale of Goods &amp; Services</td>
<td>1812.9</td>
<td>1922.6</td>
<td>1939.8</td>
</tr>
<tr>
<td>Gains on the Disposal of Assets</td>
<td>32.0</td>
<td>32.0</td>
<td></td>
</tr>
<tr>
<td>Fair Value of Assets Received Free of Charge</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Capital Asset Charge Revenue</td>
<td></td>
<td></td>
<td>493.0</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>453.6</td>
<td>465.3</td>
<td>1249.1&lt;sup&gt;28&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>19489.3</td>
<td>21445.9</td>
<td>22180.0</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td>7418.9</td>
<td>7258.6</td>
<td>7721.3</td>
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<tr>
<td>Superannuation</td>
<td>1437.4</td>
<td>1433.3</td>
<td>1380.3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>720.0</td>
<td>736.7</td>
<td>773.3</td>
</tr>
<tr>
<td>Amortisation</td>
<td>32.9</td>
<td>28.1</td>
<td></td>
</tr>
<tr>
<td>Borrowing Costs</td>
<td>532.1</td>
<td>452.9</td>
<td>510.4</td>
</tr>
<tr>
<td>Grants &amp; Transfer Payments</td>
<td>3309.3</td>
<td>3866.1</td>
<td></td>
</tr>
<tr>
<td>Supplies &amp; Services</td>
<td>5910.3</td>
<td>6324.1</td>
<td>7020.6</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>6.8</td>
<td>4182.6&lt;sup&gt;29&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>19360.9</td>
<td>20106.6</td>
<td>21588.5</td>
</tr>
<tr>
<td>Operating Surplus</td>
<td>128.4</td>
<td>1339.3</td>
<td>591.5</td>
</tr>
</tbody>
</table>

<sup>28</sup> Includes fines and regulatory fees, fair value of assets received free of charge, gains on the disposal of assets, capital asset charge revenue and other revenue

<sup>29</sup> Includes grants and transfer payments and amortisation expense
As indicated above in Exhibit 3.1, the operating surplus for 2000-2001 is expected to be $592 million, or $747 million lower than the revised estimate for 1999-2000 of $1 339 million.

The Committee understands that the decline in the 2000-2001 operating surplus in part reflects a projection of moderate growth in revenue for 2000-2001 together with increased operating expenses as a result of the impact of new service initiatives announced by the Government in the Budget.

3.3.1 Revenue

Exhibit 3.1 above shows that total operating revenue is expected to increase by $734 million or 3.4 per cent in 2000-2001 to $22 180 million.

The moderate growth in operating revenue can largely be attributed to a decline in taxation revenue as a result of the impact of the GST introduced by the Commonwealth Government. However this decline of around $1 545 million will be more than offset by a strong growth in Commonwealth grants which are projected to increase by up to $2 426 million.

Other factors contributing to the modest increase in revenue in 2000-2001 are:

- payroll tax revenue is forecast to increase by around $158 million or 6.8 per cent in line with a predicted growth in employment and wages and a rise in the superannuation guarantee levy;
- with the exception of land tax, which is expected to increase by $64 million as a result of the strong property market over the past two years, revenue from stamp duty on property transactions such as land transfers,
mortgages and marketable securities is expected to decrease by around 4.3 per cent;

- gambling tax revenue is also projected to decrease by 19 per cent to $1 235 million, reflecting a maturity stage in gambling as well as the recent Gambling Legislation (Responsible Gambling) Act, which will impose a framework for a stronger regulatory environment;\(^{30}\)

- revenue from the sale of goods and services is expected to increase slightly by $17 million, which can mainly be attributed to the anticipated opening of the new museum at Carlton Gardens and improvement in sales by the Adult Migrant Education Service; and

- public authority income is expected to decrease from $1 136 million in 1999-2000 to $948 million in 2000-2001. This is mainly due to the phasing out of distributions from the gas sector due to the eventual cessation of a gas supply contract with ESSO/ BHPP in 2001-2002 and the introduction of full competition in the retail gas market. Dividends and income tax equivalent receipts from the Transport Accident Commission will also decline, reflecting more conservative claims assumptions and the special payments from the Commission which will fund the Accident Blackspot program.

3.3.2 Expenditure

Exhibit 3.1 Statement of Financial Performance discloses that expenditure is expected to increase from the 1999-2000 revised estimate of $20 107 million to $21 588 million in 2000-2001, a net increase of $1 481.9 million.

The increase in expenses is due largely to the implementation of government policy decisions, including initiatives announced in the 1999-2000 Mid-Year Budget Review. The election commitments for

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\(^{30}\) Ibid, p. 131
new service delivery initiatives in the key areas of education, health and community safety total $426 million in 2000-2001. A further $211 million is to be spent in 2000-2001 addressing what the Government considers is a range of unavoidable and priority service needs. After taking into account $48.1 million already provided for these initiatives in the Mid-Year Budget Review, the net cost of these service initiatives in 2000-2001 is $589 million.

Other major reasons for the increase in operating expenses included:

- employee entitlements increased by $462.7 million;
- superannuation expenses decreased by $53 million, mainly due to the flow through effect of one-off payments made to the State Superannuation Fund in 1998-1999 to reduce the unfunded liability;
- as a result of the new Commonwealth-State financial arrangements and the corresponding large increase in Commonwealth grants, there will be a commensurate increase in expenses of around $209 million associated with these additional spending responsibilities;
- an increase in interest costs of $123 million; and
- depreciation expenses increased by $35 million, partly due to a revised accounting methodology.

3.4 Revised budget figures

The 2000-2001 Budget Papers include details of the revised expenditure for the 1999-2000 Budgets of all Government departments along with the percentage variation between the original 1999-2000 Budget and the 2000-2001 Budget. The revised figures take into account the 1999-2000 Mid-Year Budget Review and any additional funding provided as a result of Government decisions and any economic developments which impacted on both revenue and expenses since the presentation of the previous Budget.
The Committee recommended in Report No. 33 that the Budget Papers included detailed explanations for significant variances in funding levels (revenue and expenditure) from the previous year’s budgeted figures. It is pleasing to note that this recommendation was accepted by Government. Appendix A of Budget Paper No. 2 provides details of major variances in revenue and expenditure that occurred in 1999-2000 between the 1999-2000 Budget and the revised budget figures for the year.

Exhibit 3.2 highlights the funding allocated for new initiatives, particularly in the key areas of health, education, community safety and regional development, for each Department in 2000-2001.

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Exhibit 3.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>165.6</td>
<td>128.1</td>
</tr>
<tr>
<td>Human Services</td>
<td>156.8</td>
<td>97.2</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4.7</td>
<td>89.9</td>
</tr>
<tr>
<td>Justice</td>
<td>-3.2</td>
<td>27.7</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>40.1</td>
<td>21.2</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>2.2</td>
<td>4.1</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>68.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>-10.7</td>
<td>19.4</td>
</tr>
<tr>
<td>Parliament</td>
<td>1.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td>426.3</td>
<td>391.7</td>
</tr>
<tr>
<td>Other Policy Initiatives&lt;sup&gt;32&lt;/sup&gt;</td>
<td>211.1</td>
<td></td>
</tr>
<tr>
<td>Total Output Initiatives</td>
<td>637.3</td>
<td>391.7&lt;sup&gt;33&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Source: 2000-2001 Budget Paper No. 2; table 2.2, p. 18 and table 4.2, p. 57

The $391.7 million referred to above forms part of a total commitment of $987 million for new infrastructure projects over the next four years.

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<sup>32</sup> Represents the net cost of new service delivery initiatives directed towards improved services in the key service delivery areas

<sup>33</sup> Includes $24.5 million announced in the 1999-2000 Mid-Year Review
3.5 Budget sector statement of financial position

The budget sector statement of financial position discloses an increase in budget sector net assets from $11.6 billion at 30 June 1999 to $12.9 billion as at 30 June 2000, which can be attributed to the large operating surplus of $1 339 million for 1999-2000.

Exhibit 3.3 presents details of the State’s expected financial position for the year ended 30 June 2001.
### Exhibit 3.3

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Deposits</td>
<td>846.2</td>
<td>602.2</td>
<td>626.1</td>
</tr>
<tr>
<td>Investments</td>
<td>891.9</td>
<td>841.5</td>
<td>838.9</td>
</tr>
<tr>
<td>Receivables</td>
<td>648.8</td>
<td>754.2</td>
<td>600.5</td>
</tr>
<tr>
<td>Prepayments</td>
<td>54.1</td>
<td>82.1</td>
<td>82.3</td>
</tr>
<tr>
<td>Inventories</td>
<td>118.4</td>
<td>129.1</td>
<td>129.6</td>
</tr>
<tr>
<td>Other</td>
<td>8.0</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>2567.4</td>
<td>2411.5</td>
<td>2279.9</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>430.8</td>
<td>1358.2</td>
<td>2035.9</td>
</tr>
<tr>
<td>Receivables</td>
<td>423.8</td>
<td>466.0</td>
<td>462.2</td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>14219.2</td>
<td>17641.7</td>
<td>17899.8</td>
</tr>
<tr>
<td>Roads</td>
<td>13632.5</td>
<td>11351.2</td>
<td>11454.8</td>
</tr>
<tr>
<td>Other</td>
<td>1593.1</td>
<td>1582.5</td>
<td>1677.8</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>30299.5</td>
<td>32399.6</td>
<td>33530.5</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>32866.9</td>
<td>34811.2</td>
<td>35810.4</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Payables</td>
<td>941.8</td>
<td>824.4</td>
<td>846.1</td>
</tr>
<tr>
<td>Borrowings</td>
<td>946.7</td>
<td>568.1</td>
<td>568.1</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td>623.1</td>
<td>603.4</td>
<td>612.3</td>
</tr>
<tr>
<td>Superannuation</td>
<td>724.1</td>
<td>648.3</td>
<td>699.4</td>
</tr>
<tr>
<td>Other</td>
<td>170.6</td>
<td>142.1</td>
<td>141.2</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>3406.3</td>
<td>2786.4</td>
<td>2867.2</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>649.4</td>
<td>62.5</td>
<td>87.4</td>
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<tr>
<td>Borrowings</td>
<td>6117.4</td>
<td>5952.0</td>
<td>5981.5</td>
</tr>
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<td>Employee Entitlements</td>
<td>1651.1</td>
<td>1526.1</td>
<td>1685.0</td>
</tr>
<tr>
<td>Superannuation</td>
<td>11719.5</td>
<td>11277.0</td>
<td>11398.2</td>
</tr>
<tr>
<td>Other</td>
<td>100.7</td>
<td>265.3</td>
<td>258.5</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>20238.2</td>
<td>19082.9</td>
<td>19410.6</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>23644.6</td>
<td>21869.3</td>
<td>22277.7</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>9222.3</td>
<td>12941.9</td>
<td>13532.6</td>
</tr>
</tbody>
</table>

The Committee noted that the net equity of the State will continue to improve over the next financial year. As indicated in Exhibit 3.3, equity will increase by around $630 million or around 4.6 per cent. However, the Committee believes the equity data should be interpreted with considerable reservations. The data conveys a significantly different meaning to the equity data presented in a private sector balance sheet, even though the format of the data in the statement of financial position follows the same pattern. Equity is still a residual item, just as it is in the private sector. However, there is no notion that equity in the public sector is distributable, as is the case in a private sector financial statement.

The Committee is aware that a significant proportion of the equity reported in the statement of financial position stems from the revaluation of non-current physical assets to values above their historical cost, or, alternatively, the recognition of both revenue and assets when previously unrecognised assets are discovered by or donated to public sector entities. It should also be stressed that the mere availability of data relating to equity does not impute that measures of performance relating to equity commonly used in the private sector are appropriate in the public sector. Thus, calculation of return on equity (ROE) may not be appropriate, despite the availability of the equity data.

3.5.1 Budget sector assets

The Budget Papers disclose that, as at 30 June 2001, assets with an aggregate value of $35.8 billion will be under the control of the Government, representing an increase of around $1.285 billion over the previous year's revised total of $34.5 billion.

The Committee noted that total current assets are expected to decrease marginally by around $120 million or five per cent.

The large growth in non-current assets of $1.1 billion largely reflects the Government's strategy of undertaking new infrastructure
projects, particularly in relation to transport, hospitals, schools and other community facilities.

The Committee is aware that in accordance with the Financial Management Reform Act, non-current assets are required to be revalued at least every five years in the public sector. The Committee notes that AAS38, which guides the valuation of private sector assets, states that revaluation should be made at least every three years. The adoption of this practice means that, like asset for like asset, the value attached to public sector assets will be different in most cases than the value attached to similar assets on private sector balance sheets.

This has two important flow on effects. First, it impacts on the level of depreciation expense charged in relation to the asset base during a given year. Secondly, it impacts on the level and value of the capital asset charge (CAC). Thus the asset valuation approach adopted within the Government’s accrual output budgetary framework, together with the policy of explicit recognition of the capital cost of funding these assets through the imposition of the CAC, has the potential to distort output cost comparisons between potential public and private sector providers, especially in relatively capital intensive applications.

Given the Government’s stated policy objective of neutrality in respect of public or private sector output provision, the Committee believes that this factor should be recognised and adjusted for when decisions are made.

Exhibit 3.4 presents a summary of the State’s budget sector non-current physical assets, with the State’s road network accounting for 37 per cent of these assets.
The adoption of accrual accounting has been the catalyst for the State implementing an asset identification, valuation and reporting program in recent years. As a result, the major assets of the State have been identified and recognised in Departmental financial statements and the Government’s Annual Financial Statement.

Nevertheless, there still remains considerable debate about the need to, and basis of, valuing heritage and infrastructure assets.

In recognition of the importance of a consistent basis for identifying, recording and valuing all components of the State’s asset base, including roads, the Committee has commenced an Inquiry into the Valuation and Reporting of Heritage and Infrastructure Assets and plans to report to Parliament early next year.
3.5.2 Budget sector liabilities

The Budget Papers disclose that, as at 30 June 2001, total liabilities will be $22,277.7 million, compared to the revised budget figure for 1999-2000 of $21,158.5 million. The overall increase in total liabilities of $1,119 million can mainly be attributed to net increases in employee entitlements of $163 million, payables of $224 million, and borrowings of $1,315 million. The increase in total liabilities was offset by a decrease in superannuation liabilities of $78 million.

The Committee understands that the actual unfunded superannuation liability increased by around $850 million in 1999-2000. This increase is mainly due to changes in actuarial assumptions, including:

- a higher proportion, than previously envisaged, of Revised Scheme members assumed to resign at age 54 years and 11 months rather than retire at age 55 years resulting in an increase of $597 million in the unfunded liability at 30 June 2000. (This matter was identified during a triennial actuarial review of the Fund which is currently in progress);

- an improvement in pensioner longevity rates resulting in an estimated increase in future pension payments of $206 million; and

- the impact of the GST, on CPI which affects future pension payments, estimated at $116 million.

Despite the overall increase in total liabilities, total assets are also expected to increase from the revised budget figure of $34,525 million at 30 June 2000 to $35,810.4 million at 30 June 2001, a net increase of $1,285 million. In addition, budget sector net financial liabilities, representing financial assets minus liabilities including borrowings and unfunded superannuation, are expected to decrease from

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34 Correspondence received from the Secretary of the Department of Treasury and Finance, dated 5 October 2000
$16.5 billion or 10.9 per cent of Gross State Product (GSP) to $15.4 billion or 7.7 per cent of GSP by June 2004.\footnote{2000-2001 Budget Paper No. 2, Budget Statement, p. 3}

The Committee is aware that Standard and Poors affirmed the State's triple-A rating on 20 December 1999, while Moody’s Investor Service upgraded Victoria to Aaa on 8 February 2000.\footnote{2000-2001 Budget Paper No. 2, Budget Statement, p. 21}

3.5.3 Debt management

Victoria currently has a very low debt level, with gross budget sector borrowings totalling $6.5 billion at 30 June 2000. It is expected to remain at around $6.5 billion until at least 30 June 2004. If this projection is correct, it will represent only 3.3 per cent of GSP at this time.

As a direct result of the significant reduction in the State's debt burden and the ongoing improvements in the State's credit rating, interest and finance costs further fell from $733.2 million in 1998-1999 to $452.9 million in 1999-2000, representing 2.1 per cent of total revenue. In 2000-2001 interest and finance costs are projected to marginally increase to $510.4 million reflecting the impact of the GST, on CPI linked debt, but thereafter are expected to stabilise at around $480 million until 2003-2004. This projection will represent only 2.1 per cent of total revenue.

3.5.4 Unfunded superannuation liabilities

The most significant liability on the State's balance sheet is the net unfunded liabilities of the public sector superannuation schemes. These liabilities were estimated at $11.9 billion at 30 June 2000 and are projected to grow on a nominal basis to approximately $12.3 billion by 30 June 2004, representing approximately twice the State Government net debt. The reason for this nominal growth is the increasing average age of the public sector workforce covered by

\footnote{2000-2001 Budget Paper No. 2, Budget Statement, p. 3}
these schemes. The level of net unfunded superannuation liabilities is expected to peak at $12.6 billion in 2009.

The unfunded liability represents an actuarial assessment of the present value of future benefits that superannuation fund members have accrued and which are not covered by fund assets. The liability arises because until 1995 the State Government did not contribute its share of the cost of these benefits as they progressively accrued. Instead, these costs were met by the Government when members became entitled to their benefit.

Although budget sector departments and agencies assumed responsibility for contributing the employer’s share of benefits through contributions to the superannuation funds in 1995, the unfunded costs of service accrued prior to that time remain the responsibility of the State. These prior service costs are currently funded through annual payments by the State based upon benefit payments expected to be made each year.

The unfunded superannuation liabilities reported in the budget sector balance sheet exclude the unfunded superannuation liabilities of universities in respect of those employees who are members of public sector superannuation schemes. The financial statements of universities are not consolidated in the State’s balance sheet. However, individual universities are required to disclose the unfunded superannuation liabilities of their employees, which are estimated to be in excess of $800 million. The Commonwealth Government is responsible for meeting the cost of superannuation liabilities associated with universities as these liabilities arise on an annual basis. Under existing Commonwealth-State legislation, the State is required to reimburse the Commonwealth an amount equivalent to 28 per cent of this emerging cost.

In recognition of the need to control this very substantial liability the Government, in conjunction with an actuary, has reviewed the framework for determining the level of annual payments to be paid by the State to the State Superannuation Fund. For the long-term
liability to be extinguished, annual payments to the fund must be at a level considerably in excess of emerging annual costs after allowing for investment returns.

As a result of the review, a new framework has been established which has the objective of fully extinguishing the unfunded liability by 2035, 15 years earlier than was projected by the previous Government. In addition to this strategy which was directed at the State Superannuation Fund, given it is the largest public sector fund, the Government contributed $250 million in 1999-2000 to the Emergency Services Superannuation Scheme as a step towards fully funding that scheme.
CHAPTER 4: REVIEW OF BUDGET PAPERS

Key Findings:

4.1 Scope remains for further improvements in the standard of information contained in the Budget Papers. More attention needs to be given to better explaining what resources, other than in dollar terms, are to be provided to each output group, the outcomes sought by Government, and the performance measures that are relevant to determining whether those outcomes are being achieved.

4.2 Lack of actual data from previous periods in the operating statement means that there is no suitable benchmark against which to compare the aggregate revenues and expenses of each Department on a year-on-year basis.

4.3 In many cases the output data reported in the 2000-2001 Budget Papers series carries little meaning, and is the result of a process of transposing prior year figures into a new data column rather than as the result of a considered response to future period’s activity levels.

4.4 Considerable scope remains to better define outcomes required, the outputs needed to achieve the outcome as defined and the further development of meaningful performance measures that can assist in determining whether outputs are achieving departmental objectives.

4.5 Where funding approved by Parliament for output groups requires subsequent amendment, Parliament must be advised by the responsible Minister.
As part of its role, the Committee reviews the adequacy and presentation of information contained within the annual Budget Papers and makes recommendations to the Government where it considers that improvements could be made.

In reviewing the presentation and disclosures contained in the Budget Papers for 2000-2001, the Committee observed that while the format was similar to that of previous years, the documents contained a considerable amount of new information which enhances their usefulness, as referred to in Chapter 2 of this Report. The Committee also noted that certain of the recommendations made in its 1999-2000 report had been adopted, including:

- performance measures for major outputs/deliverables for each Department now include, for comparison purposes, the actual performance/output achieved for the previous year;
- inclusion of a variety of new performance measures; and
- the cost of each output group.

Nevertheless, there still remains scope for further improvements in the standard of information contained in the Budget Papers. More attention needs to be given to better explaining what resources, other than in dollar terms, are to be provided to each output group, the outcomes sought by Government, and the performance measures that are relevant to determining whether those outcomes are being achieved. Despite repeated requests by this Committee, it still remains the case that large parts of the data provided in the Budget Papers are not able to be compared against actual outcomes from previous periods. Therefore, this significantly diminishes the quality of the data contained in the annual Budget Papers series.

In Budget Paper No. 3, it seems strange that actual previous year data is made available in respect of the Statement of Financial Position for each Department, as well as in respect of tables detailing major outputs and deliverables, but not in relation to the Statement of Cashflows or the Operating Statement. This seems a curious
omission, particularly given the relative objectivity of cashflow data and the ease with which such information should be able to be provided.

Lack of actual data from previous periods in the operating statement means in effect, that there is no suitable benchmark against which to compare the aggregate revenues and expenses of each Department on a year to year basis. While it is true that there will be circumstances in which prior year data is not an appropriate basis for comparison with current year budget data (for example where the size or composition of the agency will change materially in the current year compared to the previous year), in general, the availability of actual data can only enhance the accountability process.

Where it is felt that material changes to an agency’s structure have occurred, which would obviate meaningful comparison with prior year actual data, there is a need to restate comparative figures (in the previous year) to equate with budgeted figures in the current year. The statement should also include a note explaining the change. This need only be prepared in the year immediately following the material change, since after that point both actual and budget data in relation to the newly structured agency will be available.

Accordingly, the Committee recommends that:

**Recommendation 4.1:**

**Actual data be provided for both departmental operating statements and statements of cashflow in Budget Paper No. 3.**

The Committee is pleased that the Budget Papers continue to provide a variance column to facilitate speedy identification of line items which have experienced material changes on a year to year basis. These variances are calculated between prior year budget data and current year budget data. It is difficult to understand exactly how
much value such variance calculations add, since technically they represent the comparison between one set of forward estimates and another set of forward estimates. Certainly, they show the change between one period's estimated revenue or expenditure aggregates, but do not serve a useful function beyond that point.

A more useful variance calculation would be to compare the present year's budget data with the previous year's actual expenditure. This would mean that the variance calculation had as its anchor point a real number rather than a hypothetical number. From an accountability and management perspective, the Committee believes that this information would enable a much more robust comparison.

Accordingly, the Committee recommends that:

Recommendation 4.2:

Variance be reported on the same basis as information for performance measures. For example, in the operating statement contained within the 2000-2001 Budget Papers financial information should be presented in the following form:

(a) 1998-1999 actual revenue/expenditure;
(b) 1999-2000 Budget;
(c) 1999-2000 Revised Budget; and
(d) 2000-2001 Budget.

Although it is commendable that actual data in relation to prior outputs has been included in the budget aggregates for 2000-2001, the Committee noted that in many output groups there was no variation at all between the 1998-1999 actuals, the 1999-2000 Budget and the 2000-2001 Budget. The Committee also noted that this pattern occurred frequently. The Committee is concerned that in many cases the output data reported in the 2000-2001 Budget Papers series carries little meaning, and is the result of a process of transposing
prior year figures into a new data column rather than as the result of a considered response to future period’s activity levels.

Accordingly, the Committee recommends that:

**Recommendation 4.3:**

The Department of Treasury and Finance:

(a) review the output data submitted by agencies, with a view to ensuring that it is accurate and reflects activities undertaken by the agencies, and is not an exercise in roll forward budgeting; and

(b) actively assist agencies to improve the quality and nature of their output forecasting and reporting systems; including the selection of outputs, outcomes and performance indicators to ensure that they are meaningful and measurable and relate to the underlying activities of agencies.

The Committee believes there should be a clear nexus between the corporate plans of departments, the outputs and outcomes required to fulfil those strategic directions and the level of resources (inputs) necessary to implement plans. The Committee is concerned that corporate plans seem at odds with activities actually carried out by agencies, or are not integrated into the budgeting process. While work needs to be undertaken to achieve such a nexus, in the short term every effort should be applied to ensuring the quality of information contained in the Budget Papers.

Although some improvements have occurred in respect of the 2000-2001 year, there remains considerable scope to better define outcomes required, the outputs needed to achieve the outcome as defined and the further development of meaningful performance measures that
can assist in determining whether outputs are achieving departmental objectives.

Careful attention needs to be paid to the survival rate of performance indicators. All too often, batches of performance indicators are created for use in a period’s budget reporting, only to be discarded within a short period of time. This means that time series comparison of agencies reported performance information becomes extremely difficult. Where possible, turnover in performance measures, or alterations to the manner in which performance indicators are calculated, needs to be minimised across time. This process may be assisted if agencies are required to comment on any additions and deletions to their reported performance indicator series from budget period to budget period.

The Committee believes that formalised criteria should be developed to assist with making decisions about the adoption of changes to performance measures. These would place particular emphasis on the benefits to be gained from the introduction of new performance indicators, as well as a clear explanation of the nature of the redundancy of indicators deleted or proposed to be deleted.

Accordingly, the Committee recommends that:

**Recommendation 4.4:**

Changes to performance indicators be minimised, where possible, and that explanations accompany the addition or deletion of performance indicators.

Although the adoption of a budgetary framework labelled as output based has now become the predominant means of budgetary presentation in many Australian jurisdictions, a great deal of work remains to extract benefit from the methodology. Budget processes and documents have traditionally focused on the level of inputs to be allocated to a particular agency or activity within an agency.
As a result, much of the discussion and controversy which has historically surrounded budgets and budgetary processes has centred on the availability and quantum of inputs to be made available to support the continuation and/or growth of a particular function. Viewed in that way, budgets are one dimensional documents whose only purpose is to control the level of resources available to and utilised by an agency in the conduct of its operations, with emphasis on the limitation of expenditure overall, and the strict segmentation of approved expenditure into preordained subcategories of expense. This approach to budgetary construction and management placed a high degree of emphasis on the control and management of cash resources.

The Committee is concerned that mere presentation of data concerning the quantum of outputs acquired or planned to be acquired during a particular period of time, alongside accrual based financial data (generally at a highly aggregate level) and perhaps some performance indicator data, will not of itself achieve better accountability or performance outcomes. The key to deriving the most value from an output based budgeting system is to truly base the budgeting process around outputs, rather than utilising a system which remains related to an input based budgeting system in all but name.

The Committee believes that the Parliament should be provided with data which allows Members to independently and critically evaluate the extent to which the Government has achieved its stated goals over a given period of time. Under those conditions, financial aggregates, while still important, are not paramount. On the contrary, it is the objectives, the desired outcomes which drive the process, leading to consideration of the quantum of outputs needed to achieve those outcomes. No meaningful attempt has yet been made in the Budget Papers to address this set of linked concepts.

The Committee identified several instances where the key Government outcomes required are more closely related to a visionary statement, rather than a definitive statement on what is
intended to be achieved. As an example, the Department of State and Regional Development has 10 output groups, covering areas such as industrial relations, sport, recreation and racing, small business, science, technology and innovation and industry and regional development, for which there is only one outcome listed, namely “growing the whole of the state.” Similarly, the outcome for the Women’s Policy output group within the Department of Premier and Cabinet is “making life better for women”. The Committee considers it would be very difficult to envisage how such outcomes could be linked to performance measures and outputs that could determine whether such outcomes are being achieved.

Many examples could also be found where the performance measures listed to evaluate outputs were meaningless. For example, the Department of Treasury and Finance has as a performance measure “daily management of balance within the Public Account” with a 1999-2000 target of 365 days, an expected outcome of 365 days for 1999-2000 and a 2000-2001 target of 365 days. There were no performance measures listed that could indicate how effective the management of the Public Account was in terms, for example, of the adequacy of short-term investment returns achieved.

Accordingly, the Committee recommends that:

**Recommendation 4.5:**

Further attention be given by the Government to the ongoing development of meaningful performance measures, especially of a qualitative nature that accurately reflect the nexus between Government policy and departmental strategic directions.

The Budget Estimates are approved by Parliament, but are subject to detailed scrutiny by the Public Accounts and Estimates Committee after Parliamentary approval is given. During the scrutiny process, the Committee was advised by the Minister for Police and
Emergency Services and the Chief Commissioner of Police, that an error was found and as a result, the approved parliamentary funding for six of the seven output groups was amended by the Department of Justice without any advice to the Parliament. Exhibit 4.1 shows the impact of the error on the output group amounts approved by Parliament and the correct output group amounts for 2000-2001:

**Exhibit 4.1**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Safety</td>
<td>62.5</td>
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<td>70.1</td>
<td>0</td>
</tr>
<tr>
<td>Crime Prevention and Community Support Programs</td>
<td>394.4</td>
<td>374.5</td>
<td>381.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Incident and Event Management</td>
<td>91.4</td>
<td>92.2</td>
<td>85.1</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Crime Investigations</td>
<td>231.4</td>
<td>220.3</td>
<td>216.2</td>
<td>(4.1)</td>
</tr>
<tr>
<td>Road Safety and Road Trauma Reduction</td>
<td>87.1</td>
<td>98.7</td>
<td>82.3</td>
<td>(16.4)</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>233.2</td>
<td>192.2</td>
<td>218.2</td>
<td>26.0</td>
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<td>Information and Licensing Services</td>
<td>34.2</td>
<td>37.7</td>
<td>32.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1134.2</strong></td>
<td><strong>1085.7</strong></td>
<td><strong>1085.7</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

Source: Correspondence received from the Department of Justice, dated 27 July 2000

The explanation provided to the Committee 39 was that the figures had been wrongly transposed in compiling the table for incorporation into Budget Paper No. 3. 40

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38 Output group funding allocations approved by the Parliament
40 2000-2001 Budget Paper No. 3, Budget Estimates, Table 2.4.1, p. 158
The Committee acknowledges that even in the best of circumstances, errors can occur. However, where funding approved by Parliament requires subsequent amendment, the Committee believes that Parliament must be advised by the responsible Minister of any material amendments to the approved budgets.

The Committee is concerned that a balance needs to be struck between departments operating with some flexibility in the management of expenditure, and the important role of discharging accountability to the Parliament. The Committee believes that, on occasions, this balance may be assisted by the creation of a set of materiality guidelines. Appropriate materiality thresholds may be those adopted by the Auditor-General in the preparation of the general purpose financial statements of each of the individual budget agencies, meaning that thresholds would vary from agency to agency based largely on size, as measured by relevant financial aggregates.

Accordingly, the Committee recommends that:

**Recommendation 4.6:**

*In circumstances where budgets approved by Parliament require a subsequent material amendment, a protocol be developed requiring that such amendments are brought to the attention of the Parliament within two sitting weeks.*

When considering the estimates for the Community Services Portfolio within the Department of Human Services, the Committee established that despite the output group summary recording the 2000-2001 budget for Concessions to Pensioners and Beneficiaries as $280.7 million, detailed information on this output group only referred to expenditure of $222.4 million.

The Committee established that the shortfall of $58.3 million represented transport concessions provided by the Department of
Infrastructure, however, no reference to the amount was provided in the Budget Papers.

Accordingly, the Committee recommends that:

**Recommendation 4.7:**

*Details of expenditure under all output groups be provided in the Budget Papers. For example, if transport concessions represent expenditure by the Department of Infrastructure, then details should be provided in that department’s budget.*

### 4.1 Productivity charge and efficiency dividend

For the years 1999-2000 and 2000-2001, the Government imposed a 1.5 per cent productivity charge on all departments. This charge, which has also been imposed in previous years, required departments to achieve savings of at least 1.5 per cent in respect of their budgets. However, certain exemptions and exclusions occurred in determining the base for the calculation. For example, areas providing policy advice to the Government were generally exempt from the productivity charge.

The savings to be achieved by each department were calculated in advance by the Department of Treasury and Finance and taken into account as part of the budget process.

In addition to the productivity charge, the Government also imposed a one per cent efficiency dividend on all supplies and consumables. The Committee, through its questionnaire to all departments, reviewed the extent of savings achieved as a result of the above initiatives, whether there was any impact upon service delivery and the process utilised by each department in identifying areas where budget reductions were to occur.
From the information provided, aggregate savings of $100.7 million were achieved by departments in 1999-2000 and it is anticipated that further savings of $92.9 million will occur in 2000-2001 as a result of the 1.5 per cent productivity charge. In addition, total savings of $24.9 million were achieved in 1999-2000 from the efficiency dividend and a further $39.5 million is projected for 2000-2001.

Most departments took into account the productivity charge before budget allocations were made and therefore the charge was absorbed across the respective output groups, except where certain outputs were exempt from the charge. With respect to the efficiency dividend, this was only to be applied to supplies and consumables, including the use of consultants and contractors.

Based on departmental responses to the Committee’s questionnaire, the most common areas where savings were achieved was through the reduction in executive officer positions, reduced expenditure on marketing and advertising, restricting the use of consultants and contractors, tighter controls on the use of credit cards and reductions in expenditure on low priority areas of activities. The Department of Human Services reported that substantial savings were achieved through the abolition of Health Care Networks and reducing the price paid by the Department for services provided to it by funded non-government agencies.  

In addition to the above areas, several departments reported increased efficiencies and economies through expanded use of e-commerce and information technology business systems. Nevertheless, there was some concern expressed by the Department of Justice that ongoing investment in new business systems is harder to achieve due to budget saving measures such as the productivity dividend requirement.

41 Department of Human Services response to the Committee’s 2000-2001 estimates questionnaire, Part C, pp. 8-9
In general, departments advised the Committee that implementation of the productivity charge and the efficiency dividend were able to be achieved without impacting upon service delivery. Notwithstanding this, the Committee is concerned that the formulation of a budgetary strategy around standardised cuts in outlays across output groups can be detrimental under certain conditions.

4.2 Capital asset charge

The capital asset charge (CAC) is now an entrenched part of the budgetary process. While in its present operation it should be budget neutral (i.e., capital asset charges levied on agencies should be offset by additional revenue grants), it nevertheless forms an important part of the inventory of financial and budgetary management tools now applied within the Victorian budgetary framework. Important data which should be clearly disclosed within the Budget Papers should include the rate at which the capital asset charge was levied on an agency, as well as the asset base over which the asset charge was levied. Where the rate at which the capital asset charge (CAC) levied against the assets of a particular entity is a unique rate, a disclosure of that rate together with the methodology for determining that rate should be provided.

Additionally, where and if full reimbursement of capital charges levied on entities is not received, a statement of the net deficiency self-funded by the agency should be made, as well as a certification that the funding deficit will not, in the view of responsible authorities, lead the agency to suffer financial hardship. The latter issues will not yet have had an effect in Victoria. However, international experience with the implementation of capital charges (particularly in New Zealand and in some sectors of the UK public sector) have revealed considerable implementation problems with the technique, particularly where full compensation is not paid to some agencies for the charges levied against them. This is an important issue, because less than full compensation of capital charges is a mechanism for providing a budget cut to departments.
At present, detailed disclosure surrounding capital asset charging is a deficiency in overall budgetary disclosures.

Accordingly, the Committee recommends that:

**Recommendation 4.8:**

Supplementary disclosures relating to the operation and effect of the Capital Asset Charge be made within Budget Paper No. 3.
CHAPTER 5: THE GST IN THE VICTORIAN PUBLIC SECTOR

Key Findings:

5.1 Noting that GST revenues will flow to the States, Victorian Government departments have reported the need to absorb costs of approximately $23.2 million to become GST compliant. This figure does not include on-going compliance costs post 2000-2001.1

5.2 The key challenge for departments and agencies is the recovery of embedded tax savings, given that the funding has already been deducted from budgets.

5.3 The GST legislation has already been subjected to significant change since its introduction, and departments and agencies have had to continually adjust to address these changes and will continue to do so.

5.1 The Goods and Services Tax

The Commonwealth Government recently introduced a 10 per cent Goods and Services Tax (GST) to apply from 1 July 2000.

The GST applies to Government services in a similar manner to goods and services in the private sector. Accordingly, the Government collects GST on all non-exempt goods and services provided and claims input tax credits for the amount of GST paid on its purchases of goods and services.
5.2 Reform of Commonwealth-State financial relations

The Commonwealth and State Governments signed an Inter-Governmental Agreement on 9 April 1999 detailing arrangements for the reform of Commonwealth-State financial relations. Under this agreement, the States would receive all revenue generated by the GST as compensation for the abolition of nine indirect taxes; the elimination of financial assistance grants; a reduction in gambling taxes; and assuming responsibility for the funding of local government and a new first home owners’ scheme.

In addition, the Commonwealth would provide additional funding to offset any shortfall between the States’ GST revenue entitlement and the amount of funding foregone as a result of the new arrangements. While the length of time for this assistance was not stated in the Agreement, it was estimated that Victoria would require assistance until 2003-2004.

Further changes to the GST package, requiring a second Inter-Governmental Agreement, resulted from negotiations between the Commonwealth Government and the Australian Democrats on 28 May 1999. The most significant of these changes was the exemption of some foods from the GST. This exemption reduced the pool of revenue for distribution to the States by an estimated $3.2 billion in 2000-2001, $3.8 billion in 2001-2002 and $4 billion in 2002-2003.

In order to offset this shortfall, a number of measures were introduced, including:

- deferring the abolition of financial institutions duty by six months to 1 July 2001;
- delaying the abolition of the debits tax to 1 July 2005;
- the planned abolition of the remaining seven state taxes, with the exception of bed taxes and stamp duty on quoted marketable securities, was deferred pending a review in 2005; and
retention of funding responsibility for local government by the Commonwealth.

While the provision of additional funding by the Commonwealth was to remain, the period of this assistance is now longer, with Victoria not expected to gain from the Agreement until 2007-2008.

The impact, on a cash basis, of all GST related measures on Victoria's budget for the period 2000-2001 to 2003-2004 is shown in Exhibit 5.1.
### Exhibit 5.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST revenue</td>
<td>5061.1</td>
<td>6109.8</td>
<td>6205.9</td>
<td>6520.8</td>
</tr>
<tr>
<td>Growth dividend</td>
<td>27.2</td>
<td>36.7</td>
<td>49.9</td>
<td>64.0</td>
</tr>
<tr>
<td>Financial institutions duty</td>
<td>—</td>
<td>-342.2</td>
<td>-386.7</td>
<td>-398.3</td>
</tr>
<tr>
<td>Debits tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>—</td>
<td>-205.4</td>
<td>-226.9</td>
<td>-240.5</td>
</tr>
<tr>
<td>Gambling taxes</td>
<td>-358.2</td>
<td>-384.7</td>
<td>-400.4</td>
<td>-414.5</td>
</tr>
<tr>
<td>Safety net revenues</td>
<td>-1,474.2</td>
<td>-1,606.6</td>
<td>-1,671.5</td>
<td>-1739.3</td>
</tr>
<tr>
<td>Off road diesel rebate</td>
<td>45.4</td>
<td>52.4</td>
<td>55.2</td>
<td>58.2</td>
</tr>
<tr>
<td>WST equivalent payments from GBEs</td>
<td>-5.0</td>
<td>-5.0</td>
<td>-5.0</td>
<td>-</td>
</tr>
<tr>
<td>Financial assistance grants</td>
<td>-3,632.6</td>
<td>-3,740.3</td>
<td>-3,815.5</td>
<td>-3929.2</td>
</tr>
<tr>
<td>forgone</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total change in revenue</strong></td>
<td>-336.3</td>
<td>-85.3</td>
<td>-195.0</td>
<td>-78.8</td>
</tr>
<tr>
<td><strong>Change in expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Home Owners' Scheme</td>
<td>236.8</td>
<td>242.0</td>
<td>246.9</td>
<td>252.2</td>
</tr>
<tr>
<td>Embedded tax savings</td>
<td>-100.4</td>
<td>-107.4</td>
<td>-115.0</td>
<td>-122.9</td>
</tr>
<tr>
<td>Interest cost on changed</td>
<td>7.5</td>
<td>3.4</td>
<td>4.2</td>
<td>-</td>
</tr>
<tr>
<td>Commonwealth payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursement of ATO</td>
<td>201.3</td>
<td>93.1</td>
<td>92.3</td>
<td>90.7</td>
</tr>
<tr>
<td>administration costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total change in expenditure</strong></td>
<td>345.2</td>
<td>231.1</td>
<td>228.4</td>
<td>220.0</td>
</tr>
<tr>
<td><strong>Net budget impact prior to Commonwealth transitional guarantee</strong></td>
<td>-681.5</td>
<td>-316.4</td>
<td>-423.4</td>
<td>-298.8</td>
</tr>
<tr>
<td><strong>Net Commonwealth guarantee payments</strong></td>
<td>681.5</td>
<td>316.4</td>
<td>423.4</td>
<td>298.8</td>
</tr>
<tr>
<td><strong>Net budget impact after Commonwealth transitional guarantee</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

The Committee's review of the GST's impact on Victoria's budget shows the following:

- revenue obtained from the GST is expected to be $5.06 billion in 2000-2001 increasing 28.8 per cent to $6.52 billion in 2003-2004;
- gambling tax revenue will decrease by $358.2 million in 2000-2001 and by $414.5 million in 2003-2004;
- the level of financial assistance grants to Victoria will decrease by $3.6 billion in 2000-2001 and $3.9 billion in 2003-2004;
- Victoria's responsibility to administer the First Home Owners' Scheme will cost $236.8 million in 2000-2001 rising to $252.2 million in 2003-2004;
- the Victorian public sector will be required to fund non-negotiable embedded tax savings of $100.4 million in 2000-2001 increasing to $122.9 million in 2003-2004; and
- the total impact on revenue in 2000-2001 is a shortfall of $336.3 million with a corresponding increase of $345.2 million in expenditure, this results in a net negative impact of $681.5 million which will be reimbursed through the Commonwealth Government's guarantee payments to ensure the net budgetary impact is zero.

5.3 GST compliance across the Public Sector

The passing of National Taxation Reform legislation by the Commonwealth Parliament in June 1999 required the Government to introduce a mechanism whereby departments and agencies were prepared for the introduction of the GST on 1 July 2000. One of the key actions of the Government was the establishment of the GST Implementation Unit (the Unit) within the Department of Treasury and Finance in July 1999.
The Unit was assigned the responsibility to drive and co-ordinate the implementation process, and liaise with departments and agencies across portfolios to ensure a coordinated approach to implementing the tax across Government. In addition, a number of key stakeholders were assigned responsibilities, namely:

- the development of implementation standards and monitoring compliance was the responsibility of the Minister for Finance;
- Ministers were responsible for the implementation process in their portfolios;
- Department Heads and Chief Executive Officers were responsible for implementation at an agency level and ensuring compliance with ATO tax obligations; and
- portfolio coordinators had to provide relevant information on the GST to agency CEO's within the portfolio.

The Unit developed a five phase implementation methodology which allowed departments and agencies to follow a systematic approach to the implementation of the GST. This methodology outlined the critical tasks to be undertaken by each agency and a completion date for each phase.

**Exhibit 5.2**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Scoping and Analysis</td>
<td>15 January 2000</td>
</tr>
<tr>
<td>2. Preparation and Design</td>
<td>31 January 2000</td>
</tr>
<tr>
<td>3. Modification and Change</td>
<td>14 April 2000</td>
</tr>
<tr>
<td>4. Testing and Implementation</td>
<td>9 June 2000</td>
</tr>
<tr>
<td>5. Compliance and Review</td>
<td>6 October 2000</td>
</tr>
</tbody>
</table>

The Committee considers the modification of systems and business processes to be vital in an agency’s ability to calculate its GST liability and to claim input tax credits in a timely manner. Accordingly, the
completion of the five phase approach by the designated completion date was fundamental to this process. The Auditor-General was particularly concerned that at 2 May 2000 only 30 per cent of selected public sector agencies were on target to be GST compliant by 30 June 2000, and it appeared unlikely that all agencies would achieve compliance by the designated time.42

However, the Committee was advised of the following progress:43

- 96.5 per cent of the 123 public sector agencies who reported their phase 4 GST implementation progress via the GST Quality Assurance and Progress Reporting system managed by Department of Treasury and Finance were confident of, or on target for, completion of all major GST implementation tasks by 30 June 2000;

- at 9 June 2000, it was estimated that about seven per cent of all agencies were still significantly behind schedule, however most of these agencies were small; and

- the actual outcome of completion testing and implementation will not be known until a post implementation review is completed.

The Committee understands the enormous task that faced the Government to ensure all public sector agencies were GST compliant at 30 June 2000, only 12 months after the legislation was passed by the Commonwealth Parliament. However, it will be very important for the Government to closely monitor the implementation of GST compliant systems and processes by agencies.

Accordingly, the Committee recommends that:

42 Auditor-General's Report on Ministerial Portfolios, June 2000, p. 344
43 Correspondence received from the Secretary of the Department of Treasury and Finance, dated 5 October 2000
Recommendation 5.1:

The Government conduct, as soon as practicable, a post implementation review on the introduction of GST compliance systems and processes.

5.4 Cost of compliance from a central agency and departmental perspective

5.4.1 Central agency coordination and facilitation

The Committee was informed that the budget allocation for the Department of Treasury and Finance to coordinate the implementation of all aspects of National Tax Reform was $15 million over two years, including $10 million for 1999-2000 and $5 million in 2000-2001. The $15 million includes all commitments under the Inter-Government Agreement beyond GST compliance, such as administration of the First Home Owners' Scheme and the abolition of selected State taxes.

The budget allocation specifically relating to GST implementation and tax compliance activities of the Department of Treasury and Finance was $8 million in 1999-2000 and $4 million in 2000-2001. The Committee was advised that $6.7 million of this funding had been expended at 30 June 2000, including:

- $4.56 million on consultancies for guideline implementation methodologies, technical advice for the Department of Treasury and Finance, departments and agencies, seminars and training;
- $670 000 for central support mechanisms such as the Internet based GST Knowledge Centre and the GST Quality Assurance and Progress Reporting System; and
- $1.34 million for the GST Implementation Unit staffing and associated costs.

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44 Ibid
An amount of $1.5 million was carried over into 2000-2001 (budget now totals $5.5 million) for the conduct of post implementation compliance reviews, the provision of tax advice, establishing a whole of Government Tax Compliance Monitoring function and compliance support mechanisms such as the Tax Knowledge Centre website.

5.4.2 Departmental costs of compliance

A major aim of the Government was for departments to fund their own internal costs of complying with the new tax system. In response to Part A, Question 6.5 of the Committee's questionnaire, each department provided information on the estimated cost of complying with the new system. Exhibit 5.3 shows these estimated costs:

Exhibit 5.3

<table>
<thead>
<tr>
<th>Department</th>
<th>Cost of compliance ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>7,270,000</td>
</tr>
<tr>
<td>Human Services</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Justice</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Parliament</td>
<td>100,000</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>88,000</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>315,000</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>33,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23,206,000</strong></td>
</tr>
</tbody>
</table>

Exhibit 5.3 shows that departments have reported the need to absorb approximately $23.2 million to become GST compliant, however this figure does not include on-going compliance costs post 2000-2001.
The Committee was advised there is no estimate of the GST implementation cost across Government available at this time, however the Department of Treasury and Finance is considering collecting this information as part of its Strategic GST Impact and Risk Analysis Review to be commissioned in the near future.\footnote{Ibid}

The Committee is concerned at the extent of costs absorbed by departments to become GST compliant, particularly the five departments absorbing over $1 million to date.

Accordingly, the Committee recommends that:

**Recommendation 5.2:**

The Department of Treasury and Finance collect the following information relating to the GST:

(a) the costs absorbed by departments and agencies to date; and

(b) the source of funding compliance costs.

**5.5 Major challenges facing the Victorian Public Sector**

The implementation of the Commonwealth Government's National Taxation Reform package has been, and continues to be, an extremely large and complex exercise. Observations of consultants with experience in the implementation of similar systems overseas suggests the following:\footnote{Presentation by Dr. P Rosendale, Assistant Director, Policy Development and Planning Division, Department of Human Services, Department of Treasury and Finance Open Day, 25 August 2000}

- the minimum time requirement for implementation subsequent to legislation being passed in overseas experience was 18 months, whereas the implementation period in Australia was 12 months with the legislation continuously and significantly modified during that time;
implementation costs overseas range from two to five per cent of turnover. While the overall cost of the Victorian experience is yet to be calculated, the costs are expected to be substantial;

- legislation overseas would undergo continuous modification for at least five years; this process has already started in Australia and will continue in the short and medium-term; and

- overseas businesses modify their business processes over time in reaction to the new tax regime and while this has yet to occur in Victoria, major shifts in cashflows are currently occurring as Government reviews the timing of GST payments relative to the timing of claiming input tax credits.

The Committee believes the implementation of the new tax regime has presented, and will continue to present, a number of challenges for departments and agencies.

5.5.1 Australian Business Number Registration

A significant administrative change resulting from the introduction of the new tax system was the requirement for agencies to register with the Australian Taxation Office and receive an Australian Business Number (ABN).

The Committee is aware of the Auditor-General’s concerns at 2 May 2000 that a substantial number of Government agencies may not be registered prior to the GST’s commencement on 1 July 2000.47 However, the Committee was informed that 99 per cent of Victorian Public Sector agencies had an ABN by August 2000 and the gap mainly related to agencies that were covered by a parent organisation but were considering whether to register separately.48

48 Correspondence received from the Secretary of the Department of Treasury and Finance, dated 5 October 2000
The Committee noted there are areas where the registration process is yet to be completed, namely:

- the transfer from the PAYE to the PAYG system where the Australian Taxation Office is to automatically transfer existing PAYE arrangements of the Victorian public sector to the PAYG registration system. However, the Australian Taxation Office is having difficulty reconciling the two systems and this process is continuing; and

- the re-application for Income Tax Exempt Charity (ITEC) and Deductible Gift Registration (DGR) status has not yet been completed for agencies such as public hospitals, ambulance services and other educational and charitable agencies due to a lack of information from the Australian Taxation Office on the method to apply for this status.

The Committee urges the Department of Treasury and Finance to resolve with the Australian Taxation Office, as quickly as possible, all outstanding issues relating to the registration of public sector agencies.

5.5.2 Embedded tax savings

One of the major challenges facing public sector agencies in 2000-2001 and beyond is the estimation and recovery of embedded tax savings. The Committee notes the model used by the Commonwealth Government to balance the tax reform package included an estimate of savings that would accrue to the Victorian Government due to the removal of wholesale sales tax and the reduction in fuel excises.

The Commonwealth Government effectively reduced funding to Victoria by this estimate which was then passed on to departments and agencies in the form of funding reductions. Accordingly, a major exercise in the 2000-2001 budget process was the analysis of departmental transactions, in conjunction with the Department of Treasury and Finance, to estimate embedded tax savings. As shown
in Exhibit 5.1, the Government has estimated embedded tax savings to be $100.4 million in 2000-2001, rising to $122.9 million by 2003-2004.

The key challenge for departments and agencies is to ensure they can achieve these estimated embedded tax savings, given that the funding has already been deducted from their budgets. The Committee believes that the Government needs to closely monitor the achievement of these estimated savings to ensure that shortfalls do not impact on service delivery.

5.5.3 Continuous changes to tax reform legislation

As previously stated, overseas experience in implementing similar systems shows that the legislation will be subjected to continuous change in the short and medium-term. Given that the legislation has already been subjected to significant change since its introduction, departments and agencies have to continually adjust to address these changes.

Accordingly, the Committee recommends that:

**Recommendation 5.3:**

The Government closely monitor the impact of GST legislative changes on the operations of departments and agencies, particularly the extent of continuous compliance costs.

5.6 Post implementation opportunities

The Committee notes that the fifth and final phase of the Department of Treasury and Finance's implementation process involves a compliance review. The Committee believes this phase not only represents the chance to review the framework established to implement the new tax system, but also to identify areas where improvements and efficiencies can be introduced.
Accordingly, the Committee recommends that:

**Recommendation 5.4:**

The Government include within the scope of its GST post implementation review:

(a) difficulties with the process that have been identified but not changed;

(b) a re-examination of the existing GST compliance function such as the current cashflow impacts;

(c) monitoring the extraction of embedded taxes to ensure that all possible savings have been identified and recovered; and

(d) the administration of the tax within an agency such as structuring of transactions, that will optimise the tax and service delivery outcomes.
CHAPTER 6: MANAGEMENT REFORM PROGRAM AND A REVIEW OF ANNUAL REPORTS FOR 1998-1999

Key Findings:

6.1 The Management Reform Program (MRP) is making a major contribution towards improving the efficiency and effectiveness of the services delivered to Government and the community.

6.2 Following the need to implement new financial and management systems to implement the MRP, a fragmented mixture of computer systems has been installed in the various Departments, some of which are not ideal. Other systems may not necessarily integrate with those operated by the Department of Treasury and Finance.

6.3 While corporate service areas were aware of the requirements and benefits of the MRP, this was not necessarily the situation with other staff, particularly at the lower classifications. Better communication and training is important including more involvement by the Department of Treasury and Finance in this process.

6.4 The MRP places a strong emphasis on testing existing outputs against external benchmarks or benchmarks elsewhere in the public sector. Apart from the difficulty of determining appropriate benchmarks for services, especially those of a unique nature to Government, from the experience of departments this was often seen as a costly exercise in return for minimal tangible benefits.
6.5 A consultant's review of twelve annual reports for 1998-1999 found:

- in eight of the twelve cases (67 per cent), the department or agency reported goals/objectives. However, in almost all cases they were expressed in very general terms so as to be of little use from either a management or accountability perspective;

- in seven of the twelve cases (58 per cent) agencies did report under the heading performance/achievements. However, in most cases “activity” was substituted for outcome and only the Department of Justice made any references to the benchmarking of performance information;

- only half of the agencies provided a financial summary, and, in most cases, financial information was by far the most poorly reported information;

- only half of the annual reports reviewed appeared to be focused on meeting accountability requirements with the remainder concerned about public relations;

- only 25 per cent of agencies provided a detailed and comprehensive account of achievements; and

- only 42 per cent of these reports were considered to be frank and credible.

6.6 The Committee found that six of the twelve annual reports provided a financial summary. However, in only four of these cases was the information helpful.

6.7 In almost all cases (except the Department of Premier and Cabinet), the financial statements provided little more than the minimum amount of information.
6.1 Introduction

In 1997 the previous Government introduced a new concept in budget sector management known as the Management Reform Program (MRP).

The MRP is designed to be a management framework which supports the achievement of the Government’s key budgetary, economic, financial and management reform objectives. The Bracks Government has endorsed the framework for the program and is continuing to improve public sector management through a range of strategies.

The program aims to deliver:

- enhanced strategic control over Government spending;
- fiscal responsibility;
- improved transparency and accountability; and
- improved efficiency in service delivery.

At the time of introducing these management reforms, it was anticipated it would take between three to five years for full implementation.

6.8 Annual reporting in the Victorian Public Sector is still primarily concerned with financial accountability rather than providing adequate performance information. It appears the Department of Treasury and Finance has not given adequate consideration to the Committee’s previous recommendations to update reporting directives relating to annual reporting to reflect the new financial and output management framework.
6.2 Implementation of the management reform program

Given that the Management Reform Program was introduced in 1997, the Committee sought information from departments as to the benefits to date of the reforms and any scope for improvement. The Department of Treasury and Finance also recognised the need to evaluate the project at this stage and issued a self-evaluation framework to all departments, the results of which were reported to the Expenditure Review Committee in October 2000.49 Changes to the Program, particularly in relation to improving identification of outcomes, are expected to result from this evaluation.

The responses received from departments by the Committee commented favourably on the overall benefits of the Management Reform Program. Typical comments included that as a result of the introduction of these reforms:50

- assets were more effectively managed in their contributions to outputs;
- budget processes had improved as a result of output costing and quarterly reporting on output performance;
- greater emphasis was placed on more effective business planning;
- in the past the emphasis was on outputs only, rather than ultimate outcomes. This was slowly being replaced by strategies of directly linking outputs to desired outcomes;
- staff were forced to measure what they did, the relevance of what they did, and how they did it in terms of their contribution towards achievement of outputs;
- there was a strong emphasis on risk management and risk management plans in order to manage operational risks associated with output provision;

49 Correspondence received from the Department of Treasury and Finance, dated 5 October 2000
50 Departmental responses to the Committee’s 2000-2001 estimates questionnaire, Part C, Question 3
new financial and management systems had to be introduced to cost outputs, including overheads on an accrual basis and to collect data to enable performance monitoring;

new skills were required, and as a result there was an increase in training and professional development leading to a more highly skilled workforce; and

as a result of more accurate costing of outputs, Government was in a better position to determine the value of services purchased and to consider alternative suppliers or strategies to achieve outcomes.

Judging by the comments received, the management reforms are contributing towards further improving the efficiency of the Victorian Public Sector. The Government has more reliable and detailed information on State asset holdings, performance of departments and agencies, and the cost of providing specified outputs. Such knowledge leads to better decision making when determining policies, strategies and resource allocations.

While acknowledging the benefits of the reforms, the Committee believes that several important areas still need to be addressed. The Committee observed many instances in its review of the Budget Estimates for 2000-2001 where the outputs identified, with the performance indicators listed in the Budget Papers, did not necessarily link to the desired Government outcome.

While there have been further improvements in financial reporting, the Committee is concerned that the development of high level performance information relating to outcomes has not kept pace with these improvements.
As well, the various departments advised the Committee of several problems with the reforms and indicated the need for improvement in certain aspects:51

- if performance is poor, a department is (correctly) penalised in terms of budget allocations. However if a department generates a surplus due to good management, it must apply to the Department of Treasury and Finance before this surplus can be utilised in the following year;

- in large departments the defined outputs can be overly broad. For example, while a department may have a range of outputs, this could represent hundreds of separately identifiable projects and activities. As such, inefficiencies or poor performance in some areas would not be identifiable in the achievement of the overall output;

- more effort needs to be applied to accurately identifying all costs and overheads attributable to specific outputs;

- following the need to implement new financial and management systems, a fragmented mixture of computer systems has been installed in the various departments, some of which are not ideal. Information produced by some systems may not complement information generated from systems operated by the Department of Treasury and Finance;

- most productivity improvements have resulted from the implementation of new information technology systems. However, with the ongoing requirement for departments to provide efficiency dividends and meet productivity charges, funding to implement these costly systems is becoming increasingly difficult to obtain. In addition, it was seen by some departments as increasingly difficult to maintain existing systems;

51 Departmental responses to the Committee’s 2000-2001 estimates questionnaire, Part C, Question 3
while corporate service areas were aware of the requirements and benefits of the management reforms, this was not necessarily the situation with other staff, particularly at the lower classifications. Better communication and training was seen as important including more involvement by the Department of Treasury and Finance in this process;

some departments considered that, on occasions, insufficient recognition was given by Government to the capacity of certain output groups to provide a high quality service or output with the resources, skills and assets available; and

the Management Reform Program places a strong emphasis on testing existing outputs against external benchmarks or existing benchmarks elsewhere in the public sector. Apart from the difficulty of determining appropriate benchmarks for services, especially those of a unique nature to Government, from the experience of one department, this was often seen as a costly exercise in return for minimal tangible benefits.

The Committee considers that:

- due to the 'top down' approach inherent in the management reforms, it is critical that the Government places heavy emphasis on properly defining its intended outcomes in order that the right outputs can be generated to meet these outcomes;
- there still remain a number of areas which must be addressed by Government, particularly in relation to identifying the most appropriate outputs needed to produce the outcomes intended by Government;
- many of the performance measures are not related to performance as they do not provide information about the achievement of objectives; and
given the implementation process is into its third year and the substantial level of resources directed towards the implementation of the program, there is a need for a comprehensive review of the Management Reform Program by the Auditor-General to ensure the Government is deriving the benefits originally expected.

### 6.3 Quality of annual reporting in the Victorian Public Sector

Over the past few years, Victoria has introduced sweeping public sector reforms which have changed the way Government services are planned, costed, delivered, monitored and reported on.

As departments and agencies find new ways of doing business, the Parliament and the community must have the means to assess how well policies, programs and services are being delivered.

In the past, annual reporting by departments and agencies has focussed heavily on inputs, processes and compliance rather than on outputs, outcomes and accountability for performance. Even though departments and agencies are now shifting their emphasis to the management of results, annual reporting in the Victorian Public Sector is still primarily concerned with financial accountability rather than providing adequate performance information.

Annual reports serve as a critical component in determining the accountability of the Executive to the Parliament and the community. They provide the means by which Department Heads and Chief Executive Officers can fully account to the Parliament for the operations of their departments and agencies. It is therefore essential that annual reports contain complete, accurate and meaningful information in a form that can be readily accessed by Members of Parliament and the community.

As the Committee is concerned about the quality of annual reports, the Committee asked Mr Alan Bridges, a former adjudicator with the NSW Annual Reports Awards and an adviser to the NSW Public
Bodies Review Committee, which examines the annual reports of all NSW Public Bodies, to assess the annual reports of twelve departments and agencies for the 1998-1999 financial year.

The annual reports were assessed against a broad range of criteria.

Exhibit 6.1 shows the overall results of the consultant’s evaluation summarised for the four main categories of assessment criteria:

**Exhibit 6.1**

<table>
<thead>
<tr>
<th>Department Annual Report</th>
<th>Objectives Reported</th>
<th>Performance / Outcomes Reported</th>
<th>Outcomes explicitly linked to Objectives</th>
<th>Reader Useful financials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>No</td>
<td>Maybe</td>
<td>Maybe</td>
<td>Yes</td>
</tr>
<tr>
<td>EPA</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Human Services</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Yes</td>
<td>Yes</td>
<td>Maybe</td>
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</tr>
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<td>Justice</td>
<td>No</td>
<td>Some</td>
<td>Maybe</td>
<td>No</td>
</tr>
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<td>Natural Resources and Environment</td>
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<td>Maybe</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>State Development</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
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<td>State Trustees</td>
<td>Yes</td>
<td>Maybe</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
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</tr>
<tr>
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<td>Yes</td>
<td>Maybe</td>
<td>Maybe</td>
<td>No</td>
</tr>
<tr>
<td>Vic. WorkCover Authority</td>
<td>Yes</td>
<td>Maybe</td>
<td>Maybe</td>
<td>No</td>
</tr>
</tbody>
</table>
The consultant’s assessment of the level of performance and financial information contained in the annual reports reviewed shows:

- in eight of the twelve cases (67 per cent) the agency reported goals/objectives, however in almost all cases, they were expressed in very general terms so as to be of little use from either a management or accountability perspective;
- in seven of the twelve cases (58 per cent) agencies did report under the heading performance/achievements. However in most cases “activity” was substituted for outcome and only the Department of Justice made any references to the benchmarking of performance information;
- only half of the agencies provided a financial summary, and, in most cases, financial information was by far the most poorly reported information;
- only half of the annual reports reviewed appeared to be focused on meeting accountability requirements with the remainder concerned about public relations;
- only 25 per cent of agencies provided a detailed and comprehensive account of achievements; and
- only 42 per cent of these reports were considered to be frank and credible.

6.3.1 Disclosure of goals/objectives set for the 1998-1999 period

Without clear and specific objectives, together with targets set for the level of outcomes required, it is extremely difficult for the Parliament and the community to make a reliable judgement about the performance of a department or agency.

The consultant found that:

- all twelve agencies listed in the Compliance Index where objectives might be located, however, these could be found in only eight cases;
of all the objectives reported by these eight organisations, only one objective of one agency (State Trustees) was expressed in specific terms;

- the Department of Infrastructure had a quantifiable objective which embodied a target. However, this target involved a long-term timeframe of 15 years;

- the Department of Education contained three specific key targets for school education. However, all three involved substantially longer periods than the 1998-1999 annual report year; and

- the annual reports for departments and agencies with a commercial focus did not contain goals or objectives that were expressed in specific terms, nor quantified.

6.3.2 Reporting of performance or outcomes

The Committee believes it is imperative that the Parliament be informed on the specific objectives to be achieved, and be provided with credible evidence on what was achieved or not achieved and explanations why certain targets and objectives were not met.

Based on the information contained in the 1998-1999 annual reports, the Committee found it very difficult to determine exactly what was achieved because all the information relating to outcomes/results/performance was replaced by extensive reporting of activities and events, and on dollar amounts of purchases or expenditure.

On almost any page in the body of each of the twelve annual reports, and in the Appendix titled 'Performance Measures', there were lists of events for which effect or outcome are not explained and/or items cited as evidence of performance that are, at best, not valid measures of achievement.

6.3.3 Reporting of financial information

The Committee found that only six of the twelve annual reports provided a financial summary. However, in only four of these cases
this information was considered helpful. In almost all cases (except the Department of Premier and Cabinet) the financial statements provided little more than the perfunctory minimum of information.

The Committee believes there is a need for a Management Discussion and Analysis section within the annual report which is a commentary on, and preface to, the financial statements by the Chief Financial Officer, as advocated by CPA Australia.

6.3.4 Are the needs of public accountability being met?

The Committee is concerned at the approach to public accountability, given the review of twelve annual reports found a universal absence of any areas of non-achievement, and a declaration that all targets were met. The Committee was unable to establish whether the annual reports of these departments and agencies were a comprehensive and detailed report on achievements.

However, the consultant found that six of the twelve agencies appeared to be reasonably frank and credible. These agencies include:

- Environment Protection Authority;
- Department of Premier and Cabinet;
- Department of Human Services;
- Department of Justice;
- State Trustees; and
- Victorian WorkCover Authority.

The Committee believes that there is a need to improve:

- the presentation of the information reported; and
- accountability for performance in terms of efficiency and effectiveness.
Accordingly, the Committee recommends that:

**Recommendation 6.1:**

Agencies place greater emphasis on the quality of information contained in their annual reports to ensure clear links between corporate and business plans, budgets and annual reports. In addition, these agencies should assess the following:

(a) the composition of a useful statement of a goal or objective;
(b) defining an outcome;
(c) establishing the difference between an activity and an outcome;
(d) defining accountability and the best means for the agency to meet accountability responsibilities;
(e) methods by which the agency can effectively report financial management and financial performance; and
(f) inclusion of objective/target achievement and information on what was not achieved, and the reason for non-achievement.

In the Government's response to the 1998-1999 Budget Estimates Report, an assurance was given that the Directions of the Minister for Finance and the Guidelines on Annual Reporting would be amended to incorporate the Public Accounts and Estimates Committee's recommendations on annual reporting. The Committee brings to the attention of the current Minister that this has not occurred.\(^{52}\)

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Accordingly, the Committee recommends that:

**Recommendation 6.2:**

The Department of Treasury and Finance:

(a) amend, as a matter of priority, the Directions of the Minister for Finance to incorporate the Committee’s recommendations on changes to annual reporting that were accepted by the Government in December 1999; and

(b) update the Guidelines for Annual Reporting to improve performance information and accountability as outlined in the Public Accounts and Estimates Committee’s Report No. 28 on Annual Reporting in the Victorian Public Sector.
CHAPTER 7: PERFORMANCE PAYMENTS IN THE VICTORIAN PUBLIC SECTOR

Key Findings:

7.1 Given the very high level of bonuses paid to executive officers in 1997-1998 and 1998-1999, there could be a public perception that bonuses were in effect a defacto pay increase, instead of a reward for officers who performed far beyond the normal expectations of their positions.

7.2 Around $6 million of taxpayer funds is paid annually in the form of bonuses to most, if not all, executives in Government Departments, largely on the assumption that bonuses motivate performance beyond normal expectations of a position.

7.3 The existing executive officer bonus system, whereby public funding is expended on executive bonuses as a result of internal subjective assessments of performance, without public disclosure of the individual amounts involved, does not constitute adequate public accountability.

7.4 The devolution of authority to departments and agencies to develop their own performance management systems has created inequities in that, depending upon the type of performance management systems in place and funding available, public servants will be treated differently, even though the work value will be similar.
7.5 One of the underlying principles governing performance pay is that there should be a fair and equitable distribution across all classifications and gender, not only within Departments but also across the public sector. However, the data developed by the Committee demonstrates that this principle has not been put into practice.

7.6 The public sector-wide average for eligible VPS officers receiving performance pay in the remuneration increases was around 94 per cent.

7.7 The current performance pay management system has the potential to promote an anti-teamwork bias by encouraging some individuals to retain some information for their own benefit rather than communicate such information to team members.

7.1 Introduction

Performance management of employees, irrespective of whether applied to executive officers or non-executive staff, is a critical factor in the resource management practices of both private and public sector agencies. In theory, the Government seeks to establish a direct link between the policies and objectives of an agency, corporate and business plans and the performance of staff in achieving those goals.

Performance management in the public service essentially, with some minor variations between agencies, involves employees and executives developing performance plans, including performance criteria, which seek to align the duties of a position to the business plan of the agency. Annually the work performance of the employee or executive is reviewed against these plans, feedback is provided and, where appropriate, a personal development plan is implemented. The performance of the employee or executive is rated
in accordance with either a five point or four point scale depending on the agency. Where performance is assessed to be of a high standard, a performance reward is paid. With executives, the performance reward is in the form of a bonus. With non-executive staff the performance reward can be in the form of a salary increase, bonus or a combination of both.

The review undertaken by the Committee concentrated on the extent of performance pay granted in the Victorian Public Service, accountability provisions and the administrative processes governing the payment of performance pay. The review did not examine performance pay and executive bonuses within Government Business Enterprises and Statutory Authorities. However, anecdotal evidence provided suggests that the level of executive bonuses paid is likely to be higher than within the Victorian Public Sector.

In undertaking the review, a questionnaire which requested information involving performance payments, was distributed to all departments in May 2000.\textsuperscript{53} This was supplemented by detailed discussions and documentation obtained from several government departments.

Given the substantial differences between performance pay for executive officers compared to non-executive officers, these issues are dealt with separately.

\section*{7.2 Performance payments to Executive Officers}

\subsection*{7.2.1 Background}

The existing executive officer structure within the Victorian Public Sector had its origins in the early 1980s when the Senior Executive Service was introduced. At that stage it was modelled on the senior executive service in the New South Wales Government. Total remuneration packages, inclusive of motor vehicles and other fringe benefits common in the private sector, were based on New South

\textsuperscript{53} See Appendix 1 for a copy of the questionnaire
Wales levels, plus three per cent. At that stage there were five levels of performance ratings, ranging from unsatisfactory to outstanding. Bonuses were payable at three levels with the mid-point, referred to as effective, attracting a bonus of up to five per cent of the total remuneration package. Ratings of ‘effective’ meant that executives were meeting the criteria for the position.

Existing policy for executive remuneration and performance management is outlined in an executive officer handbook and a policy statement issued by the former Office of the Public Service Commissioner on 1 April 1997. The policy aims to reward high performing executives for their achievement of business plan objectives and for their contributions to the ongoing capability of the Department to achieve its goals.

As stated, bonuses paid are based on a percentage of the total remuneration packages of individual executives. Under the existing policy, bonuses are calculated under a four point rating system introduced from 1 July 1997. Only officers assessed at the two upper levels referred to as Rating 4 – Exceptional or Rating 3 – Superior are entitled to a bonus. ‘Superior’ attracts a bonus of between 0 and 10 per cent, while ‘Exceptional’ attracts a bonus of between 11 and 15 per cent for both Band 3 and Band 2 executives. Bonuses in excess of 15 per cent until recently had to be personally approved by the Premier as the responsible Minister for public sector employment.

Government policy requires that bonuses to Band 1 executives, who are mostly Department Heads, must be approved by the Premier. Band 3 and Band 2 executive bonuses over 15 per cent can be approved by the Department Head, but a list must be provided to the Secretary of the Department of Premier and Cabinet.

54 Circular No. 76 to all Department Heads and Prescribed Office Holders by Mr P Salway, Public Service Commissioner, 1 April 1997
55 Ibid
56 Correspondence from Mr P Salway, Commissioner for Public Employment, to Department Heads, dated 5 September 2000
Exhibit 7.1 below outlines the existing remuneration bands for executive officers within the public sector under the Public Sector Management & Employment Act on which bonuses are calculated.

**Exhibit 7.1**

<table>
<thead>
<tr>
<th>Remuneration Band</th>
<th>Prior to 1 July 1999</th>
<th>Range from 1 July 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>$84,542 – $120,203</td>
<td>$84,542 – $127,415</td>
</tr>
<tr>
<td>2</td>
<td>$114,227 – $171,694</td>
<td>$114,227 – $181,996</td>
</tr>
<tr>
<td>1</td>
<td>$166,000 – $318,325</td>
<td>$166,000 – $337,424</td>
</tr>
</tbody>
</table>

In 1998-1999 there were 663 executives who earned an aggregate amount of $63,295,753 and were additionally paid bonuses totalling $5,586,135. By comparison in 1997-1998, 689 executives were paid $67,262,396 in total and received bonuses of $5,856,730. Comparative figures for 1999-2000 were not available at the time of preparing this report.

7.2.2 Extent of performance bonuses paid

Prior to July 1997, there were three ratings, for which bonuses could be paid, following performance assessments against individual performance plans. These included a rating of ‘effective’ which meant that the officer was performing the duties required of the position in a competent manner and was entitled to a bonus.

Following some apparent concern by the Government that virtually all executive officers were receiving bonuses, in many instances for doing the job they were paid to do, the criteria was changed, based on the principle that bonuses should only be awarded for performance that exceeded the expectations of the position held relative to the remuneration paid.

Accordingly, bonuses were only to be paid to executives who were assessed as ‘exceptional’ or ‘superior’. To receive a rating of
‘exceptional’ which attracted a bonus of between 11 and 20 per cent, the executive had to virtually demonstrate a model of excellence. All performance criteria for the position had to be exceeded and to far exceed expectations in the most critical areas. Executives rated as ‘superior’, who were entitled to bonuses of up to 10 per cent, were to be rated on the basis that they had exceeded the requirements of most performance criteria, with significant breakthroughs on key issues.

Despite the tightening of the eligibility criteria for receiving a bonus, on an aggregate basis for Band 2 and Band 3 officers, 90.91 per cent of executives received a bonus in 1997-1998, which increased to 92.39 per cent of all executives in 1998-1999. These percentages exclude those executives who were not entitled to a bonus for reasons such as leave without pay or commencing late in the assessment period. A very small number of executives also did not receive bonuses because they were rated as ‘competent’, meaning that they had only met all or most key criteria for the position held.

The incidence of eligible executive officers receiving bonuses in 1998-1999 ranged from 79 per cent of Band 2 (14 executives) and 82 per cent of Band 3 executives (39 officers) in the Department of Infrastructure to 100 per cent of all executives (32 officers) in the Department of Premier and Cabinet and with one exception, 100 per cent of all executive officers in the Department of Natural Resources and Environment (65 officers).

The Committee does not believe that the existing executive bonus scheme was ever intended to reward such a high proportion of executive officers. This was exemplified when the eligibility criteria for a bonus was restricted from July 1997 to officers who were rated as superior or exceptional, and yet 92.4 per cent of executives still received bonuses. It is difficult to escape the conclusion that either Victoria is particularly fortunate in having such a large number of superior or exceptional executive officers or the performance assessment system is flawed.
From discussions with departments it is evident that all executives have an expectation of receiving a bonus when assessed by their peers who have also received bonuses. This is partly attributable to a perception that if executives are rated as ‘competent’ in that they are meeting the criteria for a position, but are not eligible for a bonus, this could indicate they were performing poorly and may impact upon their morale.

The Committee was advised that the Government had an expectation that bonus payments would be reduced following the policy announced in April 1997 and the maximum of each executive remuneration band was consequently increased by six per cent. Based upon a range of factors including work value, retention and individual performance, the remuneration packages of officers could be increased up to this percentage. The policy also stated that with the exception of any special circumstances, remuneration packages were only to be reviewed every two years. The concept was that if executive officers were adequately rewarded for the high expectations for their positions, then bonuses would only be payable where performance far exceeded expectations.

This concept did not materialise as the incidence of bonuses actually increased in 1998-1999 with 92.4 per cent of Victorian Public Sector executives again receiving bonuses, an increase from 90.9 per cent in 1997-1998. Ineligibility reasons for executives not receiving bonuses mainly involved being promoted to a position late in the assessment period or being on extended leave. Effectively, executives received up to a six per cent pay rise plus bonuses of up to 15 per cent. Very few executives received more than a 15 per cent bonus because payment beyond this level required the personal approval of the Premier.

Given the very high incidence of bonuses paid, the Committee is concerned that bonuses were in effect a de facto pay increase, instead of a reward for officers who performed beyond the normal expectations of their positions.
It is also relevant, particularly at the Band 2 level, that executives are expected to be high performers and are remunerated for this higher level of performance through work value assessment and positioning within remuneration bands. Perusal of position criteria for vacant senior executive positions advertised both internally and externally, includes examples of key selection criteria such as:

- high level conceptual and analytical skills;
- excellent leadership characteristics;
- high level capacity for innovation;
- proven managerial ability;
- outstanding communication and interpersonal skills; and
- exceptional communication and negotiation skills.

Obviously if a position demands such high level skills as reflected in the remuneration packages offered, then performance should be assessed against a similar high standard of achievement. Presently, it is difficult to distinguish between the level of achievement as contained in a position description and that used as the basis for the payment of performance bonuses.

With respect to the private sector, it is relatively easier to identify reasons for bonuses, such as increasing sales, higher profits, larger returns to shareholders and developing new products. In the public sector, with the exception of Government Business Enterprises, it is much more difficult as these factors largely do not exist.

Apart from the commencement of a study by the former Public Service Commissioner’s Office around 1996, the results of which were not circulated, there has apparently been no research undertaken as to whether the performance management scheme for executives is achieving its objectives, particularly in respect of whether bonuses are a real motivation for high performance as
compared, for example, with flexible remuneration packages reflecting the work value of a position.\textsuperscript{57}

Arguments advanced to the Committee in favour of retaining executive bonuses included:

- exceptional efforts should be rewarded by bonuses;
- the recruitment of suitable executives with highly specialised skills not generally available in the public sector is difficult. Apart from the flexibility of Department Heads to offer suitable remuneration arrangements within remuneration bands available, the ability to provide bonuses was seen as an added inducement. It was acknowledged to the Committee that bonuses to specialist staff were given in some circumstances as an incentive to retain these skills as distinct from any outstanding performance warranting a bonus;
- performance bonuses in the public sector are already well below those offered in the private sector for equivalent positions. In addition, the private sector can offer employee share schemes and share options as well as other fringe benefits not available in the public sector. To remove totally the ability to pay bonuses in the public sector would make recruitment of suitable executives even more difficult. Conversely, there would be some loss of existing high performing executives to the private sector;
- performance bonuses paid in a lump sum can be highly tax effective if salary sacrificed into public sector superannuation schemes;

\textsuperscript{57} Survey undertaken by Ms Julie Hunt, Public Service Commissioner's Office, July 1996
• an anomaly is considered to exist in that the salary range for non-executive officers at the upper classification is between $60,408-$84,571. This range excludes the value of employer contributions to superannuation funds, a component which is included in the total remuneration package of executives. Under defined benefit superannuation schemes, the salary for superannuation purposes for a pension is deemed to be 70 per cent of an executive officer’s remuneration package. The remuneration range for Band 3 executive officers is $84,542-$127,415. An executive officer would need to be on a package of at least $120,000, equating to $84,000 (70 per cent) for superannuation salary purposes before being equivalent to the top of the range of salary non-executive officers of $87,571. Given the pressures associated with executive positions, the ability to qualify for a bonus was seen as a form of compensation for this perceived inequity; and

• apart from adjustments to the upper levels of the three executive officer bands of seven per cent in 1997 and six per cent in July 1999, there has been no adjustment to the base levels of executive remuneration since 1992. Removal of the ability to pay bonuses would be seen as further widening the gap between the Victorian public sector and equivalent positions in the private sector and other Government public services.

The Committee accepts the concept that where performance is exceptional, then a bonus is an appropriate reward. Otherwise performance should be adequately compensated for in terms of an appropriate remuneration package accompanied by performance assessments undertaken at least annually. The Committee does not accept the current situation whereby around $6 million of taxpayer funds is paid in the form of bonuses to most, if not all, executives in departments, largely on the assumption that bonuses motivate higher performance beyond normal expectations of a position.
Notwithstanding the above comment, the Committee recognises that there are a range of factors which influence the awarding of bonuses. To eliminate most bonuses without addressing these factors could prove to be counter-productive in terms of retaining and recruiting capable executives.

The Committee is aware that the existing executive remuneration system is to be reviewed and a project brief is currently under development, with terms of reference yet to be finalised. The Committee welcomes this development and awaits the findings with a great deal of interest.

7.2.3 Level of performance bonuses

As part of its policy on executive remuneration and performance management issued in April 1997, the Office of the Public Service Commissioner advised departments that:

"to ensure a degree of consistency across the Service, agencies should keep the aggregate cost of executive bonuses, within the range of 7 to 9 per cent of aggregate total remuneration packages at 30 June 1999. Within this budget, agencies should be able to achieve a broad distribution of bonus percentages, possibly including some in the 15-20 per cent range."^58

The Committee sought to determine the extent to which this policy was complied with, along with determining the average percentage of total remuneration packages paid to executive officers in each department and the Auditor-General’s Office. The latter Office was included in the survey on the basis that although the Office is part of the public sector, it is an independent agency with the Auditor-General reporting directly to Parliament as distinct from being responsible to a Minister.

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^58 Correspondence from Mr P Salway, Public Service Commissioner, dated 9 July 1999
On an aggregate basis, after taking into account the ratio of Band 2 officers to Band 3 officers, three agencies exceeded the limitation of nine per cent in 1998-1999. These were the Department of Infrastructure (9.5 per cent), State Revenue Office, which is part of the Department of Treasury and Finance (10 per cent) and the Office of Major Projects, which is part of the Department of State and Regional Development (13 per cent). The Committee acknowledges that small agencies have limited capacity to achieve a broad distribution of bonus percentages because of the limited number of executives involved.

The Committee noted that the policy directive stated that agencies should, as distinct from must, restrict bonuses on average to no more than nine per cent. Nevertheless the Committee believes that, given the sensitivity associated with using public funds to pay bonuses to public servants, limitations must be placed on the level of funds used for this purpose and agencies must comply with such limitations. In respect of bonuses to be paid for 1999-2000, the Government has stated that bonuses should be restricted to an aggregate average of eight per cent of total remuneration packages.

The Committee was unable to obtain details about performance bonuses paid to all Band 1 officers, who are invariably Department Heads. However from the limited information that was provided, bonuses for Department Heads ranged from 10.8 per cent up to 18 per cent. In dollar terms the value of bonuses also could not be determined, but executives at this level receive remuneration packages of between $166,000 and $337,424.

The Committee was advised that Band 2 executives receive a proportionally higher percentage of their packages as a bonus compared to Band 3 executives. The reasons advanced are that these executives carry more responsibility and have more highly advanced skills, compared to Band 3 executives and are therefore more likely to receive higher bonuses. Conversely, if the bonus pool has a budgetary limitation, these executive bonuses will have a higher dollar value due to the high remuneration base on which they are
calculated. The remaining bonus pool available for Band 3 executives will be restricted and percentages available may need to be reduced accordingly.

The information available to the Committee also indicated that in most departments, all Band 2 executives received bonuses. The contention that because of their high level skills and greater responsibilities, these executives are more likely to receive bigger bonuses than Band 3 executives, warrants examination. Arguably, although Band 2 executives should be better performers, their higher remuneration packages should also reflect this expectation, and therefore the bonus percentages should be reasonably consistent with those paid to Band 3 executives.

The information also highlights that throughout the Public Sector, the average bonus percentage paid to Band 2 executives was 10 per cent and Band 3 executives 7.7 per cent, leading to an overall average across all executives of 8.2 per cent. This latter percentage falls within the policy statement that bonus levels should be kept within the range of seven to nine per cent of total executive remuneration. However when undertaking this calculation, it was established that the aggregate figure used included the remuneration of all executives including those that did not receive bonuses, for reasons such as leave without pay or long service leave during the period, being rated only as effective, or having recently commenced.

Although this method of calculation accurately reflects bonuses paid as a percentage of total aggregate remuneration of all executives, it does not reflect the average bonus levels paid to those executives who actually received bonuses, both in dollar terms and percentage terms. For example, the Department of Human Services reported an average bonus for Band 3 executives of 6.82 per cent or $6,956. When the twelve executives within that Department who did not receive bonuses were excluded from the calculation, the more accurate figure was an average of 7.63 per cent or $7,779.
Calculation of average bonus levels in the above manner also means that statistical information on average executive bonus levels provided to Industrial Relations Victoria and the Government Sector Executive Remuneration Panel is distorted to the extent to which executives who did not receive bonuses were included in the calculations. Where there are a number of executives in certain agencies who do not receive bonuses, the system allows the other executives to receive higher bonuses from the funds allocated for this purpose, without accurate disclosure of the actual levels of bonuses awarded.

The Committee considers that in terms of accountability and consistency of statistical information across the Service, average bonus calculations should be based only on the aggregate remuneration of those executives who received bonuses.

Notwithstanding inconsistencies as to the method of calculating average bonus levels, the information provided to the Committee disclosed that average bonuses paid in 1998-1999 to Band 2 executives across the Victorian Public Sector ranged from an average of $20,800 for three executives in the Victorian Auditor-General’s Office to $13,293 for 21 executives in the Department of Treasury and Finance. For Band 3 executives, bonuses ranged from $21,342 for eight executives in the Victorian Auditor-General’s Office to $6,956 for 90 executives in the Department of Human Services. The Victorian Auditor-General’s Office advised the Committee that the high average bonus levels paid by that Office in 1998-1999 were on account of accrued bonuses that became payable on the expiration of five-year contracts that year. The actual average bonus level, excluding accrued entitlements, for Band 3 officers was $11,382.

While the Committee acknowledges these circumstances, it is also relevant that the same situation would apply to many other departments in the Public Sector as a large number of five-year executive contracts were signed after the election of the Kennett Government in 1992 and accrued entitlements mostly fell in the 1998-1999 financial year. This was as a result of the implementation of the
Public Service Management Act which introduced contract employment for executive officers for up to five years.

The significance of the wide disparity between levels of performance bonuses between departments is that the policy issued by the former Public Service Commissioner’s Office in April 1997 stated that there should be some degree of consistency across the public sector. Obviously with such a wide range between average bonuses paid, this did not occur. Moreover, the Committee is unaware of any level of scrutiny by Government as to why some agencies are more generous with bonuses than others, given that executives across the Service should be treated equally. This in part can be attributed to the delegation of authority to Department Heads to set remuneration bonus levels for Band 2 and Band 3 officers without a commensurate increase in accountability.

The Committee considers that an overview of public sector bonuses should be exercised from a central government perspective, possibly by Industrial Relations Victoria, with the authority to seek explanations for wide variations or other unusual outcomes between agencies.

### 7.3 Relationship between performance bonuses and business and corporate plans

All executive officers are required to develop annual performance plans which link the responsibilities and competencies required for their position to the agency’s values and outcomes required, which are reflected in corporate and business plans. The intention of providing bonuses is to reward high performing executives for their achievement of business plan objectives and ultimately the ability of the agency to achieve its corporate objectives as outlined in the corporate plan.

Given that in 1998-1999 around 92.4 per cent of Victorian Public Sector executives were rated as ‘superior’ or ‘exceptional’ and received bonuses, the Committee considers it would be reasonable to expect
that this very high level of performance would translate into improved agency performance in meeting corporate objectives. While it is difficult to attribute the efforts of individual executives to meeting corporate objectives, where all or most executives are regarded as high performers then improvements in agency performance should result. These improvements should be capable of identification from appropriate performance measures as outlined in annual reports and the Budget Papers produced each year.

From perusal of the 1999-2000 Budget Papers and annual reports of each department, with few exceptions, such an exercise is impossible. While the majority of departments did outline goals/objectives, overall they were expressed in such general terms to be of little use for accountability purposes. Apart from very vague goals and objectives almost all departments did not qualify:

- what was intended to be achieved during the year;
- desired outcomes; and
- appropriate performance measures reflecting those outcomes.

Many departments reported activities to be undertaken, as distinct from identifying desired outcomes and targets.

A similar situation existed with the Budget Papers, as in many instances the key Government outcomes required were more in the form of vision statements or expressed in such a vague manner as to be virtually impossible to measure. Where performance measures were included, often they did not relate to the outcomes required or were predominantly of a quantitative nature as distinct from a qualitative nature.

The Committee believes there should be a clear nexus between exceptional or superior performance of most executives and the achievement of corporate goals reflecting key Government outcomes required. This nexus should be capable of identification in the
annual reports of each department or agency through the inclusion of relevant targets and performance measures.

7.4 Accountability

The $5.6 million expended in 1998-1999 and the $5.9 million expended in the previous year on executive bonuses, excluding performance payments to executive officers in Government Business Enterprises and statutory authorities, was not specifically disclosed in aggregate in any Government publication.

In addition, annual reports of departments and agencies do not specifically identify the level of bonuses paid to executive officers. Under the provisions of the Financial Management Act 1994 and Accounting Standard AASB 1034 – Financial Report Presentation and Disclosures, the aggregate total remuneration and aggregate base remuneration of all executive officers whose remuneration and aggregate base remuneration exceeds $100,000 in any financial year must be disclosed in bands of $10,000.

The difference between total aggregate remuneration and base remuneration reflects a range of other payments, including pay in lieu of long service leave, redundancy payments, retirement benefits, payment of accrued bonuses from previous years as well as bonus payments made during the year. Accordingly, bonus payments cannot be separately identified. In some instances the differential can be substantial. For example, in 1998-1999 the Department of Education, Employment and Training reported total executive remuneration of $9.7 million and base remuneration of $7.2 million, representing a differential of $2.5 million or 25.8 per cent. Although requested by the Committee, the Department did not provide details of the composition of the $2.5 million, including bonus payments made during that year.

The Committee believes that the existing executive officer bonus system, whereby public monies are expended on executive bonuses as a result of internal subjective assessments of performance without
public disclosure of the individual amounts involved, does not constitute proper public accountability.

To improve accountability and to enable readers of annual reports to relate bonuses paid to high performing executives to agency performance, the Committee considers that executive bonuses must be disclosed separately in the annual reports of all agencies. Information disclosed should not only include the aggregate value of bonuses but the collective ratings, classifications and gender of all executives who received bonuses, as well as the number of executives who were not entitled to bonuses for various reasons, including inadequate performance.

As previously mentioned, on 1 July 1998, the former Premier delegated to Department Heads and Chief Executive Officers or Chairpersons of Statutory Authorities the power to determine remuneration levels (including bonuses) of executives within Band 2 and Band 3. The delegation contained a requirement that decisions on these matters were to be consistent with Government policy and did not lead to unnecessarily high levels of executive remuneration.

The delegation further stated that ad hoc audits of remuneration decisions may be carried out by the Office of Public Employment as approved by the Minister for Public Employment (Premier). To date the Minister for Public Employment has not authorised any such audits.

The policy directive issued by the Public Service Commissioner in April 1997 stated that “in line with good corporate governance standards, an Executive Remuneration Committee should be established in each Department”. These committees were to comprise the Department Head, the executive team (usually Deputy Secretaries) and either the Corporate Resources Manager or Human Resources Manager. A part from setting remuneration for Band 3 executives and review of

59 Executive Remuneration and Performance Management for the Victorian Public Service Policy, dated March 1997
chapter 7: performance pay

effective officer remuneration proposals, it would be expected that these committees would consider quality control processes in relation to ensuring equity and the appropriate distribution of performance bonuses.

The effectiveness of these committees was not examined. Nevertheless, the appropriateness of senior executives already in receipt of bonuses passing judgement on bonuses for their staff warrants further consideration in view of objectivity.

Statistical data compiled by the Committee indicates the need to improve accountability by Department Heads in exercising their delegation. This includes establishing:

- reasons for any major variances in bonus payments made across the public sector;
- why Band 2 executives on average, receive higher bonuses as a percentage of total remuneration as compared to Band 3 executives;
- whether performance plans exist for every executive officer and do these plans reflect the achievement of business plans, corporate plans and Government policy; and
- what methodology is used in determining ratings and levels of bonuses paid to individual executives.

Guidance is not provided by the Office of Public Employment on how decisions relating to the allocation of bonuses should be made and it is left to the discretion of individual Department Heads. The Committee understands that this process can include initially determining which executives received preliminary performance ratings of ‘exceptional’ or ‘superior’, which qualify for bonuses, and within the percentage range available, such as between 0 to 10 per cent, arbitrarily deciding which officers should be at the higher, medium or lower end of the scale. Other processes can involve setting a fixed percentage for all executives within a certain rating or determining which officers should receive the highest ratings.
(usually those who received a high rating the previous year), and allocating the remainder of the bonus pool to the remaining executives. Irrespective of the methodology, there is little or no transparency beyond the very senior level as to how outcomes were finally determined.

Some departments, such as the Department of Treasury and Finance, communicate to their staff the number of executive officers within each division and their performance ratings within each category. Separate data is prepared for Band 2 and Band 3 officers. However, such disclosure is the exception rather than common practice and there is no requirement within executive officer guidelines for this information to be provided.

The Committee was advised that the normal practice, when Band 3 officers act in Band 2 positions for extended periods beyond one month, that performance bonuses are based on the remuneration level agreed on in the executive officer’s contract of employment and not at the level paid for performing higher duties. The Committee established that in practice this does not always occur, with bonuses being calculated pro-rata on both the higher amount and the executive’s normal remuneration depending on the periods involved.

When seeking explanations for some of these variations across the public sector, the Committee was advised that the executive officer handbook and policy statements issued on executive officer remuneration represented guidelines only, with the structure of executive officer performance management schemes being left to the final discretion of Department Heads.

The Committee is of the view that if performance bonuses are to remain a feature of executive remuneration within the Victorian Public Sector, then there must be a consistent approach to the manner in which bonuses are determined and awarded, matched by a substantial improvement in accountability mechanisms both within agencies, to the Government and ultimately to Parliament. Failure to
do so could create an environment where inequitable treatment could occur or unjustified bonuses could be paid.

7.5 Performance pay for Victorian Public Service Officers

7.5.1 Background

Similar to the executive officer bonus scheme, performance pay for non-executive officers, referred to as Victorian Public Service Officers (VPS officers) within the Victorian Public Sector, is seen as a reward for high performance in achieving departmental objectives and outcomes. The concept is that by improving the performance of individual officers by offering a reward, collectively this will translate into improvements in the overall performance of departments and agencies.

In 1993 a consultancy review was undertaken on performance pay for public service officers. The outcome was a new five-tier classification structure and the abolition of annual increments, except in isolated circumstances. Employment agreements were introduced and salary progression within remuneration bands was to be on the basis of individual ratings following performance assessments. Prior to the introduction of performance pay, an incremental system was in place, whereby with the exception of any officers whose performance was well below standard, officers progressed through each salary point every year until the maximum remuneration level was reached.

Officers who did not enter into employment agreements were covered by their former conditions (deemed as individual employment agreements) but were not eligible for performance pay and only received safety net adjustments. Existing State Industrial Awards were abolished.

In 1994, the former Office of Public Sector Management introduced a performance management system which included a set of guiding principles for departments. Implementation of these principles was left to the sole discretion of individual Department Heads, a factor which has led to wide divergences between the various performance
management schemes currently in existence within the Victorian Public Sector.

In 1996, the Community and Public Sector Union (CPSU) won Commonwealth Award coverage for Victorian public servants and as a result, an interim public sector award was introduced which resulted in pay rises of 10 per cent for officers not covered by employment agreements and who were not entitled to performance pay.

Following the awarding of the Commonwealth coverage, in 1997 the previous Government introduced a new policy whereby all future pay increases for VPS officers were to be performance based, and there were no longer to be any general pay rises based on issues such as increases in the cost of living or productivity improvements, apart from safety net increases.

Public sector staff were encouraged to enter into Certified Agreements or Individual Contracts referred to as Australian Workplace Agreements, which was the preferred option of the Government. As an inducement, a pay rise of three per cent was offered to all staff who entered into such arrangements.

Performance pay remained the criteria for progression within remuneration bands. Performance pay was made available to officers who had not entered into agreements, but only if they were considered as better than average performers and received ratings of ‘superior’ or ‘outstanding’ on a four or five point rating scale. By comparison, those officers, comprising around 83 per cent of the public sector workforce of around 20 000 officers, who had entered into Australian Workplace Agreements or Certified Agreements, received a three per cent pay rise provided they were rated as ‘competent’. The Committee identified that performance pay, including bonuses in some Departments, remained available to officers who were meeting the criteria for the position to which they were appointed. Due to budgetary limitations, non-participants in
agreements tended to receive what was left in the performance payment pool after the allocation to agreement participants was met.

On 31 March 2000 the Industrial Relations Commission granted a new award which gave a two per cent productivity pay rise plus a three per cent back-dated pay rise to those officers who were denied this pay rise previously, due to not entering into agreements. The intent of this decision was to create a level playing field for all public servants. The award did not address performance pay on the understanding that this was to be considered as part of a new Enterprise Partnership Agreement which became effective from 1 July 2000.

This new agreement, which provides for a general pay increase of three per cent, still retains provision for performance pay, but is subject to a range of performance management and assessment principles which the Government considers more equitable. Ratings will be reduced to three levels namely:

- non effective – no entitlement to performance pay;
- effective – performance pay equivalent to a one per cent pay increase; and
- better than effective – performance pay equivalent to a one per cent pay increase plus further pay increases of at least one per cent and/or bonuses which are to be met from departmental budgets.

Notwithstanding the Government’s efforts to make access to performance pay more equitable, the Committee’s review has highlighted that there are still lessons to be learnt from the past.

7.5.2 Diversity of performance pay systems

Following the Government’s decision in 1994 to delegate the responsibility for implementation of performance management systems to Department Heads, a diversity of systems was developed.
The most common form of performance pay involved advancement in salary, either in the form of a percentage or progression to either the next pay point or two pay points depending on rating and industrial award coverage. In terms of ratings to determine eligibility for performance pay this varied from a three point rating system up to a seven point rating system. Some departments provided performance pay at the ‘effective’ level, provided officers were covered by a Certified Agreement or an Australian Workplace Agreement. The maximum percentage of salary that could be granted in the form of performance pay varied from six per cent up to 15 per cent. In some departments an arbitrary amount was determined as distinct from a percentage, depending on funding.

Within the Department of Human Services, due to various industrial awards and four separate performance pay systems, only 54 per cent of officers were able to participate in performance management schemes. A decision was made that of those officers who were entitled to participate, a maximum of 75 per cent were to receive performance pay and no more than 10 per cent were to be rated as ‘exceptional’.

One advantage to officers in receiving performance pay in the form of a salary increase, as distinct from bonuses, is that the new salary level meant additional superannuation benefits.

A part from salary advancement, bonuses were the next most common form of performance pay. Again there were wide variations across the public sector as to whether bonuses were paid and the circumstances involved. Most departments did not pay bonuses while in other departments such as the Department of Infrastructure, 41 per cent of officers received bonuses and in the Department of Human Services 67 per cent of eligible officers received bonuses.

Of relevance is that while the average bonus paid in the Department of Infrastructure was significantly higher than that provided by the Department of Human Services, many of the officers in the latter department also received performance pay in the form of salary
increases additional to the bonuses, particularly those officers in higher classifications.

Within other departments where bonuses were paid they were not widespread as they were restricted to one-off payments in recognition of exceptional performance, or where duties undertaken were of a specialist nature not associated with the normal duties of a position. In other cases, bonuses were paid in lieu of salary increases where an officer was at the maximum level of a remuneration band. Maximum bonus levels ranged from a low of two per cent up to a maximum of 15 per cent of salary, depending upon provisions allowed for in the performance management policies of individual departments.

With respect to the Parliamentary Departments, the approach taken was that provided performance was satisfactory, all parliamentary officers except executive officers, received a flat 2.25 per cent payrise in 1999 as a performance payment. Such an approach is completely contrary to the principle of linking individual performance to a performance payment.

As a result of the devolution of authority to departments and agencies to develop their own performance management systems, based on the concept that systems could be tailored to suit the requirements of individual agencies, a wide range of systems has emerged. This has had the impact of creating inequities in that, depending upon the type of performance management system in place and funding available, public servants within departments and agencies and within branches and divisions will be treated differently, even though a common work value exists. This is particularly relevant in those departments that have a preference for bonuses as compared to pay increases in that pay increases will have lasting benefits to employees, particularly in terms of superannuation and other employee entitlements.

The Committee is aware that the intention of the new Enterprise Partnership Agreement entered into by the Government is to provide
equitable treatment for all public servants irrespective of which department or agency they work for. If this objective is to be fully met the Committee recommends that:

**Recommendation 7.1:**

An independent review be undertaken to examine existing performance management arrangements within each department and agency with the intention of ensuring that common criteria for awarding performance pay applies across the public sector.

7.5.3 Extent of performance pay for Public Service Officers in 1998-1999

The Committee surveyed the extent of performance pay granted across the public sector in terms of the number of officers eligible within each department compared to the number of officers who actually received performance pay in the form of a percentage increase in pay. Details are provided below for 1998-1999.
Exhibit 7.2

<table>
<thead>
<tr>
<th>Department/Agency</th>
<th>Percentage of Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor-General’s Office</td>
<td>89.0</td>
</tr>
<tr>
<td>Education, Employment and Training</td>
<td>99.7</td>
</tr>
<tr>
<td>Human Services</td>
<td>27.0</td>
</tr>
<tr>
<td>Justice</td>
<td>90.0</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>93.0</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>92.0</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>99.0</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>67.0</td>
</tr>
</tbody>
</table>

After excluding the Department of Human Services and the Department of Infrastructure due to their preference to provide bonuses as distinct from pay increases, effectively on average 94 per cent of eligible public servants in remaining departments received performance pay in the form of increases in remuneration. Seventeen per cent of all VPS officers were largely excluded from performance pay due to their refusal to enter into Australian Workplace Agreements or Certified Agreements.

Detailed below are the average performance payments per classification level for each department and the Auditor-General’s Office in 1998-99.

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60 Exhibit 7.3 also excludes the Department of Infrastructure. Under the terms of a Certified Agreement all officers rated as effective received a flat 2.5 per cent pay increase, which should not be regarded as performance related remuneration. In addition 41 per cent of officers received cash bonuses due to being rated as better than effective.

61 Although only 27 per cent of eligible officers received performance pay in the form of an increase in salary, 67 per cent of these officers received cash bonuses.
### Exhibit 7.3

<table>
<thead>
<tr>
<th>Department/Agency</th>
<th>VPS 5 ($)</th>
<th>VPS 4 ($)</th>
<th>VPS 3 ($)</th>
<th>VPS 2 ($)</th>
<th>VPS 1 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor-General’s Office</td>
<td>4213</td>
<td>5656</td>
<td>1606</td>
<td>688</td>
<td>-</td>
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<tr>
<td>Education, Employment and Training</td>
<td>4417</td>
<td>2616</td>
<td>1774</td>
<td>1337</td>
<td>990</td>
</tr>
<tr>
<td>Human Services</td>
<td>1196</td>
<td>905</td>
<td>734</td>
<td>562</td>
<td>445</td>
</tr>
<tr>
<td>Human Services (Bonuses Only)</td>
<td>1795</td>
<td>1146</td>
<td>886</td>
<td>648</td>
<td>488</td>
</tr>
<tr>
<td>Infrastructure (Bonuses Only)</td>
<td>3407</td>
<td>3159</td>
<td>2130</td>
<td>1649</td>
<td>1452</td>
</tr>
<tr>
<td>Justice</td>
<td>3954</td>
<td>2502</td>
<td>1700</td>
<td>1194</td>
<td>902</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>1689</td>
<td>1249</td>
<td>963</td>
<td>715</td>
<td>537</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>3564</td>
<td>2432</td>
<td>1819</td>
<td>1198</td>
<td>716</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>1819</td>
<td>1348</td>
<td>969</td>
<td>726</td>
<td>497</td>
</tr>
<tr>
<td>Treasury and Finance&lt;sup&gt;62&lt;/sup&gt;</td>
<td>3578</td>
<td>2520</td>
<td>1754</td>
<td>1087</td>
<td>641</td>
</tr>
<tr>
<td><strong>Service Average</strong></td>
<td><strong>2963</strong></td>
<td><strong>2353</strong></td>
<td><strong>1433</strong></td>
<td><strong>980</strong></td>
<td><strong>669</strong></td>
</tr>
</tbody>
</table>

#### 7.5.4 Distribution of performance pay

One of the underlying principles governing performance pay is that there should be a fair and equitable distribution of performance pay across all classifications and gender, not only within departments but across the public sector. The data developed by the Committee does not demonstrate that this principle has been adhered to. For example:

- if you were a VPS 5 officer in the Department of Education, Employment and Training or the Auditor-General’s Office (averages of $4 417 and $4 213 respectively), you were more likely to receive up to three times as much performance pay as an equivalent classification working in the Department of State and

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<sup>62</sup> Department of Treasury and Finance also provided bonuses to around 25 per cent of their VPS officers for performance regarded as ‘outstanding’ outside normal duties or expectations of the position. Bonuses ranged between $1 250 to $1 900
Regional Development where the average at this level was $1,689. Similar differentials existed with other classifications;

- there was an element of discrimination with a preference for the payment of bonuses in certain departments such as Infrastructure and Human Services, as bonuses do not lead to ongoing benefits in remuneration, especially in respect of superannuation, leave loadings or long service leave;

- although the service-wide average for eligible VPS officers receiving performance pay in the form of remuneration increases was around 94 per cent, only 27 per cent of VPS officers in the Department of Human Services received performance pay in that manner; and

- after allowing for remuneration differentials on which percentages of performance pay are calculated, there were marked variances between the quantum of performance pay between the highest and lowest classifications. For example, public sector-wide, a VPS 5 officer on average received 4.4 times as much performance pay as a VPS 1 officer. In the Department of Education, Employment and Training, a VPS 5 officer on average received 5.9 times more than a VPS 1 officer.

Reasons for the above variations were not investigated in detail by the Committee, but are considered to be largely attributable to the often substantial variations in the performance management systems between agencies, budget restrictions within individual agencies on amounts available for performance pay, a bias towards rewarding higher classified officers and the absence of a central Government overview of outcomes from individual agencies. In addition, where a component of performance pay was funded from productivity savings within departments, failure of certain departments to achieve large savings often meant that performance pay had to be reduced.

Accordingly, the Committee recommends that:
Recommendation 7.2: In any future arrangements for performance pay, Government accept responsibility for ensuring that performance pay is distributed equitably within all departments and agencies, and monitored accordingly.

7.5.5 Performance pay for higher classifications

Exhibit 7.3 clearly illustrates that in most departments VPS 5 officers receive far more performance pay proportionately than the classifications below that level. This factor can be largely attributed to the following:

- officers at this level are more likely to possess specialist skills and expertise, which are in demand in the public sector. They were seen as more deserving of rewards, particularly as a retention factor and as potential executives. In at least one department there was a conscious decision that if funds remained after a preliminary allocation from the performance payment pool, these funds would be directed towards the high achievers at the senior levels; and

- performance pay had to be of a reasonable quantum to be regarded as an adequate reward to motivate high level performance. This concept was reinforced in 1997 when a 'disaggregation principle' was introduced by the Kennett Government, which allowed Department Heads the discretion as to how the central contribution from the Department of Treasury and Finance was allocated. This usually meant that a larger proportion of performance pay was directed to higher classified officers assessed as 'superior' or 'outstanding'. In some departments these same officers also received bonuses. Such allocations were inevitably at the expense of providing more performance pay to lower classifications who may also have been performing well.
Although it is understandable that high performing officers should be seen as being adequately rewarded, this should not be at the expense of providing token performance pay at the base grade levels. Exhibit 7.3 illustrates that, notwithstanding the differentials between classifications, performance pay for VPS 1 officers can be on average as low as $445 per annum or $8.50 per week, if awarded. In these circumstances performance pay actually creates no incentive for motivation, defeating the purpose of awarding it.

The Committee is aware that this factor was recognised in some departments and is being addressed. The type of work undertaken at this level is likely to be of a routine nature with very little scope for innovation. Accordingly, recognition needs to be made in performance assessment of efforts made by the officers beyond the routine nature of tasks performed, for example, willingness to serve on working parties in order to acquire new skills and knowledge. The Committee noted that this approach did not form part of any guidelines or principles issued by the Government until very recently.

Accordingly, the Committee recommends that:

**Recommendation 7.3:**

*Performance pay should be distributed equitably across classifications recognising not only high level outcomes achieved, but also as a reward for initiative.*

7.5.6 Accountability

In 1998-1999 the Committee estimated that the cost of performance pay across the Victorian Public Sector was at least $18 million. This figure excludes the cost to agencies of implementing performance management systems in order to determine eligibility for performance pay. This cost is impossible to determine but also could be expected to run into several million dollars.
Given the magnitude of performance pay granted, adequate accountability mechanisms should exist to account for this expenditure to the Parliament and the community. Accountability not only involves accounting for the expenditure of public funds on performance pay to around 14,000 public servants, but given that performance pay in theory should stimulate productivity improvements, better outcomes and improved outputs, these factors should be capable of identification. From a Government perspective, performance pay levels also have long-term implications for State liabilities involving employee entitlements in terms of long service leave accruals and superannuation.

In the opinion of the Committee, there have been major deficiencies in accounting for performance pay, including:

- the total cost of performance pay each year cannot be determined as it is not recognised in the Government's annual financial statements or in the Budget Papers;
- annual reports of departments and agencies do not separately disclose performance pay granted each year either in the form of salary increases or bonuses. This expenditure is inclusive of amounts recorded in annual financial statements as expenditure on salaries and associated costs;
- with few exceptions, departments do not communicate to their staff performance pay outcomes including bonus payments, in terms of ratings per classification, payments made in aggregate for each classification and rating, allocations between gender and the average and range of payments at each classification level. Failure to provide this information can reflect upon morale and lead to accusations of bias and inconsistencies in performance assessments conducted by senior officers undertaking assessments; and
- the impact or otherwise of high levels of performance pay on agency performance is impossible to determine.
Despite the declared objective of performance pay in producing better outputs, outcomes and improved productivity. Apart from the fact that performance pay, including executive bonuses and bonuses to high performing VPS officers is not disclosed in annual reports, these reports as previously mentioned rarely disclose meaningful information in the form of performance measures which could indicate improvements in total agency performance in meeting both Government and corporate objectives.

Accordingly, the Committee recommends that:

**Recommendation 7.4:**

> If performance pay is to remain within the Victorian Public Sector, adequate accountability mechanisms be developed and implemented both to account for this expenditure and to demonstrate its impact on departmental performance.

### 7.6 Future directions with performance pay

Under the new Enterprise Partnership Agreement currently under consideration by Government, performance pay for high performing VPS officers will still remain but it is unlikely to be at the same levels as previous years because under the new arrangements, general pay increases will also occur from time to time.

The Committee is aware that performance pay is also an entrenched feature within the private sector, often at levels for selected staff far in excess of what the Government can afford. To remove performance pay altogether and to revert back to pay rises for all staff based on economic factors, not only has the effect of rewarding a very small element of low performing staff, but could also create problems in recruiting and retaining good officers. Despite factors outlined in this chapter, the Committee believes there is considerable
scope for improving the manner in which performance pay is granted and providing greater public accountability.

During the course of this review several unsatisfactory features of performance pay were highlighted. Although obviously not common to every agency, these issues need to be addressed, particularly if performance pay is to be a genuine reward for high performing officers as distinct from a de facto pay rise.

Issues raised included:

- depending on department and locations within departments, there were many inconsistencies as to performance assessments and distribution of performance pay;
- due to a lack of monitoring processes, independent audits and, in most cases, internal reviews, there was some concern as to whether all staff were treated equally;
- the unjustified assertion that performance pay outcomes could not be communicated to all staff on the basis of the confidentiality of Australian Workplace Agreements between employer and employee;
- although grievance processes were in place, they could be seen by some staff as intimidating and unduly influenced by employers and this process is not always available to all staff, for example contract staff;
- the tendency by certain departments to reward high performers and to provide token performance pay to lower classified officers was seen as demoralising;
- the absence of guidelines as to the percentages of performance pay to be allocated and size of bonuses awarded once ratings were determined led to inconsistencies and inequity. Some departments determined a fixed percentage for all staff within a specified rating, while in other cases high performers
received the maximum percentage and the remaining staff received what was left after budgets were taken into account;

- there was a very large difference in the monetary value of average performance payments made to VPS staff and the size of executive bonuses, despite the contributions of staff in assisting executives in achieving those bonuses;

- performance pay was seen as encouraging certain staff to comply entirely with what their superiors wanted, rather than risk giving independent advice; and

- there was an anti-teamwork bias in the performance management system, in that it encouraged some individuals to retain information for their own benefit, rather than to communicate such information to team members. In this respect there was a consensus that more recognition could be given to teamwork contributions when individual assessments were made.

Accordingly, the Committee recommends that:

Recommendation 7.5:

Prior to implementing any future performance pay systems, the Government undertake research to determine whether performance pay is achieving its objectives.
Key Findings:

8.1 The completion of the Department’s 2000-2001 Corporate and Business Plans were delayed until the completion of two significant Ministerial Reviews in late 2000.

8.2 The Department is currently experiencing teacher skills shortages in subject areas including English, Physical Education, Mathematics, Science and languages other than English.

8.3 The allocation of an additional $22 million for children with disabilities and impairments attending Government schools represented a total output cost of $236.8 million in 2000-2001, and is more substantial than any other Australian state. However, unmet demand will continue to be a considerable challenge.

8.4 A number of TAFE Institutes have experienced financial difficulties over a number of years, with six TAFE Institutes having negative working capital positions as at 31 December 1999, resulting in the Government injecting a significant capital investment to address this issue.

8.5 Presently the education, employment and training system lacks coordination and contributes to many young people being denied opportunities and this varies significantly across the State.
8.1 Departmental overview

The Department of Education, Employment and Training has undergone significant change over the past year due to the incorporation of responsibilities for Employment and Youth Affairs from the former Department of State Development and the Department of Human Services.

The major responsibilities of the restructured Department of Education, Employment and Training are to:

- provide and ensure access to high quality primary and secondary education for all Victorian children – including support for non-government schools;
- ensure that all Victorians have access to the high quality training and further education services necessary for the social and economic development of the State;

8.6 The expiration of the Australian National Training Authority Agreement at the end of 2000, and the Commonwealth Government’s position of no new funding growth, except for CPI, over the next three years, may result in a $19.5 million funding shortfall in Victoria, and 5000 Victorians being denied training in 2000-2001.

8.7 The performance measures in the Budget Papers relating to the Youth Affairs portfolio are in need of substantial improvement.

8.8 Information contained in the Budget Papers is not fully consistent with information presented by the Minister for Youth Affairs and the Department’s response to the Committee’s questionnaire.
• create additional employment opportunities, particularly for young people and disadvantaged communities;
• link training and further education to employment, especially in high skill industries and areas of skill shortages; and
• ensure that Government policies and service delivery reflect and meet the needs of all young Victorians.

The Department provides support services to the Minister for Education, Minister for Youth Affairs and Minister for Post-Compulsory Education, Employment and Training.

8.2 Output management framework

The Department’s 2000-2001 output management framework is shown below.

Exhibit 8.1:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>4354.7</td>
<td>4409.6</td>
<td>4608.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Tertiary Education, Employment and Training</td>
<td>848.8</td>
<td>893.3</td>
<td>977.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>27.0</td>
<td>25.9</td>
<td>28.9</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5230.5</strong></td>
<td><strong>5328.8</strong></td>
<td><strong>5614.9</strong></td>
<td><strong>7.4</strong></td>
</tr>
</tbody>
</table>


The Committee noted that the Department’s output groups largely remained unchanged from 1999-2000 with some minor variations that include:
• the Tertiary Education and Training output group became Tertiary Education, Employment and Training to reflect the transfer of employment responsibilities to the Department; and

• the responsibility for youth affairs has been incorporated into the Policy, Strategy and Information Services output group in 2000-2001.

8.3 Corporate and business plans

In response to the Committee’s questionnaire, the Department advised that its 2000-2001 Corporate and Business Plans are currently being recast to reflect changes in Government education, employment and training policies and priorities. Further, the completion of the plans is dependent on the outcomes of two significant Ministerial Reviews, namely:

• Public Education: The Next Generation; and
• Post Compulsory Education Pathways.

These reviews are expected to be completed in late 2000 and will have a major impact on the policies, strategies and operational activities of the Department. Accordingly, at the date of preparation of this Report, the Committee had not received a copy of the Department’s corporate and business plans.

The Committee understands the importance of the two Ministerial Reviews in shaping future Government policies and strategies of the Department. However, the Committee is very concerned at the significant delays these reviews have caused to the finalisation of the Department’s corporate and business plans. This situation impacts on the operational direction of the Department, and makes it very difficult for the Committee to evaluate the strategies used by the Department to achieve intended outcomes.

63 Response by the Department of Education, Employment and Training to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 9
Accordingly the Committee recommends that:

**Recommendation 8.1:**

The **Department of Education, Employment and Training:**

(a) complete its corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

### 8.4 Financial analysis

The operating statement for the Department of Education, Employment and Training is shown as follows:
Exhibit 8.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
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<td>5635.1</td>
<td>5901.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5508.3</td>
<td>5606.6</td>
<td>5894.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit before revenue for increase in net assets</td>
<td>48.7</td>
<td>28.4</td>
<td>6.5</td>
<td>(41.7)</td>
</tr>
<tr>
<td>add</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>20.0</td>
<td>20.0</td>
<td>11.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>14.4</td>
<td>17.7</td>
<td>24.2</td>
<td>22.9</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>83.1</td>
<td>66.1</td>
<td>42.1</td>
<td>(20.5)</td>
</tr>
</tbody>
</table>

**Administered Items**

| Operating Revenue              | 688.2                           | 808.9                                | 885.0                        | 17.5         |
| Operating Expenses             | 688.2                           | 808.9                                | 885.0                        | 17.5         |
| Operating Surplus/ Deficit     | 0.0                             | 0.0                                  | 0.0                          | 0.0          |

The variations for operating revenue and expenses are relatively minor with an increase of 1.4 and 1.8 per cent respectively. These variations had a significant impact on the surplus before increases in net assets and asset sales (i.e. -41.7 per cent). This situation was offset to a degree by higher than expected asset sales of $3.3 million leading to an expected $66.1 million surplus or 20.5 per cent lower than estimated.

In response to the Committee’s questionnaire, the Department provided the following reasons for major variations:
the 22.9 per cent increase in Section 29 receipts is due to a $3.3 million increase in revenue from the sale of surplus school and TAFE assets;

operating revenue (administered) increased by 17.5 per cent or $120.7 million due to a $165.2 million increase in other Commonwealth grants that in the main related to recurrent assistance for government and non-government schools ($109.4 million) and targeted programs for non-government schools ($46.4 million), this amount was offset by the transfer of $44.5 million to the consolidated fund; and

operating expenses (administered) by a corresponding $120.7 million to reflect the payment of administered revenue to non-government schools

8.4.1 Other Revenue and Other Expenses

In response to the Committee's questionnaire, the Department provided the following detailed breakdown of items contained in "other revenue" and "other expenses" for both controlled and administered categories.64

---

64 Response by the Department of Education, Employment and Training to the Committee's 2000-2001 estimates questionnaire, Part B, pp. 4-5
### Exhibit 8.3

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue (Controlled)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Goods and Services (fees)</td>
<td>598.7</td>
<td>662.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Value of Assets Sold</td>
<td>(14.4)</td>
<td>(24.2)</td>
<td>68.1</td>
</tr>
<tr>
<td>Total</td>
<td>584.3</td>
<td>637.9</td>
<td>9.2</td>
</tr>
<tr>
<td><strong>Other Revenue (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursements</td>
<td>4.5</td>
<td>4.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Other revenue</td>
<td>0.2</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4.7</td>
<td>4.7</td>
<td>0.0</td>
</tr>
</tbody>
</table>

The table shows a $63.4 million or 9.2 per cent increase in the sale of goods and services which is due to:

- $25 million increase in revenue from Adult Multicultural Education Services (AMES);
- reclassification of revenue ($21 million) from Other Commonwealth Grants to Other Revenue to more appropriately reflect the nature of TAFE service provision associated with this revenue item; and
- $17.4 million increase which largely reflects an increase in revenue from overseas students.

The $9.8 million or 68 per cent variation in asset sales arose from increased sales activity over and above the original estimate.
Exhibit 8.4

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Expenses (Controlled)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants for Non-Government Schools, Education Maintenance Allowances, Education Organisations and student transport</td>
<td>339.2</td>
<td>368.2</td>
<td>8.5</td>
</tr>
<tr>
<td>Employment Activities</td>
<td>0.0</td>
<td>56.5</td>
<td>N/A</td>
</tr>
<tr>
<td>Grants for training and further education places – registered training organisations</td>
<td>102.7</td>
<td>134.2</td>
<td>30.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>441.9</td>
<td>558.9</td>
<td>26.5</td>
</tr>
<tr>
<td><strong>Other Expenses (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current grants to Non-Government Schools</td>
<td>663.5</td>
<td>859.2</td>
<td>29.5</td>
</tr>
<tr>
<td>Capital Grants to Non-Government Schools</td>
<td>24.7</td>
<td>25.8</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>688.2</td>
<td>885.0</td>
<td>28.6</td>
</tr>
</tbody>
</table>

The Department gave the following reasons for major variations to ‘other expenses’:

- government changes which transferred the Office of Employment to the Department in 1999-2000, together with additional funding for a range of initiatives in the employment area, resulted in an additional $56.5 million in 2000-2001;
- an increase of $31.5 million or 30.7 per cent by the Government for the TAFE sector; and
• a $195.7 million or 29.5 per cent increase in administered current grants to Non-Government Schools reflecting additional funding on-passed from the Commonwealth.

While accepting the reasons supplied by the Department for significant variations to line items within the two categories, the Committee is concerned at the materiality of some items classified as ‘other revenue’ and ‘other expenses’. The Committee’s examination of these categories reveals three items in particular with significant values that are not specifically disclosed in the operating statement in the Budget Papers, namely:

• controlled revenue of an estimated $662.1 million for Sales of Goods and Services (Fees) in 2000-2001;

• controlled expenses relating to grants for Non-Government Schools, Education Maintenance Allowances, Education Organisations and student transport of $368.2 million in 2000-2001; and


The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the Budget Papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:

**Recommendation 8.2:**

The Department of Education, Employment and Training review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.
8.5 Human resources issues

The Department estimated it will have 55,540 Equivalent Full Time staff at 30 June 2000. This compares with an actual number of 54,406 at 30 June 1999.

Exhibit 8.5

<table>
<thead>
<tr>
<th>Output Group</th>
<th>30 June 1999 (actual)</th>
<th>30 June 2000 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>44390</td>
<td>45820</td>
</tr>
<tr>
<td>Tertiary Education and Training</td>
<td>9846</td>
<td>9545</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>170</td>
<td>175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54406</strong></td>
<td><strong>55540</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Education to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 38

Exhibit 8.5 shows there has been an increase of 1,134 equivalent full time staff or 2.1 per cent over the actual level at 30 June 1999. In response to the Committee’s questionnaire, the Department advised that staff numbers in the School Education output group are estimated to increase by 1,430 mainly as a result of Government policy initiatives.

8.5.1 Key staffing issues facing the Department

(a) Current shortfalls in expertise

The Committee was informed that there is currently a shortage of expertise in the following areas:

- teachers in the subject areas of English, Physical Education, Mathematics, Science and languages other than English, such as Indonesian and Japanese; and
- information technology expertise in TAFE Institutes.
The Department has developed and/or implemented a number of strategies to address teacher supply and demand problems, including:

- the establishment of a teacher supply and demand working party to identify emerging issues and collate information on teacher supply and demand in Victorian schools;
- 750 teaching scholarships over three years to attract graduates;
- plans to establish an Institute of Teaching to raise the quality and status of the profession;
- the move to on-going employment as the standard mode of employment;
- the learning technologies strategy aimed at supporting principals and teachers to become users of learning technologies such as notebook computers, the internet and CD-ROM technology; and
- the current development of a Human Resources Strategy for TAFE Institutes to address emerging areas of skill shortage, the impact of new technology on teaching, and the appropriate mix of casual and permanent staff.

The Committee intends to monitor the effectiveness of these strategies and will review developments at the next estimates hearings.

8.5.2 Other human resource issues

While teacher demand and supply is the most significant issue facing the education sector, a number of other issues were identified as impacting on the Department. These include the need to:

- develop strategies to assist in achieving a representative age profile for staff employed by the Department;
• maintain and improve employee skills through professional development including implementing and monitoring a policy framework and programs for professional and leadership development;

• implement strategies to achieve a diverse workforce; and

• achieve a greater proportion of male teachers, particularly in primary schools.

8.5.3 Promotion of women in the Department

The Committee noted that the Department has a very high proportion of women in its workforce, the percentage estimated at 30 June 2000 is shown in the following table.

**Exhibit 8.6**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Percentage of Males</th>
<th>Percentage of Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff in school locations</td>
<td>34</td>
<td>66</td>
</tr>
<tr>
<td>Non-teaching staff in school locations</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>Staff in corporate infrastructure locations</td>
<td>41</td>
<td>59</td>
</tr>
<tr>
<td>Staff in TAFE Institutes</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33</strong></td>
<td><strong>67</strong></td>
</tr>
</tbody>
</table>

Exhibit 8.6 shows that two in every three employees in the Department are female and that this ratio is represented in every classification except in TAFE Institutes where the spread is almost even. However, closer examination by the Committee revealed that women occupy a much smaller percentage of leadership and managerial positions in that:

• 26, or 34 per cent, of the 77 executive officers in the Department are women; and
990, or 36 per cent, of the 2 720 Principal/Assistant Principal positions are filled by women.

In response to the Committee’s questionnaire, the Department stated a commitment to increasing the number of women in leadership positions within the corporate infrastructure in schools and to supporting the family and professional responsibilities of women in its workforce.65

The Committee noted that a project undertaken by the Department on women seeking and achieving leadership within schools identified the following barriers:

- confidence;
- perceptions about women’s credibility as future leaders;
- a lack of mentors;
- visibility within the organisation;
- a focus on classroom teaching rather than school leadership and management; and
- normal carer responsibilities for children and older family members.

In order to encourage and enable women to seek and gain leadership positions, the Department is implementing a Focus on Women Strategy comprising a number of activities including a Women in Educational Leadership initiative, Post Graduate Scholarships for Women, a Family Friendly Work Place program and an “Employees as Carers Information Strategy”.

The Committee commends the Department on the development and implementation of the Focus on Women strategy. However it is crucial that the success of the strategy is monitored appropriately,

65 Department of Education, Employment and Training response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 40
and that emerging issues that impact on women obtaining leadership positions are identified and incorporated into the strategy.

Accordingly, the Committee recommends that:

**Recommendation 8.3:**

The Department of Education, Employment and Training:

(a) establish formal protocols with the Office of Women to identify emerging issues in a timely manner; and

(b) develop a comprehensive monitoring system to ensure the Focus on Women strategy is achieving stated objectives.

### 8.6 Education Portfolio

#### 8.6.1 Background

The Minister for Education has sole or joint responsibility for two key output groups within the Department, which account for $4,637.3 million or 82.6 per cent of the Department’s 2000-2001 budget.

#### Exhibit 8.7

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>4354.7</td>
<td>4409.6</td>
<td>4608.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>27.0</td>
<td>25.9</td>
<td>28.9</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4381.7</strong></td>
<td><strong>4435.5</strong></td>
<td><strong>4637.3</strong></td>
<td><strong>5.8</strong></td>
</tr>
</tbody>
</table>

The Committee noted that the major responsibilities of the Education portfolio are included in the School Education output group. This
output group covers policy development, regulation and management of the Victorian Government school system, including:

- provision of teaching and learning services by appropriately trained and qualified teachers;
- curriculum delivery to prescribed content and performance standards from prep to Year 10, and in accordance with the requirements of the Victorian Certificate of Education (Years 11 and 12);
- provision of specific programs and activities aimed at intervention or extension of education experiences; and
- provision of specialist services to targeted groups of students.

The Minister for Education is also responsible for the financial support to, and regulation of, non-government schools.

8.6.2 2000-2001 outlook for the Portfolio

Priorities of the Education portfolio for 2000-2001 include:

- lifting standards of literacy and numeracy;
- increasing retention rates;
- creating higher standards and status for the teaching profession;
- improving school quality;
- developing a coherent vision for public education through the Public Education: The Next Generation review;
- improving access to education for the disadvantaged, including enhanced student welfare and support; and
- building new partnerships with non-government schools and increasing funding for disadvantaged non-government schools.
8.6.3 Analysis of the 2000-2001 Budget

In order to implement the Government’s priorities in the education portfolio, a substantial level of recurrent and capital funding initiatives were included in the 2000-2001 Budget. These include:

- $36.4 million to reduce class sizes (Prep to Year 2) and recruit teachers;
- $17.5 million to boost resources directed to the Special Learning Needs initiative;
- $15 million to support non-government schools;
- $12.2 million to address student welfare in secondary schools;
- $10 million to reduce the maintenance backlog in Government schools;
- $19 million to address the current maintenance of schools backlog;
- $24.5 million for additional classrooms to reduce class sizes;
- $15.2 million for the construction of new schools; and
- $57 million from the Growing Victoria reserve to modernise and upgrade 100 schools across Victoria.

8.6.4 Performance measures

The Department reviewed its 1999-2000 outputs resulting in a refinement of the outputs and performance measures for 2000-2001. Accordingly, there were 48 new performance measures introduced into the Budget Papers for the two output groups under the responsibility of the Education portfolio. Also, 36 performance measures were discontinued.

66 Document tabled by the Minister for Education at the estimates hearing dated 14 June 2000, pp. 2-3
The Committee’s review of the performance measures shows they are comprehensive and address the key Government outcomes of the portfolio.

However, there are a number of areas still in need of refinement, including:

- performance measures specific to the quality of primary and secondary school teaching and teacher development;
- reference to numeracy, literacy and curriculum standard in the service description and performance measures of the Non-Government Schools Education output consistent with the key Government outcome relating to all Victorian children having access to high quality primary and secondary education;
- the ability of a performance measure “student enrolments collected and verified for all schools” with a target of 100 per cent to adequately measure the quality of education provided in non-Government schools;
- performance measures relating to school satisfaction with the new learning technologies, multi-media and open learning services delivered by Government.

Accordingly, the Committee recommends that:

Recommendation 8.4:

The Department of Education, Employment and Training:

(a) review its current performance measures in relation to the quality of teaching and teacher development, in conjunction with the establishment of the Institute of Teaching, to ensure consistency with the measures used in the corporate and business plans;
(b) enhance the Non-Government School Education output by incorporating literacy, numeracy and curriculum standards into output objectives and performance measures in the Budget Papers to provide an adequate measure of a key Government outcome; and

(c) develop a performance measure that reflects the level of school satisfaction with new learning technologies, multimedia and open learning services.

8.6.5 Key issues impacting on the Education Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Education identified the following key issues for the Education portfolio that will impact on the budget estimates for 2000-2001.

(a) Reducing class sizes

The reduction of class sizes in the early years of schooling is a nationally and internationally recognised problem. The Committee was advised that the Government is providing around $170 million over four years ($36.4 million in 2000-2001) for the employment of 800 teachers to bring class sizes down to an average of 21 in prep to year 2.67 In addition, $32 million over three years ($24.5 million in 2000-2001) in capital expenditure has been provided for 444 new classroom facilities.

The Committee believes that an average reduction in class size will be a significant factor to improving the quality of education services to Victorian children.

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67 Hon. M Delahunty, Minister for Education, transcript of evidence, 14 June 2000, p. 152
Accordingly, the Committee recommends that:

**Recommendation 8.5:**

The Department of Education, Employment and Training closely monitor the impact of the strategy to reduce class sizes to ensure that average class sizes across the State are in fact reduced.

(b) Provision of education for children with disabilities and impairments

The Committee was advised there are currently 15,700 students, representing three per cent of the school population, with disabilities and impairments attending Government schools.\(^{68}\) This represents an increase of 2,200 from 1999 and the Government has responded by allocating an additional $22 million for a total output cost of $236.8 million in 2000-2001. The Minister advised the Committee this investment is more substantial than any other State. However, increasing demand continues to present a major challenge.

In order to identify the most effective mechanism for providing support to Victorian students, the Government established an inquiry into the next generation of public schools. This inquiry will develop an equitable framework for the dispersion of school funding while maintaining an element of flexibility for schools to shape programs to suit their own student profile. Given the increasing number of children requiring integration assistance in schools, the Committee believes it is crucial for the Government to form a position on the recommendations of the inquiry as soon as possible, and to develop an action plan.

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\(^{68}\) Ibid, p. 165
(c) Occupational health and safety

The provision of a safe, supportive and secure learning environment is fundamental to a quality education system for Victorian children. The Minister advised the Committee that the occupational, health and safety environment of existing schools has been assessed as required by Part 5 of the Occupational Health and Safety Regulations 1992, and that an asbestos management plan has been developed and provided to each Government school.69

The Committee believes it will be important for the results of asbestos audits to be incorporated into the Department’s asset investment plans to ensure that higher risk buildings and portables are upgraded or replaced in a timely manner, and that asbestos management plans are monitored to ensure the potential impact of asbestos in Victorian Government schools is minimised.

8.7 Post Compulsory Education, Training and Employment Portfolio

8.7.1 Background

The Minister for Post Compulsory Education, Training and Employment has sole or joint responsibility for two key output groups within the Department, which account for $1 006.5 million or 17.9 per cent of the Department’s 2000-2001 budget.

69 Ibid, pp. 169-170
Exhibit 8.8

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary Education, Employment and Training</td>
<td>848.8</td>
<td>893.3</td>
<td>977.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>27.0</td>
<td>25.9</td>
<td>28.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>875.8</td>
<td>919.2</td>
<td>1006.5</td>
<td>14.9</td>
</tr>
</tbody>
</table>

The Committee understands that the major activities of the Post Compulsory Education, Training and Employment portfolio are included in the Tertiary Education, Employment and Training output group. Key responsibilities that relate to the Post Compulsory, Training and Employment portfolio are to:

- ensure all Victorians have access to high quality training and further education services;
- create additional employment opportunities, particularly for young people and disadvantaged communities;
- link training and education to employment, especially in high skill industries and areas of skill shortage; and
- ensure that Government policies and service delivery reflect and meet the needs of all young Victorians.

8.7.2 2000-2001 outlook for the Portfolio

The Minister advised the Committee of a number of high level objectives for the portfolio in 2000-2001 and the forward estimates period. These objectives are directed towards:

- addressing the deterioration in the financial position of TAFE Institutes;

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70 Document tabled by the Minister for Post Compulsory Education, Training and Employment, estimates hearing dated 23 August 2000, p. 3
• achieving growth in apprenticeships and traineeships;
• linking training in further education to employment;
• achieving sustainability of public infrastructure; and
• creating learning communities.

8.7.3 Analysis of the 2000-2001 Budget

In order to achieve the Government’s objectives in the Post Compulsory Education, Employment and Training portfolio, a number of recurrent and capital funding initiatives were included in the 2000-2001 budget. These include:

• allocation of an additional $127 million over the next four years ($7.1 million was provided in 1999-2000) to address financial problems of TAFE Institutes;

• implementation of measures arising from Government reviews such as the Ministerial Review of Post Compulsory Education and Training Pathways and the quality of training in Victoria’s apprenticeship and traineeship system;

• $12.6 million ($50.4 million to 2003-2004) to create an additional 17,600 apprenticeships and traineeships; and

• an additional $43.4 million in 2000-2001 ($158.2 million over four years) for employment programs including the Community Infrastructure Jobs Program ($17.8 million), Government Youth Employment Scheme ($9.96 million) and the Private Sector Skills Development Program ($6.94 million).

8.7.4 Performance measures

A review of the 1999-2000 outputs by the Department has resulted in substantial change to the two output groups under the responsibility of the Post Compulsory Education, Employment and Training portfolio. The Department has included 29 new performance
measures in the 2000-2001 Budget Papers, while seven measures were discontinued.

The Committee commends the Department for improving the performance information in the Budget Papers. However, the Committee's review of this performance information, in conjunction with evidence given at the estimates hearing, has identified areas in need of further enhancement.

The Committee believes a further review of performance information in Budget Paper No. 3 is necessary.

Accordingly, the Committee recommends that:

**Recommendation 8.6:**

The Department of Education, Employment and Training:

(a) develop performance measures relating to teacher quality and the professional development of teachers in line with those developed for the Institute of Teaching on its establishment;

(b) develop performance measures that relate to outputs and outcomes from the Community Business Employment Program; and

(c) split the current performance measure relating to student hours in TAFE into government funded hours and non-government funded hours to provide more accurate information.
8.7.5 Key issues impacting on the Post Compulsory Education, Employment and Training Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Post Compulsory Education, Employment and Training identified the following key issues for the portfolio that will impact on the Budget Estimates for 2000-2001.

(a) Financial viability of TAFE Institutes

The Committee was advised by the Minister that a number of TAFE Institutes were experiencing financial difficulties. In order to remedy this situation, an additional $127 million has been committed over four years to:

- enable a realistic price to be paid for training purchased by Government;
- recognise the additional costs incurred by regional institutes;
- compensate institutes for the loss of revenue from providing fee concessions to people; and
- allow institutes to restructure their workforce to meet the changed demands for skill training and to perform asset maintenance and replace obsolete plant and equipment.

The Committee is aware that the Auditor-General identified six TAFE Institutes with negative working capital positions as at 31 December 1999.

The Committee believes it is crucial for the Government to work closely with the TAFE sector to ensure the additional funds are expended effectively and that the financial viability of TAFE Institutes is carefully monitored.

71 Hon. L Kosky, Minister for Post Compulsory Education, Employment and Training, transcript of evidence, 23 August 2000, p. 521
72 Auditor-General’s Report on Ministerial Portfolios, June 2000, p. 52
(b) Linkages between education, training and employment

The Committee was advised by the Minister that a key Government objective was to ensure that the linkages between education, training and employment to assist young people in gaining successful outcomes and credentials were clear. Presently the system lacks coordination which contributes to many young people being denied opportunities and this varies significantly across the State.

A review has been undertaken to ensure a broader provision of educational and training pathways for young people, and has recommended:

- more flexible service provision because young people learn in different ways;
- the need for enhanced guidance because presently the system cannot track the destinations of a significant number of young people when they leave school;
- the establishment of local partnerships, not just at State level, between industry, education, employees and a range of different providers to take advantage of local programs that service the needs of local areas; and
- the establishment of a qualifications authority to break down the barriers between the school system, the training system and the higher education system.

The Government has allocated an additional $65 million over four years to implement the recommendations of the review.

The Committee believes the conduct of the review to be a timely and effective mechanism for introducing efficiencies into the system and improving the outcomes for young Victorians.

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73 Hon. L Kosky, Minister for Post Compulsory Education, Employment and Training, transcript of evidence, 23 August 2000, p. 522
The Committee also believes that the strategy should be constantly monitored to ensure the direction is relevant to needs, and that the performance measures in the Budget Papers reflect the key result areas of the strategy.

(c) Australian National Training Authority Agreement

The Committee was advised that the current Australian National Training Authority Agreement (ANTA) expires at the end of 2000, and that discussions with the Commonwealth Government on the terms of the new agreement have been ongoing for a number of months. The Commonwealth Government's position is for no new funding growth over the next three years except for CPI.

In the event that the agreement is signed with no additional funding, there will be a number of impacts on Victoria, including:

- an expected 2.8 per cent annual growth in training demand as estimated by the Commonwealth Department of Education, Training and Youth Affairs, will be affected by a funding shortfall of $19.5 million in Victoria;
- 5,000 Victorians will be denied training in 2000-2001 with this figure increasing to 15,000 in 2003.

These impacts could be far greater given ANTA, which is a joint Commonwealth-State working party, estimates training growth to be 5.7 per cent annually.

The Committee considers the provision of training services to Victorians to be fundamental to a skilled and well-resourced workforce.

Accordingly, the Committee recommends that:

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74 Ibid, p. 522
Recommendation 8.7:
The Government continue to negotiate for Commonwealth funding to equate with the expected increase in demand for training under the Australian National Training Authority Agreement.

8.8 Youth Affairs Portfolio

8.8.1 Background

The Minister for Youth Affairs has joint responsibility with the Minister for Education and the Minister for Post Compulsory Education, Training and Employment for the Policy, Strategy and Information Services output group. This output group has a $28.9 million budget in 2000-2001. Exhibit 8.9 shows the particular outputs that are relevant to the Youth Affairs portfolio:

Exhibit 8.9

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under Minister for Youth Affairs</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>Policy, Strategy and Executive Services</td>
<td>13.9</td>
</tr>
<tr>
<td></td>
<td>Public Information and Promotion Services</td>
<td>6.9</td>
</tr>
<tr>
<td></td>
<td>Youth Affairs</td>
<td>5.5</td>
</tr>
</tbody>
</table>

The Government established the Youth Affairs portfolio and the Office for Youth for the development of youth policy, program development, service-planning provision and the promotion of young people’s interests in Cabinet.

8.8.2 Analysis of the 2000-2001 Budget

The Committee’s analysis of the Policy, Strategy and Information Services output group shows a $1.9 million or 7.1 per cent increase in
2000-2001. Key elements of activities undertaken within the portfolio for 2000-2001 include:

- $2 million for the FReeZA program; 75
- $2.4 million to fund the Victorian Youth Development Program;
- $384 000 for Regional Youth Committees support and regional development;
- $454 000 in grants to youth peak organisations and the Duke of Edinburgh Award Scheme;
- $150 000 to establish a Government youth website; and
- $125 000 to conduct Youth Roundtables and participate in National Youth Week.

8.8.3 Performance measures

A review of the 1999-2000 outputs by the Department has resulted in 12 new performance measures for the Policy, Strategy and Information Services output group. The Committee's analysis of performance measures in the Youth Affairs output shows they are all quantative in nature. For example, while there is a measure relating to the number of Regional Youth Advisory Committees (RYAC's) with a target of 15, there is no measure showing the effectiveness of the contribution of these Committees to Government policy.

The Committee believes these performance measures are in need of substantial improvement.

The Committee recommends that:

75 The program funds providers in local communities to implement drug and alcohol-free live band gigs and dance parties across metropolitan Melbourne and rural and regional Victoria.
Recommendation 8.8:

The Department of Education, Employment and Training review the current performance measures in the Youth Affairs output to ensure they more accurately reflect performance and not just activity based inputs.

8.8.4 Key issues impacting on the Youth Affairs Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Youth Affairs identified the following key issues for the portfolio that will impact on the Budget Estimates for 2000-2001.

(a) Establishment of the Office for Youth

The Committee was advised that the establishment of the Office for Youth, with a budget allocation of $6.4 million for 2000-2001, is the initial step in returning a whole of Government focus to youth affairs, and to give young people a voice in the development of Government policy. The three key program areas in the Office for Youth are the:

- FReeZa program;
- Victorian Youth Development program; and
- Student Leadership Development program.

The Committee commends the Government initiative in establishing the Office for Youth, however it will be important for the Government to review the role of the Office after 12-18 months to ensure its effectiveness in achieving objectives.

76 Hon. J Madden, Minister for Youth Affairs, transcript of evidence, 23 August 2000, p. 496
(b) Victorian Youth Roundtable Program

The Victorian Youth Roundtable Program is a series of professionally facilitated forums attended by the Minister and young people nominated by a range of organisations. The Committee was advised that the forums allow young people to voice their concerns directly to the Minister, and that at least half the representatives are from rural communities.\textsuperscript{77}

The first forum, which was attended by approximately 60 young people, was linked into the review of post compulsory education and training and a range of other related issues that will be addressed in the next few years.

The Committee believes these forums to be extremely worthwhile in providing young people with a voice in Government. However, they could be improved if:

- the issues discussed and actions considered necessary from the forums are documented in the form of an issues paper; and
- the effectiveness of the program is evaluated after 12 months to ensure the program is achieving its objectives and to identify potential improvements to the process.

(c) Incorrect budgetary information

The estimates hearing into the Youth Affairs portfolio identified that information published in the Budget Papers is not fully consistent with information presented by the Minister and contained in the Department’s response to the Committee’s questionnaire. The Minister advised that information in the Budget Papers was inaccurate in the following instances:\textsuperscript{78}

\textsuperscript{77} Ibid, p. 499
\textsuperscript{78} Correspondence received from the Minister for Youth Affairs, dated 22 September 2000
• Budget Paper No. 3, page 43 showed a $5.5 million cost for the Youth Affairs output in 2000-2001 while the actual estimated budget is $6.4 million. The Minister explained the figure in the Budget Papers was an estimated cost at the end of April 2000 and that a number of changes had since occurred, including an $800 000 transfer from the Department of Human Services; and

• the expected outcome for 1999-2000 from the number of students participating in the Victorian Youth Development Program as reported in Budget Paper No. 3, page 43 was 2 150, the correct figure should have been 3 100.

The Committee is concerned at the accuracy of information contained within the Youth Affairs output in Budget Paper No. 3, and emphasises the fundamental importance of accurate and timely information so the Parliament can assess the performance of departments and portfolios in delivering targeted outputs.

Recommendation 8.9:

When a Minister has informed the Public Accounts and Estimates Committee of inaccuracies in the Budget Papers, this information should be reported to the Parliament within two sitting weeks.
CHAPTER 9: DEPARTMENT OF HUMAN SERVICES

Key Findings:

9.1 The inability of hospital emergency departments to cope with the demand for services, resulting in ambulance by-pass and blocked hospital admissions, remains a serious challenge.

9.2 There is a current shortage of staff in two critical areas of the health system, medical staff and nurses.

9.3 There has been significant disagreement between the State and Commonwealth Governments over the level of health funding received by Victoria under the Australian Health Care Agreement, and the basis used to calculate the level of cost indexation.

9.4 There are problems in meeting the needs of people with disabilities with projections showing the number of people in Victoria with a profound or severe disability for the year 2000 being 212 000, and this will rise to 224 000 by 2003. The situation for people in urgent need of disability services is particularly severe.

9.5 There are serious problems concerning the qualifications of staff employed in the disability services system with about one-third of staff in Government managed disability accommodation services unqualified, approximately 20 per cent in the untrained qualification classification and 1,000 disability staff on temporary contracts as at October 1999.
9.6 In relation to children in protection, the Government is unable to determine the effectiveness of outsourcing strategies in terms of reducing the incidence of multiple placements and placement breakdowns as existing data collection and monitoring systems do not provide the necessary information.

9.7 Based on the evidence provided by the Minister, the Committee is concerned about the outcome of Commonwealth per capita funding on the present capacity of the residential aged care system in Victoria.

9.8 A major consequence of the shortage of nursing home beds is that elderly people have to remain in high cost, acute settings for lengthy periods, which is inappropriate for their needs.

9.9 There is a substantial unmet demand for Home and Community Care services in Victoria with the program currently servicing approximately 100,000 people representing about 26 per cent of the frail, aged and disabled members of the community. The Department is unable to quantify the level of unmet demand.

9.10 The most significant challenge facing the Housing portfolio is the high level of demand for low-income housing and homelessness assistance in Victoria. This situation is compounded by the gradual decline of funding in real terms (26 per cent or $75 million since 1989-90) received by Victoria under the Commonwealth-State Housing Agreement.
9.1 Departmental overview

The Department of Human Services provides services such as public rental housing, intellectual disability accommodation, child protection and juvenile justice while delivering other services through public hospitals, metropolitan health services, public nursing homes, local government, community health centres, ambulance services and a range of non-government organisations providing welfare services.

The Department provides services to the Minister for Health, Minister for Community Services, Minister for Aged Care and Minister for Housing.

9.2 Output management framework

The Department’s 2000-2001 output management framework is shown in Exhibit 9.1:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Services</td>
<td>3381.0</td>
<td>3453.7</td>
<td>3621.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Ambulance services</td>
<td>198.1</td>
<td>201.6</td>
<td>220.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Aged Care and Primary Health</td>
<td>790.4</td>
<td>807.9</td>
<td>855.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Mental Health Services</td>
<td>453.2</td>
<td>459.1</td>
<td>493.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Public Health Services</td>
<td>201.5</td>
<td>198.0</td>
<td>214.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Disability Services</td>
<td>571.9</td>
<td>593.9</td>
<td>668.5</td>
<td>16.9</td>
</tr>
<tr>
<td>Community Care</td>
<td>449.1</td>
<td>461.1</td>
<td>491.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Concessions to Pensioners and Beneficiaries</td>
<td>269.5</td>
<td>269.9</td>
<td>280.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Housing Assistance</td>
<td>362.4</td>
<td>362.9</td>
<td>407.4</td>
<td>12.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6677.0</strong></td>
<td><strong>6808.2</strong></td>
<td><strong>7253.4</strong></td>
<td><strong>8.6</strong></td>
</tr>
</tbody>
</table>

The Department advised that its output group structure has remained largely unchanged since 1999-2000. However, relevant structural changes include:

- the Youth and Family Services output group has been renamed Community Care with the youth component transferred to the Department of Education, Employment and Training; and
- the Aboriginal Services output group has been transferred to the Department of Natural Resources and Environment.

The Committee noted there have also been a number of reallocated responsibilities between output groups from 1999-2000, including:

- transfer of the Supported Accommodated Assistance Program (SAAP) to the Housing Assistance output group;
- transfer of school nursing to the Primary Health program to reflect Government policy in expanding the health role of these services;
- transfer of sexual assault services to the Community Care Program to recognise their links to child protection and family violence services; and
- consolidation of related components of sub-acute care in the Acute Health Program to support consistent purchasing from hospitals, and to promote consolidated planning of acute and sub-acute bed capacity.

### 9.3 Financial analysis

The operating statement for the Department of Human Services is shown as follows:

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79 Department of Human Services response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 4
### Exhibit 9.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controlled Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>6982.7</td>
<td>7089.9</td>
<td>7500.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>6979.6</td>
<td>7110.7</td>
<td>7555.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>3.1</td>
<td>(20.8)</td>
<td>(55.5)</td>
<td>- 771.0</td>
</tr>
<tr>
<td>before revenue for increase in net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>add</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>79.5</td>
<td>27.6</td>
<td>80.4</td>
<td>- 65.3</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>6.3</td>
<td>6.3</td>
<td>6.3</td>
<td></td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>88.9</td>
<td>13.1</td>
<td>31.2</td>
<td>- 64.9</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Human Services response to the Committee’s 2000-2001 questionnaire, Part B, p. 34

The Committee’s analysis of the 1999-2000 estimate compared to estimated actual operating statement shows that variations for operating revenue and operating expenses are minor with a 1.5 per cent and 1.9 per cent increase respectively.

The Department expects a significant reduction ($75.8 million or 64.9 per cent) in its operating surplus in 1999-2000 from an estimated $88.9 million to an estimated actual of $13.1 million. According to the Department, this reduction is the result of a number of factors, including:
the utilisation of revenue earned in 1998-1999 (- $84.3 million) and anticipated under expenditure in 1999-2000 ($60 million) resulting in an operating deficit before revenue for increases in net assets of $20.8 million as opposed to the estimated $3.1 million surplus; and

changes to cashflow forecasts in a number of capital projects has resulted in a reduction in revenue for net assets ($51.9 million) which will be required in future years in accordance with revised project cashflows.

9.3.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided a detailed breakdown of items contained in ‘other revenue’ and ‘other expenses’ for both controlled and administered items. The Committee decided to analyse only controlled items given that both categories in the administered portion of the operating statement contained immaterial balances ($23.6 million operating revenue and no balance for operating expenditure).

The breakdown supplied by the Department is as follows:80

---

80 Department of Human Services response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 39
## Exhibit 9.3 - Other Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($million)</th>
<th>2000-2001 Budget ($million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Inpatient Fees and Compensation Payments</td>
<td>188.0</td>
<td>188.0</td>
<td>0</td>
</tr>
<tr>
<td>Ambulance subscriber revenue and Fee for Service</td>
<td>72.1</td>
<td>70.9</td>
<td>-1.7</td>
</tr>
<tr>
<td>Aged Care Revenue – Nursing Home and Inpatient revenue</td>
<td>136.4</td>
<td>136.4</td>
<td>0</td>
</tr>
<tr>
<td>Community Health and Dental Health fees</td>
<td>7.0</td>
<td>7.0</td>
<td>0</td>
</tr>
<tr>
<td>Mental Health – Long term health fees</td>
<td>9.2</td>
<td>9.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Interstate patient fees for service</td>
<td>24.0</td>
<td>27.0</td>
<td>12.5</td>
</tr>
<tr>
<td>Private donations and other revenue activities</td>
<td>25.0</td>
<td>25.0</td>
<td>0</td>
</tr>
<tr>
<td>Commercial Activities Hospitals – Private radiology fees,</td>
<td>325.0</td>
<td>325.0</td>
<td>0</td>
</tr>
<tr>
<td>pathology fees and other non-hospital revenue such as car</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>parks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DRRF</td>
<td>1.8</td>
<td>1.8</td>
<td>0</td>
</tr>
<tr>
<td>Gross sale proceeds – Plant and Equipment (Metro Health Care</td>
<td>(14.1)</td>
<td>(13.0)</td>
<td>-7.1</td>
</tr>
<tr>
<td>Networks)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross sale proceeds – Plant and Equipment (Other)</td>
<td>(6.3)</td>
<td>(6.3)</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>768.2</td>
<td>771.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

The table shows an expected increase in other revenue of $3.2 million or 0.4 per cent. The Committee noted only one material variation relating to ‘Interstate Patient Fees for Service’ which represents revenue from other jurisdictions for the treatment of interstate
patients in Victorian Public Hospitals. This revenue item is anticipated to exceed 1999-2000 revenue by approximately $3 million.

Exhibit 9.4 - Other Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acute Health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants to non budget sector entities</td>
<td>4.9</td>
<td>5.4</td>
<td>10.2 (a)</td>
</tr>
<tr>
<td>Payments to Individuals (Patient Transport Assistance Scheme)</td>
<td>2.7</td>
<td>2.7</td>
<td>0</td>
</tr>
<tr>
<td><strong>Aged Care and Primary Health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants to non budget sector entities</td>
<td>5.6</td>
<td>11.1</td>
<td>98.2 (a)</td>
</tr>
<tr>
<td><strong>Public Health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants to non budget sector entities</td>
<td>6.2</td>
<td>8.1</td>
<td>30.6 (a)</td>
</tr>
<tr>
<td><strong>Disability Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants to non budget sector entities</td>
<td>1.3</td>
<td>4.2</td>
<td>223.1 (a)</td>
</tr>
<tr>
<td><strong>Community Care</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Grants to non budget sector entities</td>
<td>4.3</td>
<td>0.4</td>
<td>-90.7 (a)</td>
</tr>
<tr>
<td><strong>Concessions to Pensioners and Individuals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to individuals – Fares, rates, energy concessions</td>
<td>263.0</td>
<td>274.3</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Housing Assistance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer payment of Appropriations to the Office of Housing</td>
<td>308.3</td>
<td>349.0</td>
<td>13.2 (b)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>596.3</td>
<td>655.2</td>
<td>9.9</td>
</tr>
</tbody>
</table>

The Department supplied the following reasons for major variations to ‘other expenses’:
the Budget Papers present capital payments to the non-Government sector as expense items as they do not result in an asset to Government, the majority of these payments relate to specific projects for non-Government facilities or equipment grants and are generally unique and non-recurring so large variances can occur between financial years; and

the $40.7 million or 13.2 per cent expected increase in Appropriations to the Office of Housing comes primarily from the impact of GST compensation for housing and Government initiatives to increase housing stock.

The Committee accepts the reasons for major variations to line items within the ‘other revenue’ and ‘other expenses’ categories in the operating statement. However, the Committee is concerned about the materiality of a number of line items that are not specifically shown in the operating statement, namely:

- Acute Health Agency revenue including inpatient fees and compensation payments from the Transport Accident Commission and WorkCover etc. estimated at $188 million in 2000-2001;
- Nursing Home and inpatient revenue from Aged Care services estimated at $136.4 million in 2000-2001;
- Revenue from Commercial activities in Hospitals such as private radiology and pathology fees and revenue from car parks etc estimated at $325 million in 2000-2001;
- Concession payments to individuals for transport fares, rates and energy consumption estimated at $274.3 million in 2000-2001; and

The Committee believes that full disclosure of all material items in the operating statement by the Department would allow better
quality information in the Budget Papers, relating to revenue and expenditure.

Accordingly, the Committee recommends that:

**Recommendation 9.1:**

The Department of Human Services review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

**9.4 Corporate and business plans**

The Department’s corporate and business plans for 2000-2001 were not provided to the Committee. In response to the Committee’s questionnaire, the Department advised that the 2000-2001 Human Services Departmental Strategy Plan, incorporating the Department’s corporate and business plans, would be forwarded to the Committee after endorsement by Ministers. The Department expected this endorsement in June 2000. However, the Department did not forward copies of the plans to the Committee until the estimates process had been completed.

Accordingly, the Committee recommends that:

**Recommendation 9.2:**

The Department of Human Services:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

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81 Department of Human Services response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 44
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

9.5 Human resources issues

The Department estimated it will have 9420 Equivalent Full Time staff (not including external agencies) at 30 June 2000. This compares with an actual staffing level of 9444 at 30 June 1999.

Exhibit 9.5

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 1999 (actual)</th>
<th>30 June 2000 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>9444</td>
<td>9420</td>
</tr>
<tr>
<td>External Agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Hospitals and Aged Care Centres</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>3804</td>
<td>3850</td>
</tr>
<tr>
<td>Nursing</td>
<td>19340</td>
<td>19690</td>
</tr>
<tr>
<td>Medical Support</td>
<td>7585</td>
<td>7800</td>
</tr>
<tr>
<td>Section 97 Staff</td>
<td>688</td>
<td>580</td>
</tr>
<tr>
<td>Other</td>
<td>13248</td>
<td>13000</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>44665</strong></td>
<td><strong>44920</strong></td>
</tr>
<tr>
<td>Community Health Centres</td>
<td>962</td>
<td>962</td>
</tr>
<tr>
<td>HACC Agencies, Palliative Care</td>
<td>1591</td>
<td>1591</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>1602</td>
<td>1670</td>
</tr>
<tr>
<td>Victorian Institute of Forensic Mental Health</td>
<td>143</td>
<td>220</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58407</strong></td>
<td><strong>58783</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Human Services to the Committee’s estimates questionnaire, Part A, p. 27

Exhibit 9.5 shows an estimated minimal reduction in equivalent full time staff in the Department of 24 or approximately 0.3 per cent.
9.5.1 Key staffing issues facing the Department

The Department advised it was experiencing specific shortages of expertise in some key areas such as experienced social workers (particularly Child Protection Workers), information technology professionals and direct care workers.82

Strategies adopted by the Department to address these skill shortages include:

- labour market analysis and planning combined with targeted recruitment campaigns for child protection workers;
- development and implementation of a ‘selecting well’ kit for managers (to identify skills and attributes);
- development of an ‘apply well’ package to assist staff with skills gap analysis and career progression;
- production and promotion of a careers pamphlet; and
- employment of contract and agency staff with specific expertise such as information technology.

9.5.2 Promotion of women in the Department

The Committee was advised that 67 per cent of the Department of Human Services workforce is female, while women account for 40 per cent of executive officers as at April 2000. The Department also reinforced its support and promotion of equal employment opportunity (EEO) and has in place an EEO planning process that identifies specific actions for various designated groups including women.

82 Department of Human Services response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 29
9.6 Health Portfolio

9.6.1 Background

The Minister for Health has responsibility for the five key output groups within the Department. Exhibit 9.6 shows this output group accounts for $5,405.7 million or 74.5 per cent of the Department's 2000-2001 budget.

Exhibit 9.6

<table>
<thead>
<tr>
<th></th>
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<td><strong>5405.7</strong></td>
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</table>

The major responsibilities of the Minister for Health are the delivery of:

- acute and sub-acute hospital inpatient services, ambulatory and emergency services and community based services which substitute for hospital care;
- emergency and non-emergency ambulance services and clinical training of ambulance paramedics;
- primary health care services involving a range of community nursing, community based women's health, sexual assault support, family planning, dental health, alcohol and drug treatment services;

\(^{83}\) The Primary Health component of this output group accounts for $447.5 million
• mental health services and the provision of residential rehabilitation and community support; and

• public health services aimed at promoting good health, researching the underlying causes of ill health, detecting and responding to major health threats and controlling health hazards by licensing regulation and codes of practice.

9.6.2 2000-2001 outlook for the Portfolio

The Committee notes a fundamental change in policy has resulted in a corresponding change to the health portfolio’s key strategic directions for 2000-2001, including:

• easing the pressure on emergency departments in public hospitals;

• increasing the quality of hospital services such as infection control, cleaning standards, discharges without home support and addressing nursing shortages resulting from poor morale;

• reducing the growth in elective surgery waiting lists;

• addressing financial viability issues in public hospitals;

• the abolition of the Metropolitan Health Care Networks; and

• the cessation of privatisation policies and associated programs.

9.6.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the 2000-2001 budget allocations to the Health portfolio shows a $342.8 million or 7.8 per cent increase over 1999-2000. Key budget initiatives for 2000-2001 include:

• an additional $176 million for hospitals comprising:

  • $60.2 million to reduce waiting times in emergency departments and elective surgery, and address winter demand needs;
− $93.5 million for growth in hospital services and to ease financial pressures;
− $23 million to improve the quality of hospital services including hospital cleaning and infection control ($7.2 million), retaining and attracting nurses ($6.3 million), and an extension of hospital to home support services ($9.5 million);

• $19.95 million to boost metropolitan, regional and rural ambulance services;
• $17 million for a new approach to drug and alcohol problems; and
• enhancement to community health and mental health services of $10.3 million and $9.8 million respectively.

In addition, the Government has committed $169 million to health asset investment projects including $37 million for the redevelopment of the Royal Women's Hospital, $42 million for regional and rural hospitals, $20 million for hospital equipment upgrades, $20 million for fire risk management and $15.5 million for community health centres.

9.6.4 Performance measures

The Committee noted a significant number of new performance measures have been introduced into the output groups under the responsibility of the Minister for Health. There has been 14 new measures introduced into four output groups while four measures used in 1999-2000 have been discontinued.

The Committee's analysis of the performance measures used in 2000-2001 shows an improvement from 1999-2000. However, there are a number of areas that could be enhanced:

• a distinction between mental health service availability in rural/ regional areas and those available in metropolitan areas;
• the need to review a new performance measure in the Acute Health output group relating to Urgent (category 1) patients admitted within 30 days with a target of 100 per cent to ensure the target is adequate; and

• the inclusion of a performance measure in the Acute Services output group which relates to the number of nurses graduating each year to complement the existing measure relating to First year graduate nurses places.

9.6.5 Key issues impacting on the Health Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Health identified the following key issues for the Health Portfolio that will impact on the Budget Estimates for 2000-2001.

(a) Demand for emergency resources in hospitals

The Committee was advised that the Government’s highest priority in the health portfolio is to address the unsatisfactory situation in hospital emergency departments. The Government considers this problem, which results in ambulance by-pass and blocked hospital admissions, to be an extremely serious and continuing problem. The Minister stated this problem is exacerbated by the gradual decline in the number of sub-acute and nursing home beds resulting in a blockage in older people leaving the hospital system in a timely manner.

The Committee was provided with the following table highlighting the extent of the ambulance by-pass problem, particularly in 1999-2000:

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84 Hon. J Thwaites, Minister for Health, transcript of evidence, 18 May 2000, p. 37
85 Ibid
Exhibit 9.7

<table>
<thead>
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<td><strong>565</strong></td>
<td><strong>501</strong></td>
<td><strong>2021</strong></td>
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</table>

Source: Information supplied to the Committee by the Minister for Health, received 28 July 2000

The Committee’s analysis of the table shows:

- there were 2 021 instances of ambulance by-pass in 1999-2000 compared with 312 in 1998-99 representing a 547.8 per cent increase;
- the highest level of by-pass in 1999-2000 were the July-September, October-December 1999 and January-March 2000 quarters; and
- the worst affected hospitals in 1999-2000 were the Western Hospital (107), The Alfred Hospital (360), Monash Medical Centre (566) and Frankston Hospital (451).

The Minister advised that the Government’s response to this problem is the allocation of $60 million to open 360 beds, including 60 beds in regional and rural areas, as part of its winter demand and elective surgery strategy.
The Committee supports the action in enhancing the capacity of the hospital system, particularly in the number of sub-acute beds. However, it will be important that existing resources are targeted towards high priority areas and in hospitals with the greatest need.

Accordingly, the Committee recommends that:

Recommendation 9.3:

The Department of Human Services review the winter demand and elective surgery strategy at the end of 2000 to assess the success of the strategy in terms of achieving key objectives, and ensure that existing problems and emerging issues are addressed for the 2001-2002 year.

(b) Adequacy of staffing in the hospital system

The Minister advised the Committee that there are two critical staffing areas, namely medical staff and nurses.86 First, the Australian Health Ministers’ Advisory Council has established the Australian Medical Workforce Advisory Committee to advise on national medical workforce matters including workforce supply, distribution and workforce requirements. All medical staffing positions in public hospitals are reviewed annually and where additional positions are recommended the Department ensures that positions are accredited by the relevant medical college.

Second, the Government has allocated $21.7 million over four years to address nursing workforce issues.

Specific initiatives include:

- the provision of scholarships for post-graduate university places to stem shortages in specialist nursing areas;

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86 Hon. J Thwaites, Minister for Health, information supplied on notice from estimates hearing, dated 18 May 2000
• the provision of study leave for nurses undertaking studies in specialist areas;
• financial assistance for nursing students in rural hospital placements;
• refresher and re-entry courses for nurses wanting to return to the workforce; and
• recognition of clinical expertise for those undertaking postgraduate study in specialist clinical fields.

In addition, a Nursing Recruitment and Retention Committee has been established to provide advice to the Minister on nursing workforce matters.

The Committee supports the initiatives of the Government aimed at ensuring workforce capacity of the hospital sector can meet demands placed on the system. However, it is crucial that these initiatives are directed at achieving a common goal and are continually monitored to measure the level of success.

Accordingly, the Committee recommends that:

Recommendation 9.4:

The Department of Human Services:

(a) incorporate all workforce initiatives into a common strategy with overall objectives and short/medium/long-term targets to be achieved; and

(b) review the success of that strategy using performance measures which provide an accurate indication of performance.

(c) Australian Health Care Agreement Funding

The Australian Health Care Agreement is a major source of funding for Victoria's health system. The Committee is aware that there has
been a significant disagreement between the State and Commonwealth Governments over the level of this funding and the basis used to calculate the level of cost indexation.

The Minister advised the Committee that the Australian Health Care Agreement provided for cost indexation at a default rate of 0.5 per cent, and an initial agreement for the State and Commonwealth Governments to jointly develop an output cost index. In the event that agreement could not be reached, an independent arbiter would be appointed to make a recommendation. However, the Commonwealth Government refused to accept the arbiter’s recommendation of CPI plus 0.5 per cent and applied WCI-1 which is 75 per cent of the Safety Net Adjustment and 25 per cent of the Treasury Measure of Underlying Inflation for 1999-2000 and 2000-2001.

This resulted in a shortfall of $285 million over four years between the arbiter’s recommendation and the basis used by the Commonwealth Government. The Committee was advised that the State would fund this shortfall through a 7.1 per cent increase in funding to acute health for 2000-2001.

(d) Abolition of Fringe Benefits Tax exempt status for the health sector

The Committee was informed that an important means to attract and retain skilled senior medical staff is the use of the health sector’s exempt status under Fringe Benefits Tax (FBT) to improve salary packages. However, this has been abolished as part of the GST package.

The Minister advised this change could have serious ramifications as Victoria could lose senior doctors from its public hospitals. The Commonwealth Government has now agreed to provide some compensation to the States for the loss of the FBT exemption totalling $240 million over three years.

87 Ibid
88 Hon. J Thwaites, Minister for Health, transcript of evidence, 18 May 2000, p. 53
The Minister informed the Committee that the next challenge is to determine the method by which the funding will be divided amongst the States. The Committee was advised that there are two methods currently under consideration:

- on the basis of population whereby Victoria would receive approximately $22 million of the $88 million allocation for 2000-2001; and
- on the basis of impact on the State and individual hospitals which would result in a much greater share for Victoria.

The Government is currently lobbying the Commonwealth Government to apply the second distribution method. The Committee noted that this decision will have a significant impact on the Government’s ability to re-negotiate salary packages with senior medical officers.

(e) Future mental health service activities

The Minister advised that the previous Government’s focus for mental health services was on the development of a community orientated service delivery system with the closure of stand-alone psychiatric institutions and the mainstreaming of services with the general health system.89

The Government’s next stage of service development revolves around increasing accessibility and inclusiveness of mental health services and introducing early intervention and prevention strategies to minimise the development and impact of mental illness.

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89 Hon. J Thwaites, Minister for Health, information supplied on notice from estimates hearing on 18 May 2000
Some key initiatives include:

- increased participation of carers and clients in service planning, management and monitoring;
- an enhanced focus on training needs for mental health workers;
- investment in mental health promotion, particularly for those considered most at risk;
- developing a flexible mental health service framework for rural communities;
- a review of child and adolescent mental health services; and
- expanding the capacity of community based health and mental health services in crisis prevention and intervention responses.

In addition, the Committee was informed that a review of acute inpatient and statewide specialist services is nearing completion and will provide a basis for future service developments and funding approaches to improve the quality and accessibility elements of the system.

The Committee believes these initiatives are extremely significant and will impact on the entire mental health service system. It will be important that initiatives of this magnitude are coordinated to ensure a consistent and comprehensive approach is adopted to the delivery of mental health services.

(f) **LaTrobe Regional Hospital**

As a result of a contract between the previous Government and a private sector company, Australian Hospital Care (Latrobe) Pty Ltd, the LaTrobe Regional Hospital was constructed. The contract provided that the private company would be responsible for the design, construction, ownership and operation of a new hospital located in the Latrobe Valley. Following the commissioning of the
hospital in September 1998, the company through a sub-contracted operator had responsibility for the operation and maintenance of the facility and the provision of services to public hospital patients over an initial period of 20 years.

In 1999-2000, the company incurred losses of approximately $6 million and it was likely that losses of this magnitude would continue over the term of the arrangements. In February 2000, the company commenced legal proceedings in the Supreme Court of Victoria against the Minister for Health on the grounds of underpayment of services, under-provision and discounting of WEIS payments and payment disparity with other public hospitals. The company was seeking up to $25 million in damages relating to the 1998-1999 and 1999-2000 financial years.

9.7 Community Services Portfolio

9.7.1 Background

The Minister for Community Services has responsibility for three key output groups within the Department. Exhibit 9.8 shows these output groups account for $1,440.3 million or 20 per cent of the Department’s 2000-2001 Budget.

Exhibit 9.8

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</table>

The key responsibilities of the Minister for Community Services include the:
- provision of continuing care and support services for people with intellectual, physical and/or sensory disabilities, their carers and their families;
- provision of preschool and childcare services, a range of primary and secondary services which support the role of families as primary carers, early intervention services for individuals and families facing personal or financial crises, protective services for children at risk and juvenile justice services; and
- development and coordination of the delivery of concessions and relief grants to eligible consumers and concession card holders, including pensioners and low income groups.

9.7.2 2000-2001 outlook for the Portfolio

The strategic budget priorities of the Community Services Portfolio for 2000-2001 will:
- refocus services for high risk groups in the community including child protection and juvenile justice;
- enable people with ongoing need for care across health, social support and housing to achieve their potential and have maximum care choices including people with mental illness, intellectual and physical disability and frail elderly persons; and
- improve the quality of and access to affordable social housing.

9.7.3 Analysis of the 2000-2001 Budget

The Committee's analysis of the 2000-2001 Budget Papers shows the funding allocations for output groups under the Community Services Portfolio have increased by $149.8 million or 11.6 per cent. Key initiatives funded by this increase include:
• a range of diversion, rehabilitation, transition and post-release programs for 17–20 year olds in Senior Youth Training Centre custodial facilities ($5 million in 2000-2001, rising to $10 million in 2001-2002);

• improving the quality of child protection services, especially residential care, addressing specific needs of adolescents at risk and supporting an increased emphasis on kinship and permanent care services ($3 million in 2000-2001, plus additional growth funding);

• a range of actions to expand and improve disability services including community based accommodation support ($17.7 million), congregate care redevelopments ($3.9 million), respite services ($4 million), specialist services ($4.2 million) and $12.9 million for day programs, other community access services and PADP;

• priority housing for clients with a disability ($7 million);

• construction and purchase of additional Community Residential Units for disabled persons in urgent need of purpose-designed accommodation ($15 million); and

• capital works at five community health centres, including development of Integrated Care Centres at Preston and Sunbury ($16 million).

9.7.4 Performance measures

The Committee’s review of performance measures in the three output groups under the responsibility of the Minister for Community Services show a significant number of additional measures, particularly in Disability Services (six new measures) and Community Care (14 additional measures). The Committee is pleased with the additional performance information disclosed in the 2000-2001 Budget Papers which will improve the measurement of outputs against key Government outcomes. However, the Committee believes further improvements can be made, including:
two new measures in the Juvenile Justice output relating to Juvenile Justice custodial clients participating in community integration programs and Juvenile Justice clients receiving post release support services have 2000-2001 targets of 7.5 per cent and 40 per cent respectively. While the Committee notes these are new initiatives they are also measures of a key Government policy direction and targets should be constantly reviewed to reflect this policy direction; and

the protection and placement output under Community Care has four new measures introduced in 2000-2001. However, the quality of performance information could be further improved with the addition of other meaningful information including:

- number of cases that were subsequently substantiated after the initial notification was not substantiated;
- continuity of case workers over a given period;
- incidence of multiple placements;
- percentage of investigations commenced within seven days of allocation of case;
- percentage of protection applications settled at the Children’s Court within one month;
- percentage of re-notifications which are substantiated;
- percentage of cases allocated to a protection worker within two weeks of notification;
- percentage of families actually receiving support services as compared with families identified as needing support services; and
- average length of time children spend in reception care before a placement is found.

The Minister advised that the Department is actively seeking to improve information systems and data collections; accordingly, the Committee considers it important that measurement of program
objectives and outcomes reflects this improvement in information quality.\textsuperscript{90}

9.7.5 Key issues impacting on the Community Services Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Community Services identified the following key issues for the Community Services Portfolio that will impact on the Budget Estimates for 2000-2001.

(a) The needs of Victorian’s with disabilities

The Committee was advised of the significant problems facing the Department with respect to meeting the needs of people with disabilities.\textsuperscript{91} The Australian Institute of Health and Welfare has projected the number of people in Victoria with a profound or severe disability for the year 2000 was 212,000 and this will rise to 224,000 by 2003.

The Committee was informed that the situation for people in urgent need of disability services is a particular concern.\textsuperscript{92} As at 1 July 2000, the disability services register of service needs showed there were:

- 597 clients in urgent need of shared supported accommodation;
- 215 clients in urgent need of other forms of accommodation support services; and
- 473 clients in urgent need of day programs.

The Government believes it would take at least two years to clear the backlog of those in need of shared supported accommodation, without additional people coming on to the list, and at least $72 million from the Commonwealth Government.

\textsuperscript{90} Hon. C Campbell, Minister for Community Services, information supplied on notice from estimates hearing dated 9 August 2000
\textsuperscript{91} Ibid, p. 335
\textsuperscript{92} Ibid, p. 330
The State Government has a role in addressing this situation. It will be very important for the Commonwealth Government to commit funding to minimise the current backlog in shared supported accommodation, in addition to addressing shortfalls in other forms of accommodation support services and day programs.

(b) State plan for disability services

The Committee was advised the focus of the State Disability Services Plan will be on people between 6-64 years with intellectual, physical and sensory disabilities, acquired brain injury and neurological impairments. The plan will provide a 10-year outlook and address short and medium-term implementation issues while also addressing the needs of people with dual disabilities (physical and mental).

A consultation report will be launched in December 2000 prior to the draft State Disability Services Plan, which is scheduled for release in March 2001.

The Committee supports the development of the plan covering short and medium-term activities for the delivery of disability services in Victoria. As part of the Plan, the Committee believes that it will be important for the Department of Human Services to:

- ensure that current and future urgent needs of clients with a disability are afforded highest priority;
- develop an effective monitoring process to ensure the plan is implemented in accordance with Government policy;
- ensure that problematic areas can be identified and addressed in a timely manner and that emerging issues are identified and incorporated into the plan; and

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93 Ibid. p. 346
• develop formal protocols with the Health and Aged Care portfolios to ensure consistency and effective integration of services for people with dual disabilities to avoid duplication or service gaps.

(c) Qualifications of the disability services workforce

The Committee believes the delivery of an effective disability services system is very much dependent on a skilled and committed workforce with high staff morale. The Minister advised that Disability Services employ nearly 5 000 staff. However, the Government is faced with a very serious situation where, in October 1999:

• approximately one-third (1 690) of staff employed in Government-managed disability accommodation are unqualified;

• 900 staff had transferred into disability services in the untrained qualification classification;

• required qualifications were downgraded or not required at all; and

• there were 1 000 disability staff on temporary contracts, often with as little as one month's employment.

In addition, at this time, the disability services training unit had been reduced and much of the training activity was, or expected to be, outsourced. The Minister stated the Government required a strong and well-resourced training unit for its disability services workforce.

The Committee is disturbed at the breadth of the problems currently experienced in the disabilities workforce and supports the Government’s intention to prioritise professional development activities.

Accordingly, the Committee recommends that:

\[94\text{ Ibid, p. 331}\]
Recommendation 9.5:

The Department of Human Services:

(a) develop a strategy aimed at both identifying qualifications required for positions in the disability services area and professional development activities to address current qualification shortfalls;

(b) introduce a comprehensive professional development plan outlining short/medium/long-term activities to meet requirements;

(c) implement processes to identify the continuing training needs of disability services staff in a timely manner; and

(d) develop and implement a monitoring framework which includes the evaluation of specific professional development activities.

(d) Protection and care of adolescents

At the estimates hearing, the Minister showed the Committee a number of disturbing photographs of Government-owned houses used to accommodate high risk adolescents. The photographs portrayed dirty, damaged and desolate accommodation.

The Minister advised that the Government has allocated $5 million to upgrade capital infrastructure for accommodation, translating into new residences for 45-50 clients. 95

The Committee was also briefed on the evaluation status of two initiatives involving the protection and care of adolescents - the High Risk Adolescent Initiative and the Working Together Strategy.

95 Ibid, p. 333
An independent consultant was engaged in February 1999 to conduct a two-year evaluation of the High Risk Adolescent Initiative. The evaluation, which is due for completion in December 2000, is focussed on providing information on the effectiveness of the initiative in achieving sustained program outcomes for clients and on the degree of integration and consolidation of the initiative within the service sector.

The Minister advised that, as yet, there has been no overall evaluation of the Working Together Strategy. However, a planning process is currently underway to develop an action plan for 2000-2002.96

(e) Placement and support for children under Protection Orders

The Minister advised the non-government sector has traditionally provided a significant proportion of out-of-home care placements for children, while the Department only provided for the most difficult and challenging adolescents.97 As a result of the Placement and Support Redevelopment Strategy in 1998, the majority of the Department’s out-of-home care services were outsourced to the non-government sector with the Department retaining management of secure welfare services.

Currently, the Government is unable to determine the effectiveness of outsourcing strategies in terms of reducing the incidence of multiple placements and placement breakdowns as existing data collection and monitoring systems do not provide the necessary information. These systems are currently under review and the Department is also examining the most appropriate way to fund and evaluate services for clients.

96 Hon. C Campbell, Minister for Community Services, information supplied on notice from estimates hearing dated 9 August 2000

97 Ibid
The Committee is aware that the placement breakdown and multiple placements can be damaging and disruptive to a child’s development; particularly a child already subjected to physical and/or emotional abuse. Accordingly, the Committee is very concerned at the Department’s inability to evaluate measures aimed at reducing multiple placements and placement breakdowns and strongly encourages:

- the completion of planned review data collection and monitoring systems in a timely manner;
- the development of an effective model to fund and evaluate placement services and the achievement of client outcomes;
- the development of a detailed action plan which reflects the Government’s position on the recommendations of each review; and
- a post implementation review of the new model after 12-18 months operation to identify problem areas and emerging issues.

(f) Impact of WorkCover premiums on non-government sector

The Minister advised that the impact of WorkCover premiums on the budgets of non-government agencies would be communicated to the Department of Treasury and Finance.98

9.8 Aged Care Portfolio

9.8.1 Background

The Minister for Aged Care has responsibility for the Aged Care component of the Aged Care and Primary Services output group within the Department. Exhibit 9.9 shows this output group accounts for $855.6 million or 11.8 per cent of the Department’s 2000-2001 budget.

98 Hon. C Campbell, Minister for Community Services, transcript of evidence, 9 August 2000, p. 350
Exhibit 9.9

<table>
<thead>
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<td>Aged Care and Primary Services$^{99}$</td>
<td>790.4</td>
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<td>855.6</td>
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</table>

The key responsibilities of the Aged Care Portfolio include the delivery of:

- prevention and early intervention services;
- Home and Community Care (HACC);
- support and assessment services;
- regulation of supported residential services (SRS);
- state owned residential care;
- rehabilitation, geriatric evaluation and management, respite and clinics (sub-acute); and
- palliative care.

9.8.2 2000-2001 outlook for the Portfolio

The Minister advised of a number of challenges facing the Aged Care Portfolio in 2000-2001, these include maintaining an influence on the national agenda, improving the standards and quality of care provided to older Victorians and shaping the service system.$^{100}$ More specifically, the Aged Care Portfolio will:

- pursue a fair share of resources for Victoria and influence Commonwealth policy initiatives;
- provide support to State owned facilities in meeting national standards;

$^{99}$ The Aged Care component of this output group is $408.1 million in 2000-2001
$^{100}$ Hon. B Pike, Minister for Aged Care, document tabled at estimates hearing on 22 August 2000
• fund quality improvement initiatives in sub-acute services and enhance standards in residential care;
• establish an advisory committee on regulatory issues;
• improve continuity of care between service settings; and
• develop integrated approaches to service planning and delivery.

9.8.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the Aged Care component of the Aged and Primary Health output group shows a $21.7 million or 5.6 per cent increase in 2000-2001. More specifically, key initiatives of the portfolio in 2000-2001 include:

• $8.6 million for services and programs to older Victorians through adult day care centres and Community Rehabilitation Centres;
• $1.5 million for community managed housing to enhance the independent living of older ethnic citizens;
• $8 million for nursing home upgrades, predominantly in rural areas;
• $2.5 million for the “Community Connections Program” to provide outreach support for 1 550 vulnerable, homeless older citizens;
• $2.1 million for home and community care services to cater for more than 1 000 older people living in insecure housing such as rooming houses and caravan parks;
• $500 000 to support 950 tenants in the “Older Person High Rise Support Program”;
• $300 000 to support homeless older people in the inner city; and
• $12 million over four years to boost day group activities for frail elderly people.
The Committee also noted that approximately $47.5 million has been allocated between 2000-2001 and 2003-2004 on upgrading residential aged care facilities.

9.8.4 Performance measures

The Committee’s review of performance measures contained in the Aged Care component of the Aged Care and Primary Health output group shows a number of new measures have been introduced in 1999-2000. However, the Committee considers that a significant level of work needs to be done before the performance measures properly reflect a key Government priority area with a substantial budget.

The Committee was informed that the Department acknowledges that a number of the performance measures in the Budget Papers are not very informative and that substantial work is occurring to develop more meaningful and informative performance information in the Budget Papers.

The Committee supports the Department’s action and looks forward to more substantial and informative performance information in the 2001-2002 Budget Papers.101 Some suggested improvements include:

- the development of a State-wide measure for the number of people inappropriately accommodated;
- number of nursing home and hostel places per 1 000 persons aged 70 years and over;
- average number of days eligible aged persons wait for residential care facilities;
- average number of days eligible aged persons wait for community care packages;
- number of eligible aged persons waiting more than 120 days for either residential care or community care packages;

101 Ms. A Jurjevic, Director of Aged Care, transcript of evidence, 22 August 2000, p. 450
• number of nursing home type patients in public acute care hospitals;
• number of patient days per annum for nursing home type patients in public acute care hospitals;
• average number of hours per month of HACC services delivered to persons aged 70 or over; and
• percentage of client satisfaction with residential care facilities.

The Committee also believes it will be important for the Department to develop performance measures that identify the effectiveness of the interface between the acute care system and the aged care system.

9.8.5 Key issues impacting on the Aged Care Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Aged Care identified the following key issues for the Aged Care Portfolio that will impact on the Budget Estimates for 2000-2001.

(a) Services for an ageing population

The Minister advised that one of the most significant challenges facing the Government is to provide a level of support and care that meets the present and future needs of older Victorians.102

The Committee was informed that by 2020:

• the number of Victorians in the 70 plus age group will increase by approximately 70 per cent;
• the number of Victorians in the 85 plus aged group will increase by 100 per cent; and
• there will be a greater prevalence of disability as life expectancy increases.

102 Hon. B Pike, Minister for Aged Care, transcript of evidence, 22 August 2000, p. 447
The Government expects demand for Home and Community Care, sub-acute and residential care to double over this time.

The Minister stated that the aged care system in Victoria is underfunded by the Commonwealth Government, has the smallest provision of residential care beds and is now falling below the national benchmark.\textsuperscript{103}

The Minister provided to the Committee a number of disturbing statistics, including:\textsuperscript{104}

- Victoria had the lowest number of Commonwealth residential aged care beds per thousand persons aged 70 plus in the country at 30 June 1999;
- the number of nursing home beds per thousand persons aged 70 plus was 39.7 at June 2000, some 10 per cent below the national average;
- seven of the nine departmental regions are below the Commonwealth benchmark of 90 residential beds per thousand people aged 70 plus with the worst regions being Gippsland (approximately 70 beds), Northern Metropolitan (approximately 75 beds), Southern Metropolitan and Barwon South-Western (approximately 78 beds respectively);
- funding per capita for residential care in 1998-1999 was $1 757 or $131 below the national average of $1 888, this equates to a shortfall of $55 million across the population; and
- funding per capita for residential care and home and community care was $2 002 in 1998-1999 while the national average was $2 137 and funding for NSW and Queensland was $2 238 and $2 101 respectively.

\textsuperscript{103} Hon. B Pike, Minister for Aged Care, transcript of evidence, 22 August 2000, p. 447
\textsuperscript{104} Ibid
The Minister stated that a major consequence of the shortage of nursing home beds is that elderly people have to remain in high cost, acute settings for lengthy periods which is totally inappropriate for their needs. Information provided to the Committee shows that for metropolitan hospitals there are 150 people on average waiting 27 days for residential care beds.\textsuperscript{105}

Based on statistics provided by the Minister, the Committee is concerned at the outcome of Commonwealth per capita funding on the present capacity of the residential aged care system in Victoria.

Accordingly, the Committee recommends that:

**Recommendation 9.6:**

(a) The Department of Human Services prepare a long-term strategy to cater for the expected demand for health and aged care services and facilities as the population ages over the next 20 years;

(b) The Government initiate a joint Commonwealth-State committee with the objective of identifying measures to cater for the increasing demand for services.

(b) Regulation of nursing homes

Since 1985, the Commonwealth Government has been responsible for the regulation of nursing homes in Victoria through its developing framework of accreditation and certification. In 1997, the Commonwealth Government changed its funding mechanism and introduced a deregulated funding environment. The Minister advised that there are gaps in the monitoring systems established by

\textsuperscript{105} Hon. B Pike MP, Minister for Aged Care, transcript of evidence, 22 August 2000, p. 447
the Commonwealth and accordingly the Government is aiming to introduce a regulatory framework to address these gaps.\textsuperscript{106}

The Minister established a Ministerial Advisory Committee that released a consultation paper in July 2000. After an extensive public consultation process, the Department and the advisory committee will produce a report to the Minister by the end of 2000. In addition, the Government intends to make changes to the \textit{Health Services Act} to allow the State to reintroduce legislation to address existing gaps.

The Committee supports the actions taken by the Government, particularly the significant level of public consultation. It will be important for the Ministerial Advisory Committee to report in a timely manner, and for the Government to quickly form a position on the recommendations of the report.

(c) Home and Community Care

The Committee was advised that there is a substantial demand for Home and Community Care services in Victoria with the program currently servicing approximately 100,000 people representing about 26 per cent of the frail, aged and disabled members of the community.\textsuperscript{107} While the Department is unable to quantify this level of unmet demand, measures are being taken to provide the relevant information.

The Committee believes it is important to identify the level of demand for Home and Community Care services in Victoria so that available resources can be targeted.

\textsuperscript{106} Ibid, p. 457
\textsuperscript{107} Ibid, p. 453
9.9 Housing Portfolio

9.9.1 Background

The Minister for Housing has responsibility for the Housing Assistance output group within the Department. Exhibit 9.10 shows this output group accounts for $407.4 million or 5.6 per cent of the Department’s 2000-2001 budget.

Exhibit 9.10

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Assistance</td>
<td>362.4</td>
<td>362.9</td>
<td>407.4</td>
<td>12.4</td>
</tr>
</tbody>
</table>

The key responsibilities of the Minister for Housing include the delivery of:

- affordable and accessible short-term emergency and transitional housing;
- medium and long-term housing;
- aboriginal housing; and
- private rental assistance and the provision of home finance.

The Committee noted a major priority of the Government is to provide an effective response to homelessness. Accordingly, a key Government action has been the transfer of the Supported Accommodation Assistance Program (SAAP) to the Housing Assistance output group to consolidate the Government’s response to, and management of, homelessness.

9.9.2 2000-2001 outlook for the Portfolio

A change to the Housing Portfolio’s key strategic directions for 2000-2001 has resulted in the following policy commitments and initiatives:
• an increase in Victoria’s pool of community managed housing;
• expanding the community housing program to provide more disability housing stock;
• maintaining inner city public housing numbers;
• the redevelopment of older public housing estates; and
• maintaining public housing stock to appropriate standards.

9.9.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the Housing Assistance output group shows a $45 million or 12.4 per cent increase in 2000-2001. This increase is mainly due to compensation for the impact of the GST on Housing.

Key initiatives in the Housing Portfolio for 2000-2001 are centred around improving the quality of and expanding existing housing stock and confronting homelessness. More specifically, the following initiatives are planned:

• $90 million over three years to expand social housing capacity;
• commencement of the community managed housing for older ethnic citizens initiative ($4.5 million);
• $165 million for the acquisition of new housing stock including crisis/transitional housing ($15 million), public rental housing ($99 million), long-term community managed housing ($20 million) and Aboriginal housing ($12 million);
• $183 million for upgrades and redevelopment of existing stock in the inner Melbourne area, middle and outer Melbourne suburbs and in regional Victoria;
• an additional $5 million in growth funds to $58.4 million for 2000-2001 from the State and Commonwealth Governments to the Supported Accommodation Assistance Program (SAAP) to support the whole of Government and whole of community approach to homelessness.

9.9.4 Performance measures

The Committee’s review of the performance measures contained in the Housing Assistance output group shows there were no new performance measures from 1999-2000, however a new output “Homelessness Support Services” was included.

The Committee believes the performance measures do not entirely reflect key activities in the Housing Portfolio, particularly as they relate to the acquisition of new stock, renovation and refurbishment targets, and the maintenance of existing housing stock.

Other areas in which performance measures could be developed include:

• performance measures relating to waiting times for crisis support and transitional housing;

• outcomes for homeless people once they leave homeless support services such as re-admittance, long-term housing found and client satisfaction with the service; and

• level of homelessness support in rural, regional and metropolitan areas.

The Committee recommends that:

**Recommendation 9.7:**

The Department of Human Services review performance measures relating to homelessness.
Key issues impacting on the Housing Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Housing identified the following key issues for the Housing Portfolio that will impact on the Budget Estimates for 2000-2001.

(a) Commonwealth-State Housing Agreement

The Committee was advised the most significant challenge facing the Housing Portfolio is the high level of need for low-income housing and homelessness assistance in Victoria. This is compounded by the gradual decline in real terms (26 per cent or $75 million since 1989-1990) of the Commonwealth-State Housing Agreement which governs the level of funding available for housing assistance.

The Minister informed the Committee that:

- the forward estimates on the appropriation from the agreement ($388 million for 2000-2001) show an on-going productivity requirement and no indexation for inflation; and
- the $75 million decline in real terms would allow the Government to purchase additional 600 properties with an average value of $120,000.

The Committee noted the Government is committed to the continuation of the Agreement and that the capital program is considered essential to the expansion and redevelopment of public and community housing. However, the Commonwealth Government has indicated a preference for recurrent funding only beyond 2003. The Government believes such a policy shift would have a substantial negative effect on low-income families and increase housing related poverty in the State.

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108 Hon B Pike, Minister for Housing, transcript of evidence, 22 August 2000, p. 434
Under the current agreement, negotiations with the Commonwealth Government are required to commence by July 2001. The Committee believes the Government, in conjunction with other States and Territories, should make vigorous representations to the Commonwealth Government on the need for:

- funding to be indexed to remove the gradual decline of appropriations in real terms as has occurred over the last decade; and
- the agreement to contain a capital program to ensure the current housing stock can be expanded and upgraded and keep pace with current and future community needs and demands.

(b) Inner-city public accommodation

The Committee is aware that the upgrading and redevelopment, where required, of the 7 000 units in the inner-city high-rise towers and the 5 000 walk-up units located on inner-city estates is a key Government policy initiative for 2000-2001 and beyond. The Minister advised that there are a number of problems concerning these estates that require significant Government attention, including:109

- the high-rise accommodation towers were built in the 1960s and 1970s, are run down and are in urgent need of refurbishment;
- there has never been a program to upgrade the high-rise accommodation towers since their construction;
- the design and amenity of the estates do not meet the demands of the current and emerging client group consisting of young people, singles, older people and people with disabilities;
- the types and sizes of properties do not necessarily relate to the needs of smaller families and local communities; and

109 Ibid, p. 434
the cost of upgrading the high-rise accommodation towers, in addition to redeveloping and replacing the walk-up units, is estimated to be $1.5 billion over the next 10-15 years.

The Committee is concerned at the significance of these problems because public and community housing provides many thousands of Victorians with a fundamental community service.

Accordingly, the Committee recommends that:

Recommenation 9.8:

The Department of Human Services:

(a) establish a long-term refurbishment strategy for public housing which sets short/medium/long-term targets and the actions necessary to achieve those targets;

(b) develop refurbishment criteria which allows the Department to identify high/medium/low priority estates and areas within estates to ensure that scarce resources are directed to areas most in need; and

(c) develop a comprehensive framework to monitor the achievement of predetermined targets and the emerging need.

Development of a whole of government approach to homelessness

A significant policy initiative in the Housing portfolio is the development of a whole of government approach to homelessness.
The Minister advised of the Government’s commitment to this approach by the establishment of:\textsuperscript{110}

\begin{itemize}
\item an inter-Departmental committee with representatives from the Departments of Human Services, Education, Justice, Premier and Cabinet, Treasury and Finance, and the Office of Local Government; and
\item a Ministerial Advisory Committee, chaired by the Chief Executive Officer of the Council to Homeless Persons, to work with community groups, agencies, churches, the Koori community, rural housing networks and people who have been homeless.
\end{itemize}

The Committee was informed that a major component of the strategy is to investigate methods of reducing the need for homeless people living in outer metropolitan suburbs and regional Victoria to gravitate to the inner-city area. The Government has allocated $7 million for the construction of four new accommodation centres in the outer suburbs and regional areas, and a further $1.3 million for the provision of the necessary support services to homeless people.

In addition, the Minister advised the SAAP program has been aligned with the Office of Housing to allow a better co-ordination of services to homeless people.\textsuperscript{111} The Minister further advised there are two fundamental SAAP funding issues requiring attention, namely:

\begin{itemize}
\item there is a current shortfall, which has been in existence for many years, in the funding received by Victoria from the Commonwealth Government of approximately $2.5 million per annum on a per capita basis; and
\item the refusal of the Commonwealth Government to meet its obligations under the recently negotiated award conditions for SAAP workers of $2.2 million.
\end{itemize}

\textsuperscript{110} Ibid, p. 435
\textsuperscript{111} Ibid, pp. 435-436
The Committee views the provision of accommodation to be a fundamental objective of a community. Accordingly, the Committee supports the whole of government approach adopted. However, it will be important for the homelessness strategy to be closely monitored and recommends that:

Recommendation 9.9:

(a) The Department of Human Services develop a comprehensive and coordinated monitoring framework for policies and services relating to homelessness comprising key Government objectives, underlying actions and initiatives, performance measures and targeted milestones; and

(b) The Government continue negotiations with the Commonwealth Government in so far as is consistent with the Supported Accommodation Assistance Program (SAAP4) Agreement, with a view to increasing the level of SAAP funds allocated to Victoria as well as a contribution to the increase in award costs to SAAP workers.
Key Findings:

10.1 The Department is negotiating with the private operators of the Public Transport system to lower the cost of tertiary travel cards and make it more affordable for tertiary students to use public transport. The intention is for these new arrangements to come into effect as from the commencement of the next academic year.

10.2 Victoria’s share of Commonwealth roads funding is approximately 15 per cent while Victorians contribute 25 per cent through fuel taxes. This situation has a significant detrimental impact on the State’s roads and bridge construction/maintenance program.

10.3 The Government is working in partnership with local government and the Municipal Association of Victoria to improve the administration of the State’s planning system. However, there is currently a shortage of experienced planners in councils together with large workloads and pressures on existing council planners.

10.4 Residential development is in need of a new planning framework and code. Accordingly, the Government plans to consolidate Viccode 1 (detached housing) with the Good Design Guide (multi-density housing) into one new residential code by the end of the year 2000.
10.5 The GST has impacted on the local government sector with Councils passing on the costs of some services, and absorbing the additional administrative burden and associated costs on others.

10.6 The current dual gauge rail system is wasteful and inefficient, and a standard gauge would open up regional markets to Victoria’s ports and contribute to the establishment of more inland ports throughout the State.

10.1 Departmental overview

The Department’s primary aims are to:

- develop an integrated, value added approach to strategic planning across the infrastructure agencies, particularly for transport and land use planning; and

- deliver on Government policy objectives relating to planning, local government, transport and ports.

Overall, the Department of Infrastructure provides integration, development, regulation and management of public transport, roads, ports, marine activities, land-use planning, building and local governance.

10.2 Output management framework

The Department’s 2000-2001 output management framework is shown in Exhibit 10.1.
### Exhibit 10.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>6.7</td>
<td>6.7</td>
<td>7.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Balanced Planning and Environmental Systems</td>
<td>70.1</td>
<td>68.4</td>
<td>50.2</td>
<td>-28.4</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>46.5</td>
<td>41.4</td>
<td>40.4</td>
<td>-13.2</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>15.9</td>
<td>9.4</td>
<td>12.8</td>
<td>-19.8</td>
</tr>
<tr>
<td>Regional and Rural Transport Services</td>
<td>259.6</td>
<td>290.8</td>
<td>281.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure</td>
<td>280.6</td>
<td>288.0</td>
<td>311.6</td>
<td>11.1</td>
</tr>
<tr>
<td>Metropolitan Transport Services</td>
<td>942.9</td>
<td>1035.4</td>
<td>1057.6</td>
<td>12.2</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure</td>
<td>372.9</td>
<td>396.2</td>
<td>369.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>240.9</td>
<td>249.3</td>
<td>268.5</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2236.1</strong></td>
<td><strong>2385.5</strong></td>
<td><strong>2399.0</strong></td>
<td><strong>7.3</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, Budget Estimates, p. 106

The Committee noted that there has been significant change to the Department’s output group structure from five in 1999-2000 to nine output groups in 2000-2001. Specifically, key changes to the output group structure include:
• separate output groups for regional and metropolitan transport services and for metropolitan and regional infrastructure;

• a separate output group for local government, previously incorporated into a Local Governance, Planning and Development group;

• the establishment of the Balanced Planning and Environment System output group;

• the establishment of a Ports and Intermodal Gateways output group;

• a Strategic Land-use and Infrastructure Planning output group to reflect the need for a whole of Victoria approach to infrastructure developments, encompassing both metropolitan and regional strategies; and

• a consolidation of Transport Safety and accessibility output group for roads, public transport and marine safety and regulation.

10.3 Financial analysis

The operating statement for the Department of Infrastructure is as follows:
In response to the Committee’s questionnaire, the Department supplied estimated actual expenditure for 1999-2000. The Committee’s analysis of the operating statement revealed that variations between 1999-2000 budgeted amounts and the estimated actual amounts for 1999-2000 for operating revenue and expenses are not material. However, there was a higher increase in estimated actual expenses over budget than for revenue (i.e. 6.7 per cent compared to 5.2 per cent) resulting in a $31.3 million deficit before revenue from increases in net assets.

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112 Department of Infrastructure response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 3
The Committee’s analysis also revealed a number of material variations within these categories and for other items in the operating statement including:

- a $345.4 million or 42.5 per cent increase in the controlled expense item ‘Purchases of Supplies and Services’ due to the reallocation of expenses from ‘other expenses’ to reflect the Department’s purchase of public transport services under the new transport franchising arrangements;

- a reduction in the Capital Assets Charge controlled expense of $493 million due to the transfer of public transport infrastructure assets to VicTrack in July 1999 resulting in the payment of a current grant by the Department for VicTrack to pay the Capital Assets Charge to the Department of Treasury and Finance; and

- a $32.9 million or 41.3 per cent increase in revenue from increases in net assets due to a carry-over of unspent 1998-1999 capital funds ($7 million), reclassification of funding for the Station Pier upgrade from operating to capital ($12 million), additional Government approved initiatives ($18 million) and a reclassification of land compensation payments from capital to operating (-$4 million).113

10.3.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided the following detailed breakdown of items contained in ‘other revenue’ and ‘other expenses’:

113 Department of Infrastructure response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 4
### Exhibit 10.3 - Other Revenue

<table>
<thead>
<tr>
<th>Other Revenue-Controlled</th>
<th>1999-2000 Budget ($ million)</th>
<th>1999-2000 Estimated Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VicRoads - retained fees, fines, miscellaneous</td>
<td>109.6</td>
<td>100.2</td>
<td>-8.6</td>
</tr>
<tr>
<td>Public Transport Fund Fees</td>
<td>Nil</td>
<td>116.5</td>
<td></td>
</tr>
<tr>
<td>Concession fees (Transurban)</td>
<td>Nil</td>
<td>27.4</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>109.6</strong></td>
<td><strong>244.1</strong></td>
<td><strong>122.7</strong></td>
</tr>
<tr>
<td><strong>Other Revenue-Administered</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle registration for vehicles less than 4.5 gross vehicle mass</td>
<td>328.4</td>
<td>335.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Other vehicle registration</td>
<td>86.2</td>
<td>89.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Vehicle stamp duty</td>
<td>268.2</td>
<td>264.3</td>
<td>-1.5</td>
</tr>
<tr>
<td>Other vehicle fees</td>
<td>7.2</td>
<td>7.2</td>
<td>Nil</td>
</tr>
<tr>
<td>Vehicle licences</td>
<td>47.3</td>
<td>51.5</td>
<td>8.8</td>
</tr>
<tr>
<td>Boat registrations</td>
<td>5.5</td>
<td>5.5</td>
<td>Nil</td>
</tr>
<tr>
<td>Other fees</td>
<td>25.9</td>
<td>26.2</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>768.7</strong></td>
<td><strong>779.9</strong></td>
<td><strong>1.5</strong></td>
</tr>
</tbody>
</table>

The Department provided the following reasons for major variations:

- an increase of $116 million in Public Transport Fund Fees for revenue received by the Department mainly from pensioner concessions from the Departments of Human Services and Education, Employment and Training that were previously collected by the Public Transport Corporation; and
- an increase of $27.4 million in concession fees payable to the Department from Transurban.
Exhibit 10.4 - Other Expenses

<table>
<thead>
<tr>
<th>Other Expenses- Controlled</th>
<th>1999-2000 Budget ($ million)</th>
<th>1999-2000 Estimated Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library Services</td>
<td>24.1</td>
<td>24.1</td>
<td>Nil</td>
</tr>
<tr>
<td>Current Grants for Metropolitan and Regional Transport Services</td>
<td>180.8</td>
<td>627.9</td>
<td>247.3</td>
</tr>
<tr>
<td>Capital Grants</td>
<td>248.6</td>
<td>101.9</td>
<td>- 59.0</td>
</tr>
<tr>
<td>Local Government- National Competition Policy Grant</td>
<td>4.9</td>
<td>Nil</td>
<td>- 100.0</td>
</tr>
<tr>
<td>Other Current Grants</td>
<td>9.5</td>
<td>10.0</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>467.9</strong></td>
<td><strong>763.9</strong></td>
<td><strong>63.3</strong></td>
</tr>
</tbody>
</table>

Other expenses- Administered

<table>
<thead>
<tr>
<th>Other expenses- Administered</th>
<th>1999-2000 Budget ($ million)</th>
<th>1999-2000 Estimated Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Grants</td>
<td>298.8</td>
<td>298.8</td>
<td>Nil</td>
</tr>
<tr>
<td>National Competition Policy Payments to Local Government</td>
<td>0.0</td>
<td>4.9</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td><strong>298.8</strong></td>
<td><strong>303.7</strong></td>
<td><strong>1.6</strong></td>
</tr>
</tbody>
</table>

The reasons for major variations in the ‘other expenses’ category include:

- a $447.1 million or 247.3 per cent increase in current grants for Metropolitan and Regional Transport Services to reflect a change in accounting treatment for the VicTrack capital assets charge, this is partly compensated for by a decrease in the payments to the Public Transport Corporation because of their transfer to ‘Purchases of Supplies and Services’;
- a $146.7 million or 59 per cent reduction in capital grants to the Public Transport Corporation; and
• a $4.9 million reduction in National Competition Policy grants to local government to reflect a change in accounting treatment from a controlled to an administered item.

The Committee’s analysis of items contained in ‘other revenue’ and ‘other expense’ categories revealed a number of line items with significantly material balances. The Committee is concerned that material balances are not openly disclosed in the operating statement in the Budget Papers. These material line items include:

• administered revenue of an estimated actual $335.7 million for vehicle registration of vehicles less than 4.5 gross Vehicle Mass;

• administered revenue of an estimated actual of $264.3 million for vehicle stamp duty;

• controlled expenses of an estimated actual of $627.9 million related to current grants for metropolitan and regional transport services; and

• administered expenses of $298.8 million for local government grants.

The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the Budget Papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:

**Recommendation 10.1:**

The Department of Infrastructure review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.
10.4 Corporate and business plans

The Committee was advised by the Department that its 2000-2001 corporate and business plans were under development and would be available as follows:\footnote{Ibid, p. 12}

- Corporate Plan 2000-2003, August 2000

The Department stated that its new Secretary was to commence on 15 May 2000 and the relevant plans would be completed subject to approval by the new Secretary and would be forwarded to the Committee on completion. However, the corporate and business plans have not been forwarded to the Committee in time for consideration during the Budget Estimates for 2000-2001.

The Committee reiterates that these plans are key components of the Budget Estimates scrutiny process.

Accordingly, the Committee recommends that:

**Recommendation 10.2:**

The Department of Infrastructure:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.
10.5 Human resources issues

The Department estimated it will have 626 Equivalent Full Time staff at 30 June 2000. This compares with Equivalent Full Time staff of 548.5 at 30 June 1999.

Exhibit 10.5

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 1999 (actual)</th>
<th>30 June 2000 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Secretary</td>
<td>9.68</td>
<td>3</td>
</tr>
<tr>
<td>Organisational Development</td>
<td>95.96</td>
<td>95</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>38.63</td>
<td>39</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>100.41</td>
<td>71</td>
</tr>
<tr>
<td>Planning Heritage and Building</td>
<td>194.22</td>
<td>192</td>
</tr>
<tr>
<td>Office of the Director of Public Transport</td>
<td>109.62</td>
<td>170</td>
</tr>
<tr>
<td>Ports and Marine</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Local Government</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>548.52</strong></td>
<td><strong>626</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Infrastructure to the Committee’s estimates questionnaire, 2000, Part A, p. 29

The Committee’s analysis shows an increase of 77.5 or 14 per cent full time equivalent from 30 June 1999. The Department provided the following explanations for the increase in staffing:

- the transfer of functions from the Public Transport Corporation; and
- a significant increase in staff numbers within the Office of the Director of Public Transport (i.e. 60.4 or 55.1 per cent) due to the outsourcing of the public transport system.

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115 Equates to 563 actual staff
116 Equates to 613 actual staff
10.5.1 Key staffing issues facing the Department

The Committee was advised by the Department that it is not experiencing a shortage of expertise in any areas of its operations. However, it is currently experiencing a number of recruitment challenges in the following areas:

- information technology; and
- information management and analysis in areas such as transport analysis.

The Committee was informed that rapid changes and developments in information technology and management have required the Department to use contractors over long periods of time to cover short-term skill requirements.

10.5.2 Promotion of women in the Department

The Committee noted that the Department has a high percentage of women in its workforce. The estimated total number of women at 30 June 2000 is as follows:

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117 Department of Infrastructure response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 34
Exhibit 10.6

<table>
<thead>
<tr>
<th>Classification</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Officers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO-1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>EO-2</td>
<td>10</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>EO-3</td>
<td>25</td>
<td>9</td>
<td>34</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>36</td>
<td>12</td>
<td>48</td>
</tr>
<tr>
<td><strong>VPS Levels</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VPS-5</td>
<td>84</td>
<td>42</td>
<td>126</td>
</tr>
<tr>
<td>VPS-4</td>
<td>69</td>
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<td>117</td>
</tr>
<tr>
<td>VPS-3</td>
<td>110</td>
<td>77</td>
<td>187</td>
</tr>
<tr>
<td>VPS-2</td>
<td>43</td>
<td>81</td>
<td>124</td>
</tr>
<tr>
<td>VPS-1</td>
<td>14</td>
<td>10</td>
<td>24</td>
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<tr>
<td><strong>Total</strong></td>
<td>320</td>
<td>258</td>
<td>578</td>
</tr>
</tbody>
</table>

The table shows an estimated 270 women at 30 June 2000 which equates to 43 per cent of the Department’s workforce. The Committee’s analysis of the gender breakup reveals the following:

- only 25 per cent of executive officers in the Department are women;
- 33 per cent of VPS-5 officers are women;
- 41 per cent of officers at the VPS-4 and VPS-3 levels are women; and
- 61 per cent of officers at the VPS-2 and VPS-1 levels are women.

The Committee was advised by the Department that its work and family strategies includes models of flexible working arrangements, study options and support services that include holiday child care solutions.\(^{118}\)

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\(^{118}\) Ibid, pp. 32-33
10.6 Transport Portfolio

10.6.1 Background

The Minister for Transport has sole or joint responsibility for all nine output groups within the Department of Infrastructure, accounting for $2.399 billion in the 2000-2001 budget.

The major responsibilities of the Minister for Transport are to:

- improve the efficiency of the interface between the various modes of transport including ports, rail, road transport and airports;
- deliver public transport services to regional and rural areas of Victoria by private operators using intrastate and interstate rail services, route and school bus services;
- develop and maintain regional and rural transport networks through major road projects, regional and rural rail projects and monitoring the quality of rail infrastructure;
- manage the delivery of rail, tram and routed bus services to the metropolitan area by private operators;
- develop and maintain metropolitan road networks, implement major civic and road projects and develop metropolitan rail and tram infrastructure; and
- improve transport safety for the community and reduce the frequency, severity and social cost of accidents and incidents.

10.6.2 2000-2001 outlook for the Portfolio

In 2000-2001 the Transport Portfolio has a number of key challenges including the improvement of transport access and links with regional Victoria, enhancing the quality of transport services and investment in road and rail infrastructure in regional and rural Victoria and addressing the amenity, transport and access needs of metropolitan Melbourne.
The Committee noted the Linking Victoria strategy is the key mechanism for implementing the Government’s transport policy in 2000-2001. This strategy is based on joint public and private investment in transport infrastructure projects.

10.6.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the output groups under the sole or joint responsibility of the Minister for Transport shows a $162.9 million or 7.3 per cent increase in funding for 2000-2001. The major variations to output group funding are:

- an increase of $31 million or 11.1 per cent in the Regional and Rural Transport Infrastructure budget to provide for additional roads expenditure, and for the conduct of feasibility studies into the renewal of rail services to Shepparton and Warrnambool, and the fast rail project;

- a $114.7 million or 12.2 per cent increase in the Metropolitan Transport Services budget to fund initiatives such as the introduction of 100 tram conductors, 100 additional station/customer service staff and student concessions; and

- a $27.6 million or 11.5 per cent increase for specific budget initiatives including the accident blackspot program, bicycle network extensions and minor road works.

10.6.4 Performance measures

The Committee’s analysis of the performance measures contained in output groups under the responsibility of the Minister for Transport shows the following:

- the performance measures in the Rural and Regional Transport Services output group are aligned to those measures contained in contracts with service providers and provide an adequate indication of service performance;
performance measures in the Regional and Rural Transport and Metropolitan Infrastructure output groups are geared towards measuring the number of projects completed or the percentage completion rate of projects and do not measure the impact of these projects in terms of objectives such as reducing travel time and lowering transport operating costs;

a particular measure in the Regional and Rural Transport Infrastructure output group relating to Track Ride Quality Index measured - passenger lines only with a target of four for 2000-2001 should be accompanied by an appropriate explanation;

the performance measures in the Metropolitan Transport Services output group are aligned to those measures contained in contracts with service providers and provide an adequate indication of service performance. However, measures concerning ‘Customer Satisfaction Thresholds’ with a target score of 68 needs an explanation of the means of measuring customer satisfaction and the basis for the target score; and

a number of the performance measures in the Transport Safety and Accessibility output group are geared towards the number of projects completed and completed to agreed scope and standard. However, there is no measure of expected outcomes such as the impact of the Accident Blackspot program in reducing severe road accidents that have high social costs to the community.

Accordingly, the Committee recommends that:

**Recommendation 10.3:**

The Department of Infrastructure review its performance measures contained in the Budget Papers with a view to closely aligning them with expected outcomes.
More specifically, the Department should also:

(a) ensure that performance measures are continuously reviewed to reflect those measures contained in transport service delivery contracts after negotiated changes;

(b) provide an explanation of the performance measure ‘Track Ride Quality Index measured - passenger lines only’ to explain the meaning of the measure and the basis of the Department’s target; and

(c) provide an explanation of the means for measuring customer satisfaction of transport services and the basis for the Department’s target score.

10.6.5 Key issues impacting on the Transport Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Transport identified the following key issues that will impact on the Transport Portfolio and the Budget Estimates for 2000-2001.

(a) Regional and rural transport access and links

The Department informed the Committee that the economic and social development of most regional areas is dependent on the quality of access to the markets and transport gateways currently centred in Melbourne. The Department used the current travel times between Melbourne and Geelong (approximately one hour) to highlight the substantial level of inter-city interaction in both passenger and freight activity that can occur.

119 Ibid, p. 16
A key element of the Government’s transport policy revolves around the potential to reduce travel times between Melbourne and key regional centres resulting in major regional development benefits in these corridors and other rural regions.

The Minister advised that four feasibility studies have been conducted into fast train services between Melbourne and a number of key regional centres including Geelong, Ballarat, Bendigo and Traralgon.\(^\text{120}\) The completion of these studies would provide a framework from which the Government can:

- enter into negotiations with current service providers; and
- negotiate with the wider financial community with a view to forming a partnership arrangement with the private sector for the funding of the projects.

(b) Public consultation across the public transport area

The Committee was advised that contracts arising from the franchising arrangements for the privatisation of trams and trains contain community service obligations.\(^\text{121}\)

Presently, the Department is negotiating with the private operators to lower the cost of tertiary travel cards and make it more affordable for tertiary students to use public transport. The intention is for these new arrangements to come into effect at the commencement of the next academic year.

This initiative has not yet been costed.

(c) Regional and rural transport

The Department advised that improved transport services and investment in road and rail infrastructure are essential to enable

\(^{120}\) Hon. P Batchelor, Minister for Transport, transcript of evidence, 14 June 2000, p. 190

\(^{121}\) Ibid, p. 197
regional economies to achieve their potential. In addition to fast rail services to major regional centres, the Department has identified a number of key activities for developing a fully integrated transport system to service regional and rural Victoria. These include:

- restoring previously closed passenger rail services where demand and community support are relevant;
- targeting standardisation of regional freight rail lines with a view to linking with interstate rail networks and ports;
- upgrading road corridors from Melbourne to major regional centres, particularly in the Geelong corridor and a divided highway link to Bendigo;
- implementation of agreed strategies for major national and state highways;
- upgrading arterial roads and bridges across the State; and
- major upgrading of road and rail freight links to ports.

The Minister advised that Victoria’s share of Commonwealth roads funding is approximately 15 per cent while Victorians contribute 25 per cent through the fuel taxes. This situation has a significant detrimental impact on the State’s roads and bridge construction/maintenance program. The Minister emphasised that it is very important for the Government to strenuously negotiate for a fairer portion of national roads funding to ensure that key activities in the Linking Victoria strategy can be delivered.

The Committee believes the establishment of an integrated transport system may deliver substantial economic and community benefits to regional and rural Victoria. The Committee encourages the Government to:

122 Department of Infrastructure response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 17
123 Hon. P Batchelor, Minister for Transport, transcript of evidence, 14 June 2000, p. 212
124 Ibid
• monitor the effectiveness of its Linking Victoria strategy to ensure that short, medium and long-term initiatives are achieving stated objectives, and for emerging issues to be identified and addressed in a timely manner; and

• negotiate with the Commonwealth Government in areas where joint funding is required, particularly in the enhancement of the State’s road network.

(d) City Link Project

The Minister advised that the Government has a number of objectives in relation to the City Link project, namely to:125

• achieve a better deal for country motorists and other occasional users;

• protect customers against tolling errors and the misuse of private information; and

• keep toll prices to a minimum.

The Government has initiated action on the first and third of these objectives through the introduction of cheaper and more flexible day pass options and by changes to the Melbourne City Link Act which aim to improve the existing enforcement regime for toll company abuses.

The Committee supports the Government’s action to enhance the protection of the consumer and provide more flexible use options of the toll road. The Committee also believes the Government faces a number of challenges in 2000-2001, in particular to ensure compliance of air emissions from City Link tunnels in line with requirements contained in the Environment Protection Act, which was subjected to an independent review in July/ August 2000.

The Committee considers these challenges to be significant and crucial for protection of the environment.

125 Ibid, p. 200
Accordingly, the Committee recommends that:

**Recommendation 10.4:**

The Department of Infrastructure monitor the performance of City Link and the contract to ensure there is adequate protection for the consumer.

(e) Accident Blackspot Program

The Government announced a major policy initiative in the Budget Papers which allocated an additional $240 million over four years ($38 million in 2000-2001) for accident blackspot road funding. The funding is a one-off safety dividend from the Transport Accident Commission and complements the existing funding level of $3.8 million per year.

The Minister advised the Committee of the following features of the program:

- funding is to be split 50-50 between metropolitan and rural roads;
- 25 per cent of the funding is to be dedicated to local roads with the Government currently seeking input from local councils about how the percentage should be applied;
- assessment will be based on the benefit to the community through the prevention of accidents that result in fatalities or serious injuries; and
- the inclusion of potential accident blackspots in the program.

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The Committee believes this program to be a vital community safety initiative. However, it will be important for the Government to develop and implement effective mechanisms to ensure that existing and potential accident blackspot areas are properly identified.

### 10.7 Planning Portfolio

#### 10.7.1 Background

The Minister for Planning has joint responsibility for two key output groups within the Department. Exhibit 10.7 shows these output groups account for $57.2 million or 2.4 per cent of the Department’s 2000-2001 budget.

#### Exhibit 10.7

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>6.7</td>
<td>6.7</td>
<td>7.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Balanced Planning and Environmental Systems</td>
<td>70.1</td>
<td>68.4</td>
<td>50.2</td>
<td>-28.4</td>
</tr>
<tr>
<td>Total</td>
<td>76.8</td>
<td>75.1</td>
<td>57.2</td>
<td>25.5</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Planning are to:

- deliver land use and infrastructure strategies through integrated transport planning which is linked to regional and metropolitan land use development;
- develop and implement strategies for metropolitan and rural sub-regions, conduct a strategic audit of the State’s infrastructure, and provide support and advice to the Infrastructure Planning Council; and
• provide an efficient and effective regulatory system that covers planning, building, heritage and environmental issues, training programs for councils and the monitoring of strategic objectives at both state and local government levels.

10.7.2 2000-2001 outlook for the Portfolio

In 2000-2001, key priorities of the planning portfolio are the development of a new residential planning code, development of a metropolitan strategy to provide the basis for longer term land use and infrastructure priorities and the provision of enhanced support to local government in planning system administration.

Key initiatives of the planning portfolio for 2000-2001 include:

• a continuation of the Pride of Place program through the provision of local government grants to improve streetscapes and townscapes and to provide greater certainty in planning to facilitate investment;

• the provision of grants through the Public Heritage program for urgent repairs, restoration and refurbishment of important public and historic places;

• the production of a further land use and transport strategy for regional and rural Victoria and an integrated transport strategy linked to regional and rural land use development;

• the production of two land use and transport strategies for the Melbourne metropolitan area;

• delivery of demographic and forecasting reporting products and services to government agencies, councils and business groups;

• development of a State-wide and sectoral land use policy supported by a legislative and statutory framework;

• monitoring the implementation of environmental initiatives and review of legislation and regulations; and
• delivery and support of an integrated framework for planning land use and building systems and the provision of advice on building and construction issues.

10.7.3 Analysis of the 2000-2001 Budget

The Committee's analysis of the two output groups under the responsibility of the Minister for Planning shows a $19.6 million or 25.5 per cent decrease in 2000-2001. The major reasons for these variations are as follows:

• the Strategic Land Use and Infrastructure Planning budget increased by $300,000 or 4.4 per cent to reflect the Government's $1 million budget initiative for the development of the metropolitan strategy; and

• the Balanced Planning and Environmental System budget decreased by $19.9 million or 28.4 per cent due to the completion of the Sports and Entertainment precinct and Steampacket Place projects in 1999-2000.

10.7.4 Performance measures

The Committee's analysis of the performance measures contained in output groups under the responsibility of the Minister for Planning revealed that certain key activities and projects are measured in terms of completion dates and percentage completed. The Committee believes that this type of performance measure fails to provide an indication of the effectiveness of activities in achieving their objectives. In this particular instance, they do not indicate whether planning strategies reflect and meet the needs of rural, regional and metropolitan Victoria.

Accordingly, the Committee recommends that:
Recommendation 10.5:

The Department of Infrastructure develop performance measures that indicate whether planning strategies reflect and meet the needs of rural, regional and metropolitan Victoria.

10.7.5 Key issues impacting on the Planning Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Planning identified the following key issues that will impact on the Planning Portfolio and the Budget Estimates for 2000-2001.

(a) Strategic planning for the future

The Committee was advised that in order to introduce effective strategic planning, an allocation of $1.5 million over two years has been made to develop a metropolitan strategy. The strategy will be developed in conjunction with the Minister for Transport to ensure that roads and public transport issues are addressed.

The key objectives of the strategy are to:

- link roads, public transport and bike paths with land use development;
- act as a guide to councils and developers in the consideration of applications; and
- ensure that environmental sustainability is a key feature in development activity.

The Committee supports the Government’s initiative in introducing an overarching strategy for metropolitan planning activity. However, it will be important that formal protocols are established with the Department and local councils to ensure the effectiveness of

128 Hon. J Thwaites, Minister for Planning, transcript of evidence, 18 May 2000, p. 58
the strategy is monitored and that emerging issues are identified and addressed in a timely manner.

(b) Empowerment of local government

A major policy objective of the Government is the empowerment of local government through a more prominent role in the planning process. The Minister advised the Committee that the Government is working in partnership with local government and the Municipal Association of Victoria to boost support for local government in the administration of the State’s planning system.129

Currently, the Government faces the following challenges:

- a shortage of good experienced planners in councils; and
- large workloads and pressures on existing council planners.

The Minister advised that the Government has allocated $300,000 per year to upgrade Council planning skills through training, and is also researching the use of information technology in providing a faster and more efficient planning process.130

(c) Ministerial intervention in planning and heritage

The Minister advised that a key issue arising from the Auditor-General’s Special Report No. 62, Land Use and Development in Victoria - the State’s Planning System was the lack of documentation on the Department’s advice to the Minister.131 To address this issue, the Government has developed guidelines to provide for a more transparent intervention process.

129 Ibid
130 Ibid, pp. 60-61
131 Ibid, p. 68
(d) Neighbourhood character and residential amenity

As a result of concerns that the character of neighbourhoods is under threat because of development, the Government has taken a number of interim measures aimed at protecting neighborhood character when planning approval is sought, including:\textsuperscript{132}

- offering councils the opportunity to require a planning permit for lot sizes between 300 and 500 metres;
- removing the seven kilometre rule which was considered to be arbitrary; and
- introducing interim height controls on the foreshore while councils develop final height controls to protect the foreshore from inappropriate development.

The Committee was advised that residential development is in need of a new planning framework and code. Accordingly, the Government plans to consolidate VicCode 1 (detached housing) with the Good Design Guide (multi-density housing) into one new residential code by the end of the year.

While the Committee encourages the development of a consolidated residential code, it will be important that the legislation is reviewed periodically to ensure the new system is achieving its objectives.

\textbf{10.8 Local Government Portfolio}

\textbf{10.8.1 Background}

The Minister for Local Government has joint responsibility for the Supporting Local Government output group within the Department. Exhibit 10.8 shows this output group accounts for $40.4 million or 1.7 per cent of the Department’s 2000-2001 budget.

\textsuperscript{132} Ibid, p. 59
Exhibit 10.8

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting Local Government</td>
<td>46.5</td>
<td>41.4</td>
<td>40.4</td>
<td>- 13.2</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Local Government involve:

- development of an effective partnership between State and local government;
- provision of advice to local government;
- monitoring the implementation of good governance practices; and
- provision of grants funding for public libraries and other local government services.

10.8.2 2000-2001 outlook for the Portfolio

The Committee noted that a separate output group for local government has been introduced in 2000-2001 to recognise local government as a third tier of government, and promote greater participation and consultation with the community.

The most significant initiative for 2000-2001 is the implementation of the Best Value Principles (BVP) process that replaces compulsory competitive tendering.

10.8.3 Analysis of the 2000-2001 Budget

The budget allocation for the Supporting Local Government output group in 2000-2001 is $40.4 million representing a $6.1 million or a 13.2 per cent decrease from 1999-2000. The major reason for the decrease is an adjustment to the accounting treatment for local government National Competition Policy payments. These payments
have been reclassified from “Controlled” to “Administered” in 2000-2001.

10.8.4 Performance measures

While the performance measures for the Supporting Local Government output group show the activity levels of some outputs, the Committee does not believe they measure all of the specified outputs or the achievement of key government outcomes.

Accordingly, the Committee recommends that:

**Recommendation 10.6:**

The Department of Infrastructure review the performance measures relating to the Supporting Local Government output group to ensure they measure key Government outcomes in the 2001-2002 budget.

10.8.5 Key issues impacting on the Local Government Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Local Government identified the following key issues that will impact on the Local Government Portfolio and the Budget Estimates for 2000-2001.

(a) Best Value Principles

The Minister advised that under the Best Value Principles, Councils are required to consult with their communities in developing quality and cost standards for all services and in setting performance outcomes. Councils are also required to report back to their communities on their achievements.

To oversee the development and implementation of the Best Value process, the Government:

133 Hon. R Cameron, Minister for Local Government, transcript of evidence, 13 June 2000, pp. 73-74
• established a best value taskforce comprising representatives across the local government sector; and
• conducted an extensive consultation process comprising 19 workshops across Victoria (10 workshops in rural and regional Victoria) with local government councillors and staff, the public, community organizations, business interests and other stakeholders.

The taskforce was to report to the Government on a suggested framework for the implementation of Best Value in mid to late 2000.

While the Committee commends the Government on the implementation of a more flexible service delivery model, it will be crucial for the Government to monitor the impact of best value on the quality of service delivery.

Accordingly, the Committee recommends that:

**Recommendation 10.7:**

**The Department of Infrastructure:**

(a) review the implementation of the Best Value Principles in terms of achieving Government objectives and consistency of application across the local government sector;

(b) consider the use of a pilot program for Best Value to be applied in a large, medium and small council to ensure the model can be applied to all councils and be tailored to the extent required.
(b) Proportional representation

The Minister briefed the Committee about multi-member wards and the practice of electing councillors across an un-subdivided municipality. The Minister indicated that large wards and un-subdivided municipalities could result in areas within a municipality not being represented.

The Committee considers that representation for local communities is important, and an issue that clearly impacts on rural Victoria. The Committee believes that it will be important for the Government to:

• review the current inconsistencies in local government elections with a view to establishing a system which best suits the need of each local government area; and

• ensure an independent review is undertaken of the system for local government elections with advice sought from key stakeholders.

(c) Impact of the GST on local government

The Committee was advised that GST has impacted on the local government sector with Councils required to pass-on the costs of many services, and deal with the additional administrative burden and associated cost.

In particular, the issue of grants to local government and the application of GST is causing some confusion. The Committee was advised there are two options concerning Council grants:

• where a Council receives a grant for no specific purpose, GST will not apply; and

• where a Council receives a grant to be spent on a specific purpose or for the supply of funding for a commercial venture, GST will apply.

134 Ibid, p. 78
135 Ibid, p. 85
The Minister also advised that Commonwealth Government requirements for payments to be classified as appropriations are complex, and that the local government sector is concerned that there should be consistency in the way funding payments are treated. The Committee acknowledges the complexity of applying the GST to the local government sector.

Accordingly, the Committee recommends that:

Recommendation 10.8:

The Office of Local Government should:

(a) develop a process, in conjunction with the local government sector, to inform councils of GST rules and applications in a timely manner; and

(b) encourage councils to review periodically the impact of the GST on the operational and financial activities of local government.

10.9 Ports Portfolio

10.9.1 Background

The Minister for Ports has joint responsibility for three key output groups within the Department. Exhibit 10.9 shows these output groups account for $288.3 million or 12 per cent of the Department’s 2000-2001 budget.
### Exhibit 10.9

<table>
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</thead>
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<td>Strategic Land Use and Infrastructure Planning</td>
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<td>6.7</td>
<td>7.0</td>
<td>3.8</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>15.9</td>
<td>9.4</td>
<td>12.8</td>
<td>-19.8</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>240.9</td>
<td>249.3</td>
<td>268.5</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>263.5</strong></td>
<td><strong>265.4</strong></td>
<td><strong>288.3</strong></td>
<td><strong>9.4</strong></td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Ports involve:

- the delivery of strategies and initiatives for the efficient and safe operation of Victoria's ports, effective transport logistics and to ensure the on-going competitiveness of trade gateways;
- improving the efficiency of the interface between the various modes of transport including ports, rail, road transport and airports; and
- the delivery of transport safety initiatives for the community and reducing the frequency, severity and social cost of accidents.

### 10.9.2 2000-2001 outlook for the Portfolio

Key initiatives for 2000-2001 include:

- $3.6 million for improving rail access to ports, better links through the Dynon Rail Hub and restoring a rail link to Web Dock;
• $40 million from the Regional Infrastructure Development Fund to provide standard gauge rail lines to the Port of Geelong and connections to the national standard gauge network;

• $3.7 million for further rehabilitation of Station Pier to upgrade utility services to the pier and the entrance roadway to the pier;

• $3.5 million for the dock link road extension;

• increasing competition in stevedoring by attracting a third stevedoring company to build and operate an international container terminal at the Port of Melbourne;

• providing infrastructure for the rapidly growing cruise shipping and sea passenger demand; and

• managing marine environmental issues.

10.9.3 Analysis of the 2000-2001 Budget

The Committee's analysis of the three output groups under the joint responsibility of the Minister for Ports shows a $24.8 million or 9.4 per cent increase in 2000-2001. Major reasons for this variation include:

• a $3.1 million or 19.8 per cent reduction in the Ports and Intermodal Gateways output group budget due to the near completion of the Station Pier project, a change in accounting treatment which resulted in a $12 million transfer from operating expenditure to capital expenditure, an increase of $6.5 million in Expenditure Review Committee approved projects and the inclusion of $2.2 million of Station Pier operating costs; and

• a $27.6 million or 11.5 per cent increase in the Transport Safety and Accessibility output group budget due to specific budget initiatives for accident blackspots, bicycle network extensions and minor road works.
10.9.4 Performance measures

The Committee's analysis of the quality of performance measures for outputs under the responsibilities of the Minister for Ports shows a number of deficiencies, including:

- measures contained in the Port Development Strategies output within the Strategic Land Use and Infrastructure Planning output group revolve around the percentage and completion dates of various reviews within the portfolio. However, they do not measure whether the policy/regulatory framework has been improved or the continued competitiveness of trade gateways has remained, which is the Government's output objective;

- output measures relating to the Ports and Intermodal Freight output in the Ports and Intermodal Gateways output group specifically measure the number and completion rates of various projects. However, they do not measure the impact of these strategies on promoting an efficient and seamless transfer of freight which is the objective of the output;

- measures within the Passenger Interchange Development output in the Ports and Intermodal Gateways output group relate to the percentage completion of various strategies and programs, but do not measure the impact on service delivery or outcomes for passengers in terms of improved accessibility and ease of use; and

- measures within the Marine Safety Initiatives and Regulation output in the Transport Safety and Accessibility output group are centred on completion dates for review and commercial vessels surveyed. However, they do not measure the outcomes of safety initiatives and regulation activities in terms of achieving the Government's marine safety objectives.

The Committee believes these performance measures, both individually and collectively, are too general and do not measure the
achievement of the objectives for each output group. While these objectives and outcomes may take time to be achieved it should be possible to develop indicators that enable a more meaningful measurement to be undertaken on an ongoing basis.

Accordingly, the Committee recommends that:

**Recommendation 10.9:**

The Department of Infrastructure review the performance measures contained in the Budget Papers that relate to the three output groups within the Ports Portfolio to ensure they measure the outcomes of activities and enable a meaningful assessment of whether the Department's objectives are being achieved.

10.9.5 Key issues impacting on the Ports Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Ports identified the following key issues that will impact on the Ports Portfolio and the Budget Estimates for 2000-2001.

(a) Standardisation of broad gauge rail lines in Victoria

The Committee was advised that the biggest challenge for the Ports Portfolio is to work in partnership with industry to ensure that transport systems and infrastructure are adequate. A major Government initiative in this regard has been the allocation of $40 million from the Regional Infrastructure Development Fund to contribute to the standardisation of broad gauge rail lines in Victoria.

The Minister advised that the current dual gauge system is wasteful and inefficient, and that a standard gauge would open up regional...

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136 Hon. C Broad, Minister for Ports, transcript of evidence, 22 August 2000, p. 473
markets to Victoria’s ports and contribute to the establishment of more inland ports throughout the State.\footnote{Ibid, p. 473}

The Committee believes this to be an important initiative in the provision of a seamless process in linking inter-modal transport.

Accordingly, the Committee recommends that:

**Recommendation 10.10:**

The Government develop an action plan that identifies priority areas of the State so that the conversion to standard gauge rail lines secures maximum economic and social benefit to Victoria.

(b) The Victorian Ports Strategic Study

The Minister informed the Committee that the Victorian Ports Strategic Study, commissioned by the previous Government, is an important initiative to identify the measures necessary for Victoria’s ports to remain internationally competitive.\footnote{Ibid, p. 473}

The Study revealed a number of operational problems including:

- the inadequacy of current channel depths;
- the need for Melbourne to remain a must-call port;
- a land use conflict between the Port of Melbourne and surrounding areas; and
- the potential for the Dynon-Swanson hub to be a world class intermodal hub.
Subsequent to receiving the final report, the Government has sought wider consultation, which is currently in process, to ensure that the long-term plan for Victoria’s ports is effective and inclusive of all major issues.

(c) Safety outcomes from improvements in boating facilities

The Committee was advised that the following funding has been allocated in 2000-2001 for improvements in boating facilities:139

- public recreation and boating facility grants of just over $1 million;
- $841 000 to Victoria Police to assist with enforcement and search and rescue;
- $528 000 to VicRoads for administration costs in the collection of boating registration fees; and
- approximately $1 million within the Department and the Marine Board to fund a range of boating safety promotion services and activities.

139 Ibid, p. 477
Key Findings:

11.1 Major skill shortages are currently being experienced in information technology and in the financial management and accrual accounting aspects of the management reform program.

11.2 Victoria’s negotiation of legal aid funding with the Commonwealth Government is a major issue. The current position of the Commonwealth Government will effectively reduce Victoria’s share of national funding from 27 per cent to 22 per cent, and result in Victoria receiving the lowest level of per capita funding of any State or Territory.

11.3 The challenge to combat crime, particularly drug related crime, is placing an increasing demand on police resources and the administration of justice in the court system.

11.4 The existing capacity problems experienced by the State’s prison system is a major logistic issue with prison occupancy levels growing from 88.5 per cent in 1995 to 109.7 per cent in June 2000.

11.5 There are a number of deficiencies in the current contractual framework overseeing private prison performance. These deficiencies relate to the focus on the most easily quantifiable performance measures rather than the quality of the service, and a lack of consistency in operating standards and rules.
11.6 The demand for consumer information and complaint resolution services is increasing. However, the Government has yet to identify the source and the reasons behind this demand.

11.7 Given the unexplained fuel price variations across country Victoria, there is a need for an investigation by the Australian Competition and Consumer Commission into this specific issue.

11.1 Departmental overview

The Department of Justice provides organisational, policy and management services to four Ministers including the Attorney-General; Minister for Police and Emergency Services; Minister for Corrections; and the Minister for Consumer Affairs. The Department's responsibilities are broadly categorised as follows:

- Policy and Legislative Services involving legislative and non-legislative reform and the provision of policy, legislative and program development advice to Ministers;

- Justice Services through the provision of administrative support for case processing, prosecutorial and other legal services, planning and provision of correctional services, support for victims of crime and overseeing the planning and provision of policing for the State;

- Fire and Emergency Services by overseeing the planning and management of fire and other emergency response and prevention; and

- Consumer and Equity Services through the provision of consumer protection services, advocacy and guardianship for people with disabilities, equity and human rights information and maintenance of a system for the registration of births, deaths and marriages.
11.2 Output management framework

The Department’s 2000-2001 output management framework is shown in Exhibit 11.1:

Exhibit 11.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Services</td>
<td>160.7</td>
<td>161.9</td>
<td>136.1</td>
<td>- 15.3</td>
</tr>
<tr>
<td>Court and Tribunal Services</td>
<td>181.4</td>
<td>161.0</td>
<td>168.4</td>
<td>- 7.2</td>
</tr>
<tr>
<td>Consumer and Equity Services</td>
<td>53.3</td>
<td>49.5</td>
<td>48.8</td>
<td>- 8.5</td>
</tr>
<tr>
<td>Correctional Services</td>
<td>190.2</td>
<td>196.9</td>
<td>210.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Community Safety</td>
<td>62.5</td>
<td>69.2</td>
<td>70.1</td>
<td>12.1</td>
</tr>
<tr>
<td>Crime Prevention and Community Support Programs</td>
<td>394.4</td>
<td>392.0</td>
<td>374.5</td>
<td>- 5.0</td>
</tr>
<tr>
<td>Incident and Event Management</td>
<td>91.4</td>
<td>89.7</td>
<td>92.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Crime Investigations</td>
<td>231.4</td>
<td>226.7</td>
<td>220.3</td>
<td>- 4.8</td>
</tr>
<tr>
<td>Road Safety and Road Trauma Reduction</td>
<td>87.1</td>
<td>84.5</td>
<td>98.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>233.2</td>
<td>228.6</td>
<td>192.2</td>
<td>- 17.6</td>
</tr>
<tr>
<td>Information and Licensing Services</td>
<td>34.2</td>
<td>33.6</td>
<td>37.7</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1719.9</strong></td>
<td><strong>1693.4</strong></td>
<td><strong>1649.1</strong></td>
<td><strong>- 4.1</strong></td>
</tr>
</tbody>
</table>


The Department’s output group structure has remained largely unchanged from 1999-2000. The only variation has occurred in the Consumer and Equity Services output group which has been renamed...
Fair Trading and Equity Services to reflect changes to consumer protection priorities.

11.3 Corporate and business plans

In response to the Committee’s questionnaire, the Department advised that a framework of five priority outcomes with linkages to the major outputs has been developed and is currently being refined for use in corporate and business planning processes.140 The Department also advised that:

- the budgeted outputs are currently under review as part of the Management Reform Program in order to improve the alignment between outputs and outcomes, and the usefulness of the performance measures in the Budget Papers for internal and external management reporting;
- strategies are currently being developed to ensure that key performance data is captured and analysed in the Department’s executive information system;
- the framework is used to monitor the efficiency and effectiveness of the budgeted output mix on a quantitative basis in the performance planning and review cycle; and
- corporate and business plans covering the outputs detailed in the 2000-2001 Budget Estimates will be available by 1 July 2000.141

These are encouraging developments but the Committee is concerned that conclusions cannot yet be drawn on whether the Department is becoming more efficient and effective.

The Committee views the establishment of direct links between activities and related performance measures in the Budget Papers and key Government outcomes as fundamental to the assessment of

140 Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part B, pp. 13-14
141 Ibid, p. 14
the Department’s performance. Although the Department is working to create these links, it is disappointing that the corporate and business plans have not been forwarded to the Committee to allow this assessment to occur in the 2000-2001 estimates process.

Accordingly, the Committee recommends that:

**Recommendation 11.1:**

The Department of Justice:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process;

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion; and

(c) review output information and related performance measures prior to the 2001-2002 Budget to ensure they are linked to key Government outcomes.

11.4 **Financial analysis**

The operating statement for the Department of Justice is as follows:
Exhibit 11.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1729.5</td>
<td>1659.2</td>
<td>- 4.1</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1719.9</td>
<td>1649.1</td>
<td>- 4.1</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>9.6</td>
<td>10.1</td>
<td>5.5</td>
</tr>
<tr>
<td>before revenue for increase in net assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>add</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>26.6</td>
<td>65.4</td>
<td>145.8</td>
</tr>
<tr>
<td>Section 29 Receipts – Asset Sales</td>
<td>0.0</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>36.2</td>
<td>75.8</td>
<td>109.4</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>51.3</td>
<td>55.1</td>
<td>7.4</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>42.7</td>
<td>54.5</td>
<td>27.6</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>8.6</td>
<td>0.6</td>
<td>- 93.0</td>
</tr>
</tbody>
</table>

The variations for operating revenue and expenses are minor with an expected 4.1 per cent decrease in both categories. The Department expects a significant increase in revenue from increases in net assets of 145.8 per cent to $65.4 million, thus increasing the operating surplus by 109.4 per cent to $75.8 million.

In the administered categories, operating revenue is expected to increase by 7.4 per cent to $55.1 million. Operating expenses will increase by 27.6 per cent to $54.5 million due to an expected increase in criminal injury payments resulting from the restoration of access to compensation for victims of crime. These variations are expected to significantly reduce the operating surplus from $8.6 million in 1999-2000 to $0.6 million in 2000-2001.
11.4.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided a detailed breakdown of items contained in ‘other revenue’ and ‘other expenses’ for both controlled and administered categories:\textsuperscript{142}

**Exhibit 11.3 - Other Revenue**

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue (Controlled)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other Revenue (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fines (Traffic Camera, on the spot and other court imposed)</td>
<td>131.1</td>
<td>135.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Licenses - various</td>
<td>8.3</td>
<td>8.1</td>
<td>-2.4</td>
</tr>
<tr>
<td>Business Names and Associations, Registrations and Searches</td>
<td>7.6</td>
<td>7.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Fees, charges, reimbursements and miscellaneous income</td>
<td>12.1</td>
<td>24.7</td>
<td>104.1</td>
</tr>
<tr>
<td>Grants</td>
<td>0.0</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>159.1</td>
<td>180.0</td>
<td>13.1</td>
</tr>
</tbody>
</table>

The $20.9 million expected increase in other revenue is due to:

- a $12.6 million increase in fees, charges, reimbursements and miscellaneous income to account for a number of items not previously budgeted for and included in output costs

\textsuperscript{142} Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part B, pp. 6-7
such as unclaimed monies, Treasury trust receipts and disbursements; and

- the transfer of $4.5 million from the Community Support Fund for “Turning the Tide” drug program and to establish the Community Safety Emergency Support Fund.

Exhibit 11.4 - Other Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Expenses (Controlled)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution – Victorian Legal Aid</td>
<td>28.0</td>
<td>28.0</td>
<td></td>
</tr>
<tr>
<td>Victims Referral and Assistance Service Network Support Service Grants</td>
<td>2.1</td>
<td>2.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Grants – Court and Tribunal Services</td>
<td>0.3</td>
<td>0.4</td>
<td>33.3</td>
</tr>
<tr>
<td>Grants – Consumer and Equity Services</td>
<td>5.9</td>
<td>8.8</td>
<td>49.2</td>
</tr>
<tr>
<td>Contribution – CFA</td>
<td>23.7</td>
<td>26.0</td>
<td>9.7</td>
</tr>
<tr>
<td>Contribution – MFESB</td>
<td>16.2</td>
<td>17.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Community Safety and Crime Prevention Grants Program</td>
<td>1.8</td>
<td>2.6</td>
<td>44.4</td>
</tr>
<tr>
<td>Grants – Correctional Services</td>
<td>0.4</td>
<td>0.7</td>
<td>75.0</td>
</tr>
<tr>
<td>Total</td>
<td>78.4</td>
<td>86.2</td>
<td>9.9</td>
</tr>
<tr>
<td>Other Expenses (Administered)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criminal Injuries Compensation Payments</td>
<td>12.0</td>
<td>21.1</td>
<td>75.8</td>
</tr>
<tr>
<td>Commonwealth Contribution to Legal Aid (on-passed to Victoria)</td>
<td>30.7</td>
<td>27.5</td>
<td>-10.4</td>
</tr>
<tr>
<td>Payment to Transurban of toll element of fines paid into consolidated fund</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42.7</td>
<td>48.7</td>
<td>14.1</td>
</tr>
</tbody>
</table>
The Department advised the Committee that these major variations are due to:

- an increase of $2.9 million in grants in Consumer and Equity Services due to increased funds available from the Estate Agents Guarantee Trust Account, the Residential Tenancy Fund and the Domestic Builders Fund;
- a $9.1 million increase to reflect the restoration of access to compensation for victims of crime; and
- a $3.2 million decrease in direct funding for legal aid by the Commonwealth.

The Committee accepts the reasons for major variations to line items within the ‘other revenue’ and ‘other expenses’ categories in the operating statement. However, the Committee is concerned at the materiality of a number of the line items, including:

- administered revenue of an estimated $135 million in 2000-2001 for fines;
- controlled expenses of an estimated $28 million, $26 million and $17.4 million for contributions to Victoria Legal Aid, the CFA and the MFESB respectively; and
- administered expenses of $27.5 million for 2000-2001 relating to the Commonwealth’s contribution to Legal Aid.

The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the budget papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:

**Recommendation 11.2:**

The Department of Justice review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.
11.5 Human resources issues

The Department estimated it will have 3,453.6 Equivalent Full Time staff at 30 June 2000. This compares with an actual staffing level of 3,485.5 at 30 June 1999.

Exhibit 11.5

<table>
<thead>
<tr>
<th>Division</th>
<th>Staffing level as at 30 June 1999</th>
<th>Staffing level as at 30 June 2000</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Management</td>
<td>61.9</td>
<td>51.4</td>
<td>- 17.0</td>
</tr>
<tr>
<td>Justice Operations</td>
<td>1,363.3</td>
<td>1,354.0</td>
<td>- 1.0</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>203.0</td>
<td>198.6</td>
<td>- 2.2</td>
</tr>
<tr>
<td>Fair Trading and Equity</td>
<td>358.5</td>
<td>350.6</td>
<td>- 2.2</td>
</tr>
<tr>
<td>Legal</td>
<td>1,498.8</td>
<td>1,498.9</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3,485.5</td>
<td>3,453.6</td>
<td>- 1.0</td>
</tr>
</tbody>
</table>

Source: Response by the Department of Justice to the Committee’s questionnaire 2000, Part A, p. 24

Exhibit 11.5 shows there has been a minimal reduction in Full Time Equivalent Staff of 31.9 or approximately one per cent. The only Division with any material reduction was Executive Management due to the transfer of ministerial staff to the Department of Premier and Cabinet.

The Committee requested information on areas where the Department is currently experiencing a shortage of expertise, and the strategies adopted to overcome these and any future staffing and skill problems.

The Committee was advised that major skill shortages are currently being experienced in information technology and in the financial management and accrual accounting aspects of the management.
reform program. The major reason for these shortages revolves around labour market demand and the inability of Government remuneration rates to match those on offer from the private sector.

Strategies adopted by the Department to address these skill shortages include:

- the use of contractor arrangements and Information Technology service providers to meet core service delivery objectives; and
- utilising the Finance Graduates Scheme and a Financial Skills Enhancement Strategy in cooperation with the Department of Treasury and Finance.

The Committee is aware of the difficulties and limitations being experienced throughout Government in attracting and maintaining skills in information technology and financial management. However, it is crucial that current strategies are monitored to ensure that they are effective.

11.5.1 Other human resources issues

The Department identified a number of other issues that present current and future challenges.

(a) The current industrial framework

The current industrial framework within the Department comprises two distinct groups made up of staff under employment agreements and those employed under an award. The Department advised that this situation has not been conducive to an effective work environment. However, the next round of enterprise bargaining should address this concern.

143 Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 28
(b) The changing nature of work

The increasing use of technological innovation presents the Department with a number of human resource management issues. The Department advised that the move towards more collaborative working methods such as distributed authoring, team rooms and increasing automation raises the need for a change management strategy to assist the workforce with these transitions.144

In addition, the management of workforce interaction with technology and the increasing number of electronic transactions in service delivery will require the need for new skills. Accordingly, strategies to assist current staff in managing the changing nature of work through training and retraining will be required.

The Committee believes that skilling the current workforce to adapt to a changing work environment cannot be underestimated. It is crucial that change management and professional development strategies be developed as a matter of urgency and be continually reviewed to ensure emerging issues are identified and addressed.

(c) An ageing workforce

The Department advised that a significant proportion of its workforce will become eligible for retirement in five to ten years time, thus presenting a challenge to ensure the Department maintains the skills and knowledge to meet future requirements.

In order to meet these requirements, the Department is currently implementing a Leadership and Management Development Program to provide development for future senior officers.

144 Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 29
11.5.2 Promotion of women in the Department

The Committee notes that the Department has a high percentage (i.e. 43.9 per cent) of women in its workforce at 30 June 2000. Exhibit 11.6 shows the existing staff levels by gender for executive and non-executive officers:

Exhibit 11.6

<table>
<thead>
<tr>
<th>Classification</th>
<th>EFT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
</tr>
<tr>
<td>Executive Officer - 1</td>
<td>1</td>
</tr>
<tr>
<td>Executive Officer - 2</td>
<td>10</td>
</tr>
<tr>
<td>Executive Officer - 3</td>
<td>22</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>33</strong></td>
</tr>
<tr>
<td>VPS Levels</td>
<td></td>
</tr>
<tr>
<td>VPS - 5</td>
<td>124.01</td>
</tr>
<tr>
<td>VPS - 4</td>
<td>209.10</td>
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<tr>
<td>VPS - 3</td>
<td>263.19</td>
</tr>
<tr>
<td>VPS - 2</td>
<td>320.23</td>
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<tr>
<td>VPS - 1</td>
<td>167.96</td>
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<td><strong>1084.49</strong></td>
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<tr>
<td>Custodial Officers</td>
<td></td>
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<tr>
<td>COG5a</td>
<td>6</td>
</tr>
<tr>
<td>COG4</td>
<td>19</td>
</tr>
<tr>
<td>COG3</td>
<td>63</td>
</tr>
<tr>
<td>COG2b</td>
<td>157</td>
</tr>
<tr>
<td>COG2a</td>
<td>164</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>409</strong></td>
</tr>
<tr>
<td>Other Staff not in the 5 Level structure</td>
<td></td>
</tr>
<tr>
<td>Prison Officers</td>
<td>214.8</td>
</tr>
<tr>
<td>Other Classifications</td>
<td>250.17</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>464.97</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1958.46</strong></td>
</tr>
</tbody>
</table>
The Committee’s analysis of the Department’s staffing levels by gender shows the following:

- only 30 per cent of executive officers are women. However, this balance has improved from the 22 per cent experienced at 30 June 1999;
- 24 per cent and 43 per cent of employees at the VPS 5 and VPS 4 level respectively are women;
- 64 per cent of employees at VPS1 and VPS2 level are women;
- five per cent of custodial officers at COG3 and above are women; and
- 22 per cent of prison officers are women.

The Committee was advised by the Department of its long-standing strategy for women, and the conduct of a comprehensive study into Women in Management within Justice, commissioned in 1995.\footnote{145 Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, pp. 26-27}

The Department advised that its approaches to mainstreaming equity and access issues has resulted in a Certificate of Commendation from the Commissioner for Public Employment.

11.6 Attorney-General Portfolio

11.6.1 Background

The Attorney-General has sole or joint responsibility for three key output groups within the Department. Exhibit 11.7 shows these output groups account for $353.3 million or 21.4 per cent of the Department’s 2000-2001 budget.
Exhibit 11.7

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Legal Services</td>
<td>160.7</td>
<td>161.9</td>
<td>136.1</td>
<td>- 15.3</td>
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<tr>
<td>Court and Tribunal Services</td>
<td>181.4</td>
<td>161.0</td>
<td>168.4</td>
<td>- 7.2</td>
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<tr>
<td>Consumer and Equity Services</td>
<td>53.3</td>
<td>49.5</td>
<td>48.8</td>
<td>- 8.5</td>
</tr>
<tr>
<td>Total</td>
<td>395.4</td>
<td>372.4</td>
<td>353.3</td>
<td>- 10.7</td>
</tr>
</tbody>
</table>

The major responsibilities of the Attorney-General are to:

- provide administrative support for case processing in the various State courts, statutory tribunals and alternative civil dispute resolution processes;
- ensure that prosecutorial and other legal services are provided to and on behalf of government, and oversee the enforcement of judicial fines, orders and warrants;
- provide support services for victims of crime;
- undertake advocacy and guardianship services for people with disabilities;
- supply equity and human rights information and discrimination complaint resolution services; and
- maintain a system for the registration of births, deaths and marriages.

11.6.2 2000-2001 outlook for the Portfolio

Key initiatives funded within the 2000-2001 Budget include:

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146 The Attorney-General has responsibility for the Equity component of the Consumer and Equity Services output group which accounts for $13.3 million of the $48.8 million budget for 2000-2001.
• reinstatement of pain and suffering compensation to victims of crime through the provision of $60 million over four years;

• establishment of an independent and community based Law Reform Commission ($4 million over four years);

• the introduction of whistle blowers legislation to encourage and facilitate disclosures of serious public sector wrong-doings;

• the construction of new courthouses in Mildura ($8.9 million over three years) and Warrnambool ($7.9 million over three years);

• construction of a new state-of-the-art County Court complex through a public-private partnership arrangement ($33.8 million over three years);

• enhancement of existing on-line websites to enable the public to electronically lodge Freedom of Information requests;

• implementation of the Aboriginal Justice Agreement ($6.4 million over four years);

• amendments to the Equal Opportunity Act to make it illegal to discriminate against women breastfeeding in public; and

• continued promotion of the rights and dignity of people with disabilities by the Office of the Public Advocate.

11.6.3 Analysis of the 2000-2001 Budget

The Committee noted that the budget allocations to output groups under the sole or joint responsibility of the Attorney-General had decreased by $42.1 million or 10.7 per cent.

The major reasons for these reductions are as follows:
• a reduction of $24.6 million or 15.3 per cent to the Legal Services output group primarily due to the non-inclusion of $23.2 million of non-recurrent funding in 1999-2000 for the conduct of the 1999 State Election; and

• a reduction of $13.1 million or 7.2 per cent to the Court and Tribunal Service output group due to a number of administrative adjustments including the correction of over-funding by the Department of Treasury and Finance for the 1999-2000 capital asset charge ($5.4 million), correction of an overstatement in the 1999-2000 trust fund expenses for the Victorian Civil and Administrative Tribunal ($4.3 million) and correction of the 1999-2000 initial carry forward allocations for the Magistrates' Court ($2 million).

11.6.4 Performance measures

The Department realigned some output groups to enhance the implementation of new strategies in 2000-2001. In particular, the following has occurred in the three output groups:

• the introduction of new outputs relating to Legal Policy and Advisory Services, Native Title and Privacy, in addition to 17 new performance measures within the legal services output group to reflect new government priorities and initiatives;

• the inclusion of three additional performance measures in the Court and Tribunal Services output group; and

• the inclusion of two additional performance measures in the Equity component of the Consumer and Equity output group.

The Committee encourages the Department to continually review the adequacy of the performance measures contained in the Budget Papers to ensure they reflect the achievement of key government outcomes.
11.6.5 Key issues impacting on the Attorney-General’s Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Attorney-General identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Affordable access to justice through reforms in legal and court processes

The Committee was advised by the Department that a key issue is to simplify areas of law and speed up legal procedures and dispute resolution methods to reduce the length and cost of court proceedings.

A significant amount of work has been undertaken to improve access to court users and increase the volume of matters processed through the court system.

While there is some capacity to redistribute available resources to address seasonal or one-off demand issues, there are a number of longer term growth trends and emerging budgetary pressures currently experienced in courts and legal services that need to be addressed in a timely manner.

The Committee supports initiatives to minimise the time and cost of legal procedures and dispute resolution methods. However, ongoing monitoring of the impact of the changes on all parties in the legal system will be necessary.

(b) Legal aid arrangements with the Commonwealth

The Committee was advised that one of the most significant challenges facing the Department is negotiating legal aid funding with the Commonwealth Government. The current position of the Commonwealth Government is a four-year agreement that effectively reduces Victoria’s share of national funding from 27 per cent to
22 per cent or by $5.5 million, and results in Victoria receiving the lowest level of per capita funding of any State or Territory (i.e. $5.89 per head of population compared to the national average of $6.67).147

The Government has a number of options including:

- refusing to sign the new agreement which means the current arrangement rolls over for 12 months;
- pulling out of the agreement altogether and setting up a dual system resulting in the State not allowing the Commonwealth Government to use Victoria’s court system for Commonwealth matters; and
- signing a new agreement on the terms and conditions presented by the Commonwealth Government.

It is crucial that both Governments commit to adequate funding and resources for the provision of legal aid.

Accordingly, the Committee recommends that:

Recommendation 11.3:

The Department of Justice:

(a) in the absence of a new comprehensive Commonwealth-State funding agreement on legal aid, roll-over the current agreement for Legal Aid funding to allow a further twelve months to negotiate and consider other service delivery options;

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147 Hon. R Hulls, Attorney-General, transcript of evidence, 13 June 2000, pp. 114-115
(b) continue to negotiate with the Commonwealth Government with a view to improving its current position in terms of the amount of funding over the next four years; and

(c) analyse the cost and its implications to the State of establishing a dual system of legal aid in Victoria.

(c) Provision of legal services to Government

The Committee was advised that the Government currently contracts out approximately $40 million in legal services to the private sector per annum.\textsuperscript{148} In order to ensure that taxpayers are getting value for money from these services, the Government has commissioned a review of all legal services provided to Government from both the private sector and the Victorian Government Solicitor. The review will consider the:

• type, range and extent of legal services required by Ministers, departments and agencies;

• current arrangements of departments and agencies for accessing legal services and whether there is appropriate coordination of those legal services;

• extent to which the provision of legal services is open to competition and the benefits for Government from the use of competition; and

• role of the Victorian Government Solicitor in the delivery of legal services to Government.

The Committee supports the review and looks forward to receiving a copy of the report.

\textsuperscript{148} Ibid, pp. 121-122
(d) Resolution of native title claims

The Attorney-General advised the Committee of the Government’s policy for mediation and negotiation, rather than litigation, as a means for solving native title claims.\(^{149}\) The Government believes this process will be more timely, cost effective and result in a greater flexibility of outcomes for the general community and Aboriginal people.

Accordingly, the Government established a performance target for 2000-2001 to complete 10 indigenous land use agreements. While the Committee is supportive of the Government’s objective of a more effective and flexible process for dealing with native title claims, it recommends that:

**Recommendation 11.4:**

The Department of Justice:

(a) assess the progress of the 2000-2001 target for the resolution of native title claims and set the target for 2001-2002 accordingly; and

(b) review the effectiveness of the Government’s system for negotiation and mediation, compared with litigation.

11.7 Police and Emergency Services Portfolio

11.7.1 Background

The Minister for Police and Emergency Services has sole responsibility for seven key output groups. Exhibit 11.8 shows these output groups account for $1,085.7 million or 65.8 per cent of the Department’s 2000-2001 budget.

\(^{149}\) Ibid, pp. 128-129
Exhibit 11.8

<table>
<thead>
<tr>
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<td>Community Safety</td>
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<td>69.2</td>
<td>70.1</td>
<td>12.1</td>
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<td>89.7</td>
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<td>220.3</td>
<td>- 4.8</td>
<td>216.2</td>
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<tr>
<td>Road Safety and Road Trauma Reduction</td>
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<td>84.5</td>
<td>98.7</td>
<td>13.3</td>
<td>82.3</td>
</tr>
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<td>192.2</td>
<td>- 17.6</td>
<td>218.2</td>
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<td>33.6</td>
<td>37.7</td>
<td>10.2</td>
<td>32.0</td>
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<td><strong>1124.3</strong></td>
<td><strong>1085.7</strong></td>
<td><strong>- 4.3</strong></td>
<td><strong>1085.7</strong></td>
</tr>
</tbody>
</table>

The key responsibilities of the Minister for Police and Emergency Services portfolio include the following:

- planning and provision of policing services for the State; and
- planning and management of arrangements to prevent and respond to fire and other emergencies affecting public safety.

150 The Committee was advised of an error in data transmission during the Budget Paper development process which resulted in variations to six output group budget amounts from the balances approved by the Parliament. This issue is discussed in Chapter 3 of this report.
11.7.2 2000-2001 outlook for the Portfolio

The major initiatives and strategies funded in the 2000-2001 Budget Papers include:

Improving policing presence

- development of an enhanced recruitment strategy based on the recruitment of 800 additional police;
- purchase of equipment including the replacement and upgrade of police helicopters;
- the construction of seven new police stations and the progressive refurbishment of 16 existing stations in both metropolitan and rural locations.

Crime prevention and community partnerships

- establishment of Crime Prevention Victoria; and
- developing programs to break the link between drugs and crime.

Increasing resources for emergency services

- establishment of an Emergency Services Commissioner;
- establishment of a Community Emergency Support Fund; and
- development of a statewide Integrated Public Safety Communications Strategy.

11.7.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the 2000-2001 Budget Papers shows that funding allocations for output groups under the Police and Emergency Services portfolio have decreased by $48.5 million or 4.3 per cent.

The reasons for the material variations are as follows:
the Community Safety output group budget was increased by $7.6 million or 12.1 per cent due to additional core funding for the CFA and the SES of $1.5 million, $800,000 to the CFA for fire fighting aircraft and $1.5 million to establish the Community Safety Support Fund,

$2 million to fund the Emergency Service Commissioner’s Office and $1 million to the CFA and MFESB from their recently negotiated enterprise bargaining agreements;

the Road Safety and Road Trauma Reduction output group and the Information and Licensing Services output group have increased by 13.3 per cent and 10.2 per cent respectively as the result of changes to the formula used to apportion costs across output groups; and

the Supporting the Judicial Process output group decreased by $41 million or 17.6 per cent, largely due to the reduced level of contributions into the Emergency Services Superannuation Scheme.

11.7.4 Performance measures

The Department has realigned its output groups to enhance the implementation of new strategies in 2000-2001. Accordingly, the performance measure structure in output groups under the Police and Emergency Services Portfolio has changed from 1999-2000 with the addition of four new measures and the deletion of eleven measures.

The Committee’s analysis shows the following deficiencies:

the performance measures within the Community Safety output group are activity based and do not assess the effectiveness of community safety and crime prevention initiatives funded under this output group; and
the performance measures within the Road Safety and Road Trauma Reduction output group do not measure the success of initiatives in reducing the incidence of road accidents and trauma.

Accordingly, the Committee recommends that:

**Recommendation 11.5:**

The Department of Justice review its performance measures to ensure the performance information in the Budget Papers reflects the outcomes of initiatives funded in 2000-2001 rather than activity based inputs and outputs.

11.7.5 Key issues impacting on the Police and Emergency Services Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Police and Emergency Services identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Community safety and crime prevention services

The Committee was advised that the challenge to combat drug related crime is placing demand on police resources and the administration of justice in the court system.\(^{151}\) This results from the influence of drugs on the behavior of people who commit crimes and on the type of offences they commit such as armed robberies, assaults and homicides.

The Committee was advised that the Government has initiated a crime prevention policy aiming to break the link between drugs and crime. However, it will be essential for the Department, Victoria

\(^{151}\) Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 15
Police and other related agencies to form an alliance and to focus on crime prevention.

A significant initiative in the implementation of this policy is the establishment of Crime Prevention Victoria whose role is to liaise with Police, local Councils and the community on crime prevention programs and strategies for particular localities.

(b) Enhancement of a multi-agency communication strategy across the Police and Emergency Services

The Committee was advised that there has been significant investment in recent years in the upgrading of communications information technology for Victoria's emergency service organisations.\(^{152}\)

The aim is to deliver safety communication services using a State-wide and common communications infrastructure. This forms the basis of the State-wide Public Safety Communications Strategy. This strategy manages initiatives designed to meet the urgent and critical communication system support needs of individual agencies and meet future needs.

It will be important that the strategy is well resourced and monitored to ensure the information technology needs of emergency services organisations are addressed in a timely manner.

(c) Administrative review of Victoria Police

In order to ensure that operating issues such as industrial relations and succession planning were effectively incorporated into the strategic and administrative processes of Victoria Police, the Government has established an administrative review in consultation with Police Command and the Police Association to be completed by the end of October 2000.

\(^{152}\) Ibid, pp. 14-15
The Minister advised the Committee that the review aims to:153

- consider and recommend appropriate protocols between Government and the Victoria Police;
- review current Victoria Police resource planning;
- examine and make appropriate recommendations on current Victoria Police succession planning for the next 10 years;
- review career path opportunities for officers at patrol level to maximise the retention of officers at front line policing;
- develop a model for effective consultation and issue resolution in human resource and industrial relations matters; and
- develop an appropriate model for the operation of the proposed career service commission.

The Committee believes the review is an important mechanism to ensure that police resources are properly directed and that Victoria Police maintains an experienced front line policing workforce and a harmonious industrial climate.

11.8 Corrections Portfolio

11.8.1 Background

The Minister for Corrections has responsibility for the Correctional Services output group. Exhibit 11.9 shows this output group accounts for $210 million or 12.7 per cent of the Department’s 2000-2001 budget.

153 Hon. A Haermeyer, Minister for Police and Emergency Services, transcript of evidence, 10 August 2000, p. 390
Exhibit 11.9

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Correctional Services</td>
<td>190.2</td>
<td>196.9</td>
<td>210.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Total</td>
<td>190.2</td>
<td>196.9</td>
<td>210.0</td>
<td>10.4</td>
</tr>
</tbody>
</table>

The key responsibilities of the Minister for Corrections portfolio include:

- implementing the correctional dispositions of the Courts and the Adult Parole Board;
- managing the State's system of correctional facilities;
- delivering diversion, rehabilitation and early intervention programs for prisoners;
- expanding pre and post-release programs for prisoners;
- providing facilities and programs for the community-based supervision of offenders; and
- conducting research and development that relates to the operation, redevelopment and enhancement of the State's correctional services system.

11.8.2 2000-2001 outlook for the Portfolio

Key initiatives funded in the 2000-2001 budget include:

- an expansion of existing prison facilities on a permanent and temporary basis through 357 additional beds across the system comprising:
  - 50 new beds for the women’s prison;
  - 145 beds to the public male system;
  - 102 beds to the private male system; and
  - 60 community custodial beds;
- an increased emphasis on alternatives to prison for non-violent offenders;
- the development of pre and post-release initiatives to break the cycle of re-offending;
- a review of community correctional services to restore effective supervision of offenders and enhance the capacity to supervise medium and high-risk offenders;
- establishment of Regional Aboriginal Justice Advisory Committees to identify needs and service delivery requirements, and to create awareness of justice programs; and
- an emphasis on diverting young offenders away from custodial programs and into other support and rehabilitation programs.

11.8.3 Analysis of the 2000-2001 Budget

The Committee's analysis of the corrections output group shows a $19.8 million or 10.4 per cent increase in 2000-2001. This additional funding allocation is due to:

- funding for additional prison places, diversion programs and the new Aboriginal Justice Agreement initiative; and
- the indexation of existing prison contract costs and increased asset charges associated with the additional permanent prison capacity.

11.8.4 Performance measures

The structure of the Correctional Services output group has changed from 1999-2000 with the Services to the Minister for Corrections and Prison Services outputs incorporated into the Correctional Services output for 2000-2001. There has been minimal change to the measures used in the 1999-2000 Budget Papers with no additional measures incorporated and two measures deleted from the Correctional Services output.
The Committee's review of the performance measures in the 2000-2001 Budget Papers revealed:

- the measures are based on inputs and outputs and do not assess key Government outcomes relating to effective supervision in line with community expectations; and
- there are no measures relating to priority areas such as drug related activity in prisons, the effectiveness of diversion programs, the quality of rehabilitation programs, the quality of re-integration and breaking re-offence patterns.

Accordingly, the Committee recommends that:

**Recommendation 11.6:**

The Department of Justice review the performance measures in the Correctional Services output group to ensure they reflect key outcomes in all priority areas.

11.8.5 Key issues impacting on the Corrections Portfolio

The Department's response to the Committee's questionnaire and the estimates hearing with the Minister for Corrections identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Prison capacity expansion

The Department identified the existing capacity problems experienced by the State's prison system as a major logistic issue that has influenced the 2000-2001 Budget and the forward estimates period.
The Minister advised the Committee of the significant growth in the prison population in recent years and the impact on the prison system:\textsuperscript{154}

\begin{itemize}
  \item the prison population has grown from 2,467 in 1995 to 3,153 at 30 June 2000 or an increase of 27.8 per cent; and
  \item prison occupancy has grown from 88.5 per cent in 1995 to 109.7 per cent at June 2000.
\end{itemize}

The increasing significance of this problem is shown in Budget Paper No. 3 where a performance measure Average Daily Prison Capacity Utilisation Rate shows a target for 2000-2001 of 108-111 per cent.\textsuperscript{155} The Committee was advised that the urgency of addressing current prison over-crowding resulted in:\textsuperscript{156}

\begin{itemize}
  \item approval by the Expenditure Review Committee (ERC) of an additional 84 new permanent beds in December 1999;
  \item a requirement of the ERC for the preparation of a broad strategy for managing existing overcrowding and for the strategy to be reviewed by the Drugs Policy, Crime Prevention and Corrections Sub-Committee of Cabinet;
  \item the allocation of funding for 273 additional permanent beds and additional temporary places to alleviate the short-term demand on prison accommodation.
\end{itemize}

An interim strategy plan has been prepared to:

\begin{itemize}
  \item address current prison overcrowding;
  \item develop a coordinated platform of diversion options for low-level offenders; and
  \item target problem areas in the prison population such as drugs.
\end{itemize}

\textsuperscript{154} Document tabled by the Minister for Corrections at estimates hearing, dated 10 August 2000
\textsuperscript{155} Budget Paper No. 3, Budget Estimates, p. 176
\textsuperscript{156} Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 13
The Committee is concerned at the extent of current prison overcrowding and notes the actions taken by the Government to address these problems. However, it will be crucial that the implementation of the strategy is closely monitored to ensure it is effective.

(b) Development of diversion and home detention strategies

The Minister advised the Committee that the significance of the overcrowding problems facing the State’s prison system required the identification and development of programs that keep low level offenders out of the prison system. A broad-based reference group on home detention has identified a number of issues to improve the situation and a home detention trial has commenced.157

(c) Management of the State’s correctional facilities

The Minister advised the Committee of a number of deficiencies in the current contractual framework overseeing private prison performance.158 Some of these deficiencies relate to the focus on the most easily quantifiable performance measures rather than the quality of the service and a lack of consistency in operating standards and rules.

Accordingly, the Committee recommends that:

**Recommendation 11.7:**

The Department of Justice review its performance measures in the Budget Papers to ensure they reflect the new performance standards applied across the prison system.

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157 Hon. A Haermeyer, Minister for Corrections, transcript of evidence, 10 August 2000, p. 402
158 Ibid, p. 379
(d) Metropolitan Women’s Correctional Centre

The Minister advised the Committee that the Government had concerns about the management of the Metropolitan Women’s Correctional Centre, and had issued three default notices on 10 May 2000, 19 May 2000 and 18 July 2000.159

The Minister informed the Committee that the third default was a serious matter. The Correctional Services Commissioner was assessing whether the contractor had addressed the issues raised in the third default notice. The Minister assured the Committee that in the event that appropriate action was not taken by the contractor, the Government would take action available to it under the contract.160

11.9 Consumer Affairs Portfolio

11.9.1 Background

The Minister for Consumer Affairs has responsibility for the consumer services component of the key output group Consumer and Equity Services. This component comprises $35.2 million or 72 per cent of the output group cost for 2000-2001.

Exhibit 11.10 shows the output group accounts for $48.8 million or 2.9 per cent of the Department’s 2000-2001 Budget.

159 Hon. A Haermeyer, Minister for Corrections, transcript of evidence, 10 August 2000, p. 406
160 Ibid
Exhibit 11.10

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Consumer and Equity Services</td>
<td>53.3</td>
<td>49.5</td>
<td>48.8</td>
<td>- 8.5</td>
</tr>
<tr>
<td>Total</td>
<td>53.3</td>
<td>49.5</td>
<td>48.8</td>
<td>- 8.5</td>
</tr>
</tbody>
</table>

The Consumer Affairs portfolio has policy responsibilities to protect consumer rights through:

- improving consumer education and support, especially to disadvantaged groups;
- focussing on consumer safety;
- providing tenancy protection;
- strengthening dispute resolution processes; and
- ensuring prompt prosecution of unethical trading.

11.9.2 2000-2001 outlook for the Portfolio

Key initiatives to be undertaken in 2000-2001 and the forward estimates period include:

- a review concerning community awareness of, and the need for, services delivered by Consumer and Business Affairs Victoria, and the identification of future funding priorities;
- the implementation of the Consumer Justice Strategy to ensure that services are accessible to consumers, traders, tenants and landlords;

161 The Minister for Consumer Affairs has responsibility for the Consumer component of the Consumer and Equity Services output group, which accounts for $35.5 million of the $48.8 million budget for 2000-2001
• improving problem industries, which breach regulatory codes, by introducing a swift enforcement capacity; and
• introducing a regulatory framework which encourages self-regulation and co-regulatory mechanisms.

11.9.3 Analysis of the 2000-2001 Budget

The budget allocation to the Consumer and Equity Services output group has decreased by $4.5 million or 8.5 per cent from 1999-2000. However, further analysis by the Committee shows the consumer services component of the output group increased from $34.4 million in 1999-2000 to $35.5 million in 2000-2001 or 3.8 per cent.

11.9.4 Performance measures

The output group under the responsibility of the Consumer Affairs portfolio has been renamed from Fair Trading and Equity Services to Consumer and Equity Services in 2000-2001. Although this change was made to reflect the Government’s policy priorities, there has been no change to the performance measures.

The Committee’s review of the performance measures show:

• there is no measure for the outcome of initiatives aimed at improving the protection of consumers and ensuring that a confident and informed market place exists; and
• the target for a performance measure relating to “Review of industry performance and enforcement activities undertaken” is confusing as it seems to show a negative target.

The Committee believes a review of performance measures is necessary to ensure that key outcomes are reflected in the Budget Papers.

11.9.5 Key issues impacting on the Consumer Affairs Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Consumer Affairs identified
the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Strengthening consumer information and education services

The Committee was advised the demand for consumer information and complaint resolution services is increasing.\(^{162}\) However the Government has yet to identify the source and the reasons behind this demand.

Potential sources include:

- a reflection of less than ethical practices in the marketplace;
- vulnerable sections in the community, such as people from non-English speaking backgrounds and those living in rural and low socio-economic areas, who do not understand their rights or know where to obtain assistance;
- the greater sophistication of many consumers who do know their rights; and
- a combination of all or any of the above sources.\(^{163}\)

The source of this demand will determine the types of initiatives required for consumer information and education programs.

The Committee believes that an understanding of those who use the services, in addition to identifying the information and education needs of the community, is fundamental to the development of effective consumer protection initiatives. The Department advised that a comprehensive community survey is necessary to identify these needs.

Accordingly, the Committee recommends that:

\(^{162}\) Department of Justice response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 16
\(^{163}\) Ibid
Recommendation 11.8:

The Department of Justice conduct a survey of users of consumer information and education in order to ensure that consumer policy and services are effectively targeted and delivered.

(b) Victorian fuel price monitoring initiative

The Government has introduced the Victorian fuel pricing initiative to provide information on the fuel pricing regime throughout country Victoria. The funding allocated for the initiative to 30 June 2000 was $479 075.

The Committee was advised that initial data indicated no logical ground for some of the pricing regimes for LPG, and it is not the geographical location, distance or the size of the town that determines the price.\(^{164}\) The Government has requested the Commonwealth Government to authorise the Australian Competition and Consumer Commission to participate in an inquiry using the Prices Surveillance Act and has written to the Minister for Finance Services and Regulation about the issue.

The Committee is concerned about the unexplained fuel price variations across country Victoria and is supportive of an inquiry into this specific issue.

Accordingly the Committee recommends that:

---

\(^{164}\) Hon. M Thompson, Minister for Consumer Affairs, transcript of evidence, 9 August 2000, p. 379
Recommendation 11.9:

The Department of Justice:

(a) obtain more conclusive data on towns with varied populations to allow a better indication of the next stage for the Victorian fuel pricing monitoring initiative;

(b) continue negotiations with the Commonwealth Government in relation to the conduct of an inquiry by the Australian Competition and Consumer Commission into fuel prices; and

(c) ensure that the scope of any such inquiry under paragraph (b) includes the impact of both world parity pricing and the GST and the reasons for large variances in fuel prices across the State.
CHAPTER 12: DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

Key Findings:

12.1 The Murray-Darling Basin Commission salinity audit across Australia concluded that the salinity problem is much greater than first believed, particularly dry-land salinity.

12.2 The issue of water conservation is of particular concern given the State is in its fourth year of low rainfall resulting in more than 100 towns across the State currently on water restrictions.

12.3 A major challenge currently facing the Government is the development of markets for agriculture and food products.

12.4 There are a number of problems in the protection and management of Victoria's Aboriginal Cultural Heritage including the lack of a policy framework to deliver cultural heritage management and protection, and the need to develop a whole of Government approach to cultural heritage management and protection.

12.1 Departmental overview

The Department provides services to four Ministers including the Minister for Conservation and Environment, Minister for Energy and Resources, Minister for Agriculture and Minister for Aboriginal Affairs.
The Committee noted that Aboriginal Affairs Victoria was transferred to the Department of Natural Resources and Environment on 1 July 2000.

12.2 Output management framework

The Department’s 2000-2001 output management framework is shown below.

### Exhibit 12.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals and Petroleum</td>
<td>17.8</td>
<td>21.0</td>
<td>22.9</td>
<td>28.8</td>
</tr>
<tr>
<td>Forests Management</td>
<td>115.1</td>
<td>128.7</td>
<td>134.9</td>
<td>17.3</td>
</tr>
<tr>
<td>Fire Management</td>
<td>50.2</td>
<td>61.8</td>
<td>49.4</td>
<td>-1.6</td>
</tr>
<tr>
<td>Fisheries</td>
<td>30.7</td>
<td>34.4</td>
<td>29.0</td>
<td>-5.6</td>
</tr>
<tr>
<td>Environment Protection</td>
<td>41.2</td>
<td>40.1</td>
<td>43.5</td>
<td>5.6</td>
</tr>
<tr>
<td>Land Management and Information</td>
<td>108.3</td>
<td>114.5</td>
<td>101.1</td>
<td>-6.6</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>174.1</td>
<td>182.3</td>
<td>167.5</td>
<td>-3.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>169.1</td>
<td>186.7</td>
<td>171.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>154.4</td>
<td>150.0</td>
<td>185.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>9.3</td>
<td>10.3</td>
<td>9.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td><strong>870.1</strong></td>
<td><strong>929.8</strong></td>
<td><strong>914.8</strong></td>
<td><strong>5.1</strong></td>
</tr>
</tbody>
</table>

The Committee noted that the Department’s output structure for 2000-2001 has varied from the structure used in 1999-2000. The variations include:

- the number of output groups has decreased from 12 in 1999-2000 to 10;
• two output groups from 1999-2000 (Agriculture Industries and Agriculture Quality Assurance) have been combined to form the Agriculture output group;
• the Catchment Management and Sustainable Agriculture, Water and the Pest Plant and Animal Management output groups have been combined to form the Catchment and Water output group; and
• the Aboriginal Reconciliation and Respect output group has been created.

12.3 Analysis of the 2000-2001 Budget

As shown in Exhibit 12.1, the Department’s budget allocation for 2000-2001 was $914.8 million representing a $44.7 million or 5.1 per cent increase from 1999-2000. The Committee's analysis of output group allocations shows the following material variations:

• a 28.8 per cent or $5.1 million increase to the Minerals and Petroleum output group due to the establishment of the Sustainable Energy Development Authority ($5.8 million);
• a 17.3 per cent or $19.8 million increase in Forest Management mainly due to the provision of $12.25 million for the Forest Industry Structural Arrangements Program; and
• a 20.3 per cent or $31.4 million increase in the Catchment and Water output group mainly due to the provision of $12.9 million to offset the abolition of the Catchment Management Authority Levy on households in Regional Victoria.

12.4 Financial analysis

The operating statement for the Department of Natural Resources and Environment is as follows:
Exhibit 12.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>866.1</td>
<td>893.1</td>
<td>904.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>870.0</td>
<td>929.8</td>
<td>914.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>- 4.0</td>
<td>-36.7</td>
<td>-10.1</td>
<td>N/A</td>
</tr>
<tr>
<td>before revenue for increase in net assets</td>
<td>add</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>25.0</td>
<td>19.3</td>
<td>27.1</td>
<td>-22.8</td>
</tr>
<tr>
<td>Section 29 Receipts – Asset Sales</td>
<td>5.6</td>
<td>5.0</td>
<td>5.0</td>
<td>-10.7</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>26.7</td>
<td>-12.4</td>
<td>22.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>260.2</td>
<td>297.8</td>
<td>291.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>254.5</td>
<td>296.6</td>
<td>284.3</td>
<td>11.7</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>5.7</td>
<td>1.2</td>
<td>7.2</td>
<td>26.3</td>
</tr>
</tbody>
</table>

The Department supplied the following explanations for major variations:

- controlled operating expenses are estimated to increase by $59.8 million over the budget amount mainly due to additional funding provided by the Expenditure Review Committee in 1999-2000 to fund election promises;
- administered operating revenue is estimated to increase $37.6 million over budget mainly due to land registry increases in property transactions due to strong economic conditions in the property market; and

12.4.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided a detailed breakdown of items contained in ‘other revenue’ and ‘other expenses’ for both controlled and administered categories.165

Exhibit 12.3 - Other Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($million)</th>
<th>2000-2001 Budget ($million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue (Controlled)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Improvement Rate</td>
<td>67.4</td>
<td>70.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Sale of Goods and Services</td>
<td>30.2</td>
<td>35.6</td>
<td>17.9</td>
</tr>
<tr>
<td>Miscellaneous Revenue, Refunds, Stamp Duties</td>
<td>12.7</td>
<td>13.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Interest</td>
<td>0.6</td>
<td>0.5</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110.9</strong></td>
<td><strong>120.3</strong></td>
<td><strong>8.5</strong></td>
</tr>
<tr>
<td><strong>Other Revenue (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Registry Fees</td>
<td>114.2</td>
<td>129.9</td>
<td>13.7</td>
</tr>
<tr>
<td>Licences and Fees</td>
<td>27.9</td>
<td>38.3</td>
<td>37.3</td>
</tr>
<tr>
<td>Royalties</td>
<td>75.0</td>
<td>78.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Refunds, Reimbursements and Miscellaneous Revenue</td>
<td>8.5</td>
<td>8.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Timber Industry Levy</td>
<td>1.7</td>
<td>1.6</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>227.3</strong></td>
<td><strong>256.7</strong></td>
<td><strong>12.9</strong></td>
</tr>
</tbody>
</table>

---

165 Department of Natural Resources and Environment response to the Committee’s 2000-2001 estimates questionnaire, Part B, pp. 29-30
Exhibit 12.3 shows that other revenue (administered) is expected to increase by $29.4 million or 12.9 per cent mainly as a result of increased property transactions in Land Registry.
## Exhibit 12.4 - Other Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($million)</th>
<th>2000-2001 Budget ($million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Expenses (Controlled)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks Victoria</td>
<td>92.9</td>
<td>93.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Commonwealth Funded Projects</td>
<td>30.2</td>
<td>37.4</td>
<td>23.8</td>
</tr>
<tr>
<td>Minor Projects</td>
<td>0.7</td>
<td>4.9</td>
<td>700.0</td>
</tr>
<tr>
<td>Zoo Board / Royal Botanic Gardens</td>
<td>12.3</td>
<td>12.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Sewerage and Irrigation Projects</td>
<td>-</td>
<td>20.0</td>
<td>-</td>
</tr>
<tr>
<td>Catchment Management Authorities</td>
<td>4.1</td>
<td>12.9</td>
<td>214.6</td>
</tr>
<tr>
<td>Sheep &amp; Goat Compensation Fund</td>
<td>1.6</td>
<td>0.9</td>
<td>-43.8</td>
</tr>
<tr>
<td>Associated Ports Projects</td>
<td>0.5</td>
<td>7.4</td>
<td>1480.0</td>
</tr>
<tr>
<td>State Coordinated Salinity</td>
<td>1.4</td>
<td>6.4</td>
<td>357.1</td>
</tr>
<tr>
<td>Renewable Energy Authority</td>
<td>4.8</td>
<td>4.8</td>
<td>0</td>
</tr>
<tr>
<td>Alpine Resorts Land Stabilisation</td>
<td>-</td>
<td>3.9</td>
<td>-</td>
</tr>
<tr>
<td>Gippsland Lakes Algal Blooms</td>
<td>-</td>
<td>1.9</td>
<td>-</td>
</tr>
<tr>
<td>Recreation Fishing License</td>
<td>2.0</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td>Waterway Improvement Projects</td>
<td>3.0</td>
<td>3.0</td>
<td>0</td>
</tr>
<tr>
<td>Aboriginal Affairs Victoria</td>
<td>-</td>
<td>2.8</td>
<td>0</td>
</tr>
<tr>
<td>Environment Protection Authority</td>
<td>0.1</td>
<td>8.9</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>153.7</td>
<td>222.8</td>
<td>44.9</td>
</tr>
<tr>
<td><strong>Other Expenses (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wimmera-Mallee Pipeline payments</td>
<td>2.8</td>
<td>2.7</td>
<td>-3.6</td>
</tr>
<tr>
<td>Sewerage and Water Authority Payments</td>
<td>5.5</td>
<td>5.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Floodplain Management Payments</td>
<td>1.6</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Land Registry Fees paid to consolidated fund</td>
<td>27.9</td>
<td>38.3</td>
<td>37.3</td>
</tr>
<tr>
<td>Licences and fees paid to consolidated fund</td>
<td>75.0</td>
<td>78.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Refunds, Reimbursements, and Miscellaneous revenue payments to consolidated fund</td>
<td>8.5</td>
<td>8.4</td>
<td>-1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>237.2</strong></td>
<td><strong>265.0</strong></td>
<td><strong>11.7</strong></td>
</tr>
</tbody>
</table>
The table shows the following:

- controlled other expenses are expected to increase by $69.1 million or 44.9 per cent due to increased funding allocations approved by the Expenditure Review Committee and revenues from the Commonwealth for approved projects; and

- administered other expenses are expected to increase by $27.8 million or 11.7 per cent mainly due to an increase in land registry fees paid into the consolidated fund resulting from an increase in property transactions.

The Committee accepts the reasons for major variations to line items within the ‘other revenue’ and ‘other expenses’ categories in the operating statement. However, the Committee is concerned at the materiality of a number of the line items, including:

- administered revenue of an estimated $129.9 million in 2000-2001 for Land Registry Fees;

- controlled expenses of an estimated $93.1 million for Parks Victoria; and

- administered expenses of $78.5 million for 2000-2001 relating to licences and fees paid into the consolidated fund.

The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the Budget Papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:
Recommendation 12.1:

The Department of Natural Resources and Environment review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

12.5 Corporate and business plans

In response to the Committee’s questionnaire, the Department forwarded a copy of its draft 2000-2003 corporate plan.

The Committee believes the 2000-2003 corporate plan provides the Department with an effective mechanism to deliver services to the community and other key stakeholders.

In its response to the Committee’s questionnaire, the Department stated its 2000-2001 business plan was currently being drafted, and would be forwarded to the Committee by the end of July 2000. However, at the time of the preparation of this Report, the business plan had not been forwarded to the Committee. The Committee believes the analysis of the Department’s business plan is vital in the Committee’s ability to scrutinise and evaluate the activities planned in 2000-2001 to achieve the Department’s mission and high level objectives as contained in the corporate plan.

Accordingly, the Committee recommends that:

Recommendation 12.2:

The Department of Natural Resources and Environment:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and
(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

12.6 Human resources issues

The Department estimated it will have 4,072.4 Equivalent Full Time staff at 30 June 2000. This compares with an actual staffing level of 3,947.4 at 30 June 1999.

Exhibit 12.5

<table>
<thead>
<tr>
<th>Number of Staff by Division</th>
<th>Staffing level as at 30 June 1999</th>
<th>Est. Staffing level as at 30 June 2000</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministerial</td>
<td>13.0</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td>Secretariat</td>
<td>1.6</td>
<td>4.0</td>
<td>150.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,165.3</td>
<td>1,108.3</td>
<td>-4.9</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>73.6</td>
<td>96.2</td>
<td>30.7</td>
</tr>
<tr>
<td>Corporate Management</td>
<td>177.6</td>
<td>191.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Fisheries</td>
<td>-</td>
<td>137.4</td>
<td>-</td>
</tr>
<tr>
<td>Forest Services</td>
<td>132.0</td>
<td>355.2</td>
<td>169.1</td>
</tr>
<tr>
<td>Land Victoria</td>
<td>527.5</td>
<td>547.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>122.5</td>
<td>117.8</td>
<td>-3.9</td>
</tr>
<tr>
<td>Parks, Flora and Fauna</td>
<td>148.8</td>
<td>158.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>66.0</td>
<td>47.5</td>
<td>-28.1</td>
</tr>
<tr>
<td>Regional Services</td>
<td>1,509.5</td>
<td>1,308.0</td>
<td>-13.4</td>
</tr>
<tr>
<td>Sub-total</td>
<td><strong>3,937.4</strong></td>
<td><strong>4,072.4</strong></td>
<td><strong>3.4</strong></td>
</tr>
<tr>
<td>Inactive employees (LWOP)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Project fire fighters</td>
<td>7.0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Gippsland Flood Relief</td>
<td>3.0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,947.4</strong></td>
<td><strong>4,072.4</strong></td>
<td><strong>3.2</strong></td>
</tr>
</tbody>
</table>

Source: Response by the Department of Natural Resources and Environment to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 18
Exhibit 12.5 shows there has been an increase in Equivalent Full Time Staff of 125 or approximately 3.2 per cent. In response to the Committee’s questionnaire, the Department provided the following reasons for major variations:

- all ministerial staff have been transferred to the Department of Premier and Cabinet;
- a 150 per cent increase in staff in the Secretariat due to the transfer of the internal audit;
- the Catchment and Water Division increased by 22.6 EFT staff or 30.7 per cent due to the transfer of the Water Agencies group from the Portfolio Management;
- the Forest Services Division increased by 223.2 EFT staff or 169.1 per cent as a result of the creation of Forestry Victoria, and the transfer of regionally located employees engaged in the Commercial Forestry from the Regional Services Division; and
- the Regional Service Division decreased by 201.5 EFT staff or 13.4 per cent due to the creation of Forestry Victoria and the transfer of business staff to the Agriculture Division following an organisational review.

12.6.1 Key staffing issues facing the Department

In response to the Committee’s request for information on any human resource issues that are impacting on the Department’s achievement of its business objectives, the following areas of concern were identified:

- recruiting and retaining employees in highly technical or scientific areas such as Agricultural Science, Veterinary Science, Forestry and Water Engineering;
- recruiting and retaining staff with skills or experience in Financial Management, Project Management, Risk Management and Staff Management;
• recruiting and retaining staff with specific expertise in certain geographic locations, particularly rural locations;
• management of an ageing workforce; and
• retention of ‘corporate knowledge’ in strategic areas of the Department.

The Committee is concerned at the extent of the staffing difficulties experienced by the Department across a multitude of key areas. In its response to the Committee’s questionnaire, the Department advised that it has adopted a range of strategies some of which are aimed at general recruitment and retention improvements, while others are aimed at addressing specific expertise and/ or location matters.166

The Committee believes that it will be important for the Department to continually monitor the effectiveness of initiatives aimed at improving the recruiting processes and the retention of staff.

12.6.2 Promotion of women in the Department

The Committee noted there is a moderate percentage of women in the Department’s full time equivalent workforce. The percentage of women to men estimated at 30 June 2000 is shown below.

166 Department of Natural Resources and Environment response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 22
## Exhibit 12.6

<table>
<thead>
<tr>
<th>Classification</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Officers</td>
<td>16</td>
<td>35</td>
<td>51</td>
</tr>
<tr>
<td>VPS-5</td>
<td>37</td>
<td>231</td>
<td>268</td>
</tr>
<tr>
<td>VPS-4</td>
<td>136</td>
<td>582</td>
<td>718</td>
</tr>
<tr>
<td>VPS-3</td>
<td>382</td>
<td>745</td>
<td>1127</td>
</tr>
<tr>
<td>VPS-2</td>
<td>650</td>
<td>795</td>
<td>1445</td>
</tr>
<tr>
<td>VPS-1</td>
<td>200</td>
<td>114</td>
<td>314</td>
</tr>
<tr>
<td>Award Employees</td>
<td>22</td>
<td>283</td>
<td>305</td>
</tr>
<tr>
<td>Principal Scientists</td>
<td>2</td>
<td>43</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1445</strong></td>
<td><strong>2828</strong></td>
<td><strong>4273</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Natural Resources and Environment to the Committee’s estimates questionnaire, Part A, p. 20

Analysis of the information contained in the table shows that women account for 33.8 per cent of the Department’s workforce, including:

- 31.3 per cent of executive officers;
- 13.8 per cent of staff at VPS-5 level;
- 18.9 per cent of staff at VPS4 level;
- 42.6 per cent of staff between VPS-1 and VPS-3; and
- 4.4 per cent of Principal Scientists.

In its response to the Committee’s questionnaire on the strategies developed to promote women, the Department identified the following:

- development and implementation of a ‘Strategic Plan for Women in DNRE’;
- development and promulgation of an ‘NRE People Friendly Policy’ to provide flexible employment options;

167 Department of Natural Resources and Environment response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 21
the conduct of a number of forums for women employees to identify issues and potential strategies; and

the development of human resource information reporting allowing agencies to identify areas where gender imbalance is relevant and requires addressing.

The Committee believes the Department has implemented the necessary initiatives and strategies to accommodate the employment of women. However, it will be important for these initiatives to be continually reviewed to ensure they are effective and are addressing the key issues facing the Department.

12.7 Conservation and Environment Portfolio

12.7.1 Background

The Minister for Conservation and Environment has responsibility for six key output groups within the Department. Exhibit 12.7 shows these output groups account for $682.2 million or 74.6 per cent of the Department’s 2000-2001 budget.
## Exhibit 12.7

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under Minister for Environment and Conservation</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forests Management</strong></td>
<td>Forest Plans and Prescriptions</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>Forest Production</td>
<td>108.9</td>
</tr>
<tr>
<td></td>
<td>Recreational, Cultural and Community Forest Services</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>Forest Resource Assessment and Analysis</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Fire Management</strong></td>
<td>Fire Planning and Prevention</td>
<td>23.9</td>
</tr>
<tr>
<td></td>
<td>Fire Operations</td>
<td>25.5</td>
</tr>
<tr>
<td><strong>Environment Protection</strong></td>
<td>Policy Frameworks, Regulations and Services to Enhance Air Quality</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>Policy Frameworks, Regulations and Services to Enhance Water Quality</td>
<td>9.0</td>
</tr>
<tr>
<td></td>
<td>Policy Frameworks, Regulations and Services to Protect Groundwater and the Land Environment from Pollution Services to control noise in the community</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Policies, Regulations and Services to Reduce and Manage Waste Commercial Activities</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Land Management and Information</strong></td>
<td>Public Land Management</td>
<td>27.6</td>
</tr>
<tr>
<td></td>
<td>Land Information Services</td>
<td>46.6</td>
</tr>
<tr>
<td></td>
<td>Land Definition</td>
<td>26.9</td>
</tr>
<tr>
<td><strong>Conservation and Recreation</strong></td>
<td>Coastal Planning and Management Services</td>
<td>13.9</td>
</tr>
<tr>
<td></td>
<td>Biodiversity Conservation Management Services</td>
<td>10.3</td>
</tr>
<tr>
<td></td>
<td>Park Management Service</td>
<td>143.3</td>
</tr>
<tr>
<td><strong>Catchment and Water</strong></td>
<td>Catchment Information Services</td>
<td>29.7</td>
</tr>
<tr>
<td></td>
<td>Community Land and Water Management</td>
<td>134.7</td>
</tr>
<tr>
<td></td>
<td>Catchment and Water Resource Allocation and Access</td>
<td>21.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>682.2</strong></td>
</tr>
</tbody>
</table>
The major responsibilities of the Minister for Conservation and Environment are:

- the sustainable management of State forests for industrial, conservation and recreational uses;
- the management of fire and fire related activities on public land for the protection of human life, property, assets and environmental concerns, and for sustaining biological diversity;
- the provision of sustainable improvements through the enforcement of legislation and regulations, adoption of best practice environmental management in industry, and creating public awareness of and access to information generated by the Environment Protection Authority;
- the management of the State’s interest in Crown land to ensure the protection of Victoria’s natural resources, in addition to the provision of land information and definition systems;
- to assist land managers maintain and improve biodiversity conservation, management of Victoria’s parks and reserves system, local ports, coastal reserves and the Alpine Resorts, and the provision of recreation, tourism and environmental education and research; and
- to achieve, in conjunction with the community and relevant Government authorities, healthy rivers and catchments to protect and enhance the environment whilst supporting sustainable and productive resource industries.

12.7.2 2000-2001 outlook for the Portfolio

The Committee noted that a major focus for the Government in 2000-2001 is an emphasis on Ecologically Sustainable Development (ESD). Accordingly, the Government is developing a strong focus on water-related issues such as new town sewerage schemes, stormwater and irrigation upgrades and restoration of environmental flows to the
Snowy River. The Government is also placing more emphasis on the protection of Victoria’s parks for environmental and tourism outcomes.

Key initiatives in the Environment and Protection Portfolio for 2000-2001 include:

- additional funding for the Environment Protection Authority to adopt enhanced monitoring and tougher enforcement of illegal dumping and waste discharges to reduce waste and pollution, together with specialised legal support for prosecution;
- the allocation of additional funding ($12.9 million) to offset the abolition of the Catchment Management Authority Levy on households in Regional Victoria;
- a pilot program of logging practices in the Wombat Forest to trial environmental standards such as those set by the Forest Stewardship Council;
- implementation of a forest and forest products industry plan to encourage a sustainable timber industry and promote job security;
- a re-organisation of Parks Victoria into the Melbourne Parks and Bay Service and National Parks Service;
- establishment of the Commissioner for Ecologically Sustainable Development to provide an ombudsman type service for consideration of complaints;
- additional funding for storm water and litter control programs via the installation of pollutant traps, wetlands and meanders on major drainage systems;
- completion of the 12 Apostles Visitor Information Centre;
- initiation of a three year program to renew and replace key elements of fire infrastructure; and
- the consolidation of Land Victoria operations from seven different locations into one location.
12.7.3 Performance measures

The Committee was advised that the Department is currently in the process of establishing a new corporate and business planning framework and, as part of this process, all outputs were reviewed in 2000-2001. All performance measures associated with new outputs were also reviewed to ensure they complement the existing monitoring and reporting regime.

The Committee’s analysis of the performance measures in the output groups within the portfolio indicates that substantial change has occurred and in most cases the measures are comprehensive. However, it will be important for the Department to continue the development of performance measures that adequately assess the achievement of key Government outcomes.

12.7.4 Key issues impacting on the Conservation and Environment Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Conservation and Environment identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Enhanced role for the Environment Protection Authority (EPA)

The Committee noted that the Government has made a number of changes to the strategic and operational direction of the EPA, including:

- strengthening the EPA’s monitoring and enforcement capacity;
- broadening the EPA’s cross-government role; and
- new strategic initiatives and directions in air, water and waste management.
The Minister advised that the Government has allocated an additional $1 million per year for the next four years to cater for these additional responsibilities.\textsuperscript{168} A major initiative from this process has been the establishment of a specialist audit team to improve the EPA’s investigative ability for environmental offences.

In its response to the Committee’s questionnaire, the EPA stated that the audit team will target industry sectors and environmental segments and investigate the waste industry, including illegal dumping practices.\textsuperscript{169} New strategies for air and water monitoring capabilities are currently being developed and the team will include specialist legal support for prosecutions.

The Committee believes the establishment of the audit team is an important initiative. However, it is essential that the effectiveness of the audit process is constantly monitored and the audit plan tailored to account for emerging environmental issues.

Accordingly the Committee recommends that:

**Recommendation 12.3:**

The Environment Protection Authority:

(a) develop a comprehensive monitoring framework to assess the effectiveness of the special audit program in terms of the number of breaches identified and improvements in guidelines and processes resulting from audit activity;

(b) implement a program of follow-up reviews to ensure those parties subjected to the audit process implement recommendations in a timely manner; and

\textsuperscript{168} Hon. S Garbutt, Minister for Conservation and Environment, transcript of evidence, 24 August 2000, p. 548

\textsuperscript{169} EPA response to the Committee’s 2000-2001 estimates questionnaire, Part A, Question 3
(c) undertake an annual review of the audit team’s work program to ensure emerging issues are identified and prioritised accordingly.

(b) Upgrade of stormwater facilities

A key Government initiative in 2000-2001 is the allocation of additional funding for upgrades to stormwater facilities. The Minister advised that $22.5 million has been allocated over three years, including $5 million in 2000-2001, to be managed by the EPA with local government involvement.170

Prior to any funding allocations, local government will be required to develop stormwater management plans for their area in association with the EPA and Melbourne Water, and grants will then be provided to fund high priority activities or capital investments contained within the plans.

The Committee supports the programmed upgrade to stormwater facilities across the State. However, the Committee believes it will be important for grant monies to be directed to areas of greatest need.

Accordingly, the Committee recommends:

Recommendation 12.4:

The Department of Natural Resources and Environment develop a comprehensive set of funding criteria to be applied to issues/areas identified in stormwater management plans to ensure that resources are effectively allocated.

(c) Salinity management

The Minister advised the Committee that the salinity audit across Australia, undertaken by the Murray-Darling Basin Commission, concluded that the salinity problem is much greater than first believed, particularly dry-land salinity.\textsuperscript{171}

Victoria’s management of the salinity problem involves an integrated approach through the State’s catchment management authorities in conjunction with local Councils, farmers and Landcare groups. The Government’s next challenge is to review the individual catchment base salinity management plans, which have been in place for a number of years, with a view to including emerging issues and improving the salinity management process.

The Committee acknowledges that salinity is one of the most significant problems facing Victoria and Australia presently, accordingly it will be important for the Commonwealth, State and Local Governments to ensure that remedial activities are well coordinated and directed towards areas of high priority.

The Committee is aware that the Auditor-General intends to undertake a performance audit of the effectiveness of the strategies used to manage the salinity problem in Victoria, and will review the Auditor-General’s Report after it is tabled in Parliament.

(d) The issue of dams on waterways

A controversial issue confronting rural and regional Victoria is the construction of dams on waterways, and the subsequent allocation of water to irrigators down stream who have paid for water rights that are not being delivered. The Minister advised the Committee that this issue is highly controversial and one that requires significant Government attention.\textsuperscript{172} A major problem recognised by all parties

\textsuperscript{171} Ibid, p. 554
\textsuperscript{172} Ibid, p. 558
is that the definition of a waterway under the Water Act is unclear and needs to be resolved quickly. The Minister also advised that a representative committee has been established which will:

- provide a definition of a waterway to be applied under the Water Act;
- determine whether the planning system supports the decisions made by catchment management authorities in relation to farm dams and the method by which dam construction is regulated;
- review the fairness in allocating water; and
- establish an open and transparent water allocation process.

(e) Encouragement of water conservation in Victoria

The Committee is aware that the issue of water conservation is of particular concern given the State is in its fourth year of low rainfall resulting in more than 100 towns across the State currently on water restrictions. The Minister advised the Committee that the Government has implemented a number of short and long-term initiatives aimed at water conservation, namely: 173

- community education campaigns by Melbourne water companies;
- development of a two-year water conservation campaign, including a full range of advertising across the media at a cost of $180 000; and
- development of a 20 year water conservation strategy which will consider initiatives in the use of rainwater and the re-use/ recycling of water.

173 Ibid, p. 560
The Committee supports the development of short and long-term water conservation strategies as they will form a key component of Victoria’s future water consumption policies and rates. However, it will be important for these strategies to be regularly reviewed in terms of achieving key government objectives and targets.

Accordingly, the Committee recommends that:

**Recommendation 12.5:**

The Department of Natural Resources and Environment develop a comprehensive monitoring framework to ensure the effectiveness of short/medium/long-term water conservation initiatives.

### 12.8 Energy and Resources Portfolio

#### 12.8.1 Background

The Minister for Energy and Resources has responsibility for two key output groups within the Department. Exhibit 12.8 shows these output groups account for $51.9 million or 5.7 per cent of the Department’s 2000-2001 budget.\(^{174}\)

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\(^{174}\) The Energy and Resources portfolio has a budget of $68.9 million in 2000-2001 including the $51.9 million for the two output groups shown in Exhibit 12.8, $5 million for the management of the Sustainable Energy Authority Victoria and $12 million for the Snowy River
Exhibit 12.8

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under Minister for Energy and Resources</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals and Petroleum</td>
<td>Minerals and Petroleum Industry Regulation Services</td>
<td>10.3</td>
</tr>
<tr>
<td></td>
<td>Minerals and Petroleum Industry Development and Information</td>
<td>12.6</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Sustainable Fisheries Utilisation Services</td>
<td>17.4</td>
</tr>
<tr>
<td></td>
<td>Industry and Community Compliance Services</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>Aquaculture and Fishing Industry Development</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>51.8</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Energy and Resources are:

- to establish and enforce a regulatory regime to ensure industry operations meet the environmental and safety expectations of the community;
- the collection and publication of geological and other information necessary to promote industry development and other projects;
- to establish a framework for the management of fisheries to ensure sustainable utilisation for recreational and commercial purposes;
- the education, inspection and enforcement of compliance with legislation and management plans in relation to fisheries activities;
- the provision of information and advisory services to facilitate the development of profitable aquaculture fishing industries; and
12.8.2 2000-2001 outlook for the Portfolio

The Government is developing an integrated approach to energy issues and support for the energy sector with a particular focus on exploring the opportunities offered by alternate energy sources.

Key initiatives in the Energy and Resources portfolio for 2000-2001 include:

- the establishment of a Sustainable Energy Authority to develop a comprehensive strategy for the development of renewable energy options, and improved energy efficiency to reduce greenhouse gas emissions and lower energy costs for Victorian energy consumers;
- an upgrade of marine research facilities and increased protection for Victoria’s coastal and marine environment, including the establishment of Port Phillip Bay as a Marine National Park;
- development of an action strategy to implement the recommendations of the Environment and Natural Resources Committee on introduced marine organisms;
- introduction of measures to manage the Seafood Industry Levy which is collected by the Government on behalf of the industry;
- implementation of measures to decrease the flow of nutrients into the Gippsland Lakes and reduce the risk of algal blooms, including improved irrigation techniques, improved tailwater re-use systems, implementation of best practice for handling and distributing fertilisers and assistance to farmers for whole farm planning (including drought planning); and

- the restoration of 28 per cent of natural flow to the Snowy River.
• establishment of an independent Victorian Environmental Assessment Council to publicly report on major environmental issues including coastal and marine conservation, the protection of bio-diversity and the sustainable use of resources.

12.8.3 Performance measures

The Committee noted the following changes to performance measures for the output groups under the responsibility of the Minister for Energy and Resources in 2000-2001:

• the Minerals and Petroleum output group measures were consistent with those used in 1999-2000; and

• there were six new measures introduced into the Fisheries output group while eight measures were discontinued.

The Committee’s analysis of the measures contained in the Budget Papers shows that the Fisheries output group does not contain performance measures relating to research and development activity, while the Minerals and Petroleum output group does not contain activity measures relating to the direct outcomes expected by the Government, i.e. the number of new producing operations in Victoria; and the quantity of extractive industry products.

The Committee noted the Minister has key responsibility for the operation of the Sustainable Energy Authority Victoria and corresponding strategies in reducing greenhouse gas emissions and developing renewable energy options, in addition to the Government’s policy objective of restoring 28 per cent natural flow to the Snowy River. However, there are no performance measures relating to these key Government policy objectives.

The Minister advised the Committee that the performance measures in the Fisheries output group were reviewed as part of the budget process. The measures will be strengthened in 2001-2002 to account for:
Chapter 12: Department of Natural Resources and Environment

• implementation of an effective ecological sustainable development framework for fisheries management;
• improved stakeholder participation;
• effective application of recreational fishing license revenue; and
• improved enforcement effectiveness.¹⁷⁵

Accordingly, the Committee recommends that:

**Recommendation 12.6:**

The Department of Natural Resources and Environment review its performance measures contained in the Budget Papers to ensure:

(a) the measures are aligned with the achievement of key Government outcomes in the fisheries industry; and

(b) measures reflecting high level objectives of key Government initiatives under the responsibility of the Minister for Energy and Resources, such as greenhouse gas emissions, renewable energy and the restoration of natural flows to the Snowy River, are developed and included in the Budget Papers.

12.8.4 Key issues impacting on the Energy and Resources Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Energy and Resources identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

¹⁷⁵ Correspondence received from the Minister for Energy and Resources, dated 28 September 2000
(a) Establishment of the Sustainable Energy Authority Victoria (SEAV)

The SEAV commenced operations on 1 July 2000 following amendments to the Renewable Energy Authority Victoria Act, and replaces the former Energy Efficiency Victoria Authority (EEVA). The Minister advised that $20.8 million has been allocated over four years for initiatives implemented by SEAV, and that this amount is over and above the existing funding of the EEVA.176

The Government acknowledged the success of programs implemented by the EEVA and these programs will underpin the activities of the SEAV. The major activities of the SEAV in 2000-2001 include:

- a greater commitment to greenhouse gas reductions through energy efficiency and renewable energy;
- the establishment of Energy Smart advisory centres across Victoria to provide consumers and business with practical and independent advice on energy efficiency; and
- an allocation of $15 million over three years to provide rebates of up to $1,000 for the installation of solar hot water systems resulting in a reduction in greenhouse gas emissions and assist in the development of a solar hot water industry in Victoria.

The Committee supports initiatives aimed at reducing greenhouse gas emissions and improving the use of renewable energy sources. However, it will be important for the Government to ensure that resources are properly coordinated and directed to meet Government outcomes.

176 Hon. C Broad, Minister for Energy and Resources, transcript of evidence, 22 August 2000, pp. 460-462
(b) Victoria’s future power supplies

The Committee was briefed on the events of February 2000 where the capacity of Victoria’s power supplies was unable to cater for the demand, and resulted in power restrictions across the State. The Minister advised that the combination of events occurring at that time including equipment breakdowns, industrial action and extremely hot weather conditions would make it almost impossible for any Government to guarantee supply in that situation.\(^\text{177}\)

As a result of these power restrictions, the Government established a Cabinet Sub-Committee, chaired by the Minister, to consider the following:

- the ability of the electricity market operating in Victoria to manage supply shortages;
- the adequacy of existing information and communication systems to enable effective decision making and dissemination of information to the public; and
- the capacity of Victorian generators, augmented by the national grid, to meet Victoria’s ongoing electricity demand.

The Minister advised that the Sub-Committee has reviewed all information and communication systems, held discussion sessions with consumer and union representatives, conducted an electricity industry debrief of the February events, reviewed power restriction notices and exemptions, examined the adequacy of protocols between Government and industry and considered options for meeting extreme peaks during the summer period.\(^\text{178}\) The Government’s view of meeting extreme peak demand in the short-term is to consider options for effective management of demand, rather than increasing supply capacity.

\(^{177}\) Ibid, p. 464
\(^{178}\) Ibid, p. 464
Accordingly, the Committee recommends that:

**Recommendation 12.7:**

The Department of Natural Resources and Environment:

(a) develop a long-term power strategy based around demand management and the State's ability to increase supply capacity in extreme periods; and

(b) develop an advertising and community education program to improve consumption practices and to minimise electricity use in periods of high demand.

(c) Development of the aquaculture industry in Victoria

The Minister advised the Committee that there are two major issues impacting on the development of aquaculture in the State, namely:179

- funding for the Victorian Aquaculture Council; and
- the development of markets for aquaculture products.

The Minister informed the Committee that the Victorian Aquaculture Council was funded as part of a two-year aquaculture initiative which ended in June 2000, and that no further allocations had been made to fund the peak body of the aquaculture industry. Therefore the Government has re-allocated $50,000 from the Department's budget for this purpose.

In addition, the major focus to date in the aquaculture industry has been on the science associated with developing aquaculture, rather than on identifying markets for the product. Therefore, the

179 Ibid, p. 468
Government believes an integrated aquaculture business plan is a high priority if the industry is to develop further.

The Committee believes the development of industries such as aquaculture is an important component of continued economic growth for the State, and in particular for regional and rural Victoria.

Accordingly, the Committee recommends that:

Recommendation 12.8:

The Department of Natural Resources and Environment prepare, as a matter of priority, an integrated business plan that contains the Government’s high level objectives and targets for the aquaculture industry, programs and initiatives in order to assess the level of achievement.

12.9 Agriculture Portfolio

12.9.1 Background

The Minister for Agriculture has responsibility for the Agriculture output group within the Department. Exhibit 12.9 shows this output group accounts for $171.1 million or 18.7 per cent of the Department’s 2000-2001 budget.
Exhibit 12.9

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under Minister for Agriculture</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Services to improve market access, market development and consumer confidence in food and agricultural products</td>
<td>44.3</td>
</tr>
<tr>
<td></td>
<td>Development of next generation technologies for sustainable agriculture</td>
<td>109.9</td>
</tr>
<tr>
<td></td>
<td>Community, farm and industry development services</td>
<td>16.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>171.1</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Agriculture are to deliver Government services to the agriculture and food sector, namely:

- pest, disease and disaster management;
- product integrity and quality assurance;
- chemical residue risk management;
- animal welfare protection;
- market and trade development;
- business and value chain facilitation;
- land and natural resource management;
- research and development of enabling technologies;
- on-farm management programs;
- industry training and skills development; and
- information services.
12.9.2 2000-2001 outlook for the Portfolio

As stated in section 12.2 of this report, the Government’s policy priorities and strategies required a review of the outputs within the Agriculture portfolio. This review resulted in the amalgamation of Agriculture Industries and Agriculture Quality Assurance into the new output group – Agriculture in 2000-2001.

The major activities planned in the Agriculture portfolio for 2000-2001 include:

- building on investments of previous years to meet a target of $12 billion of food and fibre export by the year 2010 through improvement of agricultural research facilities and marketing opportunities for agricultural products;
- $2 million in 2000-2001 ($7 million to 2003-2004) for the Naturally Victoria agriculture initiative which will assist Victorian farmers in winning new export markets for food products;
- an upgrade of Land Information Infrastructure systems ($2.1 million in 2000-2001 and $4 million to 2001-2002); and
- consolidation of Land Victoria Operations ($2.9 million).

12.9.3 Performance measures

The Agriculture output group has undergone a substantial amount of change with twelve new performance measures included in the 2000-2001 Budget Papers, and four performance measures discontinued.

The Committee was informed that the Agriculture portfolio has developed its performance indicators to ensure they measure activities within the control of the Department. However, this

\[180\] Dr. B Kefford, Executive Director – Primary Industries DNRE, transcript of evidence, 8 August 2000, p. 289
development has not been finalised and under the guidance of the Department Head, the portfolio will aim to better define outputs and performance measures addressing those outputs.

The Committee encourages the Department to continue this process, particularly in relation to outputs and measures relating to the next generation technology for sustainable agriculture.

12.9.4 Key issues impacting on the Agriculture Portfolio

The Department's response to the Committee's questionnaire and the estimates hearing with the Minister for Agriculture identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Sustainable agriculture

The Committee is aware that one of the major challenges facing the Agriculture portfolio is the issue of sustainability. The Minister advised the Committee that any measures undertaken by the Agriculture portfolio in relation to sustainability must be performed in conjunction with the Conservation and Environment portfolio given its responsibility for catchment and water. The Committee was advised that the Department has allocated $109.9 million in 2000-2001 for next generation technology for sustainable agriculture.\(^{181}\)

The Committee was informed that all programs within the Agriculture output group are designed to have both a sustainability and a productivity based outcome.\(^{182}\) In regard to specific issues of land use change, the following has occurred:

- a program under the science, technology and innovation initiative which specifically looks at innovative tools to assist with land use change; and

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\(^{181}\) Hon. K Hamilton, Minister for Agriculture, transcript of evidence, 8 August 2000, p. 287

\(^{182}\) Dr. B Kefford, Executive Director – Primary Industries DNRE, transcript of evidence, 8 August 2000, p. 288
the conduct of a pilot project for the land use auction system which allows farmers to undertake land use shifts away from land that cannot be made sustainable into alternative uses, such as biodiversity.

The Minister agreed there is some difficulty in categorising the activities described in the Budget, and that there is a need for the Department to review the delineation of the output measures in the Budget Papers.

The Committee believes that sustainability is vital to effective land use, and that the Government’s ability to measure the effectiveness of land use activities is very important.

Accordingly, the Committee recommends that:

**Recommendation 12.9:**

The Department of Natural Resources and Environment review its current output structure in the Budget Papers to provide a clearer indication of sustainability activities.

(b) Implementation of the Naturally Victorian Program

The Committee noted that the Government has allocated $7 million over four years for the Naturally Victorian program with $2 million allocated in 2000-2001. The Minister advised that the program is to facilitate the growth of exports in agriculture and the food industry by:

- improving access of products into overseas markets;
- assisting farmers and small food producers to meet market requirements including the reliability of food supply which is quality assured, clean and of first rate quality; and

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183 Hon. K Hamilton, Minister for Agriculture, transcript of evidence, 8 August 2000, p. 288
• ensuring agriculture and food products result from best animal welfare and environmental practices.

The major challenge confronting the Naturally Victoria program is the development of markets for agriculture and food products because, as the Minister suggested “there is no good growing it if you cannot sell it, and you have to sell it at a profit”.184

The Committee encourages the Government to give a high priority to the identification and development of markets for Victoria’s significant agriculture and food industry.

12.10 Aboriginal Affairs Portfolio

12.10.1 Background

The Minister for Aboriginal Affairs has responsibility for the Aboriginal Reconciliation and Respect output group within the Department. Exhibit 12.10 shows these output groups account for $9.6 million or one per cent of the Department’s 2000-2001 budget.

Exhibit 12.10

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under Minister for Aboriginal Affairs</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>Policy Advice and Development</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Administration of Legislation</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Provision of Services</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9.6</strong></td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Agriculture are:

• achieving better outcomes for Kooris through the development of a whole of Government policy and planning framework, and the development of inter-Governmental relations and processes;

184 Ibid, p. 289
• the effective application of regulations under Aboriginal cultural heritage legislation; and

• building the capacity of Aboriginal communities, in partnership with those communities, and delivering programs that protect, manage and create awareness of Aboriginal cultural heritage.

12.10.2 2000-2001 outlook for the Portfolio

The Aboriginal Affairs portfolio was transferred from the Department of Human Services on 1 July 2000. The major activities planned for 2000-2001 include:

• a Departmental review of the aims, responsibilities and strategies of Aboriginal Affairs Victoria (AAV) to ensure compliance with AAV’s stated objectives;

• continued implementation of the five year Koori Services Improvement Strategy;

• completion of the Victorian Government’s submission into Aboriginal Reconciliation;

• continued investigation and addition of sites to the Victorian Aboriginal Site Register;

• conduct of archaeological surveys under Aboriginal cultural heritage legislation;

• performance of feasibility studies on community infrastructure to ensure protection of aboriginal heritage; and

• approval of Koori community fund grants.

12.10.3 Performance measures

The Committee noted that the Aboriginal Reconciliation and Respect output group has undergone a substantial amount of change in 2000-2001 to promote the development of stronger links between land managers and Aboriginal Affairs Victoria. As a result, there have
been 21 new performance measures included in the 2000-2001 Budget Papers, and seven performance measures have been discontinued.

While the performance measures have been enhanced in 2000-2001, the Committee is concerned they do not provide an indication of the quality of services to Aboriginal people, or the achievement of key Government outcomes. In particular, there are no measures provided on vital services such as the quality and outcomes of Government services and programs in health, education and justice.

The Minister advised that reporting on Aboriginal health, education and justice is the responsibility of the Departments that deliver those services. However, a major component of the whole of government approach to Aboriginal Affairs is the production of an Annual Indigenous Victorian’s Budget Statement detailing funding allocations across all portfolios.

While supporting the preparation of the Budget Statement, the Committee believes the inclusion of this statement in the Budget Papers would provide better quality information on the Government’s planned activities in Aboriginal Affairs, and a more effective assessment of performance.

Accordingly, the Committee recommends that:

**Recommendation 12.10:**

The Annual Indigenous Victorian’s Budget Statement be incorporated into a separate chapter in the Budget Papers dealing with whole of government programs.

---

185 Correspondence received from the Minister for Aboriginal Affairs, dated 26 September 2000
12.10.4 Key issues impacting on the Aboriginal Affairs Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Aboriginal Affairs identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Protection and management of Victoria’s Aboriginal cultural heritage

The Minister advised that the day-to-day management of the Victorian Archeological and Aboriginal Relics Preservation Act 1972 and the Commonwealth’s Aboriginal and Torres Strait Heritage Protection Act 1984 is the responsibility of Aboriginal Affairs Victoria in consultation with local Aboriginal communities and the Regional Cultural Heritage Program. However, a number of issues presently require Government attention:

• the lack of a policy framework in which to deliver cultural heritage management and protection;

• the administrative processes developed in response to implementing legislative requirements are in need of update to account for native title issues and changing roles and responsibilities in Aboriginal communities in relation to the protection and management of cultural heritage; and

• the need to develop a whole of government approach to cultural heritage management and protection in line with Government policy.

The Minister also advised that a discussion paper will be developed through consultation and negotiation with Aboriginal communities and other key stakeholders to outline possible future approaches to the protection and management of Aboriginal culture. The discussion is planned to be completed by mid 2001, although this may be affected by progress on the resolution of native title issues.

186 Correspondence received from the Minister for Aboriginal Affairs, dated 26 September 2000
The Committee believes the protection and management of Aboriginal cultural heritage is vital to preserving a fundamental community asset, and thus it will be important for outstanding issues impacting on the quality of protection and management services to be addressed in a timely manner.

(b) Implementation of the Koori Community Fund

The Committee noted that the establishment and implementation of the Koori Community Fund is a key initiative of the Government involving the allocation of $1.75 million over the next four years. The Minister advised that the Fund is based on the allocation of grants up to $50 000 to Aboriginal communities across the State.\(^\text{187}\) Although the Government has developed guidelines for administration of the grants, there are a number of broad principles governing the operation of the Fund, namely:

- the grants are to be one-off and allocation will be based on an Aboriginal community’s ability to define a community development program;
- grants will be provided to programs where no other source of funding is currently available (i.e. provision of services by AAV or through ATSIC funded programs); and
- the Government want Aboriginal communities to be as inventive as possible in their applications.

The Committee was informed that 39 applications were received in 1999-2000 requesting grant monies of $1.5 million where a budget of $250 000 existed.

The Committee supports the establishment of the Koori Community Fund as an important means for Koori communities to deliver additional services. However, it will be important in terms of

\(^{187}\) Hon. K Hamilton, Minister for Aboriginal Affairs, transcript of evidence, 8 August 2000, p. 283
accountability for the expenditure of public monies that the guidelines developed to administer the fund are consistently applied, and that outcomes or deliverables identified in grant applications are monitored.

Accordingly, the Committee recommends that:

Recommendation 12.11:

The Department of Natural Resources and Environment:

(a) amend the guidelines for the Koori Community Fund to provide that grant applications require the identification of expected outcomes and deliverables from grant monies; and

(b) establish a comprehensive monitoring process to ensure that programs funded by the grants are achieving stated outcomes or deliverables.
CHAPTER 13: DEPARTMENT OF PREMIER AND CABINET

Key Findings:

13.1 The Department is currently experiencing a shortage of expertise in the Cabinet Office in relation to long-term policy development, support for the new system of Cabinet Committees and in the conduct of policy research.

13.2 A comprehensive Victorian Greenhouse Gas Strategy is being developed to replace the previous Government’s Greenhouse Action Plan, with a discussion paper released in August 2000.

13.3 A new approach is necessary as previous policies to address the use of illicit drugs have not been successful in stemming the problem.

13.4 The Queen Victoria Women’s Centre has a number of major operational problems including financial viability, location and the inability of women’s groups to use the Centre due to high prices and rents.

13.1 Departmental overview

The Department of Premier and Cabinet has a key role in providing leadership in the provision of policy advice, co-ordination of partnerships with the private sector for key infrastructure projects and implementing key government policies, projects and activities.
The Department provides services to the Premier; Minister for Multicultural Affairs; Minister for Women’s Affairs and Minister for the Arts.

13.2 Output management framework

The Department’s output management framework for 2000-2001 is shown in Exhibit 13.1:
Exhibit 13.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Advice and Development</td>
<td>48.1</td>
<td>44.9</td>
<td>43.8</td>
<td>-9.1</td>
</tr>
<tr>
<td>Protocol and Events Management Services</td>
<td>2.7</td>
<td>2.7</td>
<td>3.0</td>
<td>11.6</td>
</tr>
<tr>
<td>Government Information and Communications</td>
<td>7.3</td>
<td>7.3</td>
<td>7.2</td>
<td>-1.7</td>
</tr>
<tr>
<td>Community Support Fund</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Multicultural Affairs</td>
<td>3.0</td>
<td>3.4</td>
<td>4.9</td>
<td>63.5</td>
</tr>
<tr>
<td>Arts and Cultural Environment</td>
<td>217.8</td>
<td>222.2</td>
<td>283.5</td>
<td>30.2</td>
</tr>
<tr>
<td>Women’s Policy</td>
<td>-</td>
<td>1.1</td>
<td>1.7</td>
<td>-</td>
</tr>
<tr>
<td>Public Sector Employment and Conduct Principles</td>
<td>4.0</td>
<td>4.0</td>
<td>3.4</td>
<td>-12.8</td>
</tr>
<tr>
<td>Ombudsman</td>
<td>2.9</td>
<td>2.9</td>
<td>3.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Legislative Drafting and Publishing Services</td>
<td>3.2</td>
<td>2.3</td>
<td>3.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Advice and Support to the Governor</td>
<td>5.7</td>
<td>5.7</td>
<td>6.1</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>295.5</strong></td>
<td><strong>298.1</strong></td>
<td><strong>360.8</strong></td>
<td><strong>22.1</strong></td>
</tr>
</tbody>
</table>


While seven output groups have remained unchanged, there have been a number of variations from 1999-2000. These include:

- the Women’s Affairs portfolio has been transferred from the Department of Justice;
• renaming the Strategic Leadership and Strategic Resource Management output groups to Policy Advice and Development and Public Sector Employment and Conduct Principles respectively; and

• the introduction of the Arts and Cultural Environment output group to reflect the cessation of the Arts 21 strategy and the Government’s Making Victoria the Cultural Centre of Australia policy.

13.3 Corporate and business plans

In order to gain an understanding of the links between the activities and performance measures identified in the Budget Papers and the Government’s high level policy objectives and strategies, it was important for the Committee to review corporate and business plans covering the 2000-2001 financial period.

In response to a specific request for its corporate and business plans, the Department stated the planned completion date was 30 June 2000. However, that date has subsequently been extended to enable the new Secretary and other new senior management staff to have an input into the preparation of the plans.

The Committee was subsequently advised by the new Secretary that plans to replace the existing corporate plan, which is considered out of date, have been abandoned and formal business plans have not been finalised as the Department has concentrated on reviewing its outputs to ensure consistency with Government policy. 188 Accordingly, the corporate and business plans have not been forwarded to the Committee at the time of preparation of this report.

The Committee is very concerned the Department is currently operating without an accurate and up-to-date corporate plan, particularly given the election of a new Government with a different

188 Correspondence received from Mr. T Moran, Secretary of the Department of Premier and Cabinet, dated 28 September 2000
policy agenda and direction. The Committee considers it extremely important for the Department to have management and planning frameworks which outline relationships between output groups and the structural elements of the organisation, their relationship with Government and departmental objectives, and critical issues and future priorities.

Accordingly, the Committee recommends that:

**Recommendation 13.1:**

The Department of Premier and Cabinet:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

**13.4 Financial analysis**

The Committee reviewed the Operating Statement in order to gain an understanding of the Department’s revenue and expenses, which reflect the cost of providing its outputs. In particular, the Committee sought explanations for major variations to revenue and expense items based on 1999-2000 estimates and estimated actual figures for 1999-2000 as supplied by the Department.

The operating statement for the Department of Premier and Cabinet is as follows:
The operating statement shows significant variations between the estimated and estimated actual amounts for both operating revenue and operating expense categories in 1999-2000. This resulted in an increase in the operating deficit before revenue for increases in net assets from $20.4 million to $25 million. In response to the Committee’s questionnaire, the Department provided the following explanations for the variations:

13.4.1 Operating Revenue

Operating revenue was expected to increase by 18 per cent or $67.7 million from original estimates due to:
• the introduction of additional funding associated with the Federation Square project; and

• a revised cashflow estimate in Commonwealth funding for the National Gallery of Victoria Australian Art at Federation Square project which resulted in a reduction of $4 million.

13.4.2 Operating Expenses

Operating expenses were expected to increase by 18.2 per cent or $72.2 million due to:

• the transfer of funding, originally provided to the Department for expenses associated with the Rural and Regional Strategy (i.e. $10 million), to the Department of State and Regional Development; and

• additional expenditure resulting from the increase in funding for the Federation Square project.

13.4.3 Other Revenue and Other Expenses

The Committee has a long standing concern about the level of disclosure of material amounts in the “other revenue” and “other expense” categories. Accordingly, the Committee requested the Department to provide a detailed breakdown of all items in these categories. The breakdown supplied by the Department is shown in Exhibit 13.3.
Exhibit 13.3

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>0.3</td>
<td>0.3</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Interest</td>
<td>5.4</td>
<td>5.4</td>
<td>6.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Grants</td>
<td>4.0</td>
<td>4.0</td>
<td>5.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Sales of Goods &amp; Services</td>
<td>14.4</td>
<td>14.4</td>
<td>34.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
<td>0.2</td>
<td>4.2</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24.3</td>
<td>24.3</td>
<td>50.7</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Grants</td>
<td>110.4</td>
<td>121.5</td>
<td>130.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Capital Grants</td>
<td>47.5</td>
<td>116.2</td>
<td>45.9</td>
<td>144.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>157.9</td>
<td>237.7</td>
<td>176.1</td>
<td>50.5</td>
</tr>
</tbody>
</table>

Source: Response by Department of Premier and Cabinet to the Committee’s estimates questionnaire, Part B, Question 1.5

The table shows that “other revenue” and particularly “other expenses” contain significant material amounts. In addition, they contain far more significant line items than revenue and expense items that are specifically disclosed in the operating statement. The Committee believes that full disclosure of all material revenue and expense balances will provide a clearer indication of departmental activities in the budget papers.

Accordingly, the Committee recommends that:

**Recommendation 13.2:**

The Department of Premier and Cabinet ensure that all material revenue and expense items are adequately disclosed in the Budget Papers each year.
13.5 Human resources issues

The Department estimated that at 30 June 2000 it would have 532.6 full time equivalent staff working in 11 divisions. As shown in Exhibit 13.4, this compares with 407.4 in 1999-2000.

Exhibit 13.4

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 1999 (actual)</th>
<th>30 June 2000 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPC Executive</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Cabinet Office</td>
<td>69.1</td>
<td>72.1</td>
</tr>
<tr>
<td>Office of State Administration</td>
<td>73.4</td>
<td>86.9</td>
</tr>
<tr>
<td>Office of Women’s Policy</td>
<td>-</td>
<td>8.6</td>
</tr>
<tr>
<td>Special Projects</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Arts Victoria</td>
<td>120.3</td>
<td>109.8</td>
</tr>
<tr>
<td>Multicultural Affairs</td>
<td>9.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Ministry and Parliamentary</td>
<td>66.9</td>
<td>177.9</td>
</tr>
<tr>
<td>Office of Public Employment</td>
<td>19.2</td>
<td>15.8</td>
</tr>
<tr>
<td>Office of Chief Parliamentary Counsel</td>
<td>28.4</td>
<td>29.4</td>
</tr>
<tr>
<td>Office of the Ombudsman</td>
<td>17.3</td>
<td>16.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>407.4</strong></td>
<td><strong>532.6</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Premier and Cabinet to the Committee’s estimates questionnaire, Part A, Question 5.1

The table shows a substantial increase (i.e. 30.7 per cent) in the number of full time equivalent staff employed by the Department. In response to the Committee’s questionnaire, the Department provided the following explanation:
staff numbers in the Ministry and Parliamentary Staff Division increased by 166 per cent due to the Government’s decision that all ministerial officers be employed by the Premier, and their employment related administration be undertaken by the Department; and

- an 18.4 per cent increase in staff within the Office of State Administration as a result of the Government centralising the employment of ministerial chauffeurs within the Department.

13.5.1 Key staffing issues facing the Department

The Committee believes that the ability of the Government to effectively implement its policies is dependent on a properly skilled and resourced public sector. Accordingly, the Committee requested information from the Department relating to any shortage of expertise in its operations or other human resource issues that are impacting on the Department’s achievement of its business objectives.

The Department identified the following areas of concern:

- a shortage of expertise in the Cabinet Office for long-term policy development, support for the new system of Cabinet Committees and in the conduct of appropriate policy research;

- a shortage of expertise in policy implementation and research within the Victorian Office of Multicultural Affairs;

- a high turnover of staff within the Cabinet Office; and

- the specialist skills required in filling the Department’s senior roles could result in prolonged recruitment processes and adversely impact on the Department’s ability to achieve its objectives.
The Committee is concerned at the significance of these issues as they relate to activities that are fundamental to the development of effective and timely policy, and could impact on the ability of the Department’s policy advice function. In its response to the Committee’s questionnaire, the Department stated that enhancement of its long-term policy development and research capacity was a key strategic issue to be addressed by the new Secretary of the Department.

The Committee’s previous Estimates Report noted that the Department was developing strategies aimed at addressing recruitment problems and accelerating the leadership development of the next tranche of public sector leaders. However, the ongoing nature of these issues suggests the need for reassessment and review of current strategies.

Accordingly, the Committee recommends that:

**Recommendation 13.3:**

The Department of Premier and Cabinet:

(a) review current strategies aimed at addressing recruitment issues and accelerating leadership, particularly in relation to the Cabinet Office and the Office of Multicultural Affairs;

(b) identify specific skill requirements for the support of the new system of Cabinet committees and incorporate these requirements into updated recruitment strategies; and

(c) regularly review the impact of current skill deficiencies on the Department’s ability to perform its policy advice function.
The Committee believes that it is important that action is taken to address the existing skill shortages in the public sector. Accordingly, the Committee will be undertaking a review to ensure that appropriate strategies are in place to address the present and future staffing needs of the public sector.

13.5.2 Promotion of women in the Department

The Committee noted that there is a high percentage of women in the Department’s full time equivalent workforce. The percentage of women to men estimated at 30 June 2000 is shown in the following Exhibit:

**Exhibit 13.5**

<table>
<thead>
<tr>
<th>Classification</th>
<th>EFT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
</tr>
<tr>
<td>EO-1</td>
<td>0.00</td>
</tr>
<tr>
<td>EO-2</td>
<td>1.00</td>
</tr>
<tr>
<td>EO-3</td>
<td>7.00</td>
</tr>
<tr>
<td>VPS-5</td>
<td>34.00</td>
</tr>
<tr>
<td>VPS-4</td>
<td>40.90</td>
</tr>
<tr>
<td>VPS-3</td>
<td>58.36</td>
</tr>
<tr>
<td>VPS-2</td>
<td>63.91</td>
</tr>
<tr>
<td>VPS-1</td>
<td>5.53</td>
</tr>
<tr>
<td>Ministerial staff</td>
<td>87.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>297.69</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Premier and Cabinet to the Committee’s estimates questionnaire, Part A, Question 5.3

Analysis of the information contained in the table shows that women account for:

- 56 per cent of the Department’s full time equivalent workforce;
- 58 per cent of ministerial staff;
48 per cent of VPS 1 staff;
63 per cent of staff in VPS 2 and VPS 3;
50 per cent of VPS 4 and VPS 5;
41 per cent of EO 3; and
9 per cent of EO 1 and EO 2.

In its response to the Committee’s questionnaire on the strategies developed to promote women in its workforce, the Department identified the following:

- a revision of its recruitment and selection policy occurred in 1999 to meet the requirements of the Commissioner for Public Employment concerning selection on merit;
- a diversity and inclusion policy, aimed at avoiding discrimination and alerting managers of the need to make use of flexible working options in determining working arrangements, is currently under development; and
- an internal assessment on the effectiveness of policies designed to support staff in balancing their work life with other responsibilities is currently in progress.

While the Committee commends the Department on these initiatives, it is crucial that all policies and processes relating to equality and flexibility of working conditions are governed by a strategic document. This document should outline the Department’s high level objectives, actions required to achieve the objectives and contain performance measures allowing accurate and timely measurement of success.

Accordingly, the Committee recommends that:
Recommendation 13.4:

The Department of Premier and Cabinet:

(a) develop a comprehensive strategy, in consultation with the Office of Women's Policy, based on the results of the current reviews on workplace equality and flexibility;

(b) establish formal protocols to ensure that actions/initiatives within the strategy are properly monitored in terms of achieving strategic objectives; and

(c) survey the workforce on a periodic basis to measure employee satisfaction and identify service gaps or deficiencies in the strategy.

13.6 Premier's Portfolio

13.6.1 Background

The Premier has responsibility for eight output groups that account for $70.8 million in 2000-2001, this represents a 5.4 per cent decrease from the budgeted $74.8 million in 1999-2000.
## Exhibits 13.6

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Advice and Development</td>
<td>48.1</td>
<td>44.9</td>
<td>43.8</td>
<td>- 9.1</td>
</tr>
<tr>
<td>Protocol and Events Management Services</td>
<td>2.7</td>
<td>2.7</td>
<td>3.0</td>
<td>11.6</td>
</tr>
<tr>
<td>Government Information and Communications</td>
<td>7.3</td>
<td>7.3</td>
<td>7.2</td>
<td>- 1.7</td>
</tr>
<tr>
<td>Community Support Fund</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Public Sector Employment and Conduct Principles</td>
<td>4.0</td>
<td>4.0</td>
<td>3.4</td>
<td>- 12.8</td>
</tr>
<tr>
<td>Ombudsman</td>
<td>2.9</td>
<td>2.9</td>
<td>3.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Legislative Drafting and Publishing Services</td>
<td>3.2</td>
<td>3.2</td>
<td>3.2</td>
<td>- 0.3</td>
</tr>
<tr>
<td>Advice and Support to the Governor</td>
<td>5.7</td>
<td>5.7</td>
<td>6.1</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74.8</strong></td>
<td><strong>71.6</strong></td>
<td><strong>70.8</strong></td>
<td><strong>- 5.4</strong></td>
</tr>
</tbody>
</table>

The major variations to output group funding from 1999-2000 are:

- $4.3 million or 9.1 per cent decrease in Policy Advice and Development;
- $300 000 or 11.1 per cent increase for Protocol and Events Management Services to fund an enhanced program for Australia Day Celebrations;
- $600 000 decrease in Public Sector Employment and Conduct Principles to reflect the full year impact of restructuring the Office of Public Employment;
• $300,000 or 10.3 per cent increase for the Ombudsman to fund activities resulting from the Whistleblowers Protection Bill and the capacity to investigate government mismanagement and corruption; and

• $400,000 or 6.8 per cent increase in Advice and Support to the Governor reflecting a commitment to prepare a long-term investment strategy for the protection of the State’s premier assets, including Government House.

13.6.2 2000-2001 outlook for the Portfolio

The Premier’s portfolio has a number of key tasks in the 2000-2001 financial year. These include:

• assisting in the development and implementation of changes to Cabinet processes, development of community engagement and partnering in government decision making, and the implementation of the Government’s employment policies;

• coordinating a whole of government response to the national reconciliation agenda, and to the outcomes of the Growing Victoria Together summit through the establishment of the Victorian Economic and Social Advisory Council;

• establishing and advising on the proposed Constitutional Commission and supporting the review of the Public Sector Management and Employment Act 1998;

• establishing measures to strengthen long-term policy development and the capacity to conduct research on issues such as social inclusion;

• preparation and enactment of legislation to protect whistleblowers in the Victorian public sector and a corresponding increase in the responsibilities of the Ombudsman who will be responsible for investigating resultant cases; and
• renewing the Ombudsman’s responsibility for complaints against the State Trustees Office and the auditing of City Link toll records.

13.6.3 Performance measures

In line with its review of outputs, the Department introduced a significant number of new measures for 2000-2001 while discontinuing a number of performance measures from 1999-2000.

While the Department has refined its performance measures within the Budget Papers, the Committee believes that the performance information contained in the Budget Papers is still inadequate. The Committee is concerned that there is a significant gap between the level of information contained in the performance measures and that required to measure the achievement of key government outcomes.

Given the inability of the Department to provide copies of its corporate and business plans for the 2000-2001 financial year, the Committee was unable to review the linkages between performance information contained in the Budget Papers and the achievement of high level corporate objectives and key Government outcomes. The Committee believes the Budget Papers should provide that key link.

Accordingly, the Committee recommends that:

**Recommendation 13.5:**

The Department of Premier and Cabinet review the information contained in the Budget Papers to create a link between the performance measures in each output group and key Government outcomes.

13.6.4 Key issues impacting on the Premier’s Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearings process have identified the following key issues

(a) Growing Victoria Together Summit

One of the major Government initiatives in 1999-2000 was the Growing Victoria Together Summit, and the Committee was interested to learn of its value to the Government. The Premier advised that this initiative was a valuable tool for building trust and support between industry, unions and key leaders of the community sector.\(^{189}\)

The Summit raised a number of issues that were unanimously supported by all parties, namely the importance of training and boosting economic infrastructure. Key budget initiatives for 2000-2001 and the forward estimates period resulting from the Summit included a substantial increase in resources for post-compulsory education, employment and training and the $1 billion Growing Victoria reserve.

The Government believes the success of the Summit in forming partnerships between key industry and community groups and identifying issues affecting Victoria’s economic and social well-being is vital to the formation of Government policy and major initiatives.

(b) Community Support Fund (CSF)

The Community Support Fund assumes both financial and community significance given the marked growth in the level of gaming activity in the State, and the fact that the Fund obtains its revenue from taxes on gaming machines. In 1998-99 and 1999-2000, approximately $82.8 million and $96.2 million was paid into the Fund

\(^{189}\) Ibid, p. 10
respectively, while the Department estimates an amount of $101 million will be paid into the fund in 2000-2001.\textsuperscript{190}

The Committee was advised that the Government has reviewed the operations of the Fund due to calls from the previous Auditor-General and the Public Accounts and Estimates Committee for greater transparency.\textsuperscript{191} Specific initiatives resulting from the review include:\textsuperscript{192}

- development of new guidelines governing the distribution of monies from the fund;
- an increased focus on community building projects that promote social and economic development in areas most affected by gambling;
- development of an information kit which details the operation of the new guidelines; and
- establishment of a CSF Community Advisory Council to advise on the impact of CSF funding.

The Committee noted the various Government initiatives aimed at increasing transparency and targeting areas of greatest economic and social disadvantage. However, it will be important for the Department to monitor the operational effectiveness of the new guidelines and the role of the CSF Community Advisory Council.

Accordingly, the Committee recommends that:

\begin{attribution}

\textsuperscript{190} Department of Premier and Cabinet response to questions on notice from the estimates hearing, dated 18 May 2000
\textsuperscript{191} Hon. S Bracks, Premier, Department of Premier and Cabinet, transcript of evidence, 18 May 2000, p. 15
\textsuperscript{192} Ibid
\end{attribution}
Recommendation 13.6:

The Department of Premier and Cabinet:

(a) review the operation of the new guidelines for the distribution of monies from the Community Support Fund (CSF) after twelve months to ensure the targeted benefits have been achieved;

(b) ensure the role of the CSF Community Advisory Council is governed by a formalised corporate/business plan; and

(c) incorporate relevant performance measures from the corporate and business plans into the Community Support Fund output group to ensure these provide an adequate and accurate indication of the achievement of Government outcomes.

(c) Greenhouse Action Plan

The control of greenhouse gas emissions is a significant issue facing governments. The Committee was advised that a comprehensive Victorian Greenhouse Strategy would replace the previous Government’s Greenhouse Action Plan, with a discussion paper released in August 2000.193

The Committee was informed that the Government has committed substantial resources to greenhouse programs in 2000-2001 and the forward estimates period. In addition to the $45 million committed from 2000-2001 to 2002-2003, an additional $35.8 million has been allocated over the next four years for the solar hot water rebate

193 Department of Premier and Cabinet response to questions on notice from the estimates hearing, dated 18 May 2000
program ($15 million over three years) and for the establishment and operation of the Sustainable Energy Authority ($20.8 million).\textsuperscript{194}

The Committee believes the significance of the State's investment in greenhouse programs and related activities ($80.8 million over four years) require recognition in the Budget Papers. It is surprising to note there is no reference to the performance of the State's greenhouse initiatives in the output groups and relating performance measures of the Department of Premier and Cabinet or the Department of Natural Resources and Environment.

Accordingly, the Committee recommends that:

**Recommendation 13.7:**

The Government consider incorporating into the Budget Papers for 2001-2002 performance information relating to the State's greenhouse gas initiatives, consistent with performance information to be contained in the Victorian Greenhouse Strategy, in order to measure the achievement of its objectives.

(d) Development of a consistent approach to drugs policy

The development of a consistent approach to drugs is a major challenge for the Government given that past policies to address the use of illicit drugs have not been successful in stemming the problem, and that a new approach is necessary. The Government believes that education, rehabilitation and stronger policing must form the basis of an integrated strategy.

The Committee was advised that the Government has provided an additional $20 million in 2000-2001 and established an expert committee chaired by Dr David Pennington to provide advice and support for the implementation of the Government's drugs policy. In

\textsuperscript{194} Ibid
addition, the Government has taken a number of additional actions aimed at developing a consistent approach to drugs, particularly in research, prevention and innovation.

The Committee believes that the Government’s drug policy should be complementary to the national approach. However, it will be important that the Government continues its push to maximise the use of resource sharing initiatives across jurisdictions and for the development of the national illicit drugs reporting system to be completed in a timely manner.

The Committee also believes that performance information contained in the Budget Papers does not adequately measure the success, or otherwise, of this major whole of Government initiative.

(e) Whole of government initiatives

The Government has implemented a number of whole of government programs involving the Victorian Greenhouse Strategy, the management of illicit drugs and Aboriginal Affairs. However, there is no reference to the performance of these initiatives as whole of government programs in the Budget Papers. The Committee is of the view that there is a need for a separate chapter in the Budget Papers that covers whole of government initiatives.

Accordingly, the Committee recommends that:

**Recommendation 13.8:**

The Government consider incorporating into the Budget Papers for 2001-2002 a separate chapter relating to whole of government initiatives such as the control of greenhouse gas emissions and the management of Aboriginal Affairs.
13.7 Multicultural Affairs Portfolio

13.7.1 Background

The Minister for Multicultural Affairs is responsible for the following output group:

Exhibit 13.7

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13.7.2 Responsibilities of the Minister for Multicultural Affairs

The overall role of the portfolio is to monitor the responsiveness of government departments to Victorians from non-English speaking backgrounds, and coordinate a whole of government approach to multicultural issues.

13.7.3 Major initiatives of the Multicultural Affairs Portfolio

The portfolio has introduced a number of major initiatives including:

- the creation of a Victorian Office of Multicultural Affairs (VOMA);
- the establishment of a Multicultural Affairs Cabinet Committee (MACC) to drive a whole of government approach to multicultural affairs; and
- enhancing the responsibility of the Victorian Multicultural Commission (VMC) to further its consultative role with ethnic communities.

A key initiative for 2000-2001 will be to coordinate a whole of government response to the national reconciliation agenda in the lead up to the Centenary of Federation.
13.7.4 Analysis of the 2000-2001 Budget

The Multicultural Affairs output group budget for 2000-2001 has increased by $1.9 million or 63.5 per cent from 1999-2000. This increase reflects the:

- establishment of the VOMA;
- expansion of the grants program; and
- the provision of $1 million for the racial vilification legislation campaign.

13.7.5 Performance measures

In 2000-2001, the Multicultural Affairs output group was expanded from three output areas to four and included the addition of eight new performance measures. While the Committee commends the Government for enhancing the output information in the Budget Papers, there are a number of issues that require attention:

- the Advice output contains a qualitative measure relating to ‘Survey of satisfaction levels’ with an 85 per cent target for 2000-2001 having remained constant since 1998-1999, the Committee believes that continuous improvement requires that targets are raised when achieved;

- the access and communication output contains a qualitative measure ‘Awareness of campaign messages by target groups’ with a target measure of high. However, there is no explanation of what constitutes a high rating or how awareness is measured;

- the Committee believes there should be a more comprehensive performance measure in the Community Consultation output ‘Quarterly reports provided to Premier’ rather than a target of four; and

- the major objective of the grants program is to encourage the participation of ethnic communities in community life. However, the performance measures in the Community Grants output relate to the level of funds
allocated, and that grants are monitored and allocated by the target date. The performance measures do not provide an indication as to whether the participation rates of ethnic communities in community life are increasing.

Accordingly, the Committee recommends that:

**Recommendation 13.9:**

The Department of Premier and Cabinet review the performance measures contained in the Multicultural Affairs output group to ensure that:

(a) target levels encourage service improvement;

(b) units of measure and targets are justified; and

(c) Government outcomes are appropriately measured.

13.7.6 Key issues impacting on the Multicultural Affairs Portfolio

(a) Implementation of the New Solutions for a Multicultural Victoria Policy

The Committee was advised that a major initiative is the implementation of a whole of government approach to multicultural affairs, through the New Solutions for a Multicultural Victoria policy. Major commitments of this policy include:

- the development of racial vilification legislation and an education campaign to promote and maintain community harmony;

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195 Department of Premier and Cabinet response to questions on notice from the estimates hearing, dated 18 May 2000
establishment of the Victorian Office of Multicultural Affairs (VOMA) to support the Multicultural Affairs Cabinet Committee (MACC) in overseeing the whole of government approach to multicultural affairs; and

the introduction of new grants programs administered by the Victorian Multicultural Commission to support the participation of Victoria’s ethnic communities in civic life.

The Committee believes the development and implementation of a whole of government approach to multicultural affairs to be a positive initiative, particularly through the establishment of VOMA and MACC to implement and oversee the Government’s policy. However, it will be important for the Government to constantly monitor the implementation of the policy to ensure that outcomes are achieved.

Accordingly, the Committee recommends that:

Recommendation 13.10:

The Department of Premier and Cabinet:

(a) adopt a comprehensive monitoring process within the Victorian Office of Multicultural Affairs and Multicultural Affairs Cabinet Committee to ensure that the whole of government policy for multicultural affairs is being achieved in a timely manner; and

(b) review performance information contained in the Budget Papers to ensure consistency with performance measures used in the corporate and business plans of the Victorian Office of Multicultural Affairs and Multicultural Affairs Cabinet Committee.
(b) Racial vilification legislation

A major component of the Government’s New Solutions for a Multicultural Victoria policy is the introduction of legislation and the development of a public education campaign to combat racial vilification. The Committee was advised that the Government has initiated discussions with a number of important multicultural groups and Government authorities with the intention of producing a public discussion paper in late 2000.

(c) Improved cultural and language service delivery

The development of standards for cultural and linguistic diversity has been a significant step in the measurement of service outcomes. The Australian Bureau of Statistics released these standards in November 1999, and their development was a nationally endorsed project of the Council of Ministers of Immigration and Multicultural Affairs.

The Committee believes that a standard set of cultural and linguistic indicators will allow more effective measurement of service outcomes, and provide better quality data for the planning, evaluation and monitoring of services.

The Committee was advised that VOMA, together with the ABS, have been running information forums for departments and agencies to generate understanding of the indicators and identify implementation issues.196

13.8 Arts Portfolio

13.8.1 Background

The Minister for the Arts has responsibility for the following output group that accounts for $283.5 million or 78.6 per cent of the Department’s 2000-2001 budget.

196 Ibid
Exhibit 13.8

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A principal objective of the Government is to implement the Making Victoria the Cultural Centre of Australia policy, and to present all Victorians with the opportunity to participate in and enjoy a diverse range of quality arts and cultural experiences.

13.8.2 Major initiatives of the Arts Portfolio

The Arts portfolio will undertake a number of new output and asset investment initiatives in 2000-2001. These initiatives include:

- increased funding of $1 million for smaller scale arts programs and grants through Arts Victoria;
- establishment of a Regional Victoria Location Assistance Fund to assist film-makers cover the additional cost of shooting outside Melbourne;
- $2 million to the Regional Arts Infrastructure Fund to improve museum buildings, concert halls, theatre and other cultural facilities;
- an increase of $6 million for additional operating funding for Cinemedia ($1 million), Melbourne Museum at Carlton Gardens ($3 million), National Gallery of Victoria ($1.7 million) and the State Library of Victoria ($0.3 million); and
- $1 million capital funding to the Malthouse redevelopment due to increased costs caused by delays in the City Link tunnel works.
13.8.3 Analysis of the 2000-2001 Budget

The Committee’s analysis of the Arts and Cultural Environment output group shows a $65.7 million or 30.2 per cent increase from 1999-2000. This increase is the result of:

- an $18.8 million increase in expenditure for the Museum, Library and National Gallery of Victoria;
- the transfer of Cinemedia to the Department of Premier and Cabinet ($12.5 million);
- additional depreciation for the Museum and Public Record Office of $8.3 million;
- $7.6 million for the Centenary of Federation of Victoria celebrations;
- a $10 million carryover of funding; and
- additional grants approved by the Expenditure Review Committee of $4.3 million.

13.8.4 Performance measures

The Committee was advised that the Arts and Cultural Environment output group was significantly revised due to the cessation of the Arts 21 strategy and the subsequent introduction of the Making Victoria the Cultural Centre of Australia policy.\footnote{Department of Premier and Cabinet response to the Committee’s 2000-2001 estimates questionnaire, Part A, Question 4.3} This process led to the introduction of two new outputs (i.e. Arts Portfolio Agencies and Audiences and Access), the introduction of 27 new performance measures with 19 measures discontinued from 1999-2000.

The Committee commends the Government for the substantial improvements to the quality of performance measures in 2000-2001. However, the Committee believes the quality could be further improved with the inclusion of performance measures that indicate the percentage of Victorians that have access to arts and cultural experiences. The Committee’s opinion is based on the key
Government outcome for the Arts portfolio which is for all Victorians to have the opportunity to participate in and enjoy a diverse range of quality arts and cultural experiences.

13.8.5 Key issues impacting on the Arts Portfolio

In response to the Committee’s questionnaire, the Department identified the following key issues that will impact on the budget estimates in the Arts portfolio for 2000-2001.

(a) Youth and the arts

The Government has allocated $10 million over two years for the upgrade of facilities at the Victorian College of the Arts, and allocated an additional $1.9 million over four years to youth rock artists and to assist young and emerging artists.

(b) Arts agencies redevelopment and operating environment

An allocation of $24 million was made over four years for the major cultural agencies including the new Melbourne Museum, the National Gallery of Victoria, Cinemedia and the State Library of Victoria. This funding aims to improve visitor services and upgrade technology infrastructure in their expanded facilities.

(c) Regional Arts Infrastructure Fund

The Regional Arts Infrastructure Fund will provide $6 million over three years to improve regional museums, concert halls, theatres and other cultural facilities. In addition, $500,000 will be provided to local government to upgrade regional cinemas.

The Committee commends the Government’s focus on the arts in regional Victoria. However, it will be important that arts activity is focussed across the State and not only in areas that have substantial arts infrastructure.
Accordingly, the Committee recommends that:

**Recommendation 13.11:**

The Government monitor the distribution of funding from the Regional Arts Infrastructure Fund to ensure that all regions benefit.

### 13.9 Women’s Affairs Portfolio

#### 13.9.1 Background

The Minister for Women’s Affairs has responsibility for the Women’s Policy output group and accounts for $1.7 million or 0.47 per cent of the Department’s 2000-2001 budget.

The following table shows that the 2000-2001 budget allocation for the output group represents a 54.5 per cent increase in the funding allocated for the revised 1999-2000 budget.

#### Exhibit 13.9

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The Women’s Affairs portfolio encompasses the Office of Women’s Policy and the Queen Victoria Women’s Centre Trust. The portfolio’s key objective is to monitor the implementation of Government initiatives and programs concerning women and to ensure they reflect the needs and concerns of Victorian women.

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198 There was no separate output group for Women’s Policy in the 1999-2000 Budget Papers
13.9.2 Major initiatives of the Women’s Affairs Portfolio

The responsibility for the Women’s Affairs portfolio was transferred to this Department from the Department of Justice in January 2000. Accordingly, there were a number of initiatives undertaken by the Office of Women’s Policy in 1999-2000 including:

- the development of a four year forward plan for women detailing the initiatives and services to be implemented across government;
- conduct of the first annual Victorian Women’s Summit;
- commencement of the women’s consultation forum program;
- initial measures to develop and implement a whole of government strategic approach to violence against women;
- an audit of the strategies used by the Office of Women’s policy to encourage women’s access to leadership and decision making roles; and
- research into the portrayal of women in the media and advertising.

The continued development and implementation of these initiatives will be a major focus in 2000-2001, in addition to:

- the development of an implementation plan for men’s behaviour change;
- ensuring women’s needs are reflected in Victoria’s future industrial relations framework; and
- providing support for the parliamentary inquiry into discrimination against women as consumers.

13.9.3 Analysis of the 2000-2001 Budget

The budget allocation to the Women’s Policy output group for 2000-2001 increased by $600 000 to fund the policy initiatives conducted through the Office of Women’s Policy in 2000-2001.
13.9.4 Performance measures

The Women’s Policy output group was established in the 2000-2001 Budget Papers. Previously the performance measures relating to the Women’s Affairs portfolio were contained in the Trading and Equity Services output group within the Department of Justice, and were attributed to an output “Advancing the Status of Women”. In 2000-2001, two of the four performance measures used in 1999-2000 were discontinued and replaced with eight new measures.

The Committee commends the Government’s action in recognising the importance of the Women’s Affairs portfolio by applying an entire output group to its operation. However, analysis of the performance measures revealed that improvement could be achieved in a number of areas:

• the measures are based on activity levels and the satisfaction of Ministers, key Government staff and participants at forums;
• there is no attempt to measure the outcomes of initiatives undertaken in achieving stated Government objectives; and
• there is no mention of the basis used to measure satisfaction levels or the assumptions behind acceptance of the 2000-2001 targets.

Accordingly, the Committee recommends that:

Recommendation 13.12:

The Department of Premier and Cabinet review the performance measures contained in the Women’s Policy Output group to ensure that:

(a) performance information in the Budget Papers measure the achievement of Government outcomes; and
(b) the basis used to set the level of satisfaction and the targets are incorporated into the Budget Papers.

13.9.5 Key issues impacting on the Women’s Affairs Portfolio

The following initiatives were raised in the estimates hearing on the Woman’s Affairs portfolio and are considered by the Committee to be key issues facing the portfolio in 2000-2001.

(a) The Victorian Women’s Summit

The Victorian Women’s Summit was a major initiative of the Government and was attended by the Premier, eight Ministers, 13 members of Parliament and more than 200 women. The Committee was advised that the Government has asked participants for feedback on the issues and recommendations discussed at the Summit, and that a whole of government response will be prepared and sent to all participants in late 2000.199

The Committee commends the Government on this initiative, and believes it is important that the contents of the whole of government response be incorporated into Government policy and in the four year forward plan for women in a timely manner.

Accordingly, the Committee recommends that:

**Recommendation 13.13:**

The Government consider incorporating the whole of government response to the Victorian Women’s Summit into Government policy and in the four year forward plan for women.

199 Hon. S Garbutt, Minister for Women’s Affairs, transcript of evidence, 24 August 2000, p. 539
(b) Queen Victoria Women’s Centre

The Committee was advised that the Queen Victoria Women’s Centre has a number of major problems, including:200

- financial viability, with the Centre receiving $595 000 in Government subsidies over the past three years and still operating at a continual loss;
- the location of the Centre, in the middle of a partially redeveloped site with continual building works, causing concerns that existing tenants may choose to relocate and reduce its income even further; and
- the inability of women’s groups to use the Centre because prices and rents were considered too expensive.

In response to these problems, a Ministerial Advisory Committee was appointed and produced a report for the Minister after a consultation process with various women’s groups.

The Committee believes it is important for the Government to carefully consider the issues raised by the Ministerial Advisory Committee in a timely manner.

Accordingly, the Committee recommends that:

**Recommendation 13.14:**

The Government develop a comprehensive strategy for the ongoing operation of the Queen Victoria Women’s Centre based on the findings of the Ministerial Advisory Committee.

200 Ibid, p. 541
CHAPTER 14: DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT

Key Findings:

14.1 Private sector investment in Victoria is targeted to increase to the State’s highest ever level of 30 per cent of the national figure ($10 billion).

14.2 There is evidence of a continual tendency of the Commonwealth Government to facilitate major investments towards other States.

14.3 There was also evidence that other factors could affect the target of attracting major investments in Victoria, including interest rates and short/medium/long-term instability created by the GST.

14.4 The emerging skills shortage in information and communications technology is a global issue and will test the State’s flexibility in responding to this new growth industry.

14.5 Many local manufacturers, particularly in southeastern Melbourne, are concerned that franchise agreements, entered into by the previous Government with private transport operators, did not provide for any level of local content in the refurbishment and replacement of Victoria’s rolling stock.
There is a perceived conflict of interest in both thoroughbred and harness racing in that the Victoria Racing Club operates Flemington Racecourse as a club and thoroughbred racing in general, and Harness Racing Victoria operates harness racing at Mooney Valley Racecourse and Harness racing in general.

The Committee welcomes the Minister’s commitment to diversifying the membership of racing’s governing boards, particularly the inclusion of women and young people.

One of the major issues confronting small business is the implementation of the GST, particularly effective cash management processes, and the current shortage of accountants to assist small business.

The limited capacity of the public sector to advise and deal with industrial disputes, particularly where a dispute had the potential for statewide implications, has been a key deficiency of the Industrial Relations system in Victoria.

The extent of outworker exploitation in Victoria and nationally is a serious problem.

A major issue currently placing significant pressure on community based clubs and sporting organisations is the impact of user charges or costs passed on by local government authorities.

An important challenge for the Tourism portfolio is to maximise the benefits flowing from the Sydney Olympic Games in terms of domestic and international tourism to Victoria.
14.1 Departmental overview

The Department of State and Regional Development has responsibility for the economic development of Victoria. This involves attracting investment to the State; industry and regional development; industrial relations; multi-media and information technology; science, technology and innovation; small business and regulation reform; major projects; sport and recreation; tourism and racing.

As a result of changes in Government policy, the Department was restructured in November 1999. The impact of this restructure on the Department’s strategic and operational activities for 2000-2001 includes:

- an increased emphasis on regional and rural development;
- assuming whole of government responsibility for promoting regional economic and community development;
- promotion of manufacturing as the core of the Victorian economy;
- facilitating the growth of Victoria’s science, technology and innovation capabilities;
- providing focus to technology related service improvements for small business and the development of new initiatives;
- implementing the information and communications technology policy, Connecting Victoria;

14.13 There has been a serious lack of documentation relating to the Federation Square project. This has resulted in delays and has cost implications.
• adopting a new focus on infrastructure planning and promotion of skills, leveraging of the State’s investment in major projects and extending infrastructure and major projects investment beyond the Melbourne metropolitan area; and

• supporting ‘grass roots’ sport and recreation.

The Department provides services to seven ministers: Minister for State and Regional Development; Minister for Manufacturing Industry; Minister for Racing; Minister for Small Business; Minister for Major Projects and Tourism; Minister for Sport and Recreation; and Minister for Industrial Relations.

14.2 Output management framework

The Department’s 2000-2001 output management framework is shown below.

Exhibit 14.1:

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The Department’s output structure for 2000-2001 has varied significantly with only two of the Department’s six output groups for 1999-2000 remaining unchanged. The variations include:

- the output framework has increased from six to ten output groups to reflect the Department’s new responsibilities for Industrial Relations and Major Projects, and for the promotion of regional and rural development;

- strategic leadership has separated into two output groups to promote the Department’s policy advice function and Science, Technology and Innovation activities;

- business development has been replaced by three separate output groups including Industry Development, Regional Development and Multimedia and ICT;

- workforce capability has been replaced by Industrial Relations Services to promote the Government’s focus on this issue, while employment related services have been transferred to the Department of Education, Employment and Training; and

- a new output group has been created for Major Projects which has been transferred to the Department.

14.3 Analysis of the 2000-2001 Budget

As shown in Exhibit 14.1, the Department’s budget allocation for 2000-2001 was $328.2 million representing an $86.6 million or 35.8 per cent increase from 1999-2000. The Committee’s analysis of output group allocations revealed the following variations:

- the Industry Development output group budget increased by $14.5 million or 34.8 per cent due to the addition of the Regional Development and Multimedia Divisions to this output group, the transfer of responsibility for Coode Island to the output group and an increase in funding for the Formula One Grand Prix;
• the Regional Development output group increased by $62.9 million or 483.2 per cent due to the establishment of the Regional Infrastructure Development fund and the Living Regions, Living Suburbs fund;

• the Science, Technology and Innovation (STI) output group increased by $11.9 million or 84.5 per cent and reflects an increase in funding from the $310 million fund;

• the Information, Communications and Technology output group decreased by $14.4 million or 31.7 per cent due to the transfer of the Privacy Commissioner and Cinemedia to the Department of Justice and Arts Victoria respectively and a reduction in the carry forward amounts of the Vic One initiative which was part of the Government’s Victoria 21 strategy;

• the Industrial Relations Services output group decreased by $10.2 million or 52.3 per cent as a result of the transfer of Employment Victoria to the Department of Education, Employment and Training; and

• the Sport, Recreation and Racing output group increased by $16.2 million or 36.3 per cent for budget initiatives to support sporting facilities in regional and rural Victoria.
14.4 Financial analysis

The operating statement for the Department of State and Regional Development is as follows:

Exhibit 14.2

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<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
<td>100</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>0.6</td>
<td>0.4</td>
<td>0.4</td>
<td>(33.3)</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>0.4</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2000-2001 Budget Paper No. 3, Table 2.7.2, p. 333

The Committee noted that the variations in the operating statement are relatively minor, with only a 5.6 decrease for both operating revenue and expenses (controlled). The only material variance for line items within these categories related to:
• Purchases of Supplies and Services in the operating expense category which decreased by 11.2 per cent from an estimated $89.1 million to an estimated actual for 1999-2000 of $79.1 million. This is due to changes resulting from the transfers of Employment Victoria to DEET, Cinemedia to Arts Victoria, the Privacy Commissioner to Justice and the cessation of funding for the Geelong Water Sports Complex.

The Committee’s analysis of the Department’s administered function shows only minimal activity in 1999-2000. This activity relates to revenue and expenses from ANZAC Day sporting events that were revised from $600,000 to $400,000 for 1999-2000.

14.4.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided a detailed breakdown of items contained in ‘other revenue’ and ‘other expenses’ for both controlled and administered categories. The breakdown supplied by the Department is as follows:201

201 Department of State and Regional Development response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 5
Exhibit 14.3

<table>
<thead>
<tr>
<th>Item</th>
<th>Revised Full Year Budget to 30 June 2000 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue (Controlled)</strong></td>
<td></td>
</tr>
<tr>
<td>Interest on bank accounts</td>
<td>0.5</td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>3.5</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Other Revenue (Administered)</strong></td>
<td></td>
</tr>
<tr>
<td>Disability Program</td>
<td>2.8</td>
</tr>
<tr>
<td>Recreation Camps Operations</td>
<td>0.3</td>
</tr>
<tr>
<td>Fees and Fines</td>
<td>2.6</td>
</tr>
<tr>
<td>Miscellaneous Receipts</td>
<td>1.1</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>6.8</td>
</tr>
<tr>
<td><strong>Total – Other Revenue</strong></td>
<td><strong>10.8</strong></td>
</tr>
<tr>
<td><strong>Other Expenses (controlled)</strong></td>
<td></td>
</tr>
<tr>
<td>Grants to GBE’s</td>
<td>30.9</td>
</tr>
<tr>
<td>Grants to Local Government</td>
<td>12.3</td>
</tr>
<tr>
<td>Grants to Private Sector Businesses</td>
<td>29.1</td>
</tr>
<tr>
<td>Grants to Private non-profit organisations</td>
<td>15.3</td>
</tr>
<tr>
<td>Grants to non-budget non-profit organisations</td>
<td>5.1</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>92.7</td>
</tr>
<tr>
<td><strong>Other Expenses (administered)</strong></td>
<td></td>
</tr>
<tr>
<td>ANZAC Day sporting events</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total – Other Expenses</strong></td>
<td><strong>93.1</strong></td>
</tr>
</tbody>
</table>

Exhibit 14.3 shows that controlled and administered revenue for the Department is minimal and the Committee supports the classification of these line items in the ‘Other Revenue’ category. However, the Committee is concerned at the materiality of certain line items in the ‘other expenses’ (controlled) category, namely:
grants to Government Business Enterprises with an estimated actual balance of $30.9 million for 1999-2000 or 13.5 per cent of total operating expenses for the Department;

grants to Private Sector Businesses with a balance of $29.1 million or 12.7 per cent of total operating expenses for the Department; and

grants to private non-profit organisations of $15.3 million or 6.7 per cent of total operating expenses for the Department.

The Committee also noted that ‘other expenses’ (controlled) accounts for 40.6 per cent of the Department’s total estimated operating expenses for 1999-2000.

The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the Budget Papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:

**Recommendation 14.1:**

The Department of State and Regional Development review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information contained in the operating statement.
14.5 Corporate and business plans

The Department’s corporate and business plans for 2000-2001 were not provided to the Committee. As these documents were not expected to be finalised until 30 June 2000, the Committee recommends that:202

Recommendation 14.2:

The Department of State and Regional Development:

(a) complete corporate and business plans by a designated date each year which is prior to the Budget Estimates inquiry process; and

(b) ensure copies of the plans are made available to the Public Accounts and Estimates Committee on completion.

14.6 Human resources issues

The Department advised the Committee that it had 733.14 Full Time Equivalent staff as at 2 May 2000.203 This compares with the actual FTE staffing level at 30 June 1999 of 726.95.

202 Ibid, p. 10
203 Department of State and Regional Development response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 64
Exhibit 14.4

<table>
<thead>
<tr>
<th>Number of Staff by Division</th>
<th>Staffing level as at 2 May 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Services</td>
<td>77.14</td>
</tr>
<tr>
<td>Industry Victoria</td>
<td>86.80</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>33.00</td>
</tr>
<tr>
<td>Office of Major Projects</td>
<td>16.00</td>
</tr>
<tr>
<td>Multimedia Victoria</td>
<td>65.93</td>
</tr>
<tr>
<td>Regional Development</td>
<td>75.77</td>
</tr>
<tr>
<td>Portfolio Co-ordination and Strategic Management</td>
<td>12.00</td>
</tr>
<tr>
<td>Policy</td>
<td>59.66</td>
</tr>
<tr>
<td>Small Business</td>
<td>77.40</td>
</tr>
<tr>
<td>Sport, Recreation and Racing</td>
<td>97.44</td>
</tr>
<tr>
<td>Science, Technology and Innovation</td>
<td>18.00</td>
</tr>
<tr>
<td>Tourism Victoria</td>
<td>114.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>733.14</strong></td>
</tr>
</tbody>
</table>

The Department was unable to provide comparative divisional staffing numbers due to the significant changes which had occurred. Specific changes include:

- an increase in the number of Divisions within the Department from nine to twelve;
- staffing numbers at 30 June 1999 included Employment Victoria but did not include Industrial Relations or the Office of Major Projects; and
- transfer of staff from the Small Business Division to the Regional Development and Policy Divisions.

14.6.1 Promotion of women in the Department

The Committee was interested in reviewing the high proportion of women in the Department’s workforce. The percentage of women to men as at 2 May 2000 is shown below.
Exhibit 14.5:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO-1</td>
<td>0.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>EO-2</td>
<td>1.00</td>
<td>11.00</td>
<td>12.00</td>
</tr>
<tr>
<td>EO-3</td>
<td>8.00</td>
<td>34.00</td>
<td>42.00</td>
</tr>
<tr>
<td>VPS-5</td>
<td>43.43</td>
<td>125.00</td>
<td>168.43</td>
</tr>
<tr>
<td>VPS-4</td>
<td>73.33</td>
<td>95.55</td>
<td>168.88</td>
</tr>
<tr>
<td>VPS-3</td>
<td>93.90</td>
<td>65.90</td>
<td>159.80</td>
</tr>
<tr>
<td>VPS-2</td>
<td>107.02</td>
<td>38.34</td>
<td>145.36</td>
</tr>
<tr>
<td>VPS-1</td>
<td>19.67</td>
<td>11.00</td>
<td>30.67</td>
</tr>
<tr>
<td>Other</td>
<td>0.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>346.35</strong></td>
<td><strong>386.79</strong></td>
<td><strong>733.14</strong></td>
</tr>
</tbody>
</table>

The Committee's analysis of the Department's staffing levels by gender shows that women occupy the following classification percentages:

- only 16 per cent of executive officers which represents a deterioration in the position at 30 June 2000 (19 per cent);
- 25.7 per cent of VPS-5 positions;
- 43.1 per cent of VPS-4 positions;
- 58.7 per cent of VPS-3 positions;
- 73.6 per cent of VPS-2 positions
- 64.1 per cent of VPS-1 positions.

The Committee is concerned that there is a clear trend that the percentage of women per classification decreases as the level of responsibility increases.

The Department advised they had commenced a 'Women in Management Action Learning Project' which involves the
development of an action plan for promoting and achieving greater representation of women in management positions.\textsuperscript{204}

Given the current under-representation of women in management positions within the Department, the Committee strongly supports this initiative. However, it will be important for the success of the plan to be continually monitored and revised to take account of emerging issues.

Accordingly, the Committee recommends that:

\textbf{Recommendation 14.3:}

\begin{enumerate}
\item The Department of State and Regional Development:
\item[(a)] develop specific targets to be incorporated into the action plan for Women in Management which are based on departmental policy and objectives;
\item[(b)] develop a formal monitoring framework to ensure the status of the action plan is continuously reviewed; and
\item[(c)] establish a working party, with representation from women in all levels of the Department, in addition to a representative from the Office of Women, to identify emerging issues within the Department.
\end{enumerate}

The Committee also encourages the Department to continually review equity and workplace flexibility policies to ensure the effectiveness of the current workforce is maximised.

\textsuperscript{204} Ibid, p. 67
14.7  State and Regional Development Portfolio

14.7.1  Background

The Minister for State and Regional Development has responsibility for five key output groups within the Department. Exhibit 14.6 shows these output groups account for $195.2 million or 59.5 per cent of the Department’s 2000-2001 budget.
Exhibit 14.6

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for State and Regional Development</th>
<th>Output Cost ($million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Policy Leadership</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Policy Advice</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>Regulation Reform</td>
<td>2.1</td>
</tr>
<tr>
<td>Science, Technology and Innovation</td>
<td>STI policy and Advisory Council</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>STI Initiative</td>
<td>16.8</td>
</tr>
<tr>
<td></td>
<td>Technology Commercialisation Program</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>STI Awareness</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Strategic Projects</td>
<td>2.0</td>
</tr>
<tr>
<td>Industry Development</td>
<td>Investment Facilitation and Attraction</td>
<td>27.3</td>
</tr>
<tr>
<td></td>
<td>Business Development</td>
<td>28.7</td>
</tr>
<tr>
<td>Regional Development</td>
<td>Rural Community Development</td>
<td>9.9</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development</td>
<td>58.2</td>
</tr>
<tr>
<td></td>
<td>Regional Economic Development</td>
<td>3.6</td>
</tr>
<tr>
<td>Information &amp; Communications Technology and Multimedia</td>
<td>ICT Industry Development</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>On-line Government and IT Policy</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>ICT Community Development</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>E-commerce</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>ICT Policy</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>ICT Infrastructure and Services</td>
<td>12.1</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for State and Regional Development are to:
• promote and renew rural and regional development; revitalize industry through investment to create the climate for enhanced economic growth;
• develop the information, communications and technology (ICT) industry to expand Victoria's ICT skills base; and
• build Victoria into a world class location for science, technology and innovation.

14.7.2 Performance measures

The Committee noted that a significant number of new performance measures, 49 have been introduced in 2000-2001, while 10 measures have been discontinued from 1999-2000.

While the Committee supports the on-going refinement of performance measures to ensure they reflect Government objectives and priorities, it is important for these measures to provide an indication of achievement of outcomes.

Accordingly, the Committee recommends that:

Recommendation 14.4:

The Department of State and Regional Development ensure that the performance measures in the Budget Papers provide a clear link between budget initiatives for each output group, and the achievement of the Government's desired outcomes.

14.7.3 2000-2001 outlook for the Portfolio

In 2000-2001, a major Government priority under the auspices of the Minister for State and Regional Development is for enhanced regional and community development and for the leveraging of new infrastructure. Accordingly, the Committee noted with interest the following key initiatives for 2000-2001:
• an allocation of $50 million from the Regional Infrastructure Development Fund ($170 million over three years) for capital infrastructure projects;

• $2.7 million for regional development grants ($8.1 million over three years);

• $2.3 million for the establishment of the Regional Development Victoria Network which aims to strengthen Business Victoria by placing rural commerce experts around the State;

• $8 million for the Living Regions/Living Suburbs Support Fund to provide opportunities in outer Melbourne and regional areas that have been disadvantaged in some way, such as high unemployment or loss of an industry;

• $3 million for enhanced internet access;

• Science, Technology and Infrastructure grants of $15 million ($310 million over five years); and

• $5.1 million for the Technology Commercialisation Program ($20 million over four years) which aims to turn ideas into a commercialised product.

14.7.4 Key issues impacting on the State and Regional Development Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for State and Regional Development identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.
(a) Establishment of Regional Development Victoria and the Office of Rural Communities

The Government has committed $217 million over four years to support rural economic and social development programs.\textsuperscript{205}

In order to revive regional and rural Victoria, the Minister advised the Committee that the following initiatives had been undertaken:\textsuperscript{206}

- the establishment of Regional Development Victoria to develop and implement strategies and programs for regional and rural communities; and
- the transfer of the Office of Rural Affairs from the Department of Natural Resources and Environment and re-establishment as the Office of Rural Communities to advise on the needs and concerns of rural communities and the issues impacting on their growth and development.

The Committee supports these initiatives. However, it will be important that these instrumentalities are subjected to good governance principles to ensure that resources are effectively utilised and outcomes achieved.

Accordingly, the Committee recommends that:

**Recommendation 14.5:**

Regional Development Victoria and the Office of Rural Communities should have:

(a) clear mission statements and high level government objectives which are incorporated into formalised corporate plans;

\textsuperscript{205} Ibid, p. 44
\textsuperscript{206} Hon. J Brumby, Minister for State and Regional Development, transcript of evidence, 15 June 2000, p. 227
(b) short/medium/long-term strategies and action plans directed at the achievement of high level objectives and missions;

(c) a comprehensive monitoring framework with performance indicators that properly measure key result areas within each high level objective; and

(d) formal protocols with each other to ensure that initiatives are complementary and to minimise duplication and service gaps.

(b) Commonwealth Government assistance for investments in Victoria

A key priority of the Government is to maximise the level of private sector investment in Victoria. The Minister advised that Victoria has traditionally accounted for 25 to 26 per cent of private sector investment which equated to around $8.3 billion in 1999-2000.207

In 2000-2001, private sector investment in Victoria is targeted to increase to the State's highest ever level of 30 per cent of the national figure ($10 billion). The Minister stated that there are a number of potential threats to the achievement of this level including the impact of interest rates, the short/medium/long-term instability created by the GST and the facilitation of major investments by the Commonwealth Government towards other States.208

While the effect of interest rates and the GST are national and global issues, the Minister advised the major hurdle is the focus of the Commonwealth Government's investment programs and its continual tendency to favour other States.209 The Minister advised

207 Ibid, p. 234
208 Ibid
209 Ibid
the Committee that the Commonwealth Government’s investment assistance program for 1998-99 indicated that:

- New South Wales was assisted with 49 projects with total investment at $810 million and the creation of 3,700 jobs;
- Queensland was assisted with 18 projects with total investment of $10 billion and 7,500 jobs;
- Western Australia was assisted with 12 projects attracting around $3.5 billion of investment and the creation of more than 1,000 jobs;
- Tasmania was assisted with four projects attracting $1.6 billion in investment and the creation of 534 jobs; and
- Victoria received assistance in attracting 13 projects with investment worth $779 million creating 438 jobs.

The Government regards this situation to be a real and serious issue.

The Committee believes that the low level of assistance received from the Commonwealth Government under the Commonwealth Investment Assistance Program, in comparison to other States, could result in a negative effect on the Victorian economy. This is particularly so given the background and potential of Victorian industry in manufacturing, science and information technology.

Accordingly, the Committee recommends that:

**Recommendation 14.6:**

The Government continue to make representations to the Commonwealth Government to ensure that Victoria is not disadvantaged due to inequitable industry attraction incentives and financial assistance by Government.

---

210 Ibid, p. 235
211 Ibid
(c) Skills shortage in information and communications technology

One of the key priorities of the Government’s Connecting Victoria strategy is to strengthen partnerships to tackle skills issues. The Minister advised that the emerging skills shortage in information and communications technology is a global issue and will test the State’s flexibility in responding to this new growth industry.\(^{212}\) He also stated the National Information and Communications Technology Taskforce has estimated that there are potentially 40 000 jobs across Australia that may not be filled due to skill shortages in information technology.

The Committee was advised that the Government has undertaken a number of initiatives to address current skills shortages in this area, including:

- establishing an ICT taskforce, in conjunction with the Post Compulsory Education, Employment and Training portfolio, which will report in late 2000 on measures necessary to address current skills shortages across the industry;
- conducting a trial traineeship program called ‘Go for IT’ which aims to take 125 students from school into industry traineeships;
- continuing the former Government’s Skillsnet program;
- boosting funding for training and skills development in the post-compulsory education, employment and training portfolio; and
- providing capital funding of $47 million from the Growing Victoria Fund.

The Committee generally welcomes these initiatives. However, it will be important that they are governed by a framework that ensures a consistent and effective whole of government strategy.

\(^{212}\) Ibid, p. 243
Accordingly, the Committee recommends that:

**Recommendation 14.7:**

The Department of State and Regional Development:

(a) develop a whole of government strategy to tackle the emerging skills shortage based on the findings of the Information and Communications Technology Taskforce, and the Government’s subsequent position, and incorporating key initiatives from the Post Compulsory Education, Employment and Training portfolio;

(b) develop a comprehensive monitoring framework which identifies key result areas within the strategy and performance measures which accurately reflect achievement; and

(c) review the key initiatives to ensure that emerging issues are identified and incorporated into the strategy in a timely manner.

### 14.8 Manufacturing Industry Portfolio

#### 14.8.1 Background

The Minister for Manufacturing Industry has responsibility for two key output groups within the Department. Exhibit 14.7 reveals these output groups account for $66.4 million or 20.3 per cent of the Department’s 2000-2001 budget.
Exhibit 14.7

<table>
<thead>
<tr>
<th><strong>Output Group</strong></th>
<th><strong>Outputs under the Minister for Manufacturing Industry</strong></th>
<th><strong>Output Cost ($ million)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Policy Leadership</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Policy Advice</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>Regulation Reform</td>
<td>2.1</td>
</tr>
<tr>
<td>Industry</td>
<td>Investment Facilitation and Attraction</td>
<td>27.3</td>
</tr>
<tr>
<td>Development</td>
<td>Business Development</td>
<td>28.7</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Manufacturing Industry are to:

- grow investment in manufacturing and manufacturing exports;
- grow manufacturing industry capabilities for high tech success and job growth;
- promote linkages to improve efficiency and stimulate innovation and technology transfer;
- build partnerships with industry through the Manufacturing Industry Consultative Committee; and
- position Victoria as the centre of manufacturing excellence.

14.8.2 Performance measures

The performance measures in the output groups under the responsibility of the Manufacturing Industry portfolio place emphasis on the following goals:

- regional development including business growth through local support and a far wider reach to include small communities; and
- manufacturing as the core of the Victorian economy.
The Committee’s analysis of the performance measures contained in Budget Paper No. 3 reveals that the Industry Development output group contains measures that indicate the level of investment attracted and facilitated and the level of export assistance. However, the Committee noted that within the policy output group there are numerous references to ‘Advice meets quality Standards’ with no indication as to what constitutes quality standards.

Accordingly, the Committee recommends that:

**Recommendation 14.8:**

*The Department of State and Regional Development, in relation to the Industry Development output group, provide an explanation of quality standards and incorporate this information into future Budget Papers.*

14.8.3 2000-2001 outlook for the Portfolio

The Committee was advised that key priorities of the Manufacturing Industry portfolio in 2000-2001 include:

- establish the Office of Manufacturing to work with the automotive; textile/clothing, footwear and leather; biotechnology; pharmaceutical; advanced manufacturing; environmental; chemicals and plastics industry sectors;
- undertake a strategic audit of Victorian Industry in order to understand the challenges and opportunities facing key sectors;
- the completion of 10 sectoral industry plans in partnership with industry;
- hosting the World Economic Forum; and
- conduct a number of business events including the Melbourne Manufacturing Expo; Australian Automotive Week; Melbourne Fashion Festival; Melbourne Furnishing Festival and Melbourne Marine Week.
14.8.4 Key issues impacting on the Manufacturing Industry Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Manufacturing Industry identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Establishment of an Office of Manufacturing

The Minister advised that manufacturing is a key part of the Government’s agenda for state and regional development as it contributes $50 billion (17.9 per cent of GSP) annually to the State economy and provides around 350 000 jobs.\(^{213}\) The first priority of the Government in 2000-2001 is the establishment of an Office of Manufacturing to:

- attract manufacturing investment;
- facilitate exports;
- promote Victoria as a centre for manufacturing excellence; and
- support the Manufacturing Industry Consultative Committee.

The Committee welcomes the establishment of the Office of Manufacturing as it will have an important role in improving manufacturing in Victoria.

(b) Strategic audit of Victorian industry

The Minister advised that a strategic audit of Victorian industry will be conducted to identify major strengths of and challenges to Victorian industry and provide strategic directions for Government policy.\(^{214}\) The strategic audit will comprise a number of industry audits to:

\(^{213}\) Hon. R Hulls, Minister for Manufacturing Industry, transcript of evidence, 13 June 2000, p. 135

\(^{214}\) Ibid, p. 135
provide an overview of industries in Victoria;
conduct a strategic assessment of Victorian industry competitiveness both nationally and internationally; and
review traditional and emerging industries to identify strategies for development and growth.

The Textiles, Clothing, Footwear and Leather (TCF&L) Industry is the first industry to be subjected to the audit process with a further six industries to follow.

(c) Local content in the manufacture of Victoria’s replacement rolling stock

The Minister informed the Committee that many local manufacturers, particularly in south-eastern Melbourne, are concerned that franchise agreements, entered into by the previous government with private transport operators, did not provide for any level of local content in the refurbishment and replacement of Victoria’s rolling stock.

Following extensive consultations with the private operators of Victoria’s tram and train network, the Government has secured an agreement that around 40 per cent of rolling stock can be produced or maintained locally.²¹⁵ The Government considers that this percentage is not high enough and will be actively seeking to increase this percentage on an on-going basis.

In addition, the Government is developing a rail strategy aimed at maximising local rail manufacturing content and the opportunities for local rail manufacturers in Victoria.

²¹⁵ Ibid, pp. 140-141
The Minister advised the Committee that the Government will need to review the Victorian Government Purchasing Board guidelines to address the issue of local content.

### 14.9 Racing Portfolio

#### 14.9.1 Background

The Minister for Racing has joint responsibility with the Minister for Sport and Recreation for a key output group within the Department. Exhibit 14.8 reveals this output group accounts for $60.9 million or 18.5 per cent of the Department's 2000-2001 budget.

#### Exhibit 14.8

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Racing</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Recreation Event and Tourism Facilitation</td>
<td>25.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Industry Development 216</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Facility Development</td>
<td>18.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Organisational Development</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Participation and Performance Facilitation</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>60.9</strong></td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Racing are to:

- position Victoria as the racing State nationally;
- ensure the racing industry is internationally competitive;
- grow racing industry investment;

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216 The Minister for Racing has responsibility for components of this output
• enhance the racing industry’s capabilities and infrastructure; and
• implement progressive reform of legislation and the industry’s management framework.

14.9.2 Performance measures

The Committee noted that the Racing portfolio falls under the responsibility of the Sport, Recreation and Racing output. However, there is only one performance measure (Racing and Bookmakers Licences, permits, appeal and registrations processed) in the Budget Papers that specifically related to the activities of the portfolio.

The Committee believes this level of performance information for an entire portfolio to be inadequate.

Accordingly, the Committee recommends that:

Recommendation 14.9:

The Department of State and Regional Development:
(a) establish a separate output relating to racing activities;
(b) develop performance measures based on key racing portfolio strategies including:
   (i) growing racing industry investment;
   (ii) growing racing industry capabilities and infrastructure;
   (iii) positioning Victoria as the racing industry leader; and
   (iv) the progressive reform of legislation governing racing and the implementation of a management framework; and
(c) ensure performance measures are aligned with the key corporate strategies and objectives of the Office of Racing.

14.9.3 2000-2001 outlook for the Portfolio

The Committee was advised that key initiatives for 2000-2001 include:

- establishing a new model of governance for thoroughbred racing;
- completing a strategic plan for harness racing;
- strengthening country racing clubs;
- supporting the retention of a competitive bookmaking industry, including on-course bookmakers;
- abolishing the levy on fixed odds book-makers statements (i.e. two per cent of turnover at metropolitan racecourses and 1.5 per cent at country racecourses);
- introducing a turnover levy applied by the racing controlling bodies of up to one per cent;
- adjusting TABCorp’s wagering tax rates to ensure no net impact of the GST;
- a phased reduction in the minimum telephone bet commencing from July 2001; and
- responding to the National Competition Policy review of racing and betting legislation.

14.9.4 Key issues impacting on the Racing Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Racing identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.
(a) Governance of the racing industry

The Minister outlined to the Committee key issues relating to the governing structure of thoroughbred and harness racing, and to the overarching structure of the three codes of racing in Victoria.\textsuperscript{217} While it is the Government's objective to have an independent structure operating racing in Victoria, there is a perceived conflict of interest in both thoroughbred and harness racing in that:

- the Victoria Racing Club operates Flemington Racecourse as a club and thoroughbred racing in general; and
- Harness Racing Victoria operates racing at the Moonee Valley Racecourse and harness racing in general.

The Minister informed the Committee that the metropolitan racing clubs dominate the management of racing in Victoria, and there is some dissatisfaction by those involved in country racing about the lack of representation in the present structure. The Minister advised that the Government considers country racing to be extremely important given that in many cases the racing industry, and its ancillary support mechanisms, is the lifeblood of many towns.\textsuperscript{218} Accordingly, the Government is considering the representation and role of country racing in its overall review of governance in racing in Victoria.

The Committee welcomes the Minister's commitment to diversifying the membership of racing's governing boards, particularly the inclusion of women and young people.

The Committee also agrees with the Minister's assertion about the importance of racing to the country community, and encourages the Government to incorporate the interests of country racing in its new governing structure for the racing industry.

\textsuperscript{217} Hon. R Hulls, Minister for Racing, transcript of evidence, 13 June 2000, pp. 147-148
\textsuperscript{218} Ibid, pp. 147-148
(b) Status of bookmakers in the racing industry

The Minister advised that the Government considers bookmakers to be an integral part of the colour and culture of racing. However, they have not been given the mechanisms to compete appropriately with TAB telephone betting.\(^{219}\) In the past, a punter could place a 50 cent eachway bet with the TAB on a telephone bet while the minimum telephone bet with a bookmaker was $200.

In order to assist bookmakers, the Government reduced the two per cent turnover tax applied to bookmaker operations to one per cent, and will ensure that a percentage of this tax is used for a bookmaker's development fund. This fund will be used to encourage bookmakers to implement strategic business plans and ensure the continued viability of the bookmaker industry.

The Committee supports the Government's action to assist the viability of the bookmaking industry. However, it will be important that the effectiveness of these actions is closely monitored.

14.10 Small Business Portfolio

14.10.1 Background

The Minister for Small Business has responsibility in four key output groups within the Department. These output groups account for $153.0 million or 46.6 per cent of the Department's 2000-2001 budget. More specifically, as shown in Exhibit 14.9, the Small Business Portfolio has a budget of $16.1 million in 2000-2001.

\(^{219}\) Ibid, pp. 149
**Exhibit 14.9**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Small Business</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Policy Leadership</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td>Policy Advice</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>Regulation Reform</td>
<td>2.1</td>
</tr>
<tr>
<td>Industry Development</td>
<td>Business Development</td>
<td>0.8</td>
</tr>
<tr>
<td>Regional Development</td>
<td>Regional Economic Development</td>
<td>1.1</td>
</tr>
<tr>
<td>Small Business</td>
<td>Small Business Support and Online Business Services</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>Trade Measurement</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Development and Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Administration of Liquor Control Reform Act</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>Alcohol Harm Minimisation Program and Services to Industry</td>
<td>1.9</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Small Business are to:

- introduce a new integrated approach to business development;
- ensure that small business is a major contributor to Victoria’s economic success;
- ensure that small business is a key player in community development;
- provide national leadership in sustainable small business growth; and
- provide information, referral and support services to facilitate the establishment of new businesses, and to foster development and sustained growth in small and medium sized firms.
14.10.2 Performance measures

The Committee notes there have been major changes in the performance measures relating to output groups for which the Minister for Small Business is responsible. In particular, the Small Business output group has changed significantly in 2000-2001 with two major outputs and related performance measures discontinued, namely Small Business Policy Initiatives and Special Projects and Regulation Reform Industry Sector Reviews and Consultancy Services.

A number of new performance measures have been introduced in the existing outputs including Small Business Support and Online Services (2), Administration of Liquor Control Reform Act (3) and Alcohol Harm Minimisation Program and Services to Industry (5).

The Minister advised the Small Business portfolio has initiated an outcome evaluation of business access to development programs and that the results are expected to improve the delivery of services to small business. The Committee believes the results of the evaluation should be reflected in the performance measures in the Budget Papers.

Accordingly the Committee recommends that:

Recommendation 14.10:

The Department of State and Regional Development review the results of the evaluation of business access to development programs to ensure performance measures in the Budget Papers reflect key strategic directions and actions to be adopted.

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220 Correspondence received from the Minister for Small Business, dated 27 September 2000
14.10.3  2000-2001 outlook for the Portfolio

The Committee was advised that the Small Business sector in Victoria comprises 225 400 small businesses and provides 750 000 jobs or 44.1 per cent of private sector employment. Accordingly, the Small Business Portfolio is an important element of the Government’s economic development agenda for developing the whole State. Key initiatives in 2000-2001 include:

- increasing the access of small/medium enterprises (SME’s) to business development programs from 39 per cent to 50 per cent over the life of the Parliament, with a special focus on regional Victoria;
- enhancing the access of small business to Government through the Listening to Small Business Program, the establishment of the Small Business Advocacy Council and the Women’s Resource Policy Unit;
- integrating service delivery through the Victorian Business Centre, the Business Channel, the Electronic Export Assistance Centre, the Victorian Business Line and the Departmental web-site;
- integrating the small business policy functions within the Department to ensure that policy decisions account for small business needs, including a link to the Strategic Audit of Victorian industry undertaken by the Manufacturing Industry portfolio;
- a program of regulation reform in areas such as liquor licensing, retail tenancies and in the textile, clothing, footwear and leather sector;
- enhancing the access to and use of e-commerce by small businesses; and
- providing support to indigenous business development.
14.10.4 Key issues impacting on the Small Business Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Small Business identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Regulatory burden on small business

The Committee has had a longstanding concern relating to the operational and financial impact on small business of complying with the substantial level of Government regulations.

The level of new Government regulation on business has continuously decreased over recent years. The Committee was informed this trend has continued in 1999-2000 where 74 new regulations were established compared to 171 for 1998-99. The Minister informed the Committee that the Government is aware of the need to minimise the regulatory burden on small business and will review the regulatory obligations of business in the near future.

The Committee believes it will be important for the Government to continually monitor the level of regulation on business, and is pleased the decreasing trend of new regulations continued in 1999-2000. However, it is crucial for the Government to place a high priority on the review of the regulatory obligations on business to ensure its completion in a timely manner.

(b) Small business and e-commerce

The Minister advised that e-commerce is a tool to be increasingly used by businesses and consumers in the future, and is considered by the Government to be a major priority for the Small Business Portfolio. Accordingly, the Government has established the Victorian e-commerce early movers scheme (VEEM’s) which will:

221 Ibid, p. 365
encourage small business to make use of new technologies and new developments in e-commerce;

provide a pool of expertise in the use of e-commerce via resourcing through local and State Governments to ensure proper practices are established for transacting online; and

ensure that all aspects of e-commerce are being used appropriately.

The Committee believes the use of e-commerce will become an increasingly important tool in the operation and management of small businesses throughout Victoria, and that the VEEM scheme should provide small business with a mechanism to easily advance into e-commerce. However, it will be important for the Government to continuously monitor the success of the scheme and identify emerging issues affecting small business so these issues can be addressed in a timely manner.

(c) Impact of the GST on small business

The Minister advised that one of the major issues confronting small business is the implementation of the GST.\textsuperscript{222} Presently there are two main issues:

- the implementation of effective cash management processes within small businesses to enable the payment of GST expenses when they become due; and
- the current shortage of accountants, particularly in regional and rural areas, to assist small business in catering for GST requirements.

The Minister is concerned that small business be in a position to meet the first deadline for GST payments on 11 November 2000. Accordingly, the Small Business Portfolio has undertaken the following:

\textsuperscript{222} Ibid, p. 372
• a review into GST implementation to be completed in late 2000;
• the promotion of GST compliance seminars;
• communication with the Commonwealth Government on the need to provide small business operators with more adequate compensation and improved information services; and
• continued the Panel of Professional Advisers (PPA) which is a panel of approximately 950 professional volunteers who have agreed to provide small business operators with a free hour-long consultation.223

The Committee is aware that the implementation of the GST is a major operational and administrative hurdle for small business. Accordingly, the Committee supports the Government in its endeavors to provide assistance to small business operators. However, it will be important for the Government to:

• continue communication with the Commonwealth Government with a view to enhancing the quality of information provided to small business operators; and
• develop an action plan based on the findings of the Government’s review into GST implementation and other information to ensure that issues raised are appropriately addressed.

14.11 Industrial Relations Portfolio

14.11.1 Background

The Minister for Industrial Relations has responsibility for the Industrial Relations output group within the Department. This output group accounts for $9.4 million or 2.9 per cent of the Department’s 2000-2001 budget. As shown in Exhibit 14.10, the Industrial Relations portfolio has two sections.

223 Correspondence received from the Minister for Small Business, dated 27 September 2000
Exhibit 14.10

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Industrial Relations</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Relations Services</td>
<td>Statewide Industrial Relations Services</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>Public Sector Employee Relations Services</td>
<td>2.6</td>
</tr>
</tbody>
</table>

The major responsibilities of the Minister for Industrial Relations are to:

- develop a system of industrial relations that is fair for all Victorians;
- create an industrial relations environment which encourages co-operative workplace cultures;
- support the right of all workers to belong to a union or employee association;
- implement strategies to end outworker and child exploitation; and
- maintain international treaty obligations and core labour rights in legislation.

14.11.2 2000-2001 outlook for the Portfolio

The Committee is aware that Victoria’s current industrial relations framework reflects the policy directions of the previous State Government and the Commonwealth Government through the referral of Victoria’s industrial powers to the Commonwealth. Accordingly, key changes impacting on the Industrial Relations portfolio in 2000-2001 revolve around:

- developing a new integrated industrial relations capability through the creation of Industrial Relations Victoria, including a strategic advice unit;
examination of Victoria's industrial relations framework by a taskforce established through the Growing Victoria Summit;

- adopting a more pro-active role in industrial relations by developing an enhanced capability to advise in industrial relations disputes and issues;

- developing mechanisms to identify actual, pending or threatened industrial disputes and advise on strategies for the prevention and settlement of these disputes;

- providing advice on significant developments and initiatives relating to all major industrial parties including employers, unions, peak councils and tribunals; and

- measuring trends and outcomes in the establishment and maintenance of cooperative workplace cultures in the private and public sectors.

14.11.3 Performance measures

The Committee noted that the Department has realigned its output group structure to reflect the Government's strategic goals. Accordingly, performance measures relating to Industrial Relations Services were transferred from the Resource Management Services output group in the Department of Treasury and Finance to a new output group Industrial Relations Services in the Department.

While the Committee supports the creation of a specific output group for the Industrial Relations portfolio, analysis of the existing performance measures reveals they are focussed on:

- delivery of statewide or public sector employee related services and are assessed by a unit measure of yes or no; and

- quality and timeliness measures that are solely based on ministerial satisfaction with an 80 per cent unit of measure.
The Committee believes these measures are inappropriate to provide an informative assessment of the extent and quality of activities of the industrial relations portfolio. The quantitative measure is far too broad to adequately measure the level of activity and where activity has been directed, while the quality and timeliness measures are based on ministerial satisfaction levels. No explanation is provided for how satisfaction criteria was determined.

The Minister advised that the performance measures are currently under review.\textsuperscript{224}

Accordingly, the Committee recommends that:

\textbf{Recommendation 14.11:}

The review of performance measures relating to the output group Industrial Relations Services should ensure performance measures:

(a) provide an accurate assessment of the objectives and strategies of the Industrial Relations portfolio; and

(b) are aligned to the corporate and high level objectives and outcomes of Industrial Relations Victoria.

\textbf{14.11.4 Key issues impacting on the Industrial Relations Portfolio}

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Industrial Relations identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

\textsuperscript{224} Hon. M Gould, Minister for Industrial Relations, transcript of evidence, 10 August 2000, p. 418
(a) Industrial relations taskforce

In its response to the Committee’s questionnaire, the Department advised that following a key recommendation from the Growing Victoria Summit the Government established an independent Industrial Relations taskforce in April 2000.\textsuperscript{225} The taskforce comprised representatives from unions, employer and community groups.

The Minister advised that the taskforce was provided with a budget up to $2 million in 2000-2001 and was to:\textsuperscript{226}

- consider the industrial relations framework that applies in Victoria with a view to recommending the best method of implementing the Government’s industrial relations policy;

- investigate and report on a number of operational matters including the social and economic effects of the abolition of the State award system, the adequacy of industrial laws in facilitating fairness and equity, the nature and extent of any disadvantage for employees, the protection of workers under contracts and agreements that define them as contractors or outworkers, the role of Government provided voluntary mediation as an alternative method of dispute resolution and the appropriateness of excluding certain types of employees from unfair dismissal legislation; and

- provide recommendations about legislative and administrative initiatives that would be appropriate to remedy identified deficiencies or inadequacies.

The Committee was advised that the Minister is currently examining the 106 recommendations made by the taskforce, and Industrial

\textsuperscript{225} Department of State and Regional Development response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 7

\textsuperscript{226} Correspondence received from the Minister for Industrial Relations, dated 22 September 2000
Relations Victoria has commissioned an independent analysis on the economic impact of these recommendations.\textsuperscript{227}

(b) Strategic Advice Unit within Industrial Relations Victoria

The Minister advised the Committee that the limited capacity of the public sector to advise on and deal with industrial disputes, particularly where a dispute had the potential for Statewide implications, was a key deficiency recognised by the Government.\textsuperscript{228} Accordingly, a Strategic Advice Unit has been established within Industrial Relations Victoria to:

- provide advice, assistance and guidance to industry and employers;
- encourage co-operative consultation; and
- communicate best practice examples in consultation and workplace practices to employers and employees.

The Unit has been allocated a budget of up to $3 million in 2000-2001, and it is proposed there will be eight to twelve members with expertise in industrial relations, representatives from employer organisations, unions, and the private and public sectors.

The Executive Director, Industrial Relations Victoria advised the unit is in its infancy but it is envisaged that different industries will be allocated to different sections of the Unit.\textsuperscript{229}

The Committee supports initiatives aimed at improving the level of advice to government, industry, employers and employees to ensure a harmonious industrial climate in Victoria.

\textsuperscript{227} Correspondence received from the Minister for Industrial Relations, dated 22 September 2000
\textsuperscript{228} Hon. M Gould, Minister for Industrial Relations, transcript of evidence, 10 August 2000, p. 422
\textsuperscript{229} Mr. G Fary, Executive Director – Industrial Relations Victoria, transcript of evidence, 10 August 2000, p. 423
(c) Child labour laws

The Minister advised that the Government intended to review Victoria's child labour laws, which are considered weak and are rarely enforced.230 The Committee was informed that child employment is still regulated under a division of the Community Services Act that was written in 1970 and has not been reviewed.

The Government intends introducing legislation to significantly increase penalties for breaches of child employment, which currently has a $100 fine and/or one month's jail. An issues paper will be prepared so all relevant stakeholders can have input into the identification of major issues requiring attention.

The Committee commends the Government’s initiative in reviewing the State's child labour laws, an action considered long overdue.

(d) Outworkers

The Committee understands that the extent of outworker exploitation in Victoria and nationally is a serious problem. The Minister advised that there are 350,000 estimated outworkers in Australia, with over 50 per cent located in Victoria, and that one of the major objectives of the Government is to end the exploitation of these workers.231

The Committee was informed of a number of problems in the outworker industry, including:

- the industry is extremely hard to regulate as much of the work occurs in private homes, garages and back rooms;
- the poor physical working conditions such as light and ventilation;
- the low level of wages paid; and

230 Hon. M Gould, Minister for Industrial Relations, transcript of evidence, 10 August 2000, p. 416
231 Ibid. p. 427
• the large number of workers who are women from non-
English speaking backgrounds who do not know their
rights and are often too afraid to notify authorities of
inequitable work practices.

The Minister advised that the Government intended to complement
an outworker exploitation reform package developed by the New
South Wales Government, through the development of a home
workers' code of practice. The Department will adopt the code of
practice and retailers will be encouraged to comply.

The Committee strongly supports the development of a code of
practice. However, it will be important that appropriate resources
are directed to regulating the enforcement of good work practice
principles within the code.

Accordingly, the Committee recommends that:

**Recommendation 14.12:**

(a) Industrial Relations Victoria actively
promote the proposed code of practice
for outworkers throughout the
industry and pursue its acceptance by
the industry;

(b) To ensure the code of practice is
effective, Industrial Relations Victoria:

(i) review the current regulation
processes for adequacy; and

(ii) determine the priority areas
requiring regulation;

(c) The Department of State and Regional
Development review the code's
effectiveness, approximately 12-18
months after implementation, to
address deficiencies and identify
emerging issues that require
incorporation into the code; and
(d) The Government undertake formal discussions with the Commonwealth Government and the other States and Territories about the possibility of a national code of practice for outworkers.

14.12 Sport and Recreation Portfolio

14.12.1 Background

The Minister for Sport and Recreation has joint responsibility for the Sport, Recreation and Racing output group within the Department. Exhibit 14.11 reveals this output group accounts for $60.9 million or 18.5 per cent of the Department’s 2000-2001 budget.

Exhibit 14.11

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Sport and Recreation</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Recreation Event and Tourism Facilitation</td>
<td>25.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Industry Development</td>
<td>4.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Facility Development</td>
<td>18.2</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Organisational Development</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Participation and Performance Facilitation</td>
<td>5.9</td>
</tr>
</tbody>
</table>

The Sport and Recreation portfolio has also been allocated $16 million in 2000-2001 from the Community Support Fund for the development of community facilities.

Major responsibilities of the Minister for Sport and Recreation are to:
• ensure that Victoria is recognised as Australia’s premier sporting State;
• provide a broad range of high quality participation opportunities;
• create high demand for and investment in sport and recreation; and
• facilitate the development of the sport and recreation industry and the maintenance of sport and recreation infrastructure in the State.

14.12.2 Performance measures

The Committee’s analysis of the Sport, Recreation and Racing output group shows the introduction of 14 new performance measures within the following outputs: Sport and Recreation Event and Tourism Facilitation (5); Sport and Recreation Industry Development (1); Sport and Recreation Facility Development (5); and Sport and Recreation Organisational Development (3). The Committee noted that four measures have been discontinued from 1999-2000.

The Committee believes the performance measures in the output group are activity based and focussed on the dates when certain sporting and recreation events will occur. However, these performance measures do not provide an indication of the contribution of these events in terms of economic activity and related advantages created, as distinct from the outcome, Growing the Whole of the State.

Accordingly, the Committee recommends that:
Recommendation 14.13:

The Department of State and Regional Development:

(a) review performance measures for the Sport, Recreation and Racing output group to ensure they provide a link between the activities in the portfolio and the achievement of the key Government outcome; and

(b) align the performance measures with the corporate plan and high level strategies and objectives of Sport and Recreation Victoria.

14.12.3 2000-2001 outlook for the Portfolio

The Committee was advised that the Sport and Recreation sector contributes approximately $3 billion to the Victorian economy each year, provides around 60,000 jobs and accounts for $78 million annually in sports-related exports processed through Victoria.232

Key initiatives of the Sport and Recreation portfolio for 2000-2001 include:

- the introduction of a stepped funding ratio to alleviate specific difficulties experienced by rural communities, and to spread the quality of sport and recreation facilities more evenly across Victoria;

- an additional $2.5 million from the Community Support Fund to assist in the development of community sport and recreation facilities;

- additional funding of $2 million from the Community Support Fund (now totalling $7 million per annum) for community and rural swimming pool redevelopment;

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232 Document provided by the Minister for Sport and Recreation at the estimates hearing on 23 August 2000, p. 4
• an allocation of $5.3 million over three years to meet specific areas of need in rural Victoria;

• an allocation of $350,000 from 1999-2000 to 2002-2003 for Regional Sports Assemblies support for sport and recreation initiatives across the whole State;

• the expansion of the Older Adult Recreation Networks into the metropolitan area and extension of support to rural areas through the allocation of $110,000 over three years;

• provision of $500,000 per annum to peak sporting associations for programs aimed at increasing participation rates, particularly for those sports with low participation;

• the allocation of $360,000 to assist the development of netball, fishing and lawn bowls; and

• maintaining a commitment to major events such as the 2006 Commonwealth Games, World Superbike Championships and initiatives to capitalise on the conduct of the Olympic Games in Sydney.

14.12.4 Key issues impacting on the Sport and Recreation Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Sport and Recreation identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Sporting and recreation needs of rural Victoria

In its response to the Committee’s questionnaire, the Department advised that $5.3 million has been allocated over three years to meet
specific areas of need in rural Victoria. Major projects to be funded from this allocation include:

- Eastern Oval Upgrade in Ballarat;
- a contribution to the Eureka Learners Pool in Ballarat;
- upgrade of the Queen Elizabeth Oval in Bendigo;
- West Bendigo Basketball Stadium;
- Bendigo Aquatic Centre upgrade;
- Dunolly facility sports upgrade;
- Leopold Community Recreation Centre; and
- Seymour heated pool.

The Minister advised that funding agreements will be made with the relevant local government authorities who will act as project managers for these developments.

The Committee supports an increase in focus on the development of sporting and recreation facilities in regional and rural Victoria. However, the Committee emphasises that it is important for this program to be long-term and that further development and upgrade opportunities are identified and incorporated into a medium-term (approximately five years) regional sporting and recreation facility development plan.

(b) Participation of older Victorians in sporting activities

The Committee considers the participation of older Victorians in sporting activities to be a key responsibility of the Sport and Recreation Portfolio. Accordingly, the Minister advised the Department will undertake the following initiatives in 2000-2001:

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233 Department of State and Regional Development response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 46
234 Correspondence received from the Minister for Sport and Recreation, dated 26 September 2000
235 Ibid
• expand the Older Adult Recreation Networks into Metropolitan Melbourne and improve services from these networks in rural and regional Victoria;

• provide funding to the Council of the Aging for two projects including ‘Living Longer Living Stronger’ and ‘Making the most of Life’;

• develop Masters programs in cricket, fencing and rowing; and

• provide $120 000 funding to promote lawn bowls over the next three years.

The monitoring of these initiatives will be through funding and service agreements.

The Committee welcomes these initiatives as positive steps in enhancing the participation of older Victorians in sporting and recreation activities.

(c) Initiatives to prevent young children from drowning

The Minister advised that $100 000 has been allocated through Sport and Recreation Victoria, in conjunction with the Building Control Commission and the Municipal Association of Victoria, to develop an action plan to minimise the number of young children drowning.236

The areas to be considered under the plan include:

• consumer standards;

• building regulations;

• information and education; and

• prevention programs.

The Government will develop a number of initiatives from the action plan to prevent young children drowning.

236 Hon. J Madden, Minister for Sport and Recreation, transcript of evidence, 23 August 2000, p. 486
(d) Impact of user charges on sporting organisations

The Committee was advised that one of the major issues confronting sporting organisations is the impact of user charges.\textsuperscript{237} The Minister advised that user charges place significant pressure on community based clubs and the Government has established a taskforce to consider:\textsuperscript{238}

- the impact of user charges in relation to the impost they place on clubs and associations, focussing on water rates and facility user charges; and
- the impact of the GST on sporting organisations.

The Committee commends the Government on the establishment of the taskforce.

14.13 Major Projects and Tourism Portfolio

14.13.1 Background

The Minister for Major Projects and Tourism has responsibility for two key output groups within the Department. Exhibit 14.12 shows these output groups account for $48 million or 14.6 per cent of the Department's 2000-2001 budget.


delimiter

Exhibit 14.12

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Major Projects and Tourism</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>Tourism Marketing</td>
<td>32.4</td>
</tr>
<tr>
<td></td>
<td>Tourism Industry and Infrastructure Development</td>
<td>7.7</td>
</tr>
<tr>
<td></td>
<td>Event Facilitation</td>
<td>3.1</td>
</tr>
<tr>
<td>Major Projects</td>
<td>Major Public Construction and Land Development</td>
<td>4.8</td>
</tr>
</tbody>
</table>

\textsuperscript{237} Ibid
\textsuperscript{238} Ibid, p. 488
The major responsibilities of the Minister for Major Projects and Tourism are to:

- maximise employment and the long-term economic benefits of tourism by developing and marketing Victoria as a competitive tourist destination;
- hold and improve market share and develop emerging markets;
- facilitate industry development to enhance the cohesiveness and cooperation of the industry;
- manage the construction and renovation of public buildings;
- redevelop surplus Government property;
- provide the impetus for projects requiring Government initiation or support; and
- facilitate complex private sector projects that require co-ordination.

14.13.2 Performance measures

The Committee's analysis of the performance measures contained in the Tourism and Major Projects output groups shows:

- performance measures in the tourism output group adequately measure the level of tourism activity in the State. However, qualitative measures relating to the awareness of advertising of Victoria in other States do not include the means by which this awareness is measured; and
- all performance measures in the major projects output group are timeliness measures based on the completion of projects or stages of projects. However, there are no performance measures based on completion of major projects within costing constraints and in accordance with quality standards.
The Committee believes the performance measures in these output groups need to be reviewed in terms of providing the basis of measures for awareness of advertising in other States and to provide costing and qualitative measures on major projects or stages of major projects completed.

Accordingly, the Committee recommends that:

**Recommendation 14.14:**

The performance measures for the Tourism and Major Projects Portfolios be reviewed to ensure they are adequate.

14.13.3 2000-2001 outlook for the Portfolio
(a) Tourism

The Minister advised the Committee that key initiatives for the portfolio in 2000-2001 include:

- completion of the Victorian Tourism Online project;
- the design of Phase 6 of the Jigsaw campaign;
- complete the implementation of the Government’s Olympics strategy;
- commence work on the Government’s Strategic Framework Plan for 2002-2004;
- develop and market regional products, including events; and
- influence and leverage of the Domestic Tourism Initiative which is a co-operative initiative between the Commonwealth Government, Industry and the States.

The tourism industry is a key component in the economic activity of the State by contributing $10.5 billion to GSP (estimated $15.5 billion by 2004) and providing 241,950 direct and indirect jobs (estimated to be 267,000 by 2004). The Committee welcomes the key initiatives as a positive step to enhance tourism in Victoria.
(b) Major Projects

The management of large and complex projects is also an important component of the State’s economic activity with capital expenditure on public construction estimated to be $180 million in 2000-2001, and land development activities projected to be $36 million. Current projects include Federation Square; National Gallery Redevelopment; the Malthouse Plaza; Sydney Myer Music Bowl; Multi-Purpose Venue; the State Hockey/Netball Centre; Melbourne Museum; Melbourne Exhibition Building Refurbishment and the State Library Redevelopment.239

In addition, the Major Projects portfolio includes responsibility for the development of Melbourne’s Docklands Precinct comprising 220 hectares of land and water, an anticipated development period of 15 years, projected development value of over $6 billion and over $2 billion of projects committed, commenced, or completed.

14.13.4 Key issues impacting on the Major Projects and Tourism Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Tourism and Major Projects identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Exploiting the tourism benefits of the Sydney Olympic Games

The Committee noted the biggest event on Australia’s national calendar in 2000-2001 was the Olympic Games in Sydney. An important challenge for the Tourism portfolio was to maximise the benefits flowing from the Games in terms of domestic and international tourism to Victoria. The Minister advised that a key to

239 Document supplied by the Minister for Major Projects and Tourism at the estimates hearing on 8 August 2000
any subsequent strategy will be to ensure the whole of the State is showcased and not only Melbourne.240

The Committee was informed that the Tourism Forecasting Council predicts the benefits of the Sydney Olympics in promoting Australia, as a tourist destination for international visitors, will flow up to 2007. Therefore, the Committee believes the Government should place a high priority on maximising the benefits from this event.

(b) E-commerce in the tourism industry

The Committee believes a key challenge for the Tourism portfolio involves utilising digital technology for marketing Victoria and conducting tourism operations on-line. The Minister advised the Tourism On-line facility is the Government’s vehicle for exploiting on-line activities.241 So far, this strategy has been limited to an industry launch as the technology is not widely available in the market place.

The Committee noted the Government is satisfied with the facility’s performance in the four months of its operation as there are twice as many ‘hits’ on the web domain addresses than calls received on the phone line service, leading to additional investment by the industry.

The Committee considers the use of e-commerce for on-line bookings and marketing of Victoria to be a vital means of tourist access to information on Victoria as a potential tourism destination. Accordingly, the Committee encourages the Government to further develop this medium where possible.

240 Hon. J Pandazopoulos, Minister for Major Projects and Tourism, transcript of evidence, 8 August 2000, p. 314
241 Ibid, p. 312
(c) Federation Square commercial leasing arrangements

The Committee was advised of a problem on the Federation Square project where the property titles had not been structured in accordance with the proposed basis of development, creating difficulties for the Federation Square Management Company (the Company) to sub-lease titles to commercial tenants. The Minister indicated that the issue relating to land titles is serious and has made the effective planning for the project difficult. The land is currently with VicTrack and the Company is in the process of transferring the title (which should have occurred two years ago) to allow for the transaction of tenants' leases and commercial arrangements.

The Minister also advised there has been a lack of documentation, particularly supporting documentation on commercial leases, resulting in delays and cost implications for the project. This documentation includes:

- titles;
- tenancy guidelines;
- fit-out contribution agreements; and
- loading bay management operational guidelines.

The Company is currently addressing this issue.

In addition, the Government is pursuing $50 million for the project promised by the Commonwealth Government. The Committee is concerned at the continued problems with the Federation Square project.

Accordingly, the Committee recommends that:
Recommendation 14.15:

(a) The Federation Square Management Company assign high priority to establishing governance processes to ensure that documentation is properly accounted for, and that an effective audit trail exists; and

(b) The Government continue to pursue the $50 million promised by the Commonwealth Government.

(d) Role of the Office of Major Projects

The Minister advised that the role of the Office of Major Projects in the past has been to manage projects referred by the Premier as sponsor.243 However, the Government is reviewing the role of the Office with a view to:

- becoming involved in a wider variety of projects;
- managing projects outside central Melbourne; and
- providing advice on possible major projects.

The Committee supports the review, particularly given the Government’s focus on infrastructure projects in regional and rural Victoria. However, it will be important that the agreed role of the Office is clearly communicated and formalised, and that appropriate protocols are developed with departments, agencies and relevant portfolios that will be affected by an enhanced role for the Office.

243 Ibid, p.324
CHAPTER 15: DEPARTMENT OF TREASURY AND FINANCE

Key Findings:

15.1 Under the horizontal fiscal equalisation policy employed by the Commonwealth Government, Victoria is currently subsidising other States by $847 million, which is more than any other State.

15.2 The establishment of e-commerce is critical to the Government's intention for procurement activities to take place electronically, and to ensure that isolation or the size of a business will not impede regional firms from tendering for contracts with Government.

15.3 Victoria's manufacturing industry has a high incidence of work-related deaths and occupational health and safety issues.

15.4 The Government is considering over 200 submissions from the gaming industry, individuals, local government and community groups in response to the responsible gaming consultation paper and public forums.

15.1 Departmental overview

The Department’s output structure was reviewed in October 1999 to ensure alignment with changes in policy. Exhibit 15.1 shows the Government’s required outcomes of the Department:
Exhibit 15.1

<table>
<thead>
<tr>
<th>Government Policy</th>
<th>Outcome required from the Department of Treasury and Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible financial management including maintenance of a substantial budget sector operating surplus</td>
<td>Maintain a substantial Budget surplus</td>
</tr>
<tr>
<td>Promoting growth across the whole State</td>
<td>Achieve economic growth for the whole State</td>
</tr>
<tr>
<td>Delivering improved services particularly in key areas of education, health and community safety</td>
<td>Value for money services</td>
</tr>
<tr>
<td>Restoring democracy through open and accountable government</td>
<td>A transparent and accountable financial system</td>
</tr>
</tbody>
</table>

The Department provides services to four Ministers: the Treasurer; Minister for Finance; Minister for WorkCover and Minister for Gaming.

15.2  **Output management framework**

The Department’s 2000-2001 output management framework is shown in Exhibit 15.2.
Exhibit 15.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management Services</td>
<td>21.0</td>
<td>32.0</td>
<td>25.3</td>
<td>20.2</td>
</tr>
<tr>
<td>Privatisation Services</td>
<td>40.2</td>
<td>26.0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Reform Services</td>
<td>42.9</td>
<td>18.0</td>
<td>39.3</td>
<td>- 8.5</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>26.0</td>
<td>31.3</td>
<td>25.4</td>
<td>- 2.0</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>107.7</td>
<td>105.9</td>
<td>94.8</td>
<td>- 12.0</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>16.0</td>
<td>16.7</td>
<td>12.0</td>
<td>- 25.0</td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>24.3</td>
<td>15.6</td>
<td>22.7</td>
<td>- 6.7</td>
</tr>
<tr>
<td>Taxation Management Services</td>
<td>56.2</td>
<td>58.7</td>
<td>55.6</td>
<td>- 1.0</td>
</tr>
<tr>
<td>Total</td>
<td>334.3</td>
<td>304.2</td>
<td>275.1</td>
<td>- 17.7</td>
</tr>
</tbody>
</table>

The Committee noted there has been minimal change to the output group structure of the Department with seven of the eight output groups from 1999-2000 remaining in 2000-2001. The output group 'Privatisation Services' was discontinued for the following reasons:

- the activities of the group were largely completed by September 1999; and
- to reflect the Government's focus on 'value for money' services which may be provided by the public or private sectors or a combination of both.

15.3 Analysis of the 2000-2001 Budget

As shown in Exhibit 15.2, the Department's budget allocation for 2000-2001 was $275.1 million representing a $59.2 million or 17.7 percent decrease from 1999-2000. The Committee's analysis of output group allocations shows the following material variations:
• the Financial Management Services output group increased by $4.3 million or 20.2 per cent due to the transfer of the Budget Development and Production output ($3.9 million) from Resource Management Services and the inclusion of a new output relating to Tax Compliance Services;

• the deletion of the Privatisation Services output group resulted in a reduction of $40 million in the Department's overall budget;

• the Resource Management Services output group decreased by $12.9 million or 12 per cent due to the transfer of the Budget Development and Production output to Financial Management Services and a $4.8 million redistribution of the capital assets charge and depreciation to other output groups; and

• the Risk Management Services output group decreased by $4 million or 25 per cent due to the one-off costs in 1999-2000 relating to the whole of Government preparation for the potential Year 2000 computer bug.

15.4 Financial analysis

The operating statement for the Department of Treasury and Finance is as follows:
### Exhibit 15.3

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>288.5</td>
<td>251.0</td>
<td>235.1</td>
<td>- 13.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>350.5</td>
<td>312.8</td>
<td>286.1</td>
<td>- 10.8</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit before revenue for increase in net assets</td>
<td>(62.0)</td>
<td>(61.7)</td>
<td>(51.1)</td>
<td>- 0.5</td>
</tr>
<tr>
<td>add</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>20.2</td>
<td>0.7</td>
<td>42.1</td>
<td>96.5</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td></td>
<td></td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>(41.8)</td>
<td>(61.0)</td>
<td>(8.0)</td>
<td>- 45.9</td>
</tr>
</tbody>
</table>

**Administered Items**

| Operating Revenue              | 1777.0                          | 1873.9                                | 2067.3                          | 5.5           |
| Operating Expenses              | 1939.0                          | 1719.7                                | 2372.7                          | - 11.4        |
| Operating Surplus/ Deficit      | (162.0)                         | 154.2                                 | (305.0)                         | N/A           |

The variations for operating revenue and expenditure (controlled) in 1999-2000 are material as are operating expenses (administered). The Committee noted that the impact of these variations on the controlled operating deficit is minimal with a $300 000 or 0.5 per cent reduction from the estimated position.

For the Department’s administered items there has been a 5.5 per cent increase in operating revenue coupled with an 11.4 per cent reduction in operating expenses, this situation has resulted in an actual estimated administered surplus of $154.2 million compared to the estimated deficit of $162 million in 1999-2000. However, the Committee was unable to analyse the administered component of the operating statement because the Department did not provide reasons for major variations to administered revenue and expenditure.
In response to the Committee’s questionnaire, the Department provided the following reasons for major variations to controlled items:

- controlled operating revenue is expected to decrease by $37.5 million due to appropriation funding ($30.2 million) required to fund expenditure not offset from other revenue sources and a $7.6 million reduction in other miscellaneous revenue;

- controlled operating expenditure was expected to decrease by $37.71 million from the 1999-2000 estimate due to a level of underspending from the change in Government policy in privatisation and reform ($30.58 million), including superannuation reform of $15 million to be carried forward to 2000-2001; and

- due to increases in net assets, revenue decreased from an estimated $20.7 million to an estimated actual of $0.7 million due to a carry-over of revenue to 2000-2001 ($17.1 million) and funding of assets from accumulated depreciation ($2.41 million).

15.4.1 Other Revenue and Other Expenses

In response to the Committee’s questionnaire, the Department provided a detailed breakdown of items contained in “other revenue” and “other expenses” for both controlled and administered categories. The breakdown supplied by the Department is as follows:244

---

244 Response by the Department of Treasury and Finance to the Committee’s 2000-2001 estimates questionnaire, Part B, Question 1.5
### Exhibit 15.4 - Other Revenue and Expenses (Controlled)

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building rental and signage income</td>
<td>- 16.7</td>
<td>- 18.7</td>
<td>12.2</td>
</tr>
<tr>
<td>VAIP rental revenue</td>
<td>- 12.0</td>
<td>- 12.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Vehicle lease revenue</td>
<td>- 10.7</td>
<td>- 10.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Sale of Goods and Services (Fees received)</td>
<td>- 2.8</td>
<td>- 2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Gross Sale Proceeds - Land</td>
<td>0.0</td>
<td>- 1.0</td>
<td></td>
</tr>
<tr>
<td>Value of Assets Sold - Land</td>
<td>60.0</td>
<td>48.7</td>
<td>- 18.8</td>
</tr>
<tr>
<td>Value of Assets Sold - Buildings</td>
<td>0.0</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Other miscellaneous revenue</td>
<td>- 7.6</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>10.2</strong></td>
<td><strong>3.7</strong></td>
<td><strong>- 63.6</strong></td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance Lease Interest</td>
<td>15.8</td>
<td>15.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Finance expenses and Fees</td>
<td>0.0</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>FID/ BAD Taxes</td>
<td>0.0</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Unrealised gains/ losses on borrowings</td>
<td>0.0</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>Current grants to the Commonwealth</td>
<td>0.0</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>Current grants to other State Governments</td>
<td>0.0</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Current Grants to GBE’s - within portfolio</td>
<td>6.9</td>
<td>5.5</td>
<td>- 19.7</td>
</tr>
<tr>
<td>Current grants to general government budget sector</td>
<td>0.0</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>1999-2000 Budget ($million)</td>
<td>2000-2001 Budget ($million)</td>
<td>Variation (%)</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>-----------------------------</td>
<td>------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Current grants to local government</td>
<td>0.05</td>
<td>4.1</td>
<td>8004.0</td>
</tr>
<tr>
<td>Current grants to private sector businesses</td>
<td>0.03</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Current grants to private sector not-for-profit organisations</td>
<td>0.09</td>
<td>0.08</td>
<td>-16.7</td>
</tr>
<tr>
<td>Current grants to households and persons</td>
<td>0.0</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>Capital grants to non-budget non-profit organisations</td>
<td>0.1</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Other assets given free of charge</td>
<td>0.0</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>Transfers between funds</td>
<td>16.2</td>
<td>11.0</td>
<td>32.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39.1</strong></td>
<td><strong>41.8</strong></td>
<td><strong>6.9</strong></td>
</tr>
</tbody>
</table>

The Committee’s analysis of the items included as ‘other revenue’ and ‘other expenses’ (controlled) shows no material balances classified under these categories.

The Committee’s review of information supplied by the Department for items contained in ‘other revenue’ and ‘other expenses’ (administered) shows 85 items under other revenue and 15 items under other expenses.

Exhibit 15.5 identifies a number of items within these categories with material balances:
## Exhibit 15.5 - Other Revenue and Expenses (administered)

<table>
<thead>
<tr>
<th>Item</th>
<th>1999-2000 Budget ($ million)</th>
<th>2000-2001 Budget ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Revenue (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll Tax</td>
<td>- 2221.1</td>
<td>- 2458.9</td>
<td>10.7</td>
</tr>
<tr>
<td>Payroll tax receipts - Identifiable Budget Sector</td>
<td>- 297.2</td>
<td>- 298.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Land Tax</td>
<td>- 387.6</td>
<td>- 489.4</td>
<td>26.3</td>
</tr>
<tr>
<td>Stamp Duty on conveyances and land transfers</td>
<td>- 911.0</td>
<td>- 1040.0</td>
<td>14.2</td>
</tr>
<tr>
<td>Debits Tax</td>
<td>- 260.4</td>
<td>- 253.2</td>
<td>- 2.7</td>
</tr>
<tr>
<td>Financial Institutions Duty</td>
<td>- 347.9</td>
<td>- 364.3</td>
<td>4.71</td>
</tr>
<tr>
<td>Private lotteries - Lotteries turnover tax</td>
<td>- 322.7</td>
<td>- 306.3</td>
<td>- 5.1</td>
</tr>
<tr>
<td>Electronic Gaming Machines - Tattersall - H&amp;C Fund</td>
<td>- 340.2</td>
<td>- 367.8</td>
<td>8.11</td>
</tr>
<tr>
<td>Non-life Insurance business</td>
<td>- 275.3</td>
<td>- 325.7</td>
<td>18.31</td>
</tr>
<tr>
<td><strong>Other Expenses (Administered)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current grants to private sector businesses</td>
<td>115.2</td>
<td>176.6</td>
<td>53.4</td>
</tr>
<tr>
<td>Current grants to households and persons</td>
<td>1.6</td>
<td>239.4</td>
<td>15178.7</td>
</tr>
</tbody>
</table>

The Committee believes that full disclosure of all material items in the operating statement allows for better quality information in the Budget Papers, particularly in relation to departmental revenue and expenses and the cost of providing its outputs.

Accordingly, the Committee recommends that:
Recommendation 15.1:

The Department of Treasury and Finance review its current disclosures in the 2000-2001 Budget Papers with a view to improving the quality of information in the operating statement.

15.5 Corporate and business plans

The Committee is very pleased that, after many years of requesting a copy of the Department’s corporate plan, it has been provided.

15.6 Human resources issues

The Department estimated it would have 430.77 Equivalent Full Time staff at 30 June 2000. This compares with an actual 486.90 at 30 June 1999.

Exhibit 15.6

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 1999 (actual)</th>
<th>30 June 2000 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget and Financial Management</td>
<td>163.84</td>
<td>111.48</td>
</tr>
<tr>
<td>Commercial Policy and Projects</td>
<td>132.18</td>
<td>129.80</td>
</tr>
<tr>
<td>Corporate Services Centre</td>
<td>79.40</td>
<td>82.60</td>
</tr>
<tr>
<td>Economic and Financial Policy</td>
<td>64.60</td>
<td>68.60</td>
</tr>
<tr>
<td>Secretary’s Office</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>42.88</td>
<td>34.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>486.90</strong></td>
<td><strong>430.77</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Treasury and Finance to the Committee's 2000-2001 estimates questionnaire, Part A, Question 5.1
Exhibit 15.6 shows there has been a decrease of 56.13 Equivalent Full Time staff or 11.5 per cent over the actual level at 30 June 1999. In response to the Committee’s questionnaire, the Department provided the following reasons:

- a reduction of 52.4 (47 per cent) Equivalent Full Time staff in the Budget and Financial Management Division due to the transfer of the Public Sector Employee Relation Branch to the Department of State and Regional Development and the transfer of the Accommodation group to the Commercial Policy and Projects Division; and

- a reduction of 8.6 (25 per cent) Equivalent Full Time staff in the Strategic Management Division due to a restructure of functions, reduction of executive positions and the transfer of ministerial staff to the Department of Premier and Cabinet.

15.6.1 Key staffing issues facing the Department

In its response to the Committee’s questionnaire, the Department indicated it was having difficulties in recruiting specialist finance staff, particularly with GST experience. Other areas experiencing recruitment problems include:

- quality economists; and

- staff with commercial experience.

The Department advised that it was managing these shortfalls by reviewing the possible secondment or assignment of internal staff. The Department is also developing a succession planning model that is aimed at preparing internal staff for management and senior technical roles, and has successfully piloted a career management discussion and data gathering process at executive level. There are plans to extend this process across the Department.

245 Response by the Department of Treasury and Finance to the Committee’s 2000-2001 estimates questionnaire, Part A, Question 5.6
The Committee is concerned at the current shortfalls being experienced by the Department in key areas. However, the encouragement and promotion of internal staff, where appropriate, is seen as a positive aspect of career development and a means of retaining key skills within the Department.

15.6.2 Promotion of women in the Department

The Committee noted that the Department has a high percentage of women in its workforce. The percentage of Equivalent Full Time women to men estimated at 30 June 2000 is shown in the following table:

Exhibit 15.7

<table>
<thead>
<tr>
<th>Classification</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
<th>Percentage of Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO-1</td>
<td>1.0</td>
<td>3.0</td>
<td>4.0</td>
<td>25.0</td>
</tr>
<tr>
<td>EO-2</td>
<td>6.0</td>
<td>14.0</td>
<td>20.0</td>
<td>30.0</td>
</tr>
<tr>
<td>EO-3</td>
<td>10.0</td>
<td>49.0</td>
<td>59.0</td>
<td>16.9</td>
</tr>
<tr>
<td>VPS-5</td>
<td>35.5</td>
<td>66.0</td>
<td>101.5</td>
<td>35.0</td>
</tr>
<tr>
<td>VPS-4</td>
<td>24.6</td>
<td>47.0</td>
<td>71.6</td>
<td>34.0</td>
</tr>
<tr>
<td>VPS-3</td>
<td>46.2</td>
<td>31.0</td>
<td>77.2</td>
<td>59.8</td>
</tr>
<tr>
<td>VPS-2</td>
<td>51.5</td>
<td>31.0</td>
<td>82.5</td>
<td>62.4</td>
</tr>
<tr>
<td>VPS-1</td>
<td>7.0</td>
<td>8.0</td>
<td>15.0</td>
<td>46.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>181.8</strong></td>
<td><strong>249.0</strong></td>
<td><strong>430.8</strong></td>
<td><strong>42.2</strong></td>
</tr>
</tbody>
</table>

Exhibit 15.7 shows that around 42 per cent of the Department’s workforce are women. However, the Committee noted that women occupy a much smaller percentage of senior managerial positions:

- 17 or 20.5 per cent of executive officers in the Department are women;
- 34.7 per cent of VPS-4 & VPS-5 officers are women; and
- 59.5 per cent of officers up to VPS 3 level are women.
In its response to the Committee's questionnaire, the Department advised that it released a Flexible Working Policy during 1999 to provide greater access and awareness of flexible working practices.246 These practices include:

- part-time employment;
- telecommuting;
- additional leave for carers;
- flexible start and finish times; and
- parental leave.

It appears that additional strategies are needed to encourage women to apply for managerial and leadership positions in the Department.

Accordingly, the Committee recommends that:

**Recommendation 15.2:**

The Department of Treasury and Finance:

(a) establish formal protocols, with the Office of Women, to identify emerging issues in a timely manner; and

(b) develop a comprehensive strategy to encourage women into management positions.

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246 Response by the Department of Treasury and Finance to the Committee’s 2000-2001 estimates questionnaire, Part A, Question 5.4
15.7 Treasurer's Portfolio

15.7.1 Background

The Treasurer has sole or joint responsibility for five key output groups within the Department. Exhibit 15.8 shows that the outputs within these output groups under the responsibility of the Treasurer account for $104.5 million or 37.9 per cent of the Department’s 2000-2001 budget.
### Exhibit 15.8

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Key output</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management Services</td>
<td>Budget Development and Production</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>GBE Reform Monitoring Services</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Monitoring and Forecasting Services</td>
<td>2.2</td>
</tr>
<tr>
<td>Reform Services</td>
<td>Commercial Project Management</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>National Competition Policy and related Reforms</td>
<td>4.6</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>Project Risk Management</td>
<td>4.0</td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>Budget Formulation Advice</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>Economic and Financial Analysis</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Economic and Social Policy Advice</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>Industry Reform Policy Advice</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Inter Government Financial Relations Policy Advice</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>Research Strategies</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>Strategic Industry Policy Advice</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Policy Advice</td>
<td>1.6</td>
</tr>
<tr>
<td>Taxation Management Services</td>
<td>Taxation Management Services to Government</td>
<td>36.6</td>
</tr>
<tr>
<td></td>
<td>Taxpayer/ Customer Advice and Support</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>104.5</strong></td>
</tr>
</tbody>
</table>

The major responsibilities of the Treasurer are to:

- deliver responsible financial management through a surplus budgetary position of at least $100 million each year, a reduction in State debt and minimising the level of unfunded superannuation liabilities;
- grow the State through the establishment of the $1 billion Growing Victoria Reserve and reducing business taxes;
develop and implement financial management reforms to support the GST and National Competition Policy;

- provide project risk advice on infrastructure and other partnership models; and

- provide tax advice, support and determinations for Victorian taxpayers in addition to the management of taxation receipts and taxes owed to the State.

15.7.2 2000-2001 outlook for the Portfolio

In 2000-2001, the Treasury portfolio will play a key role in the implementation of key Government reforms such as the implementation of a whole of government public-private partnership framework, establishing a transparent financial reporting framework and ensuring adequate environmental flows are restored to the Snowy River.

Key initiatives for the portfolio in 2000-2001 include:

- funding to cover the cost of the Longford class action;

- $6.06 million for the Department to purchase land valuations;

- $3.93 million for the continuation of Rural Finance Corporation assistance programs, particularly the exceptional circumstances program and the Regional Rural Adjustment Scheme;

- $1.64 million for Part 2 of the Land Tax Data Matching Project; and

- $1 million for an increase in stamp duty refunds through concessions for disadvantaged persons and first home buyers.

15.7.3 Performance measures

The Committee’s review of performance measures contained in the outputs under the responsibility of the Treasurer shows there were 27
new measures introduced. However, in its 1999-2000 Estimates Report the Committee raised a number of issues in relation to the quality of performance measures in the Budget Papers. These issues revolved around the:

- significant reliance on “ministerial satisfaction” as a qualitative measure of performance when there are other stakeholders whose satisfaction is also important;
- minimal value of measures whose achievement is stated in the absolute (i.e. Yes or No);
- confusion as to what is being measured in some instances;
- lack of information on the basis for setting targets for each of the performance measures;
- many instances where current targets were set at the same level as the previous year rather than setting targets promoting continuous improvement;
- difficulty in linking key Government outputs for particular output groups to the performance measures established; and
- questionable focus of some performance measures.

The Committee is concerned that these issues have still not been resolved in the performance measures identified for the Department in the 2000-2001 Budget Papers.

Accordingly, the Committee strongly recommends that:

**Recommendation 15.3:**

The Department of Treasury and Finance urgently review its performance measures contained in the Budget Papers to ensure that they are adequate and meaningful.
15.7.4 Key issues impacting on the Treasury Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Treasurer identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Obtaining a better financial deal for the State from the Commonwealth Government

A key commitment of the Government in 2000-2001 and beyond is to obtain a better financial deal for Victoria under the horizontal fiscal equalisation policy employed by the Commonwealth Government.

The Treasurer advised the Committee that Victoria is currently subsidising other States to the extent of $847 million.247

The Treasurer also highlighted the following:

- New South Wales subsidises other States to the extent of $838 million;
- Victoria, New South Wales and Western Australia subsidise the rest of the States; and
- each Victorian taxpayer subsidises the Northern Territory $930 per capita.

The major areas of subsidisation relate to the Australian Health Care Agreement (see page 268), roads funding (see page 314) and the allocation of specific purpose payments of which Victoria’s share is 22.5 per cent compared to Victoria contributing 25 per cent of Australia’s economic activity. This represents a shortfall of around $304 million.

The Committee was informed that the Treasurer has held discussions with the Premiers and Treasurers of both NSW and Western Australia with a view to redressing the current imbalance.

(b) Review of Victorian business taxes

The Committee noted that in 2000-2001 taxation revenue will account for $7,845.3 million or 35.4 per cent of the State’s total revenue. A major component of the Government’s policy agenda is to ensure the State’s tax system is fair, competitive and supports the needs and challenges faced by business in a changing economy.

Accordingly, the Treasurer advised of the Government’s commitment to deliver $400 million in tax cuts to businesses over the next four years, subject to the maintenance of a substantial operating surplus of at least $100 million.\textsuperscript{248} The composition of the tax cuts will be determined through a review of the State’s business taxes by an independent State Tax Review Committee. This Committee is to report to the Treasurer by 11 December 2000.

The Review Committee conducted a comprehensive consultation process with business and the community with information forums held in 10 metropolitan, regional and rural centres. In addition, the Review Committee also called for submissions from the public and released a discussion paper in September 2000. However, the Committee is concerned that the information forums were conducted in the middle of the day (seven of the ten forums were held between 11am and 3pm) and that this may have adversely affected the ability of small business operators and the community to attend. The Committee believes these forums would have been more effective had they been held after business hours to enable more people to attend.

The Committee recommends that:

\textsuperscript{248} Ibid, p. 19
Recommendation 15.4:

The Government develop a strategy to implement relevant tax changes which detail the Government’s tax reform objectives. This should include short/medium/long-term actions required to implement that reform and key performance indicators that measure the effectiveness of these actions.

(c) Implementation of the public-private partnership framework

The Committee is aware that a key policy objective of the Government involves a move away from privatisation towards the establishment of public and private sector partnerships in the provision of public infrastructure and related ancillary services.

The Treasurer advised the Partnerships Victoria Policy, launched on 27 June 2000, is the Government’s platform to maximise the level of infrastructure spending through the use of resources from both the public and private sectors.249

The Treasurer also advised that the Government will develop detailed guidance material to support the implementation of individual partnership projects including guidance on risk management and the provision of advice on risk allocation and commercial terms.250

The Committee believes the Partnerships Victoria Policy has the potential to play a key role in the construction and transformation of the State’s infrastructure through the transfer of risk from the public to the private sector, the introduction of flexibility and innovation, and an accelerated delivery of partnership projects. However, it will be important that detailed guidance material is developed to ensure all partnership projects are implemented effectively and consistently.

249 Correspondence received from the Treasurer, dated 30 July 2000
250 Ibid
Accordingly, the Committee recommends that:

**Recommendation 15.5:**

The implementation of partnership projects be based on:

(a) consistent and well defined tendering processes;

(b) an element of flexibility and innovation in project delivery to allow both parties to introduce innovative solutions;

(c) an assessment of the Government’s skills to develop effective specifications and manage the subsequent contract; and

(d) an acceptable level of risk responsibility for each party.

15.8 Finance Portfolio

15.8.1 Background

The Minister for Finance has sole or joint responsibility for five key output groups within the Department. Exhibit 15.9 shows that the outputs within these output groups under the responsibility of the Finance portfolio account for $153.7 million or 55.9 per cent of the Department’s 2000-2001 budget.
## Exhibit 15.9

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Key Output</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management Services</td>
<td>Cash Management Services</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Financial Reporting and Control</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>Liabilities Management Services</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Portfolio Performance Review</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Taxation Compliance Services</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Unclaimed Moneys Administration</td>
<td>0.5</td>
</tr>
<tr>
<td>Reform Services</td>
<td>Resource Management Reform</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Superannuation Reform</td>
<td>15.5</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>Economic Regulatory Services</td>
<td>11.1</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>Accommodation Services</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>Management of Building Finance Leases</td>
<td>50.5</td>
</tr>
<tr>
<td></td>
<td>Government Land and Property Services</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>Management of Motor Vehicle Leases</td>
<td>27.8</td>
</tr>
<tr>
<td></td>
<td>Purchasing and Procurement Services</td>
<td>4.1</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>Prudential Supervision</td>
<td>8.0</td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>Financial Management Regulation and Compliance</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Financial and Risk Management Policy Advice</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>Strategic Industry Policy Advice</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>153.7</strong></td>
</tr>
</tbody>
</table>
The key responsibilities of the Minister for Finance include:

- provision of financial management infrastructure including financial systems and directions, risk and liability management and reporting, monitoring and compliance frameworks;
- administration of Government assets including accommodation (owned and leased), management of crown owned surplus property and government motor vehicle leases;
- the Government’s purchasing and procurement systems;
- the Office of the Regulator General; and
- principles and practices of the Management Reform Program.

15.8.2 2000-2001 outlook for the Portfolio

The Minister for Finance has a key role in the delivery of responsible financial management. Accordingly, initiatives of the Finance portfolio in 2000-2001 include:

- further reducing the State’s liabilities from 10.9 per cent of GSP in June 1999 to 7.7 per cent by June 2004;
- developing a new funding framework for superannuation with the aim of achieving 100 per cent funding for all superannuation liabilities by 2035;
- conducting a pilot project for the implementation of electronic commerce for procurement or EC4P;
- implementing new reporting requirements in accordance with changes to the Financial Management Act such as budget sector financial results reported quarterly and a whole of government report published every six months; and
• asset investment initiatives such as consolidating Land Victoria’s functions ($5.9 million), the Westgate Authority Building ($2 million), Transport House ($2 million) and the relocation of Police Prosecutors ($0.9 million).

15.8.3 Performance measures

The Committee noted that a principal objective of the Finance portfolio has been the development of adequate performance indicators by departments. The Minister advised that in the past there has not been a strong connection between the performance measures in the Budget Papers and the day-to-day operations of a department in achieving its corporate and business objectives. The Government is concentrating on moving away from measuring the implementation of specific initiatives in a particular budget year towards measuring the achievement of Government outcomes and objectives.

The Committee supports the Government’s intention, and is aware that this will require substantial work.

Accordingly, the Committee recommends that:

Recommendation 15.6:

The Department of Treasury and Finance undertake a review to link the performance measures in the Budget Papers to objectives, targets and indicators contained in the Department’s corporate and business plans.

15.8.4 Key issues impacting on the Finance Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Finance identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

251 Hon. L Kosky, Minister for Finance, transcript of evidence, 23 August 2000, p. 510
(a) Implementation of electronic commerce procurement

The Committee is aware that the Government has made a commitment to promoting access for regional business to Government purchasing opportunities. The Minister advised that the establishment of e-commerce is critical to the Government’s intention for procurement activities to take place over the Internet, and will ensure that isolation or the size of a business will not impede regional firms from tendering for contracts with Government.  

The Government has adopted a number of initiatives aimed at the introduction of electronic commerce for procurement (EC4P), including:

- allocating $14.5 million for two years from 2000-2001 to implement e-commerce across the eight Government Departments and Victoria Police, in addition to assisting small/medium businesses to establish the necessary infrastructure to utilise e-commerce;
- organising regional fairs to ensure businesses are well informed of the processes; and
- conducting a pilot project by the Department of Natural Resources and Environment for the EC4P process.

The Committee supports the EC4P initiative as a means of generating cost savings for Government in its procurement activities and providing improved access for regional businesses in tendering for government contracts. However, it is important for the implementation of EC4P to be continually monitored to ensure anticipated benefits are derived.

Accordingly, the Committee recommends that:

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252 Ibid, p. 512
Recommendation 15.7:

The Government:

(a) closely monitor the results of the pilot project for Electronic Commerce for Procurement (EC4P) within the Department of Natural Resources and Environment and prepare a summary report at its conclusion;

(b) develop an implementation model based on the results of the pilot project;

(c) develop a strategy which aims to implement EC4P across government in a timely and effective manner; and

(d) promote regular consultation with business in regional areas to ensure that e-commerce infrastructure is appropriate and identify areas where the EC4P strategy can be improved.

(b) Development of a reporting framework for taxation compliance

The Committee noted that, in Budget Paper No. 3, the Government has incorporated a new performance measure relating to the “Preparation of a quarterly report outlining the level of taxation compliance of the VPS”.253

The Committee was advised that the Department concentrated all efforts up to 1 July 2000 on compliance with the Commonwealth Government’s new taxation system, and that it is now developing a framework to ensure that all Government agencies are complying with the new tax system.254 The Government is required to register

254 Mr G Hehir, Deputy Secretary – Budget and Financial Management Division, Department of Treasury and Finance, transcript of evidence, 23 August 2000, p. 516
initial returns in November 2000 and therefore needs to have the compliance framework in place at that stage.

Accordingly, the Committee recommends that:

**Recommendation 15.8:**

The Department of Treasury and Finance:

(a) develop and implement the reporting framework for taxation compliance in a timely manner and ensure that the framework is reviewed after the initial returns in November 2000; and

(b) a similar review be completed after the 2000-2001 financial year.

(c) Development of guidelines for general government balance sheet management

The Committee is aware that the Department of Treasury and Finance plans to develop a set of guidelines for balance sheet management across Government. Although the Department advised that these guidelines have yet to be prepared, there are a number of documents relating to effective balance sheet management which are available, including:\(^255\)

- capital investment planning and budgeting;
- incentives for optimising physical assets such as the application of the capital assets charge and depreciation expense as output costs and the retention of proceeds of asset disposal; and
- managing significant expenses/liabilities such as long service leave entitlements.

\(^{255}\) Department of Treasury and Finance response, dated 23 August 2000, to questions on notice from the estimates hearing.
The Committee was advised that the development and documentation of a more comprehensive balance sheet management framework is planned for completion in 2000-2001.

The Committee believes the framework will provide an important management tool for Departments, and encourages the Department of Treasury and Finance to complete the framework as a matter of priority.

15.9 WorkCover Portfolio

15.9.1 Background

The Minister for WorkCover has responsibility for the key output “WorkCover Policy Advice” within the Strategic Policy Advice output group. This output accounts for $900 000 in the Department’s 2000-2001 budget.

The key responsibilities of the Minister for WorkCover includes the provision of policy advice and monitoring the performance of the Victorian WorkCover Authority (VWA) scheme and the Transport Accident Commission (TAC) scheme.

The Minister advised that the VWA and the TAC provide quarterly reports to the Department comparing performance against the Corporate Plan and the prudential statement for investments. The Committee was informed that the VWA’s quarterly report is to be expanded to incorporate the implementation program for the restoration of common law rights to injured workers.256

15.9.2 2000-2001 outlook for the Portfolio

The WorkCover portfolio has an important role in enhancing the focus of the community on occupational health and safety in the workplace, enhanced safety on Victoria’s roads and the compensation of injured workers/road accident victims.

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256 Hon. R Cameron, Minister for WorkCover, transcript of evidence, 13 June 2000, p. 93
Accordingly, the Committee noted the following key initiatives for 2000-2001:

- the implementation of the new WorkCover scheme resulting from the Government’s restoration of common law rights to injured workers including the development of a comprehensive implementation plan, a reporting framework that identifies early warning signals and projects emanating from the common law working party report;

- the conduct of a review into the role of WorkCover in Occupational Health and Safety;

- the conduct of a Major Hazard Facilities (MHF) regulatory review and the subsequent drafting of MHF regulations;

- maintaining an appropriate solvency margin for the TAC scheme which was at 22.5 per cent at 31 December 1999 (minimum target of 15 per cent);

- obtaining improvements in the delivery of the TAC scheme to 80 per cent of all new claims accepted within one day (six days in 1998-99) and 80 per cent of first loss of earnings payments within 21 days (36 days in 1998-99); and

- improving the operational efficiency of the TAC scheme to ensure that 95 per cent of all payments are made electronically.

15.9.3 Performance measures

The Committee’s review of the performance measures in the WorkCover Policy Advice output shows:

- high level measures relating to the number of reviews conducted into Occupational Health and Safety and the quarterly review of the VWA and the TAC and the reinstatement of common law rights to injured workers; and
• ministerial satisfaction with the quality of policy advice received from the Department.

The Committee believes these performance measures are inadequate in terms of assessing the achievement of key outcomes in the WorkCover portfolio.

Accordingly, the Committee recommends that:

Recommendation 15.9:

The Department of Treasury and Finance review the performance measures for the WorkCover Policy Advice Output contained in the Budget Papers to ensure that they:

(a) align with key targets in the corporate and business plans of the Victorian WorkCover Authority (VWA) and the Transport Accident Commission (TAC);

(b) reflect key targets in public health and safety, including Occupational Health and Safety;

(c) include the financial position of the WorkCover and TAC schemes;

(d) incorporate key targets and outcomes from the regulatory review of major hazard facilities.

15.9.4 Key issues impacting on the WorkCover Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for WorkCover identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.
(a) Impact of Government changes to the average WorkCover premium

The experience rated premium system, introduced in July 1993, provides that premium rates are set each year by the VWA for 518 industry classifications using the pooled risk profile of all employers within each classification. The premium is calculated using each industry’s claims experience and range from 0.33 per cent of wages to a maximum of 8.4 per cent.

The Minister stated that the average WorkCover premium increased from 1.94 per cent to 2.18 per cent in 1999-2000, which is the national average. The impact of this increase is shown in the following table:

**Exhibit 15.10**

<table>
<thead>
<tr>
<th>Components</th>
<th>Percentage of Wages</th>
<th>$ million per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total pre-changes</td>
<td>1.94</td>
<td>1312</td>
</tr>
<tr>
<td>Retrospectivity</td>
<td>0.07</td>
<td>47</td>
</tr>
<tr>
<td>Full Funding</td>
<td>0.10</td>
<td>65</td>
</tr>
<tr>
<td>Safety Margin</td>
<td>0.08</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.18</strong></td>
<td><strong>1474</strong></td>
</tr>
</tbody>
</table>

(Note: Rounding to two decimal points results in a slight adjustment in the percentage increase)

The Minister advised there were three main reasons for the 0.24 increase in the percentage premium which resulted in an additional $162 million revenue for the scheme:257

- an increase of 0.07 per cent or $47 million to account for retrospective payments for workers injured between 20 October 1999 and April 2000;
- a component of 0.1 per cent or $65 million to contribute to the Government’s objective of a fully funded scheme; and

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257 Ibid, p. 96
• 0.08 per cent or $50 million as a premium safety margin contributing to the Government target safety margin of 10 per cent.

(b) Impact of the GST on the Victorian WorkCover Scheme

The Minister advised that the GST will impact on WorkCover as on all insurance schemes.\textsuperscript{258} The overall impact will be an 11.9 per cent increase in premiums due to the direct 10 per cent GST imposed, and an additional 1.9 per cent to the premium base to account for additional costs to the scheme. The additional costs are approximately $27.8 million per annum and are due to the following:

- an increase in common law economic loss settlements and in non-economic benefits indexed to CPI of around $13 million;
- increases of between 7-10 per cent in worker legal costs and treatment costs resulting in actuarial projected increase of $17 million;
- savings from the removal of wholesale sales tax of approximately $11 million; and
- an increase of $50 million in outstanding claims liability due to payments attracting GST for services provided after 30 June 2000 and for claims occurring on or before 30 June 2000, and implementation costs of $2.4 million.

The Committee noted the $52.4 million will be recovered over six years at $8.7 million per annum resulting in a net impact of the GST on the WorkCover scheme of $27.8 million per annum.

The Minister also advised that employers are able to claim one eleventh of their premium amount on an input tax credit effectively resulting in an additional 1.8 per cent increase on the premium amount.\textsuperscript{259}

\textsuperscript{258} Ibid, p. 97
\textsuperscript{259} Ibid, p. 98
Occupational health and safety issues in Victoria's manufacturing industry

The Committee noted that Victoria's manufacturing industry has a high incidence of work-related deaths and occupational health and safety issues. Accordingly, the Government instigated a review in 1999-2000.

The Minister advised that the manufacturing industry has a much higher incidence of injury than average and has the highest incidence of industrial death. Accordingly, the Government, employers and unions have initiated, or plan to initiate, the following:

- convention of forums of suppliers to communicate information on workplace change, raise awareness of health and safety issues and develop consultative processes involving designers, manufacturers and importers of forklifts;
- development of information dissemination strategies for outworkers in the textiles, clothing and footwear sectors given that current conditions are considered extremely poor;
- development of a checklist for employers detailing the safe purchase, maintenance and operation of forklifts; and
- target an enforcement program by WorkCover field officers, which covers key compliance requirements for the safe operation of plants.

The Committee supports any action to minimise the incidence of death and injury in the workplace. It will be very important that initiatives adopted are properly coordinated to ensure these activities are effective.

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260 Ibid, p. 103
Accordingly, the Committee recommends that:

**Recommendation 15.10:**

The Government develop a strategy/action plan which caters for Occupational Health and Safety in the manufacturing industry, including:

(a) education of employers, employees and suppliers in the industry to ensure emerging issues are identified and addressed in a timely manner;

(b) methods of enforcement with inspection resources directed to priority areas and/or companies using a risk based approach through the application of pre-determined criteria;

(c) development of adequate performance measures allowing an accurate assessment of the strategy’s effectiveness; and

(d) implementation of a monitoring framework that allows timely and effective review of initiatives in the strategy/plan and a re-assessment of priorities as emerging issues arise.

**15.10 Gaming Portfolio**

15.10.1 Background

The Minister for Gaming has joint responsibility for two key output groups within the Department. Exhibit 15.11 shows that the outputs within these output groups under the responsibility of the Minister for Gaming account for $18 million or 6.5 per cent of the Department’s 2000-2001 budget.
Exhibit 15.11

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Key Outputs</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Services</td>
<td>Regulation of Gaming</td>
<td>14.3</td>
</tr>
<tr>
<td>Strategic Policy</td>
<td>Gaming Policy Advice</td>
<td>3.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>18.0</strong></td>
</tr>
</tbody>
</table>

The key responsibilities of the Minister for Gaming include:

- the provision of advice to Government on the social and economic impacts of gambling policy issues;
- the regulation of Gaming in the State to ensure the industry is free from criminal elements and that gambling products give fair returns to consumers;
- promotion of responsible gambling practices; and
- the management of gambling taxation.

The Minister advised the Committee that the Gaming portfolio includes the Victorian Casino and Gaming Authority, the Economic and Social Policy Branch of the Department of Treasury and Finance and an independent research panel.261

15.10.2 2000-2001 outlook for the Portfolio

The Gaming portfolio has key responsibility for the regulation of a major source of Government revenue, as gambling taxes are expected to generate $1,282.1 million in 2000-2001. This represents 15.7 per cent of Victoria’s total taxation revenue.

A major activity of the Gaming Portfolio in 2000-2001 is to implement the Responsible Gambling Act as well as undertake the following:

261 Hon. J Pandazopulos, Minister for Gaming, transcript of evidence, 8 August 2000, p. 298
ongoing regulation of the gaming machine, casino, and minor gaming sectors and the supervision of lottery draws;

• conduct a National Competition Policy Review of Gaming Machine legislation;

• monitor the possible role and operation of internet gaming in the State; and

• introduce the Government’s national football tipping competition in 2001.

15.10.3 Performance measures

The Committee’s analysis of the performance measures in Budget Paper No. 3 to assess the performance of the Gaming portfolio, reveals that the information is geared towards:

• the level of licenses granted and compliance services undertaken; and

• the level of ministerial correspondence on gaming issues and policy, and the satisfaction of the Minister with the quality of advice received.

The Committee believes these performance measures are inadequate, particularly given the Government’s introduction of the Responsible Gambling Legislation and its emphasis on problem gambling and fairness to players.

Accordingly, the Committee recommends that:

Recommendation 15.11:

The Government should:

(a) review current performance measures in terms of assessing the achievement of key principles within the responsible gambling legislation; and
(b) ensure measures are developed to assess the objectives of the research into the impact of gambling.

15.10.4 Key issues impacting on the Gaming Portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Gaming identified the following key issues that will impact on the Portfolio and the Budget Estimates for 2000-2001.

(a) Implementation of the Responsible Gambling Act 2000


The Minister advised that the Government is considering over 200 submissions from the gaming industry, individuals, local government and community groups in response to the responsible gaming consultation paper and public forums.262 After considering these submissions, the Government will prepare regulations to cover issues such as advertising and the provision of meaningful information to players. The Minister also stated that the achievement of responsible gaming is not only dependent on the regulatory environment, but also the attitude of the community and the gambling industry to reduce the impact of gambling on the community.263

The Committee supports a combination of self-regulation and limited government regulation in areas of specific importance. However, it is essential that the performance of the gaming industry, in relation to responsible gaming standards, is regularly monitored.

262 Ibid, p. 299
263 Ibid, p. 303
Accordingly, the Committee recommends that:

**Recommendation 15.12:**

*The Government develop a comprehensive monitoring framework to ensure the objectives of the responsible gambling legislation are being achieved through self-regulation and Government regulation, including the operational impact of the legislation on gaming operators.*

(b) Social and economic impact test for 24-hour licenses granted in metropolitan Melbourne

The Government’s Responsible Gambling Legislation provides for new responsibilities for the Victorian Casino and Gaming Authority in relation to problem gambling. Two major challenges to be addressed by the Government and the Authority are:

- which activities constitute ‘harsh and unconscionable’ in relation to the contracts between the operators and the venue operators; and
- an agreement across the industry on how ‘net economic and social benefit’ is to be determined given this is a key test for venue approval for a gaming machine operator.

The Committee was informed that a consultation process is currently in operation with peak bodies, the gaming industry and the Victorian Local Governance Association to develop a formal submission that is essentially an industry agreement on these two vital issues.\(^{264}\)

The Committee believes the consideration of these two issues represents a vital component for the effective introduction of the Government’s responsible gambling legislation.

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\(^{264}\) Mr. W. Lahey, Director Victorian Casino and Gaming Authority, transcript of evidence, 8 August 2000, pp. 308-309
(c) Impact of interactive gambling

One of the major strategic issues for the Gaming portfolio is the emergence of internet gaming in Australia.

The Minister advised that there is an element of confusion at this time as the Commonwealth Government has concerns about internet gaming and there is some speculation about a freeze on licenses. The Minister advised the Committee that the Responsible Gambling Act 2000 has adequate provisions to address the Commonwealth Government’s concerns. The Minister has written to the Commonwealth Government inviting them to assess the Victorian model and make recommendations for improvements to address any concerns. However, no response has been received.

265 Hon. J Pandazopolous, Minister for Gaming, transcript of evidence, 8 August 2000, p. 299
Key Findings:

16.1 There are a number of areas where the Parliamentary Departments are experiencing shortages in skills and expertise including suitably qualified and experienced graduates for chamber duties, financial management, information technology and suitably qualified Hansard reporters and editors.

16.2 There are significant delays in the publication of parliamentary reports due to a requirement for these reports to be tabled in the Parliament which only meets at set times during the year.

16.3 Parliamentary inquiries often extend beyond a particular financial year, and Committees must seek approval for funding to complete inquiries commenced the previous financial year but still in the same parliamentary term. This arrangement can result in some inquiries not being completed or undertaken. This is a particular problem for the Public Accounts and Estimates Committee.

16.4 Members of Parliament do not have access to the leasing agreements of their electorate offices.

16.5 The Committee does not accept the unsubstantiated assertions which prevents disclosure of parliamentary electorate leasing agreements.
16.1 Departmental overview

The Parliament consists of five parliamentary departments with each categorised as an output group in the 2000-2001 Budget Papers. The Presiding Officers have responsibility for the operations of the Parliamentary Departments with the President of the Legislative Council responsible for the following output groups:

- the Legislative Council;
- the Parliamentary Debates (Hansard); and
- the Parliamentary Library.

The Speaker of the Legislative Assembly is responsible for the Legislative Assembly and Parliamentary Services output groups.

16.2 Output management framework

The Parliament’s output management framework is shown below.

Exhibit 16.1

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>11.6</td>
<td>12.7</td>
<td>13.3</td>
<td>15.3</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>19.9</td>
<td>21.8</td>
<td>23.1</td>
<td>15.8</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>-2.9</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>2.2</td>
<td>2.6</td>
<td>2.2</td>
<td>-2.8</td>
</tr>
<tr>
<td>Parliamentary Services</td>
<td>34.5</td>
<td>32.3</td>
<td>36.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Auditor-General’s Office</td>
<td>20.3</td>
<td>24.5</td>
<td>22.1</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90.2</strong></td>
<td><strong>95.6</strong></td>
<td><strong>99.2</strong></td>
<td><strong>9.9</strong></td>
</tr>
</tbody>
</table>

The Committee noted that there have been no changes to the output management framework from 1999-2000. However, the 2000-2001 budget of $99.2 million represents a 9.9 per cent increase from
funding allocated in 1999-2000. The Committee’s analysis of output group allocations shows the following material variations:

- the Legislative Council and Legislative Assembly output groups increased by 15.3 and 15.8 per cent respectively to account for increases in salary and superannuation for Members of Parliament.

16.3 Outlook for 2000-2001

The following outputs fall under the responsibility of the five parliamentary output groups in 2000-2001:

Exhibit 16.2

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under Presiding Officers</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Assembly</td>
<td>Procedural Support, Document Preparation and Provision of Information</td>
<td>23.1</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>Information Provision, Information Access, Research, Public Relations and Education</td>
<td>0.3 1.2 0.2 0.1</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>Hansard, Sessional Indexes and Committee Transcripts</td>
<td>2.2</td>
</tr>
<tr>
<td>Parliamentary Services</td>
<td>Financial Management, Property Management, Personnel Services, Ground and Facilities Maintenance</td>
<td>15.5 10.9 5.2 5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>77.1</strong></td>
</tr>
</tbody>
</table>
The major output and asset investment initiatives for 2000-2001 include the following:

- increases in salaries and superannuation for Members of Parliament ($4.6 million);\(^{266}\)
- relocations and maintenance of electorate offices ($1 million);
- conduct of the CPA Australian Conference ($600 000);
- training for Members of Parliament and electorate officers ($300 000);
- installation of air conditioning at Parliament House ($1.9 million);
- upgrade and replacement of the PABX system at Parliament House ($200 000); and
- conduct of the major capital works as contained in the Facility Management Plan ($1.4 million).

### 16.4 Performance measures

The Committee was advised that the performance measures of the parliamentary departments are reviewed annually. However, the outcomes of a review conducted in 1999-2000 resulted in the introduction of no new performance measures for the 2000-2001 financial year.\(^{267}\) Key performance measures within the output groups include:

**Legislative Council/Assembly**

- Accuracy of procedural advice;
- Constitutional, parliamentary and statutory requirements are met; and
- Accuracy of Council/Assembly records.

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\(^{266}\) The full $4.6 million is comprised of $2.4 million for Members superannuation and $2.2 million for Members salaries. The $2.4 million for superannuation relates to the actuarial valuation conducted to 30 June 2000.

\(^{267}\) Parliamentary Departments response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 9
Parliamentary Library

- Searches on databases;
- Clients rating research service at expected level or above;
- Requests for information successfully answered; and
- Teacher consultancies and in-services provided.

Parliamentary Debates

- Accuracy and legibility of printed pages of appropriately edited transcript; and
- Pages produced within agreed timeframe.

Parliamentary Services

- Financial reports produced;
- Accounts paid within credit terms; and
- Information requests satisfied within agreed timeframe.

The Committee believes these performance measures are primarily quantitative in nature with few measures developed to determine quality of service. Given that a significant role of the Parliamentary Departments, particularly Parliamentary Services, is to service the needs of Members of Parliament, the Committee is surprised there are no measures relating to member satisfaction with the quality of services provided.

Accordingly, the Committee recommends that:

**Recommendation 16.1:**

The Parliamentary Departments:

(a) identify performance measures that determine Member satisfaction with the quality of services provided; and

(b) incorporate these measures into the Budget Papers for 2001-2002.
### 16.5 Financial analysis

The operating statement for the Parliament is as follows:

**Exhibit 16.3**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>90.3</td>
<td>96.3</td>
<td>97.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>90.3</td>
<td>95.7</td>
<td>99.1</td>
<td>9.7</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>0.0</td>
<td>0.6</td>
<td>-1.2</td>
<td></td>
</tr>
<tr>
<td>before revenue for increase in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net assets</td>
<td>add</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net</td>
<td>2.1</td>
<td>2.1</td>
<td>3.9</td>
<td>85.7</td>
</tr>
<tr>
<td>assets</td>
<td>Section 29 Receipts – Asset</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Surplus/Deficit</strong></td>
<td>2.2</td>
<td>2.7</td>
<td>2.7</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>13.3</td>
<td>13.3</td>
<td>13.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>13.3</td>
<td>13.3</td>
<td>13.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Operating Surplus/ Deficit</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

The Committee noted that the only material variation is expected to be revenue from increases in net assets increasing by $1.8 million to $3.9 million.

The Committee’s analysis of ‘other revenue’ and ‘other expenses’ shows the following:

- there is no operating revenue classified as other revenue in the operating statement;
operating expenses shown as other expenses relate to funding of $800,000 granted by the Department of Treasury and Finance for the CPA conference scheduled for September/October 2000; and

other revenue and other expenses (administered) both amount to $13.6 million for 2000-2001. However, the Parliamentary Departments provided no explanation of their composition.

The Committee was interested to note that operating revenue and operating expenses (administered) are made up entirely of the balances contained in the other revenue and other expense categories. The Committee believes this situation does not present effective disclosure of administered expenses in the Budget Papers.

Accordingly the Committee recommends that:

**Recommendation 16.2:**

The Parliamentary Departments review their current disclosures in the 2000-2001 Budget Papers with a view to enhancing the quality of information in the operating statement and in the 2001-2002 Budget Papers.

### 16.6 Corporate and business plans

As stated in the Committee’s 1999-2000 estimates report, the Parliamentary Departments have adopted a whole of Parliament corporate plan, which in the Committee’s view will provide a strategic focus to the planning and management of the operations of each department, and an effective framework for integrating common activities.

The Committee was advised that each department is currently in the process of preparing business plans, and the Committee would be provided with these plans upon completion. However, at the time of
preparing this report no Parliamentary Department has forwarded its business plan to the Committee.\textsuperscript{268}

The Committee believes the analysis of the business plans for each parliamentary department is a vital component of the Committee’s ability to scrutinise and evaluate the strategies used to achieve the mission and high level objectives contained in the corporate plan.

Accordingly, the Committee recommends that:

\textbf{Recommendation 16.3:}

The Parliamentary Departments complete their annual business plans in time for the Budget Estimates inquiry process and forward them to the Public Accounts and Estimates Committee for review.

\textbf{16.7 Human resources issues}

The Parliament estimated it would have 435.47 Equivalent Full Time staff at 30 June 2000. This compares with an actual number of 434.01 at 30 June 1999.

\textsuperscript{268} Parliamentary Departments response to the Committee’s 2000-2001 estimates questionnaire, Part B, p. 27
Exhibit 16.4

<table>
<thead>
<tr>
<th>Number of Staff by Division</th>
<th>Staffing level at 30 June 1999</th>
<th>Est. Staffing level at 30 June 2000</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electorate Officers</td>
<td>243</td>
<td>243</td>
<td>0.0</td>
</tr>
<tr>
<td>Legislative Council</td>
<td>20</td>
<td>20.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Council Committees</td>
<td>17.25</td>
<td>12.3</td>
<td>-28.7</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>38.53</td>
<td>37.53</td>
<td>-2.6</td>
</tr>
<tr>
<td>Assembly Committees</td>
<td>17.7</td>
<td>20.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>22.9</td>
<td>23.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>24</td>
<td>23.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Parliamentary Services</td>
<td>50.63</td>
<td>54.74</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>434.01</strong></td>
<td><strong>435.47</strong></td>
<td><strong>0.3</strong></td>
</tr>
</tbody>
</table>

Source: Response by the Parliament to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 13

Exhibit 16.4 shows there has been a very minor increase of 1.46 EFT staff or 0.3 per cent over the actual at 30 June 1999. In response to the Committee’s questionnaire, the Parliamentary Departments provided the following reasons for significant variations:

- EFT staff in the Council Committees Division is expected to decrease from 17.25 to 12.3 or 28.7 per cent due to the number of parliamentary committees decreasing from nine to eight with the cessation of the Federal-State Relations Committee; and

- the number of EFT staff in Assembly Committees is expected to increase 2.5 or 14.1 per cent due to an increase in staff for the Public Accounts and Estimates Committee.

16.7.1 Key staffing issues facing the Parliamentary Departments

The existence of a properly resourced and skilled workforce within the Parliament is fundamental to the effective conduct of its legislative, financial and representational responsibilities. Accordingly, the Committee requested information on areas where
the Parliamentary Departments are currently experiencing a shortage of expertise, and the strategies adopted to overcome these and any future staffing and skill problems.

In its response, the Parliamentary Departments advised that there were a number of areas where shortages have occurred, namely:269

- suitably qualified and experienced staff for chamber duties in both the Assembly and the Council;
- financial management, due to the implementation of Commonwealth Government’s tax reform package and an increased focus on technology;
- information technology, particularly in experienced Lotus Notes and Oracle Administration staff, and in upskilling electronic publishers in each Parliamentary Department; and
- suitably qualified Hansard reporters and editors with the skills and capacity to be trained in a highly specialised area.

The Committee noted that, in order to cover these shortfalls in skills and experience, the parliamentary departments have focussed heavily on the provision of in-house training to enhance the existing skills of its workforce. The parliamentary departments have adopted a number of initiatives to overcome these staffing difficulties:270

- the Legislative Council has established a procedural database, conducted weekly procedural debriefings during sitting periods, produced procedural bulletins for each sitting period and is developing a series of procedural seminars for parliamentary staff;

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269 Parliamentary Departments response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 17
270 Parliamentary Departments response to the Committee’s 2000-2001 estimates questionnaire, Part A, p. 18
• the Legislative Assembly has introduced debriefing sessions at the end of each sitting week to assist staff with procedural training and has completed the first of two stages of a skill audit and training needs analysis;

• the Department of Parliamentary Debates sub-editors formulate individual programs for reporters and work closely with them to improve skills, while group sessions on parliamentary procedure, research skills and technology skills are held on a regular basis.

The Committee noted that the Department of Parliamentary Services did not specify in its response to the Committee’s estimates questionnaire any initiatives adopted in relation to staff development.

The Committee is concerned at the extent of skill shortages currently experienced in the Parliament, therefore it will be important for each Parliamentary Department to monitor the effectiveness of measures taken to address skill shortages, and to ensure these measures are governed by an overarching professional development strategy.

Accordingly, the Committee recommends that:

Recommendation 16.4:

The Parliamentary Departments as a group:

(a) develop a staff professional development strategy with high level objectives for each department and report against this strategy in their annual reports; and

(b) at the completion of the Department of the Legislative Assembly’s skill audit and training needs analysis, the findings be incorporated into a professional development strategy and similar reviews be undertaken by the other parliamentary departments.
16.8 Key issues impacting on the Parliamentary Departments

The parliamentary departments’ response to the Committee’s questionnaire and the estimates hearing with the Speaker of the Legislative Assembly and the President of the Legislative Council identified the following key issues that will impact on the Parliament and their Budget Estimates for 2000-2001.

16.8.1 Enhanced self-help information services for Members and Parliamentary Committees

The Committee noted that the Parliamentary Library held a series of focus groups with Members of Parliament during the 53rd Parliament to identify the services required of the library. The Parliamentary Librarian advised the self-help service which provides access to the library 24 hours a day, seven days a week was the highest priority identified.271

This service has been in operation for approximately a year and the Library is about to launch an enhanced version allowing Members access to periodicals, articles, statistics, reference books, encyclopedias, dictionaries etc from laptops. However, there is an element of this service requiring substantial enhancement, namely the media service that is heavily used and presently requires a number of staff to operate.

The library was allocated $100,000 during 1999-2000 to initiate an electronic news distribution service to Members. While this service has been developed to a proof of concept stage, there was no allocation in the 2000-2001 budget for Information Technology and as a result the service cannot be further developed.

The Committee believes an electronic news service would provide an effective means of informing Members of relevant issues in a timely manner.

271 Mr B Davidson, Parliamentary Librarian, transcript of evidence, 15 June 2000, p. 267
Accordingly, the Committee recommends that:

**Recommendation 16.5:**


16.8.2 Delays in publishing Parliamentary reports

The Committee is concerned about the significant delays in the publication of its parliamentary reports due to a requirement to table these reports in the Parliament, which only meets at set times during the year. The Committee noted that all other State, Territory and Commonwealth Parliaments have a procedure whereby, when Parliament is not sitting, Committees are able to present their reports to the Presiding Officers and the reports are then deemed to be presented to the Parliament and their publication authorised.

The President of the Legislative Council advised that he and the former Speaker made a submission to the former Premier to institute the procedure used by other Parliaments. The Committee was also advised that the Presiding Officers have received a letter from the Premier stating the following reports are being considered for tabling out of session:

- Parliamentary Committee reports;
- Reports of departments required by statute to be laid before the Parliament; and
- Auditor-General reports.

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272 Hon. B Chamberlain, President of the Legislative Council, transcript of evidence, 15 June 2000, p. 269
The Committee has on many occasions in the past raised the need for this procedure to be implemented because it ensures that information contained in reports remains current and is not overtaken by subsequent events. It also minimises the danger of premature unauthorised disclosure of Committee reports which are finalised during adjournment periods. The Committee is strongly of the view that, if this issue is not addressed, the accountability procedures of the Victorian Parliament will fall behind those of other States.

Accordingly, the Committee recommends that:

**Recommendation 16.6**

The Presiding Officers urgently pursue the required legislative changes to ensure a procedure for tabling reports out of session is implemented

16.8.3 Carry-over of funding for Parliamentary Committee inquiries

The Committee believes that the ability of Parliamentary Committees to undertake inquiries and research issues dealing with matters of public interest is critical to the proper functioning of the Parliament. Experience has shown that parliamentary inquiries often extend beyond a particular financial year, and Committees must seek approval for funding to complete inquiries commenced the previous financial year.

The President of the Legislative Council advised the reasoning for the above situation is that these inquiries are funded from Special Appropriations and cannot be carried forward.\(^{273}\)

The Committee is aware that the Auditor-General has an arrangement with the Department of Treasury and Finance that funding for performance audits, which often extend over a significant period of time, is provided on an estimated cost basis irrespective of

\(^{273}\) Ibid, p. 270
time frames. This funding is provided as part of the normal appropriation process and where any of these audits are still in progress at the end of a particular financial year, the unexpended portion is carried forward to the next financial year.

The Committee believes the adoption of a similar process would be of great benefit to the parliamentary committees, particularly as it would provide a degree of certainty for the funding of parliamentary inquiries and ensure satisfactory outcomes.

Accordingly, the Committee recommends that:

Recommendation 16.7:

The Presiding Officers pursue the adoption of a process, similar to that applied to the Auditor-General for funding performance audits, whereby parliamentary inquiries are funded out of the normal appropriation for Parliament rather than by special appropriation.

16.8.4 Availability of lease agreements of electorate offices to Members of Parliament

During the estimates hearing, the Committee was informed that Members of Parliament do not have access to the leasing agreements of their electorate offices even though it would be helpful for Members to know the rights and obligations of the occupying person and the landlord.

The Committee was advised that the Department of Parliamentary Services has sought legal advice on this issue which concluded that the current structure, whereby the control and responsibility for lease negotiations is the responsibility of the Department of Parliamentary Services...
Further, the legal advice suggested this structure may be unnecessarily jeopardised if Members of Parliament are provided with details of lease information. The major risks include:

- the commencement of commercial negotiations between Members and landlords or potential landlords;
- consistency in the negotiation and management of leases would be threatened;
- Members may unwittingly give warranties or enter into contracts unfavourable to the Department of Parliamentary Services; and
- Members may become directly involved with landlords who are constituents, creating an unnecessary risk or conflict of interest for the Member and the Department.

The Committee does not accept these unsubstantiated assertions.

The Speaker of the Legislative Assembly advised that Members of Parliament should be provided with certain information relating to the leasing arrangements for their electorate offices. However, there needs to be a separation of the information made available and information that is deemed to have legitimate commercially confidential status. 275

The Committee supports the view held by Mr Speaker and accordingly, recommends that:

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274 Ms C Haydon, Chief Executive Officer, Department of Parliamentary Services, transcript of evidence, 15 June 2000, p. 267
275 Hon. A Andrianopolous, Speaker of the Legislative Assembly, transcript of evidence, 15 June 2000, p. 267
Recommendation 16.8:

The Department of Parliamentary Services develop a policy relating to information that can be released to Members concerning leasing arrangements. This information should at least include:

(a) commencement and termination dates of the relevant lease;
(b) a summary of the general terms and conditions of the relevant lease;
(c) respective responsibilities of the landlord, the tenant and the occupant; and
(d) an outline of any issues or restrictions which impact on the Member’s occupation of the premises.

16.8.5 Managing the Department of Parliamentary Services

The Department of Parliamentary Services has a very important role in assisting Members of Parliament in their work and supporting the other four Parliamentary Departments and the institution of the Parliament. The Department is responsible for providing a myriad of services including property management of Members’ electorate offices, maintenance of the parliamentary buildings, gardens and carparking, catering services and human resources, information technology and financial services.

At the estimates hearing, a number of issues were raised about the efficiency of services provided by the Department. The Committee was informed that the delay in filling a number of vacant positions in the accounts section had contributed to the delay in processing Members’ accounts.

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The Committee noted that the Department does not have a current business plan and that there have been on-going problems with retaining staff. Without strategies to improve services and retain competent staff, the Committee is concerned about the impact that this is having, and will continue to have, on the support services provided to Members and the other Parliamentary Departments.

The Committee is of the opinion that there is an urgent need for the Department to adopt a results-based planning and assessment strategy to determine whether the right range of services is being offered, and whether the quality and availability of those services truly meet client needs. The Committee also believes that there is a need to provide Members with greater choice and flexibility in the use of the Department’s services.

Accordingly, the Committee recommends that:

**Recommendation 16.9:**

The Presiding Officers give consideration to undertaking an external review of the Department of Parliamentary Services to ensure that its services are aligned with the expectations and needs of its clients.
MINORITY REPORT

Minority Report by Liberal Members

Hon. L Asher, MP

Hon. D Davis, MLC

Hon. G Rich-Phillips, MLC
EXTRACTS FROM THE MINUTES OF PROCEEDINGS

The Minutes of the Proceedings of the Public Accounts and Estimates Committee show the following Divisions which took place during consideration of the Draft Report. A summary of the Proceedings follows:

Thursday 23 November 2000

The following motion was moved: That where appropriate throughout this Report omit "GST", insert "new taxation system"


The Committee divided on the motion.

Ayes:3  Noes:6

Hon. L Asher  Ms A Barker
Hon. D Davis  Ms S Davies
Hon. G Rich-Phillips  Mr T Holding
                   Mr P Loney
                   Mrs J Maddigan
                   Hon. T Theophanous

Motion negatived.

Chapter 8, Key Finding 39, page 54

Amendment: That Key Finding No. 39 of Chapter 8, be further amended, by omitting "over the next three years, may result in a $19.5 million funding shortfall in Victoria, and 5 000 Victorians missing out on training in 2000-2001."

Moved: Hon. D Davis  Seconded: Hon. L Asher
The Committee divided on the motion.

Ayes: 3  
Noes: 6

Hon. L Asher  
Hon. D Davis  
Hon. G Rich-Phillips

Ms A Barker  
Ms S Davies  
Mr T Holding  
Mr P Loney  
Mrs J Maddigan  
Hon. T Theophanous

Motion negatived.

**Proposed new recommendation 8.5 A**: That the following new recommendation be inserted: That the Department of Education, Employment and Training ensure that class numbers are capped in absolute numbers.

**Moved**: Hon. D Davis  
**Seconded**: Hon. G Rich-Phillips

The Committee divided on the motion.

Ayes: 3  
Noes: 6

Hon. L Asher  
Hon. D Davis  
Hon. G Rich-Phillips

Ms A Barker  
Ms S Davies  
Mr T Holding  
Mr P Loney  
Mrs J Maddigan  
Hon. T Theophanous

Motion negatived.
Friday 24 November 2000

Resolved: That new key finding 74 C of Chapter 14 be inserted “There is also evidence that other factors could affect the target, including interest rates and short/medium/long-term instability created by the GST.”

Moved: Hon. T Theophanous  Seconded: Mr T Holding

The Committee divided on the motion.

Ayes: 6  Noes: 4
Ms A Barker  Hon. L Asher
Ms S Davies  Hon. D Davis
Mr T Holding  Hon. R Hallam
Mr P Loney  Hon. G Rich-Phillips
Mrs J Maddigan
Hon. T Theophanous

Motion agreed

Motion: That a further section be included in the draft report on the impact of the WorkCover increases on the Public Sector.

Moved: Hon. D Davis  Seconded: Hon. L Asher

The Committee divided on the motion.

Ayes: 3  Noes: 7
Hon. L Asher  Ms A Barker
Hon. D Davis  Ms S Davies
Hon. G Rich-Phillips  Hon. R Hallam
Mr T Holding
Mr P Loney
Mrs J Maddigan
Hon. T Theophanous

Motion negatived.
APPENDIX 1: ESTIMATES QUESTIONNAIRE 2000-2001

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

ESTIMATES QUESTIONNAIRE 2000-2001 – PART A

1. Departmental Strategies

1.1 Please provide information on which Minister is responsible for each output within the department.

1.2 What are the changes to government policy, resulting from the election of the present government, that have impacted on the output groups?

1.3 What new strategies have been introduced by the department to accommodate these changes in government policy?

1.4 What has been the affect of each new strategy on the output groups?

1.5 To what extent has the implementation of these strategies occurred in 1999-2000?

1.6 What services were outsourced or delivered in partnership with the private and not-for-profit sectors for the first time in 1999-2000?

1.7 What benefits (including savings) are expected to be achieved through outsourcing and other service delivery methods in 1999-2000? Please provide details for each service outsourced or delivered in partnership.

1.8 What were the major initiatives identified in the 1999-2000 Budget Papers Nos. 2 and 3, and what progress was made in implementing these initiatives? Please provide your response in the following form:
1.9 What contributions have these initiatives made in achieving government and organisational outcomes, for 1999-2000?

2. Departmental Output Performance

2.1 Please provide details of the expected achievements against each performance measure/indicator for the 1999-2000 financial year, in comparison to the targets established for the year, and relating to each output/deliverable (as per Budget Paper 3) within the following output groups;

(Note: where output groups have changed in the last 12 months please provide an explanation of these changes and adjust responses accordingly)

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>Output/ Deliverable</th>
<th>Performance Measure/ Indicator</th>
<th>Expected Achievement</th>
<th>Variation (%)</th>
</tr>
</thead>
</table>

2.2 Please provide a succinct explanation for each instance where there is a variation in excess of 10 per cent expected.

3. Departmental Issues

Please list up to five significant strategic issues that have influenced the Department's forward estimates for the 2000-2001 financial year. Please describe how the Department will address these issues in 2000-2001.
(In this context, a significant issue should not include the historical basis of the estimate i.e. the existing funding for output, but may be any other matter or strategy affecting the Department, whether it arises from the external environment, or internally, or as a result of new policy or legislation.)

4. **Output and Performance Management**

4.1 What strategies has the Department implemented to ensure that its resources are focused towards achieving its outputs?

4.2 What arrangements are in place to ensure the performance measures established for the Department’s output groups are clearly linked to the Key Government Objectives?

4.3 What new performance measures has the Department introduced to evaluate the efficiency and effectiveness of the delivery of outputs for the 2000-2001 financial year?

4.4 What performance measures have not continued from 1999-2000 and why?

4.5 How is the Department developing and improving its capacity to collect, collate and use output and performance measurement information?

4.6 For each output group, please indicate which of the output/performance measures shown in Budget Paper No 3 are considered by the Department to be the **key** measures of the Department’s performance.

4.7 How often is the Department measuring performance against established performance measures?

4.8 Where the Department has adopted performance-benchmarking practices, please provide the following:

(a) a list of the benchmarks;

(b) an explanation of how they have been developed;
(c) an explanation for variations between departmental performance against those benchmarks; and
(d) has performance been compared against relevant benchmarks established by the Industry Commission; and
(e) if yes, please provide details of the comparative performance.

4.9 Where benchmarks have not been developed, please outline the progress in identifying benchmarks and indicate when they will be available.

5. Human Resources

5.1 Please provide details of Equivalent Full Time (EFT) staffing levels at 30 June 1999 (actual) and 30 June 2000 (estimate) by Output Group or Division.

5.2 Please provide explanations of all variations greater than 10 per cent to staffing numbers by Output Group or Division.

5.3 Please provide details of the following:
(a) staff levels by classification for:
   (i) executive officers; and
   (ii) non-executive officers
(b) number of EFT permanent staff for:
   (i) 1999-2000; and
   (ii) estimated 2000-2001
(c) number of contract staff employed by the department for:
   (i) 1999-2000; and
   (ii) estimated 2000-2001
(d) breakdown by gender of the number of persons within each classification level for:
   (i) 1999-2000; and
   (ii) estimated 2000-2001
(e) level of staff with indigenous backgrounds for:
   (i) 1999-2000; and
   (ii) estimated 2000-2001

5.4 What strategies have been developed by the department to promote “Women in the workforce” principles? Please provide details.

5.5 What strategies have been developed by the department to ensure the workloads of all staff are maintained at a manageable level?

5.6 Is the department experiencing a shortage of expertise in any areas of its operations (for example: Financial Management, Information Technology, Technical etc.)? If yes, please provide details.

5.7 What strategies have been adopted by the department to overcome any shortfall in staff expertise?

5.8 What other significant human resource issues are impacting on the Department’s achievement of its business objectives?

6. Commonwealth Taxation Reform

6.1 What impact has/ will the Commonwealth Government’s national tax reform package (including the introduction of a single broad-based consumption tax - GST) have on the strategic and operational activities of the department?

6.2 What strategies has the department adopted to prepare for the impact of the taxation reform package?

6.3 What impact will the reduction in embedded taxes have on the department’s revenue collection?

6.4 What method has been used to calculate the impact of the taxation reforms on the budget for the department?
6.5 What is the estimated cost to the department of complying with the new tax system? (For example the development of systems, training implications, implementation costs etc.)

Please provide details of:

6.6 the estimated impact of the taxation reforms on the state’s budgetary position over the next 5 years, if possible, or the latest forecast figures;

6.7 the transitional interest free loans and grants provided by the Commonwealth Government to Victoria to ensure the State’s budgetary position is not adversely affected by the taxation reforms;

6.8 what adjustments will be required to gambling imposed taxes to account for the impact of the GST on gaming operators; and

6.9 the indirect taxes collected by the state that are to be abolished as a consequence of National Tax Reform and details of foregone revenue.
1. **Departmental Financial Performance**

1.1 What is the estimated actual operating revenue and expenses for the 1999-2000 financial year in comparison to the amounts budgeted for the year (as per the Departmental operating statement of Budget Paper No. 3);

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<th></th>
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<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
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<tr>
<td>Revenue from State Government</td>
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<td>Section 29 Receipts - Commonwealth</td>
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<tr>
<td>Section 29 Receipts - Other</td>
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<tr>
<td>Other Commonwealth Grants</td>
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<tr>
<td>Other Revenue</td>
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<td><strong>Total</strong></td>
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<td><strong>Operating Expenses</strong></td>
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<tr>
<td>Employee related expenses</td>
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<tr>
<td>Purchases of Supplies and Services</td>
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<tr>
<td>Depreciation</td>
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<tr>
<td>Capital Assets Charge</td>
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<tr>
<td>Other Expenses</td>
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<tr>
<td><strong>Total</strong></td>
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</tbody>
</table>
**Operating Surplus/Deficit before revenue for increase in net assets**

add

Revenue for increase in net assets

Section 29 Receipts – Asset Sales

**Operating Surplus/Deficit**

**Administered Items**

<table>
<thead>
<tr>
<th>Operating Revenue</th>
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<tbody>
<tr>
<td>Revenue from State Government</td>
<td></td>
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<tr>
<td>Other Commonwealth Grants</td>
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<tr>
<td>Other Revenue</td>
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<td><strong>Total</strong></td>
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<tr>
<th>Operating Expenses</th>
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<tr>
<td>Employee related expenses</td>
<td></td>
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<tr>
<td>Purchases of supplies and services</td>
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<td>Depreciation</td>
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<tr>
<td>Other expenses</td>
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<tr>
<td><strong>Total</strong></td>
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</table>

| Operating Surplus/Deficit |  |

- please provide a succinct explanation for each expected variation in excess of 10 per cent from the original budgeted amount;

1.2 Please provide details of the department’s budgeted output group expenditure for 1999-2000 and 2000-2001 and
- a succinct explanation for each expected variation in excess of 10 per cent from the original budgeted amount;
1.3 Please provide details of payments made on behalf of the State for the 1999-2000 budget and the 2000-2001 budget and

- a succinct explanation for each expected variation in excess of 10 per cent from the original budgeted amount;

1.4 Please provide an itemised breakdown of the balance contained “Purchases of Supplies and Services” in the operating expenses category of the operating statement.

1.5 Please provide an itemised breakdown of balances contained in “Other Revenue” and “Other Expenses” for both controlled and administered categories within the operating statement together with an explanation for variances in excess of 10 per cent.
1.6 What are the Department’s estimated actual assets and liabilities as at 30 June 2000 in comparison to the amounts estimated in Budget Paper No. 3;

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<tr>
<td>Current assets</td>
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<tr>
<td>Cash and deposits</td>
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<tr>
<td>Investments</td>
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<td>Receivables</td>
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<td>Prepayments</td>
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<td>Inventories</td>
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<td>Other</td>
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<td>Total current assets</td>
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<td>Non current assets</td>
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<td>Investments</td>
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<td>Receivables</td>
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<td>Physical assets and other</td>
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<td>Total non current assets</td>
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<td>Total assets</td>
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<td>Current liabilities</td>
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<td>Payables</td>
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<td>Borrowings</td>
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<td>Employee entitlements</td>
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<td>Superannuation</td>
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<td>Other</td>
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<td>Non current liabilities</td>
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<td>Payables</td>
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<td>Total non current liabilities</td>
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<td>Total liabilities</td>
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<tr>
<td>Net assets</td>
<td></td>
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</tbody>
</table>
1.7 Please provide a succinct explanation for each expected variation between budget and estimated actual expenditure in excess of 10 per cent.

1.8 What was the balance of each departmental bank account (operating and trust) as at 30/6/99, 30/4/2000 and, if possible, estimated 30/6/2000?

2. **Departmental Asset Investment**

Please provide a list of the asset investment projects identified in the 1999-2000 and 2000-2001 budget papers, including any additional funding provided in 1999-2000 through the Expenditure Review Committee process, and include:

2.1 details of the expected capital expenditure to 30 June 2000 in comparison with the amounts budgeted for each project;

2.2 a succinct explanation for each expected variation in excess of 10 per cent;

2.3 for each project with an expected variance in excess of 10 per cent, the total end cost for the project, if amended from the original total end cost; and

2.4 details of projects where the expected completion date has changed from the initial completion date. Please include the revised completion date.

3. **Departmental Strategies**

Please provide the following information:

3.1 a copy of the Department’s corporate and business plans (draft copies where available) covering the 2000-2001 financial year;

3.2 if these plans are not available, when will they be?
3.3 an overview of the key strategies to be used by the Department to achieve the major outputs/ deliverables detailed in the 2000-2001 Budget Estimates together with:

- performance indicators used to measure the success of these key strategies; and
- key result areas or targets measured by the performance indicators, for each of the key strategies.

3.4 an explanation of the mechanisms in place within the Department to ensure that a link is maintained between the Department's overall strategic directions, corporate and business plans and the outcomes achieved;

3.5 details of services expected to be delivered in partnership with the private and not-for-profit sectors for the first time in the 2000-2001 year;

3.6 what benefits (including savings) are expected to be achieved from services delivered in partnership with the private and not-for-profit sectors for the first time in 2000-2001. Please provide an itemised list.

3.7 what strategies have been adopted to introduce increased contestability in services delivered by the Department? (In this context, the strategies may include benchmarking, establishment of purchaser/ provider arrangements, outsourcing, partnerships or other strategies.)
4. Financial Information

4.1 Departmental Revenue

Please provide the following information:

<table>
<thead>
<tr>
<th>Revenue Item ($ million)</th>
<th>1999-2000 Estimate ($ million)</th>
<th>2000-2001 Estimate ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
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<tr>
<td>Taxation</td>
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<tr>
<td>Regulatory fees and fines</td>
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<tr>
<td>Public authority income</td>
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<tr>
<td>Grants</td>
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<td></td>
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<tr>
<td>Sale of goods and services</td>
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<tr>
<td>Net surplus from disposal of physical assets</td>
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<td></td>
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<tr>
<td>Fair value of assets received free of charge</td>
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<tr>
<td>Other revenue</td>
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<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
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</tbody>
</table>

(a) succinct explanations for all variances greater than 10 per cent between the 1999-2000 and 2000-2001 revenue estimates;

(b) the Department’s receipt retention arrangements;

(c) the percentage of total non taxation regulatory fee receipts that are represented under receipts retention arrangements;

(d) if less than 100 per cent, please explain why;

(e) what percentage of receipts from disposal of capital assets are represented under receipts retention arrangements; and

(f) if less than 100 per cent, please explain.
4.2 Departmental Asset Investment

(a) How does the expenditure for capital works relate to the Department’s strategies and budget outcomes?

(b) Please indicate which capital works projects are intended to maintain the Department’s existing service delivery capacity and which are intended to increase the service delivery capacity.
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

ESTIMATES QUESTIONNAIRE 2000-2001 – PART C

1. Productivity Charge

1.1 What process does the department use to identify where budget reductions will occur as a result of the productivity charge and what is the impact on service delivery?

1.2 Please provide details on the impact of the government’s annual 1.5 per cent imposed productivity charge for 1999-2000 and 2000-2001 in terms of:

- a breakdown by output group, if possible, or division where budget reductions were made to fund the charge; and
- the estimated $ amount for each output group.

2. Performance Payments

2.1 Please provide a copy of the department’s performance payment policy for executive and non-executive officers.

2.2 Please provide details of performance payments made to departmental executive and non-executive officers in 1997-98 and 1998-99 in terms of each classification level.

2.3 What was the average performance payment paid in 1998-99 against each classification level?

2.4 How many officers in each classification level in 1998-99 were:

(a) eligible to receive a performance payment; and
(b) actually received a performance payment.
3. **Implementation of the Management Reform Program**

3.1 What strategies does the Department have in place to ensure continuous improvement in the application/implementation of the management reform program?

3.2 Please provide details on the level of human and financial resources necessary to prepare the department’s annual budget:
   (a) for 2000-2001; and
   (b) how does this compare with the level of resources required in 1999-2000?

3.3 What is the current overall timeframe required for the preparation of the department’s annual budget, and how does this compare to 1999-2000?

3.4 Are there any issues inhibiting the department from realising the benefits of the management reform program?

3.5 How has the management reform program allowed the department to adequately monitor the effectiveness of its operations and to effectively prepare and monitor its annual budget?

3.6 What improvements are considered necessary in the implementation of the management reform program?

3.7 How has the adoption of the management reform program assisted the department in preparing and monitoring the State’s budget?

4. **Capital Assets Charge and Departmental Assets**

4.1 Please provide the following information:
Appendices

- details of the expected capital assets charge payable for the year in comparison to the amount budgeted;
- a succinct explanation for any expected variation in excess of 10 per cent;
- details of any forecast movements in asset balances as at 30 June 2000 due to the Department recognising previously owned assets in the balance sheet for the first time (eg. where the movement has resulted from the development of asset registers or other improvements in accounting practices);
- a succinct explanation of why those assets were not previously included in the balance sheet;
- details of any other significant changes (for example, asset revaluations) to asset balances during 1999-2000; and
- the department’s policy for managing its capital assets charge?

4.2 Please outline the financial incentive for the department to minimise its capital assets charge?

5. **Productivity Achievements**

5.1 Please provide details of expected productivity gains (financial and operational), irrespective of the source, to be achieved during 1999-2000 and 2000-2001, and the expected impact on service delivery.

5.2 How have the productivity gains been reflected in the 2000-2001 Budget Estimates?

6. **Efficiency Dividend**

6.1 What process does the department use to identify where budget reductions will occur as a result of the efficiency dividend and what is the impact on service delivery?
6.2 Please provide details on the impact of the government’s 1 per cent imposed efficiency dividend on supplies and consumables for 1999-2000 and 2000-2001 in terms of:

- a breakdown by output group, if possible, or division where budget reductions were made to fund the dividend; and
- the estimated $ amount for each output group.

Contact Details:

Department: ..................................................................................

Contact Officer: ............................................................................

Position: ..........................................................................................

Contact Numbers: Telephone: .............................................

Fax: ............................................................................................

Please return this questionnaire to:

Executive Officer
Public Accounts and Estimates Committee Secretariat
Level 8, 35 Spring Street
MELBOURNE VIC 3000

Telephone: (03) 9651 3551
Fax: (03) 9651 3552
Email: paec@parliament.vic.gov.au
APPENDIX 2: ACRONYMS AND ABBREVIATIONS

ABN  Australian Business Number
AHCA  Australian Health Care Agreement
AMES  Adult Multicultural Education Services
ANTA  Australian National Training Authority Agreement
CAC  Capital Assets Charge
CFA  Country Fire Authority
CPI  Consumer Price Index
CSF  Community Support Fund
EEVA  Energy Efficiency Victoria Authority
EC4P  Electronic Commerce for Procurement
ERC  Expenditure Review Committee
ESD  Ecologically Sustainable Development
GBEs  Government Business Enterprises
GFC  Government Finance Charge
GFS  Government Financial Statistics
GSP  Gross State Product
GST  Goods and Services Tax
HACC  Home and Community Care
ICC  Interim Capital Charge
IT  Information Technology
MDBC  Murray-Darling Basin Commission
MFESB  Melbourne Fire and Emergency Services Board
MHF  Major Hazard Facilities
MRP  Management Reform Program
SAC  Statement of Accounting Concepts
SEAV  Sustainable Energy Authority Victoria
SET  Science Engineering and Technology
TAFE  Technical and Further Education
APPENDIX 3: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE/SUBMISSIONS

Evidence

Portfolios: Premier, Treasury and Multicultural Affairs
Department of Premier and Cabinet and
Department of Treasury and Finance
18 May 2000

Hon. S. Bracks, Premier and Minister for Multicultural Affairs and
Mr W. Scales, Secretary, Department of Premier and Cabinet.

Hon. S. Bracks, Treasurer; Mr I. Little, Secretary; Mr G. Hehir, Deputy
Secretary, Budget and Financial Management Division; and Mr M. Kirby,
Director of Financial and Economic Analysis, Economic and Financial
Policy, Department of Treasury and Finance.

Portfolios: Health and Planning
Department of Human Services and Department of Infrastructure
18 May 2000

Hon. J. Thwaites, Minister for Health; Mr W. McCann, Secretary; and
Dr C. Brook, Director, Acute Health, Department of Human Services.

Hon. J. Thwaites, Minister for Planning; Mr P. Jerome, Executive Director,
Planning Heritage and Building; Ms G. Moody, Executive Director,
Strategic Planning; and Mr R. McDonald, Chief Finance Officer,
Department of Infrastructure.
Portfolios: Local Government and WorkCover
Department of Infrastructure and
Department of Treasury and Finance
13 June 2000

Hon. R. Cameron, Minister for Local Government; Ms P. Digby, Executive Director, Local Government; and Mr R. McDonald, Chief Financial Officer, Department of Infrastructure.

Hon. R. Cameron, Minister for WorkCover; Professor R. Officer, Chairman, Victorian WorkCover Authority; and Mr W. Mountford, Chief Executive Officer, Victorian WorkCover Authority; Mr J. Lees, Chief Executive Officer, Transport Accident Commission; and Ms C. Munro, former Deputy Secretary, Economic and Financial Policy, Department of Treasury and Finance.

Portfolios: Attorney-General, Manufacturing Industry and Racing
Department of Justice and
Department of State and Regional Development
13 June 2000

Hon. R. Hulls, Attorney-General; Mr P. Harmsworth, Secretary; and Ms F. Hanlon, Deputy Secretary, Legal; Department of Justice.

Hon. R. Hulls, Minister for Manufacturing Industry; Mr N. Edwards, Secretary; and Ms N. Watkinson, Director, Office of Manufacturing, Department of State and Regional Development.

Hon. R. Hulls, Minister for Racing; Mr N. Edwards, Secretary; Mr R. Kennedy, Executive Director, Sport, Recreation and Racing, Department of State and Regional Development.

Portfolios: Education and the Arts
Department of Education, Employment and Training and
Department of Premier and Cabinet
14 June 2000

Hon. M. Delahunty, Minister for Education; Mr P. Allen, Secretary; Mr D. Tyrer, Acting Director, Office of Schools; Ms K. Cleave, Director,
Office of Departmental Services; and Mr I. Hind, General Manager, Corporate and Strategic Planning Division, Office of the Secretary, Department of Education, Employment and Training.

Hon. M. Delahunty, Minister for the Arts; Ms L. Alway, Director; and Mr D. Carmody, General Manager, Agencies and Corporate Support; Arts Victoria.

Portfolio: Transport
Department of Infrastructure
14 June 2000

Hon. P. Batchelor, Minister for Transport; Mr J. McMillan, Acting Director of Public Transport; Mr R. McDonald, Chief Financial Officer; and Ms G. Moody, Executive Director, Strategic Planning, Department of Transport; and Mr C. Jordan, Chief Executive, VicRoads; Mr R. Parker, Chief Executive, Melbourne City Link Authority; and Mr A. Smith, Finance and Commercial, Melbourne City Link Authority.

Portfolio: State and Regional Development
Department of State and Regional Development
15 June 2000

Hon. J. Brumby, Minister for State and Regional Development; Mr N. Edwards, Secretary; Mr D. Hanna, Executive Director, Policy; and Ms J. Niall, Director, Science, Technology and Innovation, Department of State and Regional Development.

Parliamentary Departments
15 June 2000

Hon. B. Chamberlain, President of the Legislative Council; Hon. A. Andrianopoulos, Speaker of the Legislative Assembly; Mr R. Purdey, Clerk of the Parliaments and Clerk of the Legislative Assembly; Mr W. Tunnecliffe, Clerk of the Legislative Council; Mr B. Davidson, Parliamentary Librarian; Ms C. Haydon, Chief Executive Officer, Department of Parliamentary Services; and Ms C. Williams, Editor of Debates, Parliament of Victoria.
Portfolios: Agriculture and Aboriginal Affairs
Department of Natural Resources and Environment
8 August 2000

Hon. K. Hamilton, Minister for Agriculture and Minister for Aboriginal Affairs; Ms C. Munro, Secretary; Mr T. Healy, Deputy Secretary, Policy; Mr R. Rawson, Deputy Secretary, Operations; and Dr B. Kefford, Executive Director, Agriculture, Department of Natural Resources and Environment; Mr S. Gartland, Ministerial Adviser; and Mr T. Cahir, Director, Aboriginal Affairs Victoria.

Portfolios: Gaming, Major Projects and Tourism
Department of Treasury and Finance and Department of State and Regional Development
8 August 2000

Hon. J. Pandazopoulos, Minister for Gaming; Mr I. Little, Secretary, Department of Treasury and Finance; and Mr W. Lahey, Director, Victorian Casino and Gaming Authority.

Hon. J. Pandazopoulos, Minister for Major Projects and Tourism; Mr N. Edwards, Secretary, Mr R. Roennfeld, Director, Office of Major Projects, Department of State and Regional Development; and Mr J. Floyd, Chief Executive, Tourism Victoria

Portfolio: Community Services
Department of Human Services
9 August 2000

Hon. C. Campbell; Mr H. Ronaldson, Acting Secretary; Ms M. Wagstaff, Director of Community Care; Mr B. Solly, Director of Disability Services; and Mr L. Wallace, Director of Resources, Department of Human Services.
Portfolios: Small Business and Consumer Affairs
Department of State and Regional Development and
Department of Justice
9 August 2000

Hon. M. Thomson, Minister for Small Business; Mr D. Seymour, Executive Director, Small Business; and Mr N. Edwards, Principal Officer, Department of State and Regional Development.

Hon. M. Thomson, Minister for Consumer Affairs; Mr P. Harmsworth, Secretary; Ms B. Steele, Deputy Secretary, Consumer Affairs and Equity; Mr D. Fitzgerald, Assistant Director, Policy and Information; and Ms L. Goodes, Manager, Policy, Department of Justice.

Portfolios: Police and Emergency Services and Corrections
Department of Justice
10 August 2000

Hon. A. Haermeyer, Minister for Police and Emergency Services; Mr N. Comrie, Chief Commissioner of Police; Mr P. Harmsworth, Secretary; and Mr A. Clayton, Deputy Secretary, Justice Operations, Department of Justice.

Hon. A. Haermeyer, Minister for Corrections; Mr P. Harmsworth, Secretary; and Mr A. Clayton, Deputy Secretary, Justice Operations, Department of Justice.

Portfolio: Industrial Relations
Department of State and Regional Development
10 August 2000

Hon. M. Gould, Minister for Industrial Relations; Mr N. Edwards, Secretary; and Mr G. Fary, Executive Director, Industrial Relations Victoria, Department of State and Regional Development.
Portfolios: Housing and Aged Care
Department of Human Services
22 August 2000

Hon. B. Pike, Minister for Housing; Mr H. Ronaldson, Acting Secretary; Mr L. Wallace, Director of Resources; and Mr R. Hudson, Acting Director, Office of Housing, Department of Human Services.

Hon. B. Pike, Minister for Aged Care; Mr H. Ronaldson, Acting Secretary; Dr H. Buchan, Director of Acute Health; Ms A. Jurjevic, Director of Aged Care; and Mr L. Wallace, Director of Resources, Department of Human Services.

Portfolios: Energy and Resources and Ports
Department of Natural Resources and Environment and Department of Infrastructure
22 August 2000

Hon. C. Broad, Minister for Energy and Resources; Ms C. Munro, Secretary; Mr R. Rawson, Deputy Secretary, Operations; and Mr T. Healy, Deputy Secretary, Policy, Department of Natural Resources and Environment.

Hon. C. Broad, Minister for Ports; Mr R. McDonald, Chief Finance Officer, Corporate Finance Division; and Mr N. Aplin, Executive Director, Ports and Marine Division, Department of Infrastructure.

Portfolios: Sport and Recreation and Youth Affairs
Department of State and Regional Development and Department of Education, Employment and Training
23 August 2000

Hon. J. Madden, Minister for Sport and Recreation; Mr N. Edwards, Secretary and Mr R. Kennedy, Executive Director, Sport and Recreation Victoria, Department of State and Regional Development.

Hon. J. Madden, Minister for Youth Affairs; Mr P. Allen, Secretary; and Ms L. Foster, Acting Director Office for Youth, Department of Education, Employment and Training.
Portfolios: Finance and Post Compulsory Education, Training and Employment
Department of Treasury and Finance and
Department of Education, Employment and Training
23 August 2000

Hon. L. Kosky, Minister for Finance; Mr I. Little, Secretary; Mr G. Hehir, Deputy Secretary, Budget and Financial Management Division; and Mr P. Carroll, Director, Victorian Government Property Group, Department of Treasury and Finance.

Hon. L. Kosky, Minister for Post Compulsory Education, Training and Employment; Mr P. Allen, Secretary; and Ms M. Sussex, Director, Office of Post Compulsory Education, Employment and Training, Department of Education, Employment and Training.

Portfolios: Environment and Conservation and Women’s Affairs
Department of Natural Resources and Environment and
Department of Premier and Cabinet
24 August 2000

Hon. S. Garbutt, Minister for Environment and Conservation; Ms R. Barker, Chief of Staff to the Minister for Environment and Conservation; Dr B. Robinson, Chairman, Environment Protection Authority; Ms C. Munro, Secretary; Mr T. Healy, Deputy Secretary, Policy; Mr R. Rawson, Deputy Secretary, Operations; Mr G. O’Neill, Executive Director, Forests Service; Mr P. Sutherland, Executive Director, Catchment and Water Division; and Ms M. van Rees, Executive Director, Parks, Flora and Fauna, Department of Natural Resources and Environment.

Hon. S. Garbutt, Minister for Women’s Affairs; Ms J. Watt, Acting Director, Office of Women’s Policy, Department of Premier and Cabinet; and Ms R. Barker, Chief of Staff, Minister for Women’s Affairs.
Submissions

The following Departments and agencies responded to the Committee’s annual estimates questionnaire:

Education, Employment and Training;
Environment Protection Authority;
Human Services;
Infrastructure;
Justice;
Natural Resources and Environment;
Parliamentary Departments;
Premier and Cabinet;
State and Regional Development;
Treasury and Finance;
Victorian Auditor-General’s Office.

In addition, all departments provided further information on request of the Committee.
APPENDIX 4: GOVERNMENT RESPONSE TO PAEC REPORT NO. 33 ON THE 1999-2000 BUDGET ESTIMATES

Response to Committee's previous recommendations