Report on the 2001-2002 Budget Estimates
# TABLE OF CONTENTS

Public Accounts and Estimates Committee  
Membership - 54th Parliament .......................................................... 1

Duties of the Committee .................................................................................. 3

Glossary ........................................................................................................ 5

Chairman's Introduction .................................................................................. 13

Executive Summary ......................................................................................... 15

Key Recommendations relating to performance information .......................... 51

Further Recommendations ................................................................................ 63

## Chapter 1: Introduction .............................................................................. 85

1.1 Objectives of the Budget Estimates process .......................................... 85
1.2 Process followed by the Committee ......................................................... 85

## Chapter 2: Government's response to the PAEC Report  
No. 38 - 2000-2001 Budget Estimates ......................................................... 87

2.1 Legislative requirement to respond to Committee's recommendations .......................................................... 88
2.2 Previous recommendations ........................................................................ 88

## Chapter 3: Budget overview ................................................................. 99

3.1 Basis for preparation of the Budget Estimates .......................................... 99
3.2 Budget strategy, objectives and priorities ............................................... 100
  3.2.1 Budget strategy and financial objectives ........................................... 100
  3.2.2 Growth and service delivery priorities ................................................. 102
3.3 2000-2001 budget outcomes and overall position .................................... 103
  3.3.1 2000-2001 revised operating surplus ............................................... 103
  3.3.2 2001-2002 forecast operating surplus ............................................... 105
  3.3.3 Economic outlook and risks ............................................................... 107
3.4 2001-2002 budget initiatives .................................................................... 110
3.5 Budget sector statement of financial position ......................................... 112
  3.5.1 Budget sector assets ............................................................................ 114
  3.5.2 Budget sector liabilities ....................................................................... 115
  3.5.3 Debt management ................................................................................ 116
  3.5.4 Unfunded superannuation liabilities .................................................. 116
### Chapter 4: Review of Budget Papers

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
<td>121</td>
</tr>
<tr>
<td>4.2 Departmental financial statements</td>
<td>123</td>
</tr>
<tr>
<td>4.3 Output framework</td>
<td>125</td>
</tr>
<tr>
<td>4.3.1 Explanations of variations in outputs and performance indicators</td>
<td>129</td>
</tr>
<tr>
<td>4.4 Output–outcome framework</td>
<td>130</td>
</tr>
<tr>
<td>4.5 Definition of net debt</td>
<td>133</td>
</tr>
<tr>
<td>4.5.1 Net debt as disclosed in the Budget Papers</td>
<td>134</td>
</tr>
<tr>
<td>4.5.2 Rationale for the presentation of net debt</td>
<td>135</td>
</tr>
<tr>
<td>4.5.3 Rationale for the exclusion of the Growing Victoria reserve from the estimation of net debt</td>
<td>137</td>
</tr>
<tr>
<td>4.6 Embedded tax savings</td>
<td>140</td>
</tr>
<tr>
<td>4.6.1 Background</td>
<td>140</td>
</tr>
<tr>
<td>4.6.2 Estimation of embedded tax savings</td>
<td>141</td>
</tr>
<tr>
<td>4.6.3 Level of embedded tax savings</td>
<td>142</td>
</tr>
<tr>
<td>4.6.5 Impact on Departments’ operational budgets</td>
<td>144</td>
</tr>
</tbody>
</table>

### Chapter 5: Commonwealth-State funding issues

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Background</td>
<td>146</td>
</tr>
<tr>
<td>5.2 Commonwealth Grants Commission - Impact on the Victorian subsidy</td>
<td>146</td>
</tr>
<tr>
<td>5.3 Commission’s assumptions and methodology</td>
<td>149</td>
</tr>
<tr>
<td>5.4 Specific purpose payments</td>
<td>151</td>
</tr>
<tr>
<td>5.5 Enhancing Commonwealth-State Agreements</td>
<td>153</td>
</tr>
</tbody>
</table>

### Chapter 6: Annual Reporting Regime

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Introduction</td>
<td>156</td>
</tr>
<tr>
<td>6.1.1 Government’s response to Committee’s recommendations</td>
<td>156</td>
</tr>
<tr>
<td>6.2 Performance reporting framework</td>
<td>160</td>
</tr>
<tr>
<td>6.3 Further proposed reporting initiatives</td>
<td>160</td>
</tr>
<tr>
<td>6.3.1 Executive summary</td>
<td>161</td>
</tr>
<tr>
<td>6.3.2 “Report on targeted outcomes” section</td>
<td>161</td>
</tr>
<tr>
<td>6.3.3 Financial commentary</td>
<td>162</td>
</tr>
<tr>
<td>6.3.4 Management of human resources</td>
<td>162</td>
</tr>
<tr>
<td>6.3.5 Statement of compliance</td>
<td>163</td>
</tr>
<tr>
<td>6.3.6 Correction of errors in reporting</td>
<td>163</td>
</tr>
<tr>
<td>6.4 Improving the quality of annual reporting</td>
<td>164</td>
</tr>
<tr>
<td>6.4.1 Role of the Department of Treasury and Finance</td>
<td>164</td>
</tr>
<tr>
<td>6.4.2 Internal organisational arrangements</td>
<td>166</td>
</tr>
</tbody>
</table>
Attention 1: Proposed guidelines for performance reporting ................................. 169

Chapter 7: Corporate and business plans of Departments .................. 177

7.1 Introduction .................................................................................. 177
7.2 Role of corporate and business planning .................................. 178
7.3 Existing guide to corporate and business planning ............. 180
  7.3.1 Review of existing planning guide ................................... 182
  7.3.2 Committee's views on existing planning guide .......... 183
7.4 Review of corporate and business plans ..................................... 188
  7.4.1 Department of Treasury and Finance 2001-2004 Corporate Plan ................................................................. 188
  7.4.2 Department of Premier and Cabinet 2001-2002 Business Plan .................................................................. 188
  7.4.3 Department of Infrastructure 2001-2004 Corporate Plan ................................................................. 189
  7.4.4 Department of Education, Employment and Training 2000-2003 Corporate Plan .............................................. 190
  7.4.5 Department of Natural Resources and Environment 2001-2004 Corporate Plan .............................................. 191
  7.4.6 Department of State and Regional Development Corporate Plan 2001-2002 .............................................. 191
  7.4.7 Department of the Legislative Council Annual Plan 2001-2002 ............................................................... 192
  7.4.8 Department of Legislative Assembly Business Plan 2001-2002 ............................................................... 193
  7.4.9 Department of Parliamentary Debates Business Plan 2001-2002 ............................................................... 194
  7.4.10 Joint Services Department Business Plan 2001-2002 ........................................................................ 195
  7.4.11 Parliamentary Library Business Plan 2001-2002 ........ 196

Chapter 8: Department of Education, Employment and Training .................. 199

8.1 Departmental overview ................................................................... 200
8.2 Output management framework .................................................. 201
8.3 Financial analysis ........................................................................... 201
  8.3.1 Other revenue and other expenses ................................... 203
8.4 Management Reform Program ...................................................... 203
8.5 Human resources issues ................................................................. 204
  8.5.1 Key staffing issues ............................................................... 205
(a) Mix of ongoing full time and fixed term teaching and non-teaching staff at schools.....205
(b) Ratios of males and females in the workforce ......................................................205
(c) Appointments of principals at schools.............207
(d) Age profile for teaching staff and principals at schools...........................................208
(e) Age and gender profile for non-teaching staff at schools......................................209

8.6 Education portfolio...........................................................................210
8.6.1 Background.................................................................................210
8.6.2 2001-2002 outlook for the portfolio..................................................211
8.6.3 Analysis of the 2001-2002 Budget.....................................................212
8.6.4 Performance measures.................................................................213
8.6.5 Key issues impacting on the Education portfolio.................................213
   (a) Lifting standards of literacy and numeracy........................................214
   (b) Supply of teachers to address potential future staff shortages..................214
   (c) Shortages of teachers of specific subjects.........................................216
   (d) Drug prevention education..............................................................217
   (e) Violence and bullying........................................................................218

8.7 Post Compulsory Education, Training and Employment portfolio................................218
8.7.1 Background..................................................................................218
8.7.2 2001-2002 outlook for the portfolio..................................................219
8.7.3 Analysis of the 2001-2002 Budget.....................................................220
8.7.4 Performance measures.................................................................221
8.7.5 Key issues impacting on the Post Compulsory Education, Training and Employment portfolio..............................................222
   (a) Unmet demand for higher education places........................................222
   (b) Australian National Training Agreement funding...................................223
   (c) Centre for Adult Education ................................................................224
   (d) Financial position of Chisholm Institute of TAFE ..................................224
   (e) Development of learning communities to maximise access to education and training...226
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>(f) Assessment of training needs and skill</td>
<td>227</td>
</tr>
<tr>
<td>priorities in key Victorian industries</td>
<td></td>
</tr>
<tr>
<td>(g) Property maintenance at TAFE Institutes</td>
<td>227</td>
</tr>
<tr>
<td>8.8 Youth Affairs</td>
<td>229</td>
</tr>
<tr>
<td>8.8.1 Background</td>
<td>229</td>
</tr>
<tr>
<td>8.8.2 2001-2002 outlook for the portfolio</td>
<td>230</td>
</tr>
<tr>
<td>8.8.3 Analysis of the 2001-2002 Budget</td>
<td>230</td>
</tr>
<tr>
<td>8.8.4 Performance measures</td>
<td>230</td>
</tr>
<tr>
<td>8.8.5 Key issues impacting on the Youth Affairs portfolio</td>
<td>231</td>
</tr>
<tr>
<td>(a) Victorian Youth Strategy</td>
<td>231</td>
</tr>
<tr>
<td>(b) FReeZa</td>
<td>232</td>
</tr>
<tr>
<td>Chapter 9: Department of Human Services</td>
<td>235</td>
</tr>
<tr>
<td>9.1 Departmental overview</td>
<td>236</td>
</tr>
<tr>
<td>9.2 Output management framework</td>
<td>237</td>
</tr>
<tr>
<td>9.3 Financial analysis</td>
<td>239</td>
</tr>
<tr>
<td>9.3.1 Other revenue and other expenses</td>
<td>240</td>
</tr>
<tr>
<td>9.4 Management Reform Program</td>
<td>241</td>
</tr>
<tr>
<td>9.5 Human resources issues</td>
<td>242</td>
</tr>
<tr>
<td>9.5.1 Key staffing issues</td>
<td>244</td>
</tr>
<tr>
<td>9.5.2 Age profile of departmental staff</td>
<td>245</td>
</tr>
<tr>
<td>9.6 Health portfolio</td>
<td>247</td>
</tr>
<tr>
<td>9.6.1 Background</td>
<td>247</td>
</tr>
<tr>
<td>9.6.2 2001-2002 outlook for the portfolio</td>
<td>248</td>
</tr>
<tr>
<td>9.6.3 Analysis of the 2001-2002 Budget</td>
<td>249</td>
</tr>
<tr>
<td>9.6.4 Performance measures</td>
<td>250</td>
</tr>
<tr>
<td>9.6.5 Key issues impacting on the Health portfolio</td>
<td>252</td>
</tr>
<tr>
<td>(a) Victorian Public Hospital Demand Strategy</td>
<td>252</td>
</tr>
<tr>
<td>(b) Victoria’s dental care waiting lists</td>
<td>254</td>
</tr>
<tr>
<td>(c) Legionnaires’ disease</td>
<td>256</td>
</tr>
<tr>
<td>(d) Financial viability of Victorian public hospitals</td>
<td>257</td>
</tr>
<tr>
<td>9.7 Community Services portfolio</td>
<td>259</td>
</tr>
<tr>
<td>9.7.1 Background</td>
<td>259</td>
</tr>
<tr>
<td>9.7.2 2001-2002 outlook for the portfolio</td>
<td>260</td>
</tr>
<tr>
<td>9.7.3 Analysis of the 2001-2002 Budget</td>
<td>261</td>
</tr>
<tr>
<td>9.7.4 Performance measures</td>
<td>262</td>
</tr>
<tr>
<td>9.7.5 Key issues impacting on the Community Services</td>
<td></td>
</tr>
<tr>
<td>portfolio</td>
<td>263</td>
</tr>
<tr>
<td>(a) DisAbility Services</td>
<td>263</td>
</tr>
</tbody>
</table>
Report on the 2001-2002 Budget Estimates

(b) Victoria’s Juvenile Justice Reform Strategy ........................................ 264
(c) Pre-schools .............................................................................. 266
(d) Children in care ........................................................................ 267
(e) Viability of non-government agencies delivering support services to children and young people ........................................ 268

9.8 Aged Care portfolio ................................................................... 269
9.8.1 Background ........................................................................ 269
9.8.2 2001-2002 outlook for the portfolio ........................................ 269
9.8.3 Performance measures .......................................................... 270
9.8.4 Key issues impacting on the Aged Care portfolio ................. 271
(a) Adequacy of Commonwealth aged care funding ....................... 271
(b) Demand pressures on the aged, acute and sub-acute service systems ........................................................................ 273
(c) Quality of aged care residential facilities and services .................. 275
(d) Framework for future planning of sub-acute services ............... 276

9.9 Housing portfolio ....................................................................... 277
9.9.1 Background ........................................................................ 277
9.9.2 2001-2002 outlook for the portfolio ........................................ 278
9.9.3 Analysis of the 2001-2002 Budget ............................................ 279
9.9.4 Performance measures .......................................................... 279
9.9.5 Key issues impacting on the Housing portfolio ..................... 280
(a) Commonwealth-State Housing Agreement ................................ 280
(b) Supported Accommodation Assistance Program (SAAP) . . . . 282
(c) Public Housing Advocacy Program ........................................... 284
(d) Review of public rental eligibility criteria .................................. 284

Chapter 10: Department of Infrastructure ........................................ 287
10.1 Departmental overview ........................................................... 288
10.2 Output management framework .............................................. 288
10.3 Financial analysis ................................................................. 289
10.3.1 Other revenue and other expenses ....................................... 291
10.4 Management Reform Program ................................................ 291
10.5 Human resources issues .......................................................... 292
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.5.1</td>
<td>Key staffing issues</td>
<td>293</td>
</tr>
<tr>
<td>10.6</td>
<td>Transport portfolio</td>
<td>294</td>
</tr>
<tr>
<td>10.6.1</td>
<td>Background</td>
<td>294</td>
</tr>
<tr>
<td>10.6.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>296</td>
</tr>
<tr>
<td>10.6.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>298</td>
</tr>
<tr>
<td>10.6.4</td>
<td>Performance measures</td>
<td>299</td>
</tr>
<tr>
<td>10.6.5</td>
<td>Key issues impacting on the Transport portfolio</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>(a) Major public-private partnership arrangements</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>(b) Classification of the Pakenham bypass</td>
<td>302</td>
</tr>
<tr>
<td></td>
<td>(c) Metropolitan land use and transport strategy</td>
<td>303</td>
</tr>
<tr>
<td></td>
<td>(d) Development and implementation of Road Safety Strategies</td>
<td>303</td>
</tr>
<tr>
<td></td>
<td>(e) Metropolitan train and tram services</td>
<td>305</td>
</tr>
<tr>
<td>10.7</td>
<td>Planning portfolio</td>
<td>307</td>
</tr>
<tr>
<td>10.7.1</td>
<td>Background</td>
<td>307</td>
</tr>
<tr>
<td>10.7.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>308</td>
</tr>
<tr>
<td>10.7.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>308</td>
</tr>
<tr>
<td>10.7.4</td>
<td>Performance measures</td>
<td>309</td>
</tr>
<tr>
<td>10.7.5</td>
<td>Key issues impacting on the Planning portfolio</td>
<td>310</td>
</tr>
<tr>
<td></td>
<td>(a) Transit Orientated Precinct Developments</td>
<td>310</td>
</tr>
<tr>
<td></td>
<td>(b) Assistance to Local Government in refining planning processes</td>
<td>311</td>
</tr>
<tr>
<td></td>
<td>(c) Educating the community on ResCode</td>
<td>312</td>
</tr>
<tr>
<td>10.8</td>
<td>Local Government portfolio</td>
<td>313</td>
</tr>
<tr>
<td>10.8.1</td>
<td>Background</td>
<td>313</td>
</tr>
<tr>
<td>10.8.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>313</td>
</tr>
<tr>
<td>10.8.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>314</td>
</tr>
<tr>
<td>10.8.4</td>
<td>Performance measures</td>
<td>314</td>
</tr>
<tr>
<td>10.8.5</td>
<td>Key issues impacting on the Local Government portfolio</td>
<td>315</td>
</tr>
<tr>
<td></td>
<td>(a) Monitoring Best Value Principles</td>
<td>316</td>
</tr>
<tr>
<td></td>
<td>(b) Local Government infrastructure maintenance</td>
<td>316</td>
</tr>
<tr>
<td></td>
<td>(c) Local Government annual reports</td>
<td>317</td>
</tr>
<tr>
<td></td>
<td>(d) Victorian Grants Commission methodology for the allocation of funds to municipalities</td>
<td>318</td>
</tr>
</tbody>
</table>
10.9 Ports portfolio

10.9.1 Background

10.9.2 2001-2002 outlook for the portfolio

10.9.3 Analysis of the 2001-2002 Budget

10.9.4 Performance measures

10.9.5 Key issues impacting on the Ports portfolio
   (a) Rail access to Victorian ports
   (b) Refurbishment of Station Pier
   (c) Survey of commercial vessels
   (d) Channel deepening in Port Phillip Bay

Chapter 11: Department of Justice

11.1 Departmental overview

11.2 Output management framework

11.3 Financial analysis

11.3.1 Other revenue and other expenses

11.4 Management Reform Program

11.5 Human resources issues – Victoria Police

11.5.1 Ratio of males and females in the police force

11.5.2 Police force age profile

11.5.3 Staff in police administration

11.6 Human resources issues - Department of Justice

11.7 Attorney-General portfolio

11.7.1 Background

11.7.2 2001-2002 outlook for the portfolio

11.7.3 Analysis of the 2001-2002 Budget

11.7.4 Performance measures

11.7.5 Key issues impacting on the Attorney-General’s portfolio
   (a) Assistance to victims of crime
   (b) Pro bono work by private law firms
   (c) Victorian Law Reform Commission
   (d) Victorian Aboriginal Justice Agreement
   (e) Outstanding fines and unexecuted warrants

11.8 Police and Emergency Services portfolio

11.8.1 Background

11.8.2 2001-2002 outlook for the portfolio

11.8.3 Analysis of the 2001-2002 Budget

11.8.4 Performance measures
12.4 Management Reform Program ........................................ 377
12.5 Human resources issues ................................................. 377
   12.5.1 Key staffing issues ................................................. 379
   12.5.2 Age profile of staff ............................................... 379
   12.5.3 Gender balance by classification ............................ 381
   12.5.4 Shortages in expertise .......................................... 382
12.6 Environment and Conservation portfolio ......................... 382
   12.6.1 Background ......................................................... 382
   12.6.2 2001-2002 outlook for the portfolio ....................... 384
   12.6.3 Analysis of the 2001-2002 Budget ............................ 384
   12.6.4 Performance measures ......................................... 385
   12.6.5 Key issues impacting on the Environment and
          Conservation portfolio ............................................. 386
          (a) National Action Plan for Salinity ...................... 386
          (b) Land clearing .................................................. 388
          (c) Victoria’s air quality ...................................... 389
          (d) Marine parks .................................................. 390
12.7 Energy and Resources portfolio .................................... 391
   12.7.1 Background ......................................................... 391
   12.7.2 2001-2002 outlook for the portfolio ....................... 391
   12.7.3 Analysis of the 2001-2002 Budget ............................ 392
   12.7.4 Performance measures ......................................... 393
   12.7.5 Key issues impacting on the Energy and Resources
          portfolio ............................................................... 394
          (a) Victoria’s electricity supply .............................. 395
          (b) Sustainable Energy Authority of Victoria ......... 395
          (c) Mineral and petroleum exploration
               and development ............................................. 396
          (d) Status of Coastal Action Plans ......................... 397
12.8 Agriculture portfolio .................................................. 399
   12.8.1 Background ......................................................... 399
   12.8.2 2001-2002 outlook for the portfolio ....................... 401
          (a) Science Innovation and Education
               initiative ......................................................... 401
          (b) Farm Bis .......................................................... 402
          (c) Community Capacity Building .......................... 402
   12.8.3 Performance measures ......................................... 402
   12.8.4 Key issues impacting on the Agriculture portfolio ....... 403
          (a) National Livestock Identification Scheme ......... 403
### Chapter 12: Aboriginal Affairs portfolio

#### 12.9 Background

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.9.1 Background</td>
<td>407</td>
</tr>
<tr>
<td>12.9.2 2001-2002 outlook for the portfolio</td>
<td>407</td>
</tr>
<tr>
<td>12.9.3 Performance measures</td>
<td>408</td>
</tr>
<tr>
<td>12.9.4 Key issues impacting on the Aboriginal Affairs portfolio</td>
<td>409</td>
</tr>
</tbody>
</table>

#### 12.9.1 Background

- 2001-2002 outlook for the portfolio

#### 12.9.2 2001-2002 outlook for the portfolio

#### 12.9.3 Performance measures

#### 12.9.4 Key issues impacting on the Aboriginal Affairs portfolio

- Whole-of-government framework for Aboriginal affairs
- Cultural heritage management skills

### Chapter 13: Department of Premier and Cabinet

#### 13.1 Departmental overview

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.1</td>
<td>413</td>
</tr>
<tr>
<td>13.2</td>
<td>414</td>
</tr>
<tr>
<td>13.3</td>
<td>415</td>
</tr>
<tr>
<td>13.4</td>
<td>418</td>
</tr>
<tr>
<td>13.5</td>
<td>419</td>
</tr>
<tr>
<td>13.6</td>
<td>424</td>
</tr>
<tr>
<td>13.7</td>
<td>433</td>
</tr>
</tbody>
</table>

#### 13.2 Output management framework

#### 13.3 Financial analysis

- Operating revenue
- Operating expenses
- Other revenue and other expenses

#### 13.4 Management Reform Program

#### 13.5 Human resources issues

- Key staffing issues
- Age profile of departmental staff

#### 13.6 Premier’s portfolio

- Background
- 2001-2002 outlook for the portfolio
- Performance measures
- Key issues impacting on the Premier’s portfolio

- Community building strategy
- Whole-of-government Drug Prevention Strategy
- Environmental flows to the Snowy River
- The Victorian Economic and Social Advisory Council

#### 13.7 Multicultural Affairs portfolio

- Background
- Major initiatives of the Multicultural Affairs portfolio
- Analysis of the 2001-2002 Budget
- Performance measures
13.7.5 Key issues impacting on the Multicultural Affairs portfolio ........................................ 435
   (a) Racial and Religious Tolerance legislation ................................................................. 435
   (b) Allocation of language allowance funds ................................................................. 436

13.8 Arts portfolio ........................................................................................................ 436
13.8.1 Background ..................................................................................................... 436
13.8.2 Major initiatives of the Arts portfolio .................................................................. 437
13.8.3 Analysis of the 2001-2002 Budget ..................................................................... 438
13.8.4 Performance measures ...................................................................................... 438
13.8.5 Key issues impacting on the Arts portfolio ..................................................... 439
   (a) Establishment of the Australian Centre of the Moving Image ............................. 439
   (b) Attendance at Victorian arts agencies .................................................................... 440
   (c) Corporate governance arrangements for all arts agencies .................................. 441

13.9 Women's Affairs portfolio .................................................................................... 442
13.9.1 Background ..................................................................................................... 442
13.9.2 Major initiatives of the Women's Affairs portfolio ........................................... 443
13.9.3 Analysis of the 2001-2002 Budget ..................................................................... 444
13.9.4 Performance measures ...................................................................................... 444
13.9.5 Key issues impacting on the Women's Affairs portfolio ..................................... 445
   (a) Development of the Women's safety strategy ...................................................... 445
   (b) Portrayal of women in outdoor advertising ......................................................... 446
   (c) Queen Victoria Women's Centre ......................................................................... 447

Chapter 14: Department of State and Regional Development ........................................ 449
14.1 Departmental overview ....................................................................................... 450
14.2 Output management framework ......................................................................... 450
14.3 Financial analysis ................................................................................................. 451
   14.3.1 Other revenue and other expenses ................................................................. 453
14.4 Management Reform Program ........................................................................... 454
14.5 Human resources issues ...................................................................................... 454
   14.5.1 Age profile of departmental staff .................................................................. 456
14.6 State and Regional Development portfolio ....................................................... 456
   14.6.1 Background ..................................................................................................... 456
<table>
<thead>
<tr>
<th>Section</th>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.6.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>458</td>
</tr>
<tr>
<td>14.6.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>458</td>
</tr>
<tr>
<td>14.6.4</td>
<td>Performance measures</td>
<td>459</td>
</tr>
<tr>
<td>14.6.5</td>
<td>Key issues impacting on the State and Regional Development portfolio</td>
<td>460</td>
</tr>
<tr>
<td></td>
<td>(a) Regional Infrastructure Development Fund</td>
<td>460</td>
</tr>
<tr>
<td></td>
<td>(b) Connecting Victoria</td>
<td>461</td>
</tr>
<tr>
<td>14.7</td>
<td>Manufacturing Industry portfolio</td>
<td>463</td>
</tr>
<tr>
<td>14.7.1</td>
<td>Background</td>
<td>463</td>
</tr>
<tr>
<td>14.7.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>464</td>
</tr>
<tr>
<td>14.7.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>464</td>
</tr>
<tr>
<td>14.7.4</td>
<td>Performance measures</td>
<td>465</td>
</tr>
<tr>
<td>14.7.5</td>
<td>Key issues impacting on the Manufacturing Industry portfolio</td>
<td>465</td>
</tr>
<tr>
<td></td>
<td>(a) Strategic audits of industry</td>
<td>465</td>
</tr>
<tr>
<td></td>
<td>(b) Victorian Rail Manufacturing Industry Strategy</td>
<td>466</td>
</tr>
<tr>
<td></td>
<td>(c) Interstate bidding</td>
<td>467</td>
</tr>
<tr>
<td>14.8</td>
<td>Small Business portfolio</td>
<td>467</td>
</tr>
<tr>
<td>14.8.1</td>
<td>Background</td>
<td>467</td>
</tr>
<tr>
<td>14.8.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>468</td>
</tr>
<tr>
<td>14.8.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>469</td>
</tr>
<tr>
<td>14.8.4</td>
<td>Performance measures</td>
<td>469</td>
</tr>
<tr>
<td>14.8.5</td>
<td>Key issues impacting on the Small Business portfolio</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td>(a) Women in small business</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td>(b) Initiatives in liquor licensing</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td>(c) Promoting Business Services</td>
<td>471</td>
</tr>
<tr>
<td></td>
<td>(d) Public liability insurance for tourism operators</td>
<td>472</td>
</tr>
<tr>
<td>14.9</td>
<td>Industrial Relations portfolio</td>
<td>473</td>
</tr>
<tr>
<td>14.9.1</td>
<td>Background</td>
<td>473</td>
</tr>
<tr>
<td>14.9.2</td>
<td>2001-2002 outlook for the portfolio</td>
<td>473</td>
</tr>
<tr>
<td>14.9.3</td>
<td>Analysis of the 2001-2002 Budget</td>
<td>474</td>
</tr>
<tr>
<td>14.9.4</td>
<td>Performance measures</td>
<td>475</td>
</tr>
<tr>
<td>14.9.5</td>
<td>Key issues impacting on the Industrial Relations portfolio</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>(a) Industrial Relations challenges</td>
<td>476</td>
</tr>
<tr>
<td></td>
<td>(b) Child labour laws</td>
<td>476</td>
</tr>
</tbody>
</table>
14.10 Sport and Recreation portfolio

14.10.1 Background

14.10.2 2001-2002 outlook for the portfolio

14.10.3 Analysis of the 2001-2002 Budget

14.10.4 Performance measures

14.10.5 Key issues impacting on the Sport and Recreation portfolio

(a) Commonwealth funding of Sport and Recreation Development Grants Program

(b) Community sport and recreation facility funding

(c) Better Pools funding

14.11 Racing portfolio

14.11.1 Background

14.11.2 2001-2002 outlook for the portfolio

14.11.3 Analysis of the 2001-2002 Budget

14.11.4 Performance measures

14.11.5 Key issues impacting on the Racing portfolio

(a) Bookmaking reforms

(b) Compensation to the racing industry

(c) Racing Victoria Ltd

(d) Country Victoria racing

14.12 Major Projects portfolio

14.12.1 Background

14.12.2 2001-2002 outlook for the portfolio

14.12.3 Analysis of the 2001-2002 Budget

14.12.4 Performance measures

14.12.5 Key issues impacting on the Major Projects portfolio

(a) Docklands development

(b) Federation Square

(c) 2006 Commonwealth Games

(d) Hazardous waste

14.13 Tourism portfolio

14.13.1 Background

14.13.2 2001-2002 outlook for the portfolio

14.13.3 Analysis of the 2001-2002 Budget

14.13.4 Performance measures

14.13.5 Key issues impacting on the Tourism portfolio

(a) Major overseas tourism campaigns
Chapter 15: Department of Treasury and Finance.................499

15.1 Departmental overview .................................................500
15.2 Output management framework.....................................501
15.3 Financial analysis..........................................................502
  15.3.1 Other revenue and other expenses..............................505
15.4 Management Reform Program .........................................505
15.5 Human resources issues.......................................................506
  15.5.1 Key staffing issues......................................................506
  15.5.2 Age profile of departmental staff...............................507
15.6 Treasury portfolio.............................................................508
  15.6.1 Background.................................................................508
  15.6.2 2001-2002 outlook for the portfolio..............................509
  15.6.3 Analysis of the 2001-2002 Budget.................................510
  15.6.4 Performance measures...............................................510
  15.6.5 Key issues impacting on the Treasury portfolio..............512
    (a) Impact of gaming on the State's revenue.................512
    (b) Development and implementation of Partnerships Victoria........................................514
    (c) Longford gas disaster.................................................515
    (d) Relocation of certain functions of the State Revenue Office to Ballarat........516
15.7 Finance portfolio............................................................517
  15.7.1 Background.................................................................517
  15.7.2 2001-2002 outlook for the portfolio..............................518
  15.7.3 Analysis of the 2001-2002 Budget.................................518
  15.7.4 Performance measures...............................................519
  15.7.5 Key issues impacting on the Finance portfolio..............520
    (a) Implementation of Electronic Commerce for Procurement........................................520
    (b) Essential Services Commission ..................................521
    (c) Five-year cyclical output review program ....522
    (d) Implementation of the Beneficiary Choice Program.................................................523
    (e) Tabling of annual reports.........................................524
15.8 WorkCover portfolio.......................................................525
  15.8.1 Background.................................................................525
  15.8.2 2001-2002 outlook for the portfolio..............................525
<table>
<thead>
<tr>
<th>Appendix 4: List of Persons and Departments providing evidence/submissions</th>
<th>579</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence</td>
<td>579</td>
</tr>
<tr>
<td>Submissions</td>
<td>586</td>
</tr>
</tbody>
</table>
Report on the 2001-2002 Budget Estimates
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

MEMBERSHIP - 54TH PARLIAMENT

Mr P Loney, MP (Chairman)
Hon. L Asher, MP
Ms A Barker, MP
Mr R Clark, MP
Ms S Davies, MP
Hon. D Davis, MLC
Hon. R Hallam, MLC (Deputy Chairman)
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 Officers: Mr M Holloway
Mr S Muscat (from 17 May to 19 October 2001)
Mr C Theodoratos (from 3 September 2001)
Office Manager: Mrs C Walker

1 Discharged as a Member of the Committee on 25 September 2001
2 Appointed as a Member of the Committee on 25 September 2001
3 Appointed as a Member of the Committee on 6 September 2000
4 Appointed as Deputy Chairman on 4 October 2000
Specialist Advisers: Professor James Guthrie, Macquarie Graduate School of Management, provided advice on certain aspects of the Overview of the Budget Papers; and

Mr John Chan-Sew, Financial Consultant, provided advice on corporate and business planning and annual reporting.

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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.
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<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>Assets</td>
<td>Service potential or future economic benefits controlled by an entity (e.g., a department) as a result of past transactions or other past events. Assets may be physical (e.g., plant, equipment or buildings) or non-physical (e.g., financial 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).</td>
</tr>
</tbody>
</table>
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.

Commonwealth grants  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.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth - State Housing Agreement</td>
<td>A bilateral agreement between the Commonwealth and State Governments for the provision of public housing and other forms of assistance.</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>
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<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</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>
</tr>
<tr>
<td>Government Business Enterprise</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>Government Finance Statistics</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>Gross state product</td>
<td>Gross domestic produce for a State or Territory.</td>
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<tr>
<td>Glossary</td>
<td>Definition</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Liabilities</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>Management Reform Program</td>
<td>A management framework which supports the achievement of the Government’s key budgetary, economic, financial and management reform objectives.</td>
</tr>
<tr>
<td>Materiality</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>
</tr>
<tr>
<td>Non-budget sector</td>
<td>Public sector entities, mainly business enterprises, that are not classified as “budget sector” (eg. 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>Term</td>
<td>Definition</td>
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<tr>
<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
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<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>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>Glossary</td>
<td>Definition</td>
</tr>
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<td>----------</td>
<td>------------</td>
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<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>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 (eg. 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>
</tbody>
</table>
Statement of cash flows

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.

Supplies and consumables

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 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.

Unfunded liabilities

Liabilities that are accruing but for which no explicit provision has been made for payment.

Unfunded superannuation liabilities

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.
CHAIRMAN’S INTRODUCTION

A common theme in Public Accounts and Estimates Committee’s reports is that performance measurement and reporting are intrinsic to the whole process of public management, including planning, implementing, monitoring, evaluation and public accountability.

The Committee, in reporting on its review of the Budget Estimates for 2001-2002, has again highlighted performance measurement and reporting. While the Government’s accrual budgeting framework has required significant investment from Departments and Agencies and there have been some major achievements, there is still some way to go before the full benefits of these financial management reforms are realised.

Credible performance information and a thorough understanding of the costs of producing services and programs are key components of decision making about the State’s Budget. They are important for:

• funding negotiations;
• internal resource allocations;
• cost effectiveness/ outsourcing;
• cost-recovery (e.g. charges, levies); and
• external reporting.

Hence the Committee’s interest in these issues. These issues are also the reason the Committee is keen to see further improvements to key accountability documents, such as Budget Papers, corporate and business plans and annual reports. Well presented and informative material can help Parliament and the public assess how well public money is being spent and what is being achieved with it.
Many of the 95 recommendations contained in this report are intended to assist with providing more meaningful information to the Parliament and the community on Government services and programs.

During the Committee’s review of the Budget Estimates for 2001-2002, we have been assisted by many people. I would like to thank the Premier, all Ministers and the Presiding Officers of the Parliament and their senior officials for their extensive cooperation in meeting the Committee’s demanding timetable and requirements.

I acknowledge the efforts and dedication of Ms Michele Cornwell, Executive Officer, and the PAEC Secretariat staff comprising Frances Essaber, Christine Walker, Mark Holloway, Chris Theodoratos and Sid Muscat and thank them for their efforts.

I wish to also thank all Members of the Committee for the constructive time and effort spent on the review of the Budget Estimates for 2001-2002.

Peter Loney, MP
Chairman
EXECUTIVE SUMMARY

Chapter 1: Introduction

In presenting this report, the Public Accounts and Estimates Committee does not intend to replicate the information contained in the 2001–2002 Budget Papers. Rather, it aims to present information to assist Members of Parliament and the community to have a better understanding of the Budget Estimates.

The Committee scrutinised the Budget Estimates for 2001–2002 at 52 hours of public hearings held with the Premier, each Minister and the Speaker of the Legislative Assembly during the period May–September 2001.

The information included in this report is based on:

- an analysis of the 2001–2002 Budget Estimates;
- the responses to the Committee’s estimates questionnaire; and
- evidence given by the Premier, all Ministers and the Speaker of the Legislative Assembly at the public hearings.

It also includes additional written material received from Ministers and the Presiding Officers during the period June–October 2001 in response to issues raised by the Committee, but does not necessarily reflect subsequent changes to Government policy and directions.

Chapter 2: Government response to Public Accounts and Estimates Committee Report No. 38

Of the 119 recommendations in the Committee’s report on the 2000–2001 Budget Estimates, the Government’s response indicated that 64 were accepted, 43 were partly accepted, six were rejected, five are still under review and one was accepted in principle.
The Committee was particularly interested in the Government’s response to the recommendations dealing with the quality of financial, performance and other information contained in the Budget Papers. The Government accepted five of the ten recommendations concerning these issues, accepted three in part and rejected two.

The Government rejected the recommendation that half-yearly reporting be provided to the Parliament and the Committee, on the basis that the cost would outweigh the benefits. The Committee is disappointed that this recommendation has not been accepted and rejects the assertion that it would be too costly because the data is already compiled for whole-of-government reports.

The Government accepted in part the recommendation that the Budget Papers include detailed explanations of significant variances in funding levels from the previous year’s budgeted figures. This recommendation was intended to include global and individual Departments’ revenue and expenses. The Government stated that the 2001–2002 Budget Papers provided a detailed reconciliation of variations in aggregate Budget sector revenue and expenses. The Committee notes, however, that this information is reported at an aggregate level, not at the recommended departmental level.

The Government accepted most of the recommendations aimed at improving the adequacy and presentation of information contained in the Budget Papers. However, in relation to performance measures, the Committee continues to be concerned that performance measures published in the Budget Papers are not externally verified.

The Government partly accepted the Committee’s recommendation that, in circumstances where Budgets approved by Parliament require a subsequent material amendment, this information be brought to the attention of the Parliament. The Government advised that errors considered by the Minister to be material should be reported to the Parliament. The Committee believes this raises a number of issues, including the nature of the
test of materiality to be applied and the determination of the appropriate materiality level.

The Government also rejected the recommendation that details of expenditure under all output groups should be shown in the relevant Department's Budget, for example, if transport concessions represent expenditure by the Department of Infrastructure, then details should be provided in that Department's Budget.

The Department of Treasury and Finance acknowledged that there are instances where it is difficult to draw out some of the more complex details in the Budget Papers. In response to the specific example raised by the Committee, it was agreed that a footnote on the Department of Human Services output table explaining that the $58.3 million for transport concessions was provided to the Department of Infrastructure in the form of a grant, would assist in clarifying this issue. The Committee believes this is a positive development.

Also accepted only in part was the recommendation that supplementary disclosures relating to the operation and effect of the Capital Asset Charge be made within Budget Paper No. 3. The Committee considers that current disclosures do not provide an insight into the effect of the capital asset charging system on the operations of individual Departments, and that this matter warrants further review.

Chapter 3: Budget overview

The scope of the Budget sector as presented in the 2001–2002 Budget Papers has been expanded to include all general Government sector agencies. Accordingly, the estimated financial statements now include the projected financial results of some agencies that were previously classified as belonging to the non-budget sector, including:

- Parks Victoria;
- the Country Fire Authority and the Metropolitan Fire and Emergency Services Board;
• catchment management authorities; and
• a range of occupational registration boards.

This shift to a general Government sector basis brings the Victorian Budget statements into closer alignment with those of the Commonwealth and most other States and Territories. It also means that the budgeted financial statements will better align with the Annual Financial Report for the State of Victoria and have a similar format.

The Committee notes that the Government’s budget strategy and financial policy objectives have not changed since the previous Budget. The Government outlined measures in the 2001–2002 Budget that are designed to foster an environment in Victoria that is conducive to investment and the promotion of economic growth and jobs creation.

The 2000–2001 Budget Papers forecast an operating surplus of $592 million. The forecast operating surplus, as stated in the 2000–2001 Budget Update, was revised upward to $953 million in January 2001 and then to $1,207 million in May 2001. The Committee notes this significant growth in the forecast operating surplus for 2000–2001, more than double. This result was attributable to strong revenue growth, partly offset by the increase in operating expenses.

The State’s operating surplus is expected to decline from $1,207 million in 2000–2001 to $509 million in 2001–2002 - a reduction of $699 million, which reflects a broadly unchanged level of operating revenue and projected growth in operating expenses of $698 million.

Operating expenses are budgeted at $22,957 million in 2001-2002, representing an increase of $698 million (3.1 per cent) on the 2000-2001 revised estimate. A significant part of this increase includes 2001–2002 Budget initiatives of $226 million and other initiatives totalling $264 million previously announced in the 2000–2001 Budget Update. The Committee notes that employee entitlements are projected to increase by $421 million in 2001–2002, partly offset by a reduction in borrowing costs of $125 million.

At the time of the Budget's release, Victorian economic growth was forecast to moderate to 2.5 per cent in 2000–2001 and 2.75 per cent in 2001–2002. While the latter forecast was only moderately higher than that for 2000–2001, growth is expected to strengthen through the year.

The Committee accepts that the Budget is subject to many uncertainties, many of which are beyond the control of the Government. The Committee notes that the Department of Treasury and Finance has identified a number of risks to the Victorian economic outlook, including:

- international developments, including the general slowing in world growth and particularly a sharper economic downturn in the United States, which would reduce demand for Victorian exports;
- a deterioration of US asset markets which, if sustained, would affect household wealth and consumer and business confidence, and have a noticeable impact on domestic spending patterns;
- the potential flow-on of higher oil prices and the declining exchange rate into higher production costs and eventually to consumer prices, which could result in higher interest rates; and
- the impact of adverse movements in population growth on gross state product.

The Committee notes that the net equity of the State is estimated to grow over 2001–2002 by around $2.5 billion (around 16 per cent). The Budget Papers disclose that assets with an aggregate value of $41.4 billion will be under the control of the Government as at 30 June 2002, representing an increase of around $3.2 billion over
the previous year’s revised total of $38.2 billion. This increase largely reflects the revaluation of non-current assets by $2.8 billion, and specifically the revaluation of property, plant and equipment by $2.5 billion.

Total liabilities are estimated to increase over 2001-2002 to $23,063 million — an overall increase of $717 million, which is mainly attributable to:

- growth in non-current liabilities, particularly borrowings and employee entitlements, which are estimated to increase over the revised estimate for 2000-2001 by around $110 million and $214 million respectively; and
- other current liabilities which are estimated to grow above the revised estimate for 2000-2001 by around $170 million.

Despite the overall increase in total liabilities, total assets are also expected to increase from the revised Budget figure for 2001–2002 of $38,234 million to an estimated $41,417 million at 30 June 2002 — an increase of $3,182 million.

The Budget forecasts include an assumption that all future cash surpluses are held as financial assets. Given this, State Government net debt (excluding Growing Victoria financial assets) is projected to fall from $5.2 billion at June 2000 to $3.5 billion at June 2005. The ratio of State Government net debt to gross state product is also expected to decline from 3.2 per cent at June 2000 to 1.7 per cent at June 2005.

The most significant liability on the State’s balance sheet is unfunded superannuation. At 30 June 2001, the State’s unfunded superannuation liability was projected to be $12.4 billion. Actuarial projections indicate that the unfunded superannuation liability is expected to grow on a nominal basis over the forward estimates period to approximately $12.8 billion by June 2005 (6 per cent of gross state product). This represents an average annual growth rate of 1 per cent, significantly less than the expected growth in Gross State Product. The growth is mainly due to the
increasing average age of the public sector workforce covered by
defined benefit schemes.

Chapter 4: Review of the Budget Papers

The Committee observed that while the format of the Budget
Papers for 2001–2002 was similar to that of previous years, the
Budget Papers contained a considerable amount of new
information that improved their value. The Committee also found
that some of its previous recommendations regarding formatting
have been adopted.

The Committee considers, nevertheless, that there is substantial
scope for the following further improvements in the Budget
Papers:

• actual data should be included to facilitate a consistent
  set of output, outcome and performance indicators over a
  period of time;

• actual data for the two most recent Budget periods
  should be included;

• the expressions used in the departmental statements of
  cash flow should reflect cash flow terminology, not
  accrual terminology;

• changes to performance indicators should be minimised,
  where possible, and explanations should accompany the
  addition or deletion of performance indicators;

• the Financial Management Act 1994 should be updated and
  monitored to ensure Departments maintain the
  consistency of the financial and performance indicator
  details submitted in their monthly, quarterly and half-
  yearly performance reporting. Any material change in
  output groups or performance indicators should be
  reported through Departments’ business plans, Budget
  Estimates, annual reports and financial statements;

• the Department of Treasury and Finance should review
  the output data submitted by Departments, to ensure the
data is accurate and reflects activities undertaken; and
• the Department of Treasury and Finance should actively assist Departments to improve the quality and nature of their output forecasting and reporting systems (including the selection of outputs, outcomes and performance indicators) to ensure they are meaningful and measurable, and that they relate to the Departments' underlying activities.

The Committee considers that readers of the Budget Papers should be able to distinguish between the debt position faced by the General Government sector (essentially the sector comprised of Budget dependent agencies) and that faced by the State Government sector (which consolidates the assets and liabilities of the public non-financial corporations).

The Budget Papers do not sufficiently define the distinction between General Government net debt and State Government net debt. Accordingly, these definitions should be standardised in the future. It is not possible for a reader of the Budget Papers to identify the entities that constitute the public non-financial corporations or to determine their reliance on Budget funding.

The Government's presentation of net debt is determined by deducting liquid financial assets from gross borrowings. The liquid assets that constitute the Growing Victoria reserve are not deducted from gross borrowings on the basis that they have been earmarked for the funding of physical asset investment. Net debt is therefore shown as a higher figure than if it had been deducted.

Also examined by the Committee was the level of embedded tax savings recovered by Government Departments and agencies. This is an important matter because the Commonwealth's funding of Victoria from GST revenues is net of these estimated savings. Under the Intergovernmental Agreement, Victoria needs to recover an amount at least equal to the estimates of embedded tax savings for the GST to have a neutral effect on the State's Budget. The achievement of these savings should be a priority for the Victorian Government, to ensure shortfalls do not have an adverse impact on Departments' budgets and capacity to deliver services.
Executive Summary

The Committee was advised that it was difficult for Departments to identify embedded taxes because suppliers generally could not identify or pass on the savings. This issue is compounded by the view of some Departments that the Government’s original estimates of embedded tax savings might have been overstated as a result of the extent of departmental purchases that significantly comprise labour costs, thereby limiting suppliers’ capacity to pass on the tax savings.

Chapter 5: Commonwealth-State funding issues

During the estimates hearing with the Treasurer, issues were raised about the Victorian Government’s dissatisfaction with the Commonwealth Grants Commission’s funding arrangements. At the Ministerial Council for Commonwealth State Financial Relations meeting in March 2001, the Commonwealth Government advised that it would adopt the latest Commonwealth Grants Commission recommendations, which would have the effect of reducing guaranteed amounts to Victoria and increasing the Victorian cross-subsidy to other jurisdictions.

In addition to the problem of this growing cross-subsidy, the Department of Treasury and Finance advised the Committee of significant failings with the Commission’s methodology and assessments. The Department of Treasury and Finance noted that the Commission’s assessments not only lead to unjustifiable distributions among States, but also have been based on insupportable assumptions.

The Treasurer informed the Committee that agreement with the Commonwealth Government to review the existing arrangements was unlikely and that Victoria would have no option but to embark on a partnership with the Governments of New South Wales and Western Australia to commission an independent review.

The Committee was advised that Victoria is receiving a disproportionately low share of total specific-purpose payments. According to the Department of Treasury and Finance, based on a per capita (or population based) method for the distribution of
specific-purpose payments, Victoria received only 22.3 per cent of these payments in 2000–2001 but had a population share of 24.9 per cent. This is estimated to have cost Victoria in excess of $300 million.

Road funding was cited as a key area contributing to this divergence. Victoria’s share of national road funding was 12 per cent in 2000–2001. The Department of Treasury and Finance pointed out that the Commonwealth Government fails to recognise the comparative share of Victoria’s roads in the declared Roads of National Importance program, which has a consequential negative impact on road funding for Victoria.

To achieve improved services for Victorians, the Commonwealth–State funding arrangements need to be as efficient and effective as possible. In February 2001, the Heads of Commonwealth and State Treasury endorsed best practice principles developed by the Victorian Government for negotiating and administering agreements between the Commonwealth and the States for specific-purpose payments.

**Chapter 6: Annual reporting regime**

In May 1999, the Committee tabled the Report on Annual Reporting in the Victorian Public Sector. The 58 recommendations contained in the report were mainly concerned with the form and content of Departments’ and Agencies’ annual reports, the report preparation process, mechanisms to provide for external scrutiny of those reports, and the underlying information collection systems.

The Committee understands that the Government has implemented only four of the accepted recommendations. The main reason for the delay is the Financial Management Compliance Framework Project which the Department of Treasury and Finance is due to commence. The implementation of the 47 accepted recommendations will occur within the context of this project.
Executive Summary

The Committee believes that the proposed new reporting framework should incorporate additional reporting initiatives, including:

- a short executive summary to be included at the beginning of the annual report, providing year-at-a-glance information;
- a separate section providing highlights of major achievements as well as details on significant setbacks, problems and issues;
- a brief financial summary, together with explanations, key financial ratios and aggregates and a narrative prefaced to the audited annual financial statements;
- an assessment of the agency's effectiveness in managing and developing its staff;
- a statement of compliance signed by the Chief Executive Officer, stating that all annual reporting requirements had been complied with; and
- a requirement to correct any material errors in the previous annual report.

Chapter 7: Corporate and business plans of Departments

In its Report on the 1999-2000 Budget Outcomes, the Committee foreshadowed that it would make greater use of Departments' corporate and business plans and annual reports as part of the review of Budget outcomes. Under output budgeting, resources (parliamentary appropriations) are allocated on the basis of the outputs that a Department undertakes to deliver. The planning process determines the outputs to be delivered to achieve Government outcomes. Departments' annual business plans form the basis of resource allocation. The business plan is also the key accountability document in the Department's relationship with Government and, together with the corporate plan, provides the basis for annual portfolio and departmental reviews and for performance management.
The Department of Treasury and Finance issued a Guide to Corporate and Business Planning in draft form in April 1996. The guide was developed to:

- guide Departments on the development of corporate and business plans as part of the Integrated Management Cycle (IMC); and
- provide information to Departments on the specific requirements to be included in corporate and business plans.

The Committee has been informed that the Department of Treasury and Finance and the Department of Premier and Cabinet recently commenced a project to review this guide. A reference group of departmental representatives will assist in conducting the review. The revision of the existing guide is to be completed by the beginning of 2002, with full implementation by the 2004–2005 planning period.

The Committee believes the Department of Treasury and Finance and the Department of Premier and Cabinet, in redrafting the guide, should take into account the following views:

- as a matter of policy, strategic/corporate planning at the whole-of-government and agency levels and business planning at the agency level need to be closely linked to the Government’s Budget process.

- the planning and subsequent evaluation of departmental performance need to focus on three key issues:
  - value-for-money in service delivery (that is, efficiency and effectiveness of performance);
  - financial planning (that is, the financial health of the Department); and
  - budget planning (that is, the budget limits of the Department).
Chapter 8: Department of Education, Employment and Training

The Department of Education, Employment and Training’s Budget allocation was $5,727.3 million in 2001–2002, representing a 2 per cent (or $112.4 million) increase from its 2000–2001 allocation.

The Department advised the Committee that it had adopted a strategy to increase the number of ongoing full time staff and to reduce the number of staff on fixed term contracts by a significant margin. The estimate of effective full time staff numbers at 30 June 2001 showed a 5.4 per cent increase in ongoing teaching staff and a 14.7 per cent increase in non-teaching staff at schools. In contrast, fixed term teaching staff and non-teaching staff at schools had fallen by 12.9 per cent and 8.4 per cent respectively over the same period.

The Committee was interested to learn of a significant loss of male teachers in the age groups 25–34 years and 40–54 years. Partially offsetting this loss, 128 male teachers aged 60–64 years old have been engaged. The Committee believes the Department will need to develop recruitment strategies to attract younger male teachers to the profession.

The Ministerial Working Party report Public Education: The Next Generation (the PENG Review), completed during 2000–2001, identified an urgent need to ensure an adequate supply of well-prepared teachers for public schools to avert the threatened teacher shortage in Victoria. There are teacher shortages in a number of specific subjects, including mathematics and science, information technology, Indonesian and Japanese. Current shortages have arisen from an increased demand at the secondary level for these subjects. In addition, the Department has also had difficulty in recruiting primary teachers for art, instrumental music, Indonesian, Japanese and Italian.

The Committee was informed that the Early Years (Literacy) Program, along with the initiative to reduce class sizes in preparatory to year 2 to an average of 21 students, is improving the performance of younger children. According to Victoria’s result in the national tests, 93 per cent of Victorian year 3 students
were at or above the benchmark in literacy in 2000 — an increase from 89 per cent in 1999.

All Government schools and 80 per cent of non-government schools developed programs over the past four years in line with the Individual School Drug Education Strategy. However, the Committee believes there needs to be a framework to evaluate the effectiveness of school drug preventative education programs.

The Minister indicated that nearly 20,000 students who had successfully completed year 12 and were eligible for access to higher education had “missed out” on tertiary places in 2000. The demand for higher education was greater than supply in Victoria in that year, which was not the case in all other States.

Following protracted negotiations with the Commonwealth Department of Education Training and Youth, the Australian National Training Agreement (ANTA) was finalised. Victoria will receive $59 million over the three calendar years to and including 2003. The State Government’s contribution over the same period will be $120 million.

The Auditor-General’s Report on Ministerial Portfolios (June 2000) identified that property maintenance of $32 million was necessary to bring all TAFE buildings up to standards required by the appropriate building regulations and occupational health and safety standards. The Committee was pleased that $2.1 million was allocated in the 2001–2002 Budget to assist with reducing the maintenance backlog.

The future of the FReeZa program is to be considered as part of the development of the Victorian Youth Strategy and may eventually involve partnerships with other organisations.

Chapter 9: Department of Human Services

The Department of Human Services’ Budget allocation is $7,936.7 million in 2001–2002, representing a 9.4 per cent (or $683.3 million) increase from its 2000–2001 allocation.
The Committee was advised that the Department’s output group structure has changed significantly from 2000–2001, with an increase in output groups from nine to twelve. The three new output groups are Sub-Acute Health Services, Public Health and Drugs and Dental Health.

The Department is experiencing shortages of expertise in key areas, such as experienced social workers (particularly child protection workers), qualified juvenile justice workers, information technology professionals, finance experts and direct care workers.

A key challenge for Victoria’s public hospital system is to cater for the general growth in demand in public hospitals of 2 to 3 per cent per year, and the continued growth in emergency admissions. The Committee was advised that the increase in emergency admissions is serious, will be difficult to control over many years and has resulted in a growth in ambulance bypass incidents and longer waiting times in emergency departments.

The waiting lists for restorative dental care (20 months in 2000–2001) and dentures (24 months in 2000–2001) are unsatisfactory and have resulted since the Commonwealth Government’s decision to discontinue funding of the public dental program. The Victorian Government allocated $8.4 million over four years to assist with the provision of free dental care.

The Committee noted that the Auditor-General’s Report on Ministerial Portfolios (June 2001) commented on three public hospitals operating under financial difficulties. The Committee was advised that the Government has introduced measures to address these difficulties, including an injection of $34.6 million in July 2000 to ease liquidity problems affecting the new metropolitan health services.

The Department of Human Services has implemented a Juvenile Justice Reform Strategy, with a significant investment in services aimed at diversion, rehabilitation and post-release support. While the court system has had more people committing more serious crimes in the past 12 months, resulting in an increase in the average length of sentence and in the proportion of offenders
receiving custodial sentences, the strategy has been successful in limiting the requirement for additional custodial beds for young offenders.

A Government commissioned review found that previous Budget reductions of up to $10 million had a profound and negative effect on preschool programs and teachers. The Government recognises the need for significant reform and has injected a significant amount of funding ($9 million since 2000–2001) into the kindergarten system.

During the estimates hearing with the Minister for Community Services, the Committee expressed concern about the number of different placements experienced by young people in care. The Minister advised that the Government shares the Committee’s concern and that placement breakdown in many instances relates to mental health issues and the level of dysfunction that children have experienced.

A viability study was undertaken in November 2000 to advise the Government on the sustainability of non-government agencies providing residential care, and to provide options for the Government in responding to the identified issues. The major findings of the study were that:

- the community service organisations experiencing the greatest stress, at the organisational or program level, are those providing residential services to high risk adolescents; and
- the change in the complexity and difficulty of clients, together with the failure of the funding framework to keep pace with the additional costs of caring for high risk adolescents, appears to be the major factor affecting viability.

The Minister for Aged Care informed the Committee that a major challenge for the delivery of aged care services is Victoria’s disadvantaged position compared to the other States in relation to Commonwealth funding. The State Government does not believe that Victoria receives an equitable share of Commonwealth
funding in the two largest programs for older people: the Residential Aged Care Program and the Home and Community Care Program.

The Committee was concerned to learn that Victoria has the lowest ratio of aged residential beds in Australia, with a ratio of 80 beds per 1,000 people aged 70 years and over. This ratio falls significantly short of the Commonwealth benchmark of 90 beds per 1,000 people aged 70 years and above.

In the 18 months from June 2000, Victoria required 800 aged care beds to account for population growth, yet only 157 of those beds have become operational. The Government estimates a shortfall of 10,400 aged care beds by 2012. A major consequence of the shortfall in supply of residential aged care beds in Victoria is the pressure building on other parts of the health and aged care system.

The Housing portfolio is another area where the level of funding provided by the Commonwealth Government has failed to keep pace with need. The Committee notes that the level of funding available for housing assistance from the Commonwealth–State Housing Agreement has gradually declined in real terms (down by 26 per cent, or $75 million, since 1989–1990).

Victoria receives approximately 21.5 per cent of the funding available from the Commonwealth Government’s Supported Accommodation Assistance Program, despite having 25 per cent of Australia’s population.

Chapter 10: Department of Infrastructure

The Department of Infrastructure’s Budget allocation is $2,522.2 million in 2001-2002, representing a 5.1 per cent (or $123.2 million) increase from its 2000-2001 allocation.

The Department is currently experiencing difficulties in recruiting staff in the following areas: information technology; business analysis; data management; commercial/financial; technical/engineering; and project management.
A key component of the Government’s Linking Victoria program is the development and implementation of significant projects in partnership with the private sector. These projects include:

- the upgrade of rail links between Melbourne and key regional centres such as Geelong, Ballarat, Bendigo and Traralgon. The Government has committed $550 million to this project;
- the redevelopment of Spencer Street Station; and
- the development of the Airport Transit Link.

The Minister for Transport informed the Committee that there is uncertainty about the correct classification of the Pakenham bypass in terms of whether it is a metropolitan road (its present classification) or a rural road as its physical location encompasses aspects of both classifications.

The Committee understands that a number of external factors are likely to have an impact on the Victorian Road Safety Strategy for 2001-2006. These include the growth in the number of registered vehicles (more than 4.4 million by 2006), the rise in new licensed drivers (approximately 100,000 each year), the increasing number of licensed drivers over 60 years of age and the increasing number of registered motorcycles.

The Committee is pleased that $138.2 million has been allocated in the 2001-2002 Budget for road safety initiatives, including the rectification of accident blackspots.

Several of the franchisees operating Melbourne’s metropolitan train and tram systems will receive $850,000 in net incentive payments due to improvements in overall service performance that are in excess of targets specified in their contracts.

The Committee noted that two operators, Swanston Trams and V/Line Passenger, incurred penalties for failing to meet set standards.
The development of ResCode was the largest task undertaken by the Department in 2000-2001 which involved rewriting the guidelines for residential development in the State. A key problem for Local Government is the shortage of experienced planners in councils, and the subsequent large workloads for, and pressures on, existing council planners. The Government has allocated $60,000 for ten scholarships to assist employees of ten rural and regional councils to undertake studies in town planning.

A significant challenge facing the Local Government sector is the maintenance of existing infrastructure. This challenge has arisen as a result of many decades of Local Government focussing on new capital works rather than on maintaining existing infrastructure. The Budget includes $400,000 to improve councils’ skills and capacity to maintain their infrastructure assets, along with a $200,000 grants program.

In 1999-2000, only 36 per cent of municipal councils and regional library corporations presented their annual reports within the three-month statutory timeframe. This resulted from a requirement that councils undertake a general revaluation of all properties within their municipal district under the Valuations Best Practice reforms to valuation methodology and practices. In future, revaluations will be conducted on a three-year cycle in accordance with Australian Accounting Standard AAS38. The Committee intends to monitor the timeliness of reporting of Local Government annual reports to ensure compliance with the three-month statutory requirement.

A key target for the Government is to increase rail access to Victorian ports to 30 per cent. Currently, the access level is approximately 10 per cent and although there is no target date, the Government expects to reach the target during the current parliamentary term.

The Committee was advised that significant sections of the Station Pier substructure need major maintenance and rehabilitation to remain serviceable. The existing services infrastructure, such as sewerage and water facilities, also needed upgrading because visiting cruise vessels were unable to discharge sewage into the
main system via the pier, thus creating an environmental risk and significant expense to vessel owners. Approximately $19 million has been spent on upgrading the pier and $800,000 has been allocated in 2001-2002 to finish upgrading the water and sewerage facilities.

Chapter 11: Department of Justice

The Department of Justice’s Budget allocation is $1,778.9 million in 2001-2002, representing a 7.9 per cent (or $129.8 million) increase from its 2000-2001 allocation.

A significant recruitment campaign is underway to increase police numbers by 800. By August 2001, the campaign had resulted in the recruitment of 400 additional police officers.

An administrative review of Victoria Police (the Johnson Report) was finalised in late 2000 and contained 109 recommendations. The report identified four key areas of Victoria Police operations that need to be strengthened: governance and accountability; strategic planning; recruitment and retention; and consultation and communications.

The Committee was advised that employee morale, industrial relations, an ageing workforce and the management of stress and WorkCover are becoming increasingly costly and complex issues for Victoria Police.

A pro bono secondment program whereby private legal firms will second one or more of their solicitors to a Community Legal Centre or Victoria Legal Aid for a period of six to twelve months will be trialled during the next two years.

The Victorian Aboriginal Justice Agreement between the Victorian Government, the Aboriginal and Torres Strait Islander Commission and the Koori community in Victoria, is a major step in addressing concerns about the representation of indigenous Victorians in the criminal justice system. The Government has allocated $6.4 million for the 60 incentives contained in the
agreement over a four-year period to 2003-2004 with an additional $4.4 million to be provided over the four-year period to 2004-2005.

The 2001-2002 Budget includes $12.3 million to implement initiatives contained in the Road Safety Strategy for Victoria.

The Department of Justice informed the Committee that changes can be made to traffic camera operations with the potential to reduce the number of casualty collisions by 8 per cent. A reduction of this level would reduce the annual cost of road injury accidents to the community by $220 million.

The current problem with police cell overcrowding across Victoria has resulted from an increase in the State’s prison population over the past few years, and the lack of planning for an increase in prison capacity.

The Department has established a long-term strategy for dealing with the overpopulation of prisons, and the pressure on police cell capacity. This strategy includes the development of a 10 year Corrections Facility Master Plan, a major review of community correctional services, the development of a short-term prisoner accommodation strategy and the expansion of pre and post release programs.

The Committee notes that the completion date for the prison accommodation expansion program has been revised from mid-2002 to late 2002.

The Committee noted with concern that the prison population has grown significantly, rising from 2,467 in 1995 (representing 88.5 per cent capacity) to 3,391 (or 117.9 per cent capacity) at 30 June 2001, an overall increase over the period of 37.5 per cent.

The construction of a number of police stations has been delayed by problems with site acquisition. The Department of Justice may need to consider compulsory acquisitions so as not to compromise an ideal site for an emergency service.
Following the issue of three default notices to the Metropolitan Women’s Correctional Centre for failure to deliver against service standards under the contract, the Government assumed management of the prison in October 2000. The contract with the service provider was settled by the Government for $20.2 million.

The Auditor-General’s Report on Ministerial Portfolios (June 2001) noted that the process adopted for selecting a private prison service provider, places considerable emphasis on the financial evaluation criteria used to ensure cost savings and less emphasis on the capacity of the contractors to effectively manage and operate the facility. The report also highlighted significant shortfalls in service delivery relative to the standards set in the contract for the maximum number of self harm and attempted suicide incidents, the number of assaults on prisoners, staff or other persons, and the standard of drug testing results expressed as a percentage.

The Committee was advised that performance linked fees were paid in 2000-2001 to two private prison operators. The performance linked fee for the operators of the Port Phillip Prison is still to be advised. The service agreements with private prison contractors are due for review in April and September 2002.

The Government recognises the limitation of using Prison Service Agreement Service Delivery Outcomes for evaluating the performance of private prison operators. The Committee was advised that the Office of the Correctional Services Commissioner has engaged a consultant to assess the adequacy of the current Service Delivery Outcomes.

While there was an increase in the average cost per prisoner in six of Victoria’s 13 prisons, the two privately operated prisons recorded only slight increases (1 per cent and 0.7 per cent) in the average cost per prisoner, and seven of Victoria’s 11 publicly operated prisons recorded a reduction.

The Dame Phyllis Frost Centre experienced a 22.4 per cent increase in cost per prisoner which comprises both public and private
sector costs because the State acquired responsibility for operating the Centre in October 2000.

The 2001-2002 Budget includes $65.6 million to assist with implementing the Country Fire Authority Reform Package. This funding is for additional operational and support staff, improved training programs, additional safety equipment and protective clothing, and capital purchases involving fire fighting appliances, specialised vehicles and new and upgraded fire stations.

The Department of Justice is negotiating a memorandum of understanding with the Commonwealth Government, seeking backpay for the cost of detaining immigrants in State prisons held under Commonwealth policy. To date, Victoria has received $2.2 million for the years in which the State provided detention services.

Action by the Victorian Government has resulted in the closure of the loophole that exempted payday lenders from the provisions of the Consumer Credit Code. From 1 October 2001, amendments to the Consumer Credit Code will require people or organisations providing short-term credit such as payday loans to be registered as a credit provider, with heavy penalties to apply to unregistered credit providers.

Chapter 12: Department of Natural Resources and Environment

The Department of Natural Resources and Environment’s Budget allocation is $1,011.5 million in 2001-2002, representing a 10.6 per cent (or $96.7 million) increase from its 2000-2001 allocation.

The Minister for Environment and Conservation advised the Committee that negotiations were progressing with the Commonwealth Government on a seven-year joint program as part of a national action plan to address salinity (particularly dry land salinity) and deteriorating water quality. The program will involve a State Government allocation of $157 million over seven years to match the Commonwealth Government’s funding allocation. The Victorian Government has allocated $10 million in
2001-2002 for the national action plan with a further $67.5 million in the following three years.

The Committee was informed that the Government has allocated $9.3 million in 2001-2002 for a range of air quality initiatives to be undertaken by the Environment Protection Authority.

The Committee notes substantial changes to the performance measures used in the output groups under the responsibility of the Energy and Resources portfolio. In 2001-2002, the Department has 62 performance measures including 35 new measures and discontinued nine measures from 2000-2001.

The Government will provide assistance to industries affected by the implementation of marine national parks in two forms:

- transitional assistance of $1.2 million in 2001-2002 to the finfish and rock lobster fishers whose net income from fishing is directly affected by the creation of marine national parks and sanctuaries; and
- specific funding of $3.1 million over four years to the rock lobster industry to assist its implementation of a quota management system in late 2001.

The Minister for Energy and Resources advised the Committee that adequate priority has not been given, in the operation of the national electricity market, to the establishment of the responsibility for, and authority over, the reliability of power supplies. Accordingly, the Government has placed great importance on implementing a coordinated plan to ensure supply is maintained in Victoria through the summer of 2001-2002 and beyond.

The Government has allocated $10.9 million to the Sustainable Energy Authority in 2001-2002. The Committee was informed that the Authority’s activities are estimated to result in greenhouse gas emission reductions of approximately 4.4 million tonnes of carbon dioxide over the next ten years, with associated energy cost savings of approximately $409 million.
The Government has committed an additional $7.5 million over the next four years to promote and develop mineral and petroleum exploration. Given that a number of major initiatives have received funding, the Committee believes a comprehensive performance measurement framework should be established to monitor the success of the initiatives.

Under the Growing Victoria infrastructure reserve, the key strategy of the Department for 2001-2002 is to build the capacity of Victoria’s science infrastructure. A total of $50 million has been allocated through the Science Innovation and Education initiative, of which $10 million has been allocated for 2001-2002.

The Department advised the Committee that the impact of the $50 million upgrade of regional research institutes will ultimately generate around 300 jobs and add approximately $100 million to regional economic activity.

The Committee was advised that the Government and the sheep industry have not yet decided on a final format for a sheep identification system under the National Livestock Identification Scheme.

The Committee noted that the Government has allocated $8.7 million over four years to the Naturally Victorian program, with $2.7 million allocated in 2001-2002. This program has been designed to assist Victorian farmers to win new export markets for food products. The Committee commends the Department of Natural Resources and Environment on this significant marketing initiative.

**Chapter 13: Department of Premier and Cabinet**

The Department of Premier and Cabinet’s Budget allocation is $385.6 million in 2001-2002, representing a 4.4 per cent (or $16.1 million) increase from its 2000-2001 allocation.

The Committee’s analysis of performance measures used by the Department in 2001-2002 revealed a substantial decrease in the number of outputs and performance measures in the 2001-2002
Budget Papers. The Committee is concerned that the changes made in 2001-2002 reduce the ability to compare performance over a two-year period.

The Committee was advised by the Premier that a key aim of the Government in 2001-2002 is to implement community building strategies. Accordingly, ministerial responsibility for community building has been allocated to the Minister for Housing and Aged Care who will report to the Premier directly as part of the whole-of-government approach.

The issue of drug abuse is one of the most important and difficult issues facing the Government. The Premier informed the Committee that the issue of drug prevention will not be addressed through a programmatic response, but will require a whole-of-government approach that integrates relevant services provided by the Department of Human Services, the Department of Education, Employment and Training and the Department of Justice.

To assist in addressing drug prevention, the Government has allocated $77 million for preventing drug abuse, saving lives, implementing rehabilitation and treatment programs, and policing the drug trade.

The Committee believes it will be important to monitor the progress of the Drug Prevention Council and the success of the drug prevention strategy.

The Victorian, New South Wales and Commonwealth Governments have established a joint enterprise to administer the funds and programs committed to improve the flow of the Snowy River. The Victorian Premier advised the Committee that Victoria had allocated $150 million to this project.

A significant initiative in the Arts portfolio involves investment in film and television. A substantial level of funding, $3.5 million, along with $13.8 million for asset investment, has been allocated in 2001-2002 to the Australian Centre of the Moving Image.
The Committee was surprised to learn of a 19 per cent decline in the number of visitors to Victorian arts agencies in 2000-2001 down to 6.4 million visitors. This decline, primarily involving the Victorian Arts Centre and the State Library, was due to the cancellation of summer season programs at the Sydney Myer Music Bowl and the changing manner in which library resources are accessed (given increased usage of the internet). The Victorian Arts Centre and the State Library are developing marketing strategies to address the decline in visitor numbers.

The Office of Women’s Policy has allocated $130,000 in 2001-2002 for the development of a whole-of-government safety strategy framework to assist women who are victims of family violence and sexual assault.

The Committee notes that the Government has undertaken a ministerial review on the future of the Queen Victoria Women’s Centre. The review found that the Centre has failed to achieve a self-funding level and had reached a critical point in terms of its financial survival. The Ministerial Advisory Committee believes the Centre should be retained with a new focus. It pointed out that the Centre would require continued Government support because its commercial activities are unlikely to result in self-funding status. No funding has been allocated in 2001-2002 for the Centre, but the Committee believes the Government should develop a strategy for the ongoing operation of the Centre based on the findings of the Ministerial Advisory Committee.

Chapter 14: Department of State and Regional Development

The Department of State and Regional Development’s Budget allocation is $413.6 million in 2001-2002, representing a 26 per cent (or $85.4 million) increase from its 2000-2001 allocation.

The Department of State and Regional Development reduced the number of its contract staff from 228.2 at 30 June 2000 to an estimated 136 at 30 June 2000, a reduction of 40.4 per cent.

The Regional Infrastructure Development Fund has an allocation of $180.8 million over three years. The Fund is designed to
support new industry development, improve critical transport links, link tourism infrastructure and connect regional Victoria to new opportunities in education and technology.

Annual funding available under the Regional Infrastructure Development Fund for the triennium 2000-2001 to 2002-2003 has been established at $54.4 million, $53.4 million and $73 million. At 30 June 2001, 26 projects had been approved for grants totalling $49.6 million with a total project value of $115.6 million.

In September 2001, $10 million of the Fund was allocated over two years to the Rural Community Infrastructure Allocation for grants through 47 regional councils for future social and economic growth and activity.

Connecting Victoria is a new Government strategy for information and communication technologies. Initiatives funded are designed to improve access by communities in metropolitan, regional and rural Victoria to internet and communications facilities.

Funding of $268.6 million will provide for a range of new information technology initiatives across the State, including the development of Government on-line services.

The Committee was advised that audits of the textile, clothing, footwear and leather and automotive industries were completed during the year and released in October 2001. Major issues identified in the audits include:

- the need to improve the image of each industry;
- the need to ensure access to an adequate supply of skilled managers and workers; and
- the need for industry stakeholders to work together to develop a shared vision of the future.

The NSW and Victorian Governments have agreed to establish a joint working party to address interstate bidding to attract, through financial assistance and other facilitation services, major additional investment in projects offering significant economic benefits to either State. The two States have negotiated protocols
to ensure communication and prevent companies from playing off the States against each other in negotiations.

The Committee was advised that Victoria and New South Wales are seeking the participation of all State Governments in the protocol.

The Minister for Small Business and Consumer Affairs told the Committee that the number of women establishing their own business is declining. To address this problem, more specific information needs to be developed to help women access finance to establish or extend their business.

The Government has capped holdings of packaged liquor licences at 8 per cent to protect small independent businesses from larger operators who may purchase a number of liquor businesses. The cap operates by obliging holders of larger licences to move or divest licences over the 8 per cent cap within 12 months or face the revocation of those licences in excess of the cap.

The Department of State and Regional Development is also intending to develop Licence Online, which will provide information on liquor licences, and enable prospective entrants into the liquor business to establish the viability of locations for new or relocated businesses.

Media campaigns have been conducted to promote the availability of Business Online, the Business Channel, Vic Export and the Victorian Business Centres to small business. As a result, there has been a 2 per cent increase in awareness. The Committee understands, however, that the Department has found it difficult to communicate with small businesses to advise them of the Department’s services. The Committee suggests that the Department consider promoting its services to businesses as part of the annual licensing renewal process.

The Minister for Small Business advised the Committee that a growing concern is the significant financial burden on tourism operators caused by increases in public liability insurance following the requirement that operators take up to $10 million in
insurance coverage. In addition, the Department of Natural Resources and Environment requires operators to show their certificate when applying for licences to use national parks. In some cases, the insurance premiums have increased by 10 times the original premium.

The Minister has written to the Commonwealth Minister for Financial Services Regulation seeking assistance in a negotiated phasing-in of increases and a review of premium setting.

Given that the Legislative Council had not passed the Fair Employment Bill, the Minister for Industrial Relations advised the Committee that alternative strategies have been developed to address the purpose of the intended legislation. These strategies include:

- proposing to refer additional powers and matters relating to outworker employees to the federal jurisdiction to enable amendment to the Workplace Relations Act and provide more comprehensive entitlements to Victorian workers; and
- providing an information and advisory service to improve advice and education on industrial entitlements, with support from an additional $1 million to establish this function.

The Committee was concerned to learn that the Commonwealth Government’s new policy - Backing Australia’s Sporting Ability - resulted in the Australian Sports Commission terminating its three-year agreement with Sport and Recreation Victoria under the Sport and Recreation Development Grants Program, one year into the agreement. In future, new Commonwealth funding arrangements will be directed at organised sport rather than recreation and leisure activities.

Although the Minister for Sport and Recreation has expressed Victoria’s disappointment at this change of direction and sought agreement on a transition period of six months, informal advice to Sport and Recreation Victoria indicates that the Commission’s position will not change.
Annually, Sport and Recreation Victoria provides funding of $4 million for major facilities and $5 million for minor facilities through Local Government. The Committee was advised that submissions by councils for Community Sport and Recreation Facility projects have exceeded the 2001-2002 Budget funding allocation for this program by two to one.

As a result of Government reforms to the bookmaking industry, bookmakers have increased their share of the wagering market by 36.4 per cent, with turnover for thoroughbred racing totalling $334 million in 2000-2001.

The Government is still considering the recommendations of a National Competition Policy review, which include permitting bookmakers to accept bets on a 24 hour basis via the internet or telephone (subject to proper monitoring and possible approval of internet betting from sports bookmakers).

A $4 million compensation package to the racing industry aims to offset the impact of an additional tax on gaming machines. The Minister for Racing advised that the compensation was transitional funding. He was having discussions with the Treasurer, however, about providing the $4 million compensation as ongoing assistance, in line with the wishes of the racing industry.

Under the Living Regions, Living Suburbs program, a fund of $1.5 million has been established to provide for capital works projects over three years. The Department has received 80 applications for this funding.

Following management difficulties and cost escalation in the Federation Square Project, the Government appointed Federation Square Management Pty Ltd, a State owned company, as the project managers in 2000. The Minister for Major Projects indicated that considerable effort has been directed to contain costs and that the potential overall cost of the project had been reduced by $35 million.
The Melbourne Commonwealth Games business plan and budget, along with the Government's involvement in the Games, are being reviewed. The review will draw on the experience gained from the 2000 Sydney Olympic Games.

The Department has established a major output with performance measures relating to the 2006 Games and funding of $13.2 million has been allocated in the 2001-2002 Budget.

Tourism Victoria developed a website www.visitvictoria.com that is aimed at consumers. The 2001-2002 Budget has allocated $7.4 million for this new initiative. Tourism operators, including hotels, restaurants and cafes, will now have their own web page with an online booking facility. The facility enables regional operators to market themselves throughout Australia and the world.

The Minister for Tourism advised the Committee that the facility had over 3,000 operators and as from 1 October 2001, the standard annual subscription had increased to $330.

This year represents the tenth anniversary of the operation of the Victorian Major Events Company (VMEC). The Budget allocation for major events has been capped at $35 million. Together with the Budget allocation for tourism, this means a total of $74.7 million is allocated towards marketing the image of Victoria.

In total, nine events have been secured for Victoria including:

- the FINA World Cup Series for 2000-2004;
- the Heineken Golf Classic for 2002-2005;
- the 2004 Hot Air Ballooning Championships, to be held in Mildura; and
- the 2002 World Junior Track Cycling Championships.

The Minister advised that the estimated economic benefits to Victoria from these events will be around $522 million.
Chapter 15: Department of Treasury and Finance

The Department of Treasury and Finance’s Budget allocation is $239.1 million in 2001-2002, representing a 13.1 per cent (or $36 million) decrease from its 2000-2001 allocation.

The Committee received advice that the Department has experienced shortages of staff with expertise in economics and accountancy. The Department has addressed these shortages by increasing its recruitment of graduates from these two disciplines.

The Committee was advised that there has been a very high rate of growth in gaming revenue from 1991-1992, particularly during the period when the 27,500 gaming machines were introduced. The Committee notes, however, the rate of growth is expected to slowly decline between 2002-2003 and 2004-2005.

The Treasurer advised that the reduction in growth is a result of:

- the Government’s initiatives in promoting a more responsible gaming industry; and
- the implementation of regional caps on the number of gaming machines.

The Treasurer advised that the Government is expecting $1.374 billion from gaming in 2001-2002, or 5.9 per cent of general Government revenue.

The Longford civil litigation is one of the largest civil litigation matters in Australian history. The Department of Treasury and Finance informed the Committee that the trial will be split into two components: first, a trial to determine whether Esso is liable and second, on the premise that Esso is found liable, a trial to determine whether other parties (including the State Government) are liable. The Government has applied considerable resources to prepare for the trial and respond to requests for information. Esso, for example, has submitted 321 Freedom of Information requests.

The Committee was advised that the Government has adopted strategies to minimise the risk of re-occurrence of supply
breakdown by diversifying the supply sources available to Victorian gas consumers.

A key initiative of the Finance portfolio in 2001-2002 is the establishment of a five year cyclical review of Departments’ outputs. The intention of the review is to improve the alignment of departmental outputs with Government outcomes and to ensure the Government is obtaining value for money for its services and programs.

During 2001-2002, the Government has commissioned 11 output evaluation and price reviews to assess:

- the effectiveness of the services provided in line with the Government’s objectives; and
- the appropriateness of the price paid for the outputs.

The Committee strongly supports this initiative.

In 2001-2002, the Government has committed $1.7 million for eight full-time specialist staff to inspect dangerous goods.

The Minister for Gaming advised that the Victorian Casino and Gaming Authority, as a result of organisational changes, no longer services the gambling research panel. The Department of Treasury and Finance has now assumed this administrative responsibility. The Government believes that the separation of the policy advice and research function will enhance the independence of the bodies providing advice to the Minister.

The Council of Australian Governments agreed to the establishment of the Ministerial Council on Gambling to assist with the development of a national strategic framework for:

- prevention, early intervention and continuing support;
- the building of effective partnerships; and
- national research into problem gambling.
The Minister for Gaming told the Committee that the Council would also develop a program of research into the causes and prevention of problem gambling.

Chapter 16: Parliamentary Departments

The Parliamentary Departments’ Budget allocation is $239.1 million in 2001-2002, representing a 13.1 per cent (or $36 million) decrease from its 2000-2001 allocation.

The Committee’s analysis shows that the Budget for the Legislative Council decreased by 10.9 per cent and the Budget for the Legislative Assembly decreased by 8.4 per cent, reflecting a reduction in Members’ superannuation payments as a result of an actuarial variation of their contributions.

The Committee notes that there has been no improvement in the performance measures used in the Budget Papers to indicate Members’ satisfaction with the quality of services provided by the Parliamentary Departments. Currently, the level of information is vague in that the indicator target is ‘high’. This measure does not indicate what is being measured or the proportion of Members to which it relates.

Consistent with its finding in its report on the 2000-2001 Budget Estimates, the Committee again notes that operating revenue (administered) is made up entirely of the balance contained in the other revenue category. However, the Parliamentary Departments provided no explanation of its composition.

The Committee was advised that the Department of the Legislative Assembly’s skills audit and training needs analysis was completed in May 2000, although the Department has yet to develop a professional development strategy.

In its report on the 2000-2001 Budget Estimates, the Committee reported that the Parliamentary Library was allocated $100,000 in 1999-2000 to initiate an electronic news distribution service to Members. This service had been developed to a concept stage, but the Department of Treasury and Finance rejected the
Parliamentary Departments’ $7 million information technology submission (which incorporated funding for the electronic news service) as part of its consideration of the 2001-2002 Budget.

As an interim arrangement, pending the completion of the Information Technology Strategy Review, the Parliamentary Librarian advised the Committee that a service will be purchased from AAP, which will give Members access to the daily media.

The statutory parliamentary committees are an integral part of the operations of the Parliament. It appears contradictory to continue to fund these committees from special appropriations with no certainty of funding from year to year. The Committee believes the adoption of funding through annual appropriation would greatly benefit the parliamentary committees as it would provide a degree of certainty about the funding of long-term parliamentary inquiries.
Virtually all traditional accountability mechanisms rely on the availability of reliable and timely information. Over the past three Budget Estimates reviews, the Public Accounts and Estimates Committee has stressed that progress by Departments and Agencies in improving their financial and performance information, has been slow.

The Committee believes accountability for performance to be a key element of the corporate governance framework and has made a number of recommendations in this report to emphasise that there is considerable scope for improvement in the information contained in key accountability documents provided by Departments and Agencies to the Parliament.

Therefore the Committee has decided to highlight in this report all recommendations seeking improvements to performance and financial information.


Recommendation 2.1:

The Auditor-General take immediate steps to audit key performance indicators of Departments to ensure their appropriateness to outcomes.
Chapter 4: Review of Budget Papers

Recommendation 4.1:
Actual data be included in the Budget Papers for a consistent set of output, outcome and performance indicators over two years.

Recommendation 4.4:
A priority be given by Departments to maintaining consistent key performance indicators in the Budget Papers but where change occurs, clear explanations be given for the addition or deletion of performance indicators.

Recommendation 4.6:
The Department of Treasury and Finance:
(a) review the output data submitted by Departments to ensure it is accurate and reflects activities undertaken by the Departments; and
(b) actively assist Departments to improve the quality and nature of their output forecasting and reporting systems, including the selection of outputs, outcomes and performance indicators to ensure they are meaningful and measurable and relate to the underlying activities of Departments.
Recommendation 4.7:
The Auditor-General and officers of the Department of Treasury and Finance appear before the Public Accounts and Estimates Committee to report on the appropriateness and application of key performance indicators across the Victorian Public Sector.

Page 133

Chapter 8: Department of Education, Employment and Training

Recommendation 8.1:
The Secretary of the Department of Education, Employment and Training ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 203

Chapter 9: Department of Human Services

Recommendation 9.1:
The Secretary of the Department of Human Services ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 241

Recommendation 9.5:
The Department of Human Services review its performance measures for the Community Care output group to provide more meaningful information.

Page 263
Chapter 10: Department of Infrastructure

Recommendation 10.1:
The Secretary of the Department of Infrastructure ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Recommendation 10.2:
The Department of Infrastructure:
(a) review its performance measures contained in the Budget Papers under the Transport portfolio to closely align them with Government policy objectives and expected outcomes. More specifically, the Department should also ensure that performance measures are continuously reviewed to reflect those measures contained in transport service delivery contracts after negotiated changes; and
(b) improve its information contained in the Budget Papers to better explain existing performance measures.

Recommendation 10.6:
The Department of Infrastructure review its performance measures contained in the Budget Papers under the Planning portfolio to closely align them with Government policy objectives and expected outcomes.
Recommendation 10.9:
The Department of Infrastructure review the performance measures relating to the Local Government portfolio to ensure they measure key Government outcomes, particularly in relation to the implementation of Best Value Principles.

Page 315

Chapter 11: Department of Justice

Recommendation 11.1:
The Secretary of the Department of Justice ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 332

Recommendation 11.2:
The Department of Justice:
(a) introduce relevant performance measures relating to the progress in implementation of the Victorian Aboriginal Justice Agreement; and
(b) improve qualitative indicators for matters in the Courts and the Victorian Civil and Administrative Tribunal to reflect a percentage of user satisfaction against a benchmark.

Page 340

Recommendation 11.3:
The Department of Justice develop improved quantitative, qualitative and timely performance measures for the major output group Crime Prevention to enable better measurement of outcomes.

Page 348
Recommendation 11.4:

The Department of Justice:

(a) establish performance measures of the average numbers of prisoners in police cells, and the average on remand by week, month and quarter, to measure progress of other factors such as diversion programs, home detention, the efficiency of the judicial process and the expansion of prison capacity; and

(b) report this performance information in the Government's Mid Year Financial Report to the Parliament.

Page 353

Recommendation 11.5:

The Department of Justice adopt uniform qualitative measures for all Victorian prisons, whether public or private, to measure:

(a) health and safety of prisoners;
(b) security of prison officers; and
(c) solitary confinement levels.

Page 359

Chapter 12: Department of Natural Resources and Environment

Recommendation 12.1:

The Secretary of the Department of Natural Resources and Environment ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 376
Recommendation 12.4:
The Department of Natural Resources and Environment review the performance measures contained in the Budget Papers to ensure continued improvement.

Page 394

Recommendation 12.8:
The Department of Natural Resources and Environment develop and report on performance measures regarding the effectiveness of the Naturally Victorian program to identify:
(a) the number of producers assisted through the initiative;
(b) the number of new markets accessed through this initiative; and
(c) the value of export earnings attributable to this initiative.

Page 406

Recommendation 12.9:
The Department of Natural Resources and Environment urgently develop and report on performance information that indicates the quality and outcomes of Government services and programs in the important areas of Aboriginal health, education and justice.

Page 409

Chapter 13: Department of Premier and Cabinet

Recommendation 13.1:
The Secretary of the Department of Premier and Cabinet ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 418
Recommendation 13.2:  
The Department of Premier and Cabinet review the information contained in the Budget Papers with a view to creating a continual link between the performance measures in each output and output group, and information in the corporate and business plans, with the achievement of key Government outcomes.

Page 428

Recommendation 13.6:  
(a) The Department of Premier and Cabinet review the performance measures contained in the Multicultural Affairs output group to ensure that key objectives are appropriately measured; and

(b) The annual report of the Department of Premier and Cabinet report on the performance of whole-of-government multicultural strategies in achieving objectives.

Page 435

Recommendation 13.7:  
The Department of Premier and Cabinet:
(a) discontinue the performance measure Arts Agencies Administered, in the 2002-2003 Budget Papers; and

(b) ensure that all relevant performance information relating to this measure for the previous year's actual performance is included in the 2002-2003 Budget Papers.

Page 439
Recommendation 13.11:

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 expected outcomes; and

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

Page 445

Chapter 14: Department of State and Regional Development

Recommendation 14.1:

The Secretary of the Department of State and Regional Development ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

Page 453

Recommendation 14.2:

The Department of State and Regional Development develop relevant qualitative performance indicators clearly linked to objectives and expected outcomes to enhance its performance measurement reporting framework.

Page 460
Recommendation 14.4:

The Department of State and Regional Development ensure that:

(a) it has a comprehensive and transparent governance process supporting the approval of community sport and recreation facility projects; and

(b) adequate performance measurement relating to agreed outputs and outcomes is in place for these projects.

Page 482

Recommendation 14.5:

The Department of State and Regional Development:

(a) develop performance measures based on key racing portfolio strategies; and

(b) ensure performance measures are aligned with the key corporate strategies, objectives and expected outcomes of the Office of Racing.

Page 486

Recommendation 14.6:

The Department of State and Regional Development:

(a) review the performance measures for the Tourism output group to reflect Government policy objectives and expected outcomes; and

(b) introduce performance measures to reflect the use of, and satisfaction with the internet site, visitvictoria.com.

Page 496
Chapter 15: Department of Treasury and Finance

Recommendation 15.1:
The Department of Treasury and Finance review its performance measures in order to provide more adequate and meaningful information in the Budget Papers.

Page 512

Recommendation 15.3:
The Department of Treasury and Finance review the performance measures relating to the Finance portfolio to ensure that current year targets provide for continued improvement in service delivery, where possible.

Page 519

Recommendation 15.7:
The Department of Treasury and Finance undertake a review of the performance measures reported under the Statutory Insurance Advice output contained in the Budget Papers to ensure that they:

(a) align with or reproduce key targets in the corporate and business plans of the Victorian WorkCover Authority and the Transport Accident Commission, consistent with information contained in their quarterly reports provided to the Department; and

(b) measure the financial position of the WorkCover and Transport Accident Commission schemes.

Page 527
Recommendation 15.8:

The Department of Treasury and Finance:

(a) review current performance measures in terms of assessing the achievement of key principles within the Responsible Gambling legislation;

(b) ensure performance measures are developed to determine the Government's success in minimising problem gambling; and

(c) ensure measures are developed that assess the achievement of objectives in research into the impact of gambling.

Chapter 16: Parliamentary Departments

Recommendation 16.1:

The Parliamentary Departments:

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

(b) incorporate these measures into the Budget Papers for 2002-2003.
FURTHER RECOMMENDATIONS

Chapter 3: Budget Overview

Recommendation 3.1:
Greater information be provided in the notes to the estimated financial statements regarding the extent of non-current asset revaluations and the classes of assets to which these revaluations relate.
Page 115

Chapter 4: Review of the Budget Papers

Recommendation 4.2:
The Budget Papers include actual financial data for the two most recent periods for which actual data is available.
Page 124

Recommendation 4.3:
In the Budget Papers, the terminology used in the departmental statements of cash flow should reflect cash flow not accrual terminology.
Page 125

Recommendation 4.5:
The Directions of the Financial Management Act 1994 be updated and monitored to ensure Departments maintain consistency in the financial and performance indicator details submitted in their monthly, quarterly and half-yearly performance reporting. Any material change in output classes or performance indicators be reported to the Government and externally through the Department’s business plans, Budget Estimates, annual reports and financial statements.
Page 130
Recommendation 4.8: The entities that constitute the public non-financial corporations sector be clearly specified in the Budget Papers.

Page 137

Recommendation 4.9: A standard definition of debt be developed and included in future Budget Papers to enable year-on-year comparisons.

Page 137

Recommendation 4.10: The Growing Victoria infrastructure reserve be fully reported on in the Budget Papers over its life.

Page 140

Recommendation 4.11: The Government include in the Budget Papers:

(a) a report on the level of embedded tax savings achieved by individual Departments against published estimates; and

(b) explanations for any variations in the level of achieved embedded tax savings against published estimates.

Page 144
Chapter 6: Annual Reporting Regime

Recommendation 6.1:
In the context of developing the Government's Financial Management Compliance Framework, the Department of Treasury and Finance implement the recommendations contained in the Public Accounts and Estimates Committee report on Annual Reporting in the Victorian Public Sector.

Recommendation 6.2:
The Public Accounts and Estimates Committee's proposed Guidelines on Performance Reporting (contained in Attachment 1 at page 169) be adopted by the Department of Treasury and Finance and included in future guidelines for agencies on annual reporting.

Recommendation 6.3:
The following additional matters be prescribed for the new annual reporting framework to be developed by the Department of Treasury and Finance:

(a) inclusion of an executive summary, a "Report on all targeted outcomes" section and a Financial Summary in the annual reports;

(b) provision of information on the management of human resources;

(c) inclusion of a Statement of Compliance to be signed by the Chief Executive Officer; and

(d) a requirement to table in Parliament an explanation for any material errors in the prior year's annual report.
Recommendation 6.4:

The Department of Treasury and Finance:

(a) allocate adequate resources to the review of agencies' annual reports (focussing on both legislative compliance and quality of the performance information disclosed);

(b) issue a Bulletin after each year’s review giving appropriate feedback to agencies on the problems and issues identified as well as providing guidance on better practice;

(c) conduct regular training seminars and workshops for agencies as well as an annual forum on annual reporting;

(d) issue an annual reporting manual to provide practical guidance on:

(i) the legislative and/or policy intent of each of the prescribed reporting requirements; and

(ii) the “best practice” approach to performance reporting (including illustrative examples of “good” reporting practices); and

(e) facilitate ongoing liaison between key officers involved in preparing annual reports.

Recommendation 6.5:

Chief Executive Officers be more closely involved in the annual report preparation process to ensure that:

(a) a reporting framework is agreed at the outset;
Recommendations

(b) staff members’ contributions to the report are clearly specified; and
(c) adequate resources are provided to the process.

Page 168

Recommendation 6.6:
A senior officer in each agency be given overall responsibility for:
(a) overseeing and co-ordinating the preparation of annual reports and other forms of public disclosure about the operations of the agency; and
(b) providing ongoing education on reporting requirements to senior management and other staff members.

Page 168

Chapter 7: Corporate and business plans of Departments

Recommendation 7.1:
(a) The Department of Treasury and Finance emphasise, in redrafting the existing Guide to Corporate and Business Planning, that:
(i) strategic/corporate planning at the whole-of-government and agency levels and business planning at the agency level be closely linked to the Government’s budget process;
(ii) planning and subsequent evaluation of performance focus not only on value-for-money in service delivery but also the financial position and budgetary parameters of Departments;

(iii) the corporate and business plans of Departments be reviewed and endorsed by the relevant Portfolio Ministers and the Minister for Finance acting on behalf of the Government as "owner" of the businesses and as purchaser of outputs;

(iv) the performance measures of Departments be developed with external advice where considered appropriate and they be aligned with comparable measures of similar bodies as well as with relevant nationally agreed performance indicators as published under Commonwealth-State Agreements (where applicable);

(v) an "Overview" section be included in the plans to provide a background context to assist the readers in gaining a better understanding of the issues covered in the documents; and

(vi) unnecessary duplication be avoided in preparing the corporate and business plans; and
(b) The key issues to be covered by the corporate and business plans (as set out in the new Guide) be prescribed by Directions to be issued by the Minister for Finance.

Chapter 8: Department of Education, Employment and Training

Recommendation 8.2:

The Department of Education, Employment and Training:

(a) identify key factors leading to the imbalance of male teachers relative to female teachers with a view to increasing the proportion of male teachers;

(b) determine the reasons underpinning the departure of a significant proportion of younger male teachers from the profession; and

(c) put in place a recruitment and development strategy designed to attract and retain younger male teachers.

Recommendation 8.3:

The Department of Education, Employment and Training:

(a) take steps to improve recruitment of teachers at lower age groups; and

(b) review the factors affecting the morale levels of secondary school teachers and implement strategies for improvement.
Recommendation 8.4:

The Department of Education, Employment and Training:

(a) evaluate, on an ongoing basis, the impact of its strategies to attract new graduate teachers;

(b) establish performance information on the number of students in teaching courses for the duration of the course; and

(c) analyse the reasons for students completing the courses and for students discontinuing teaching studies.

Page 216

Recommendation 8.5:

The Department of Education, Employment and Training regularly evaluate and report on the effectiveness of drug prevention and intervention programs in schools.

Page 218

Recommendation 8.6:

(a) The Department of Education, Employment and Training adopt a strategy aimed at addressing the current shortfall of tertiary places in Victoria; and

(b) A key component of the strategy involve representations to the Commonwealth Government, including highlighting the effect of the recent reduction in Commonwealth funding for research places at universities.

Page 223
Recommendation 8.7:
The Department of Education, Employment and Training develop strategies to address the low participation rates in higher education in some regions of Victoria.

Page 223

Recommendation 8.8:
The Department of Education, Employment and Training:
(a) ensure that appropriate governance processes are in place at Chisholm Institute; and
(b) continue to monitor the financial performance of all TAFE Institutes on an ongoing basis.

Page 225

Recommendation 8.9:
The Office for Youth ensure:
(a) regular monitoring of FReeZa events to ensure compliance with all contractual obligations, particularly those relating to health, safety and security; and
(b) there is an appropriate accountability regime for the FReeZa program.

Page 234

Chapter 9: Department of Human Services

Recommendation 9.2:
The Department of Human Services:
(a) adopt staff retention strategies to ensure the Department retains its CAFW workforce; and
(b) develop and implement staff recruitment strategies to address the small percentage of younger males that are entering the CAFW workforce.

Recommendation 9.3:

(a) The Government has urgent discussions with the Commonwealth Government in relation to funding for public dental care; and

(b) The Department of Human Services develop an action plan aimed at reducing the substantial waiting lists for restorative dental care and for the provision of dentures.

Recommendation 9.4:

The Department of Human Services adopt a comprehensive and well resourced monitoring process to ensure compliance with the Health (Legionella) Regulations.

Recommendation 9.6:

The Government seek agreement with the Commonwealth Government to ensure that both residential and home care funding ratios are based on demand patterns for those services.
Recommendation 9.7:

The framework for future planning of sub-acute services include:

(a) high level objectives that are consistent with Government policy in the provision of sub-acute services in Victoria;

(b) short, medium and long-term strategies and initiatives aimed at achieving the objectives of the framework;

(c) an effective system of performance monitoring that results in complete, accurate and timely performance information which is compared with relevant performance targets; and

(d) a system of timely review to ensure that emerging issues affecting the provision of sub-acute services are identified and addressed in a timely manner.

Page 277

Recommendation 9.8:

The Department of Human Services develop and publish performance information on:

(a) waiting times for public housing based on the categories contained in the segmented waiting list;

(b) the level of re-admittance to crisis supported and transitional housing; and

(c) client satisfaction with home renovation advice and services.

Page 280
Recommendation 9.9:

The Victorian Government, in conjunction with other States and Territories, make representations to the Commonwealth Government on the need for an agreement on a capital program to ensure the current public housing stock can be expanded and upgraded to keep pace with current and future community needs and demands.

Chapter 10: Department of Infrastructure

Recommendation 10.3:

The Department of Infrastructure:

(a) in conjunction with the Victorian Managed Insurance Authority, develop a comprehensive risk management process to ensure the partnership arrangements result in risks being carried by the party most able to manage those risks;

(b) assess the current internal contract management expertise available and ensure that appropriate measures are adopted to further develop this expertise, where required, or recruit necessary expertise externally;

(c) develop staff retention policies to ensure the loss of expertise in contract management is minimised; and

(d) initiate a process of project debriefs to ensure that lessons are learnt from experience and that emerging issues are identified and addressed.
Recommendation 10.4:

The Government consider making representations to the Commonwealth Government to introduce a third category for Better Roads funding that relates to roads that have significant components of both metropolitan and rural content.

Page 303

Recommendation 10.5:

The Victorian Road Safety Strategy contain:

(a) high level road safety objectives and targets that remain consistent with those contained in the National Road Safety Strategy;

(b) initiatives and measures aimed at achieving objectives and targets in the short, medium and long-term;

(c) an appropriate performance management system which allows the success of the road safety initiatives to be monitored and for emerging issues to be addressed in a timely manner; and

(d) a system of project debriefs so that at the completion of particular initiatives the Department of Infrastructure can assess the benefits of particular projects and promote more effective forward planning of road safety initiatives.

Page 305
Recommendation 10.7:

The Department of Infrastructure:

(a) review current town planning expertise from a statewide perspective and identify the relative needs of each council with a view to offering scholarships in areas of greatest need; and

(b) review the success of the scholarship program in terms of achieving stated objectives.

Page 311

Recommendation 10.8:

The Department of Infrastructure ensure regular monitoring of ResCode so that any deficiencies in the policy are identified and addressed.

Page 313

Recommendation 10.10:

The Department of Infrastructure:

(a) establish a formalised monitoring protocol to ensure that progress in achieving the target for rail access to Victorian ports is monitored in a timely manner; and

(b) develop annual targets for access by rail to Victorian ports so that progress can be effectively monitored and the success of initiatives to achieve intended outcomes can be evaluated.

Page 323
Chapter 11: Department of Justice

Recommendation 11.6:

The Government give priority to implementing improvements to the Prison Service Agreement Service Delivery Outcomes so that they more accurately reflect the Government's desired outcomes from private prison operators.

Page 364

Recommendation 11.7:

The Department of Justice ensure that its review of the agreements in 2002 for the management of private prisons take into account:

(a) the contractor's record for ensuring prisoner and staff safety;
(b) the adequacy of the contractor's staffing numbers and staff skills;
(c) incident management history;
(d) the completeness and accuracy of incident reporting in terms of the number of reports and content;
(e) the timeframe for correcting default orders; and
(f) the seriousness of, and/or frequency of issue of default orders.

Page 365
Chapter 12: Department of Natural Resources and Environment

Recommendation 12.2:
The Department of Natural Resources and Environment closely monitor initiatives in salinity management and prevention to ensure they are consistent with priorities outlined in the national action plan and that emerging issues are identified and addressed.

Recommendation 12.3:
The Department of Natural Resources and Environment give a high priority to the finalisation of the on-line permit system to improve information publicly available on the rate of land clearing in Victoria.

Recommendation 12.5:
The Department of Natural Resources and Environment develop a strategy relating to mineral and petroleum exploration and development in Victoria to ensure that initiatives are properly focussed and monitored. The strategy contain:

(a) high level Government objectives, measures and actions required to achieve those objectives and appropriate performance measures that will allow an assessment of the strategy’s success;

(b) a comprehensive monitoring and reporting process to ensure the success of the strategy can be determined; and

(c) an effective process of management reporting so that emerging issues can be identified and addressed.
Recommendation 12.6: The Department of Natural Resources and Environment assign a high priority to the development and implementation of all Coastal Action Plans.

Page 399

Recommendation 12.7: The Department of Natural Resources and Environment:

(a) in consultation with the sheep industry, urgently reach agreement on a format for the sheep identification system or process under the National Livestock Identification Scheme; and

(b) publicly report on annual performance measures related to the progressive “tagging” of cattle and sheep against established targets.

Page 404

Chapter 13: Department of Premier and Cabinet

Recommendation 13.3: The Department of Premier and Cabinet:

(a) adopt formal reporting protocols with the Minister responsible for community building; and

(b) establish formal monitoring processes for the 10 pilot projects across the State to allow the Government to assess and report on their success or otherwise.

Page 429
Recommendation 13.4:
(a) The Drug Prevention Council be governed by a comprehensive and coordinated monitoring framework comprising key Government objectives, underlying actions and initiatives, performance measures and targeted milestones; and
(b) The annual report of the Department of Premier and Cabinet report on the performance of whole-of-government drug prevention strategies in achieving objectives, as the Budget Papers do not clearly address the performance of inter-departmental activities.

Recommendation 13.5:
The Government develop a management framework to govern the activities of the joint enterprise relating to the Snowy River to ensure effective monitoring and reporting of performance information.

Recommendation 13.8:
The Australian Centre of the Moving Image develop:
(a) corporate and business plans containing objectives that are directly linked to key initiatives over the short, medium and long-term;
(b) performance measures which enable an adequate assessment of initiatives in achieving objectives and outcomes; and
Recommendation 13.9:
The marketing plans developed by the Victorian Arts Centre and the State Library of Victoria be reviewed after 12 months to determine their effectiveness in increasing visitor numbers.

Page 441

Recommendation 13.10:
The Department of Premier and Cabinet incorporate the relevant recommendations of the corporate governance review into the organisational processes of the State’s arts agencies.

Page 442

Recommendation 13.12:
The Office of Women’s Policy ensure that the framework for the development of the Women’s safety strategy is properly structured with whole-of-government objectives and appropriate performance measures to enable the strategy’s success to be measured.

Page 446
Recommendation 13.13:
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.

Chapter 14: Department of State and Regional Development

Recommendation 14.3:
The Department of State and Regional Development ensure that Information, Communication and Technology (ICT) services provided by various Departments:

(a) are coordinated through a central agency to minimise duplication or inefficiency;
(b) have a transparent accountability framework with appropriate lines of responsibility;
(c) receive adequate promotion; and
(d) have relevant performance measurement.

Chapter 15: Department of Treasury and Finance

Recommendation 15.2:
The Government review the operation of the Partnerships Victoria policy at the completion of the initial projects to ensure the operational effectiveness of the arrangements are maximised, and that emerging issues are addressed.
Recommendation 15.4:
The Government promote regular consultation with business in regional areas to ensure that e-commerce infrastructure is appropriate and to identify areas where the Electronic Commerce for Procurement strategy can be improved.

Page 521

Recommendation 15.5:
The Department of Treasury and Finance ensure:
(a) output evaluations are commissioned using a set of pre-determined criteria to establish those outputs of highest priority; and
(b) the output evaluations be extended to assess the adequacy of performance information used to measure the effectiveness of the output in delivering outcomes to the community.

Page 522

Recommendation 15.6:
The Government hold discussions with the Commonwealth Government in order to form a joint position on the eligibility of staff at universities to access the Beneficiary Choice Program.

Page 524
Chapter 16: Parliamentary Departments


Recommendation 16.3: (a) The Department of the Legislative Assembly incorporate the findings of the skills audit and training needs analysis into a professional development strategy; (b) A skills audit and training needs analysis be considered by the other Parliamentary Departments; and (c) The Parliamentary Departments develop a professional development strategy with high level objectives for their staff and the professional development activities necessary to achieve these objectives.

Recommendation 16.4: The Presiding Officers submit a proposal to the Treasurer for the annual funding arrangements for the operations of Parliamentary Committees to be provided by annual appropriation, rather than by special appropriation.
CHAPTER 1: INTRODUCTION

1.1 Objectives of the Budget Estimates process

In submitting this report, the Committee does not intend to replicate the information contained in the 2001-2002 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.

1.2 Process followed by the Committee

In March 2001, the Committee circulated a questionnaire to all Departments requesting supplementary information to that likely to be contained in the 2001-2002 Budget Papers. The Committee’s questionnaire concentrated on obtaining information on the following areas:

- departmental embedded tax savings;
- management and implementation of the Government’s Partnerships Victoria policy;
- e-commence in the budget sector;
- departmental asset management policies;
- profile of departmental staff; and
- staffing policies.
The Budget Estimates for 2001-2002 were subjected to 52 hours of scrutiny by the Committee at public hearings held with the Premier, each Minister and the Speaker of the Legislative Assembly during the period May to September 2001 (see Appendix 4).

The Committee expresses its appreciation of the assistance provided by all Ministers and the senior officers of the Departments at the estimates hearings, and in the provision of information in response to the Committee's follow-up questions. The Committee also thanks the Hansard staff for the speedy provision of the transcripts of evidence, which greatly assisted the Committee in meeting its tight reporting deadline.

This report is based on an analysis of the 2001-2002 Budget Estimates, the information provided in responses to the Committee's questionnaire and evidence given at public hearings. 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;
- Report of the Auditor-General on the Government’s Annual Financial Statement 1999-2000; and

The Committee has confined its comments to a comparison of the 2001-2002 Budget Estimates with the initial and revised Budget Estimates for 2000-2001.
Chapter 2: Government’s response to Report No. 38

CHAPTER 2: GOVERNMENT’S RESPONSE TO
THE PAEC REPORT NO. 38 –
2000-2001 BUDGET ESTIMATES

Key Findings:

2.1 Of the 119 recommendations contained in the Committee’s report on the 2000-2001 Budget Estimates, 64 were accepted; 43 were partially accepted; six were rejected; five are still under review; and one was accepted in principle.

2.2 The Government again rejected the recommendation for half-yearly performance reports by Departments on the grounds of cost and unreliability of data. However, the Committee believes that half-yearly external reporting by Departments is important as it will provide timely reports on budget outcomes and the performance of Departments.

2.3 The Committee continues to seek improvement in the quality of output data and performance information contained in the Budget Papers.

2.4 Although the Auditor-General has legislative authority to audit performance measures for Departments, for a variety of reasons this has not yet occurred.

2.5 Current disclosures in the Budget Papers do not provide sufficient information on the effect that the capital asset charging system is having on the operations of individual Departments.
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 the Committee’s reports.

2.2 Previous recommendations

The parliamentary review of the Government’s budget management and reporting is central to the free flow of public information about the management of the State’s finances. The Committee notes significant progress has been achieved over recent years to improve the quality and presentation of the Budget Papers. The Committee has already responded to the demands for increased public accountability by now reviewing Budget outcomes. In its Report No. 41, in reporting on that review, the Committee stated that:

This is a significant step for public accountability in Victoria as it is intended to provide the Parliament and the public with a greater understanding of not only how governments allocate resources and expend public money, but also how well they do so.5

Of the 119 recommendations contained in the Committee’s report on the 2000-2001 Budget Estimates, 64 were accepted; 43 were partially accepted; six were rejected and five are still under review

and one was accepted in principle. The Government’s response is at Appendix 5.

The Committee was particularly interested in the response from the Government to Chapters 2 and 4 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 five of the Committee’s ten recommendations contained in these two chapters; accepted three in part; and rejected two.

The Committee has previously requested over a number of years that more timely performance information be made available and that significant variances be reported. Recommendations relating to these matters were made on the understanding that this would assist the Committee in reviewing and reporting on Budget outcomes.

Rejected Recommendation 2.1 - 2000-2001 Budget Estimates

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.

The Government rejected this recommendation on the basis that there is no intention to extend the requirement for half-yearly external reporting to Departments at this stage:

6 Ibid, pp. 111-127, 149-162
The potential benefits of such reports needs to be carefully weighed against the costs, taking into account issues such as timeliness of reporting and integrity of the underlying data as Departments continue to develop their management information systems.\textsuperscript{7}

The Committee is disappointed that Recommendation 2.1 was again rejected.

The Committee notes that the Financial Management Act was amended during the Autumn session 2000 to incorporate a half-yearly whole-of-government financial report and quarterly budget sector reports which were produced during the 2000-2001 financial year. The quarterly reports included financial statements for the aggregate budget sector and comparisons of performance against budget estimates. However, while both these reports are aggregated, the thrust of the Committee’s recommendation was that departmental performance information (both financial and non-financial) should be provided.

The Committee rejects the assertion that it would be too costly to provide for half-yearly external reporting by Departments. If the information is being made available for aggregated quarterly and half yearly reports for the whole-of-government, it ought to be able to be safely assumed that the underlying integrity of data and management information systems would be such that the recommended half-yearly reports could be produced at minimal cost.

The Committee believes that half-yearly external reporting by Departments is important and especially in terms of the Committee’s commitment to provide Parliament with timely reports on Budget outcomes and performance of Departments.

\textsuperscript{7} Government response to the Recommendations of Public Accounts and Estimates Committee’s Report on the 2000-2001 Budget Estimates, p. 2
Partly accepted Recommendation 2.2 - 2000-2001 Budget Estimates

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.

This recommendation has been accepted in part. The Government’s response stated that:

The 2001-2002 Budget Papers provided a detailed reconciliation of variations in aggregate budget sector revenue and expenses since the 2000-2001 Budget (refer to page 34 of 2001-2002 Budget Paper No. 2).8

Once again this is information reported at an aggregate level. The Committee was contemplating information at a Department level and especially that explanations for significant variations between budget and revised estimates should be provided. If information can be provided at the aggregate level, this must be constructed from departmental level information and should be available for Parliament and public accountability purposes. Even though Departments receive global appropriations for providing outputs and have significant day-to-day flexibility to manage these global appropriations, it is important for transparency that significant variations in cost or outputs should be reported and explained. The Committee would expect that this information is made available to the Department of Treasury and Finance in its role as oversight manager of accrual output based budgeting.

The Committee is pleased to report that in relation to Chapter 4 of the Committee’s report on the 2000-2001 Review of Budget Papers, the Government has accepted five recommendations, partly accepted two and rejected only one.

8 Ibid, p. 2
Previous Recommendation 4.1 - 2000-2001 Budget Estimates

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

The Committee is pleased that this recommendation was accepted and that the data is now reported for both departmental operating statements and statements of cashflow in 2001-2002 Budget Paper No. 3.

Previous Recommendation 4.2 - 2000-2001 Budget Estimates

Variances 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.

It is also pleasing to note that Recommendation 4.2 concerning report format has been accepted.

Previous Recommendation 4.3 - 2000-2001 Budget Estimates

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.
Chapter 2: Government’s response to Report No. 38

The Department of Treasury and Finance indicates that it has accepted this recommendation concerning the review of output data and the need for quality in output and performance information.

As will be pointed out in Chapter 4 of this report, the Committee continues to seek improvement in the quality of output data and performance information contained in the Budget Papers. The Committee therefore re-emphasises the need for continued attention in this area.

**Previous Recommendation 4.4 - 2000-2001 Budget Estimates**

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

The Government response was to accept this recommendation and to indicate what action had been taken to date:

The output statements provide information on performance measures with targets for the quantity, quality, timeliness and cost of each output. Where possible performance measures published in the Budget Papers are used continuously to provide analysis against historical data and to maintain compatibility.

The Directions of the Financial Management Act 1994 requires Departments to maintain consistency with respect to financial details submitted in their reporting of monthly, quarterly and half-yearly performance. Changes are reported to Government and externally through the Department’s annual reports and financial statements.9

The Committee has previously suggested means of improving the quality of performance information and therefore public accountability and confidence in these new types of reporting. To ensure transparency of information and accountability of performance information in Budget Papers and departmental

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9 Ibid, p. 4

93
annual reports, the Committee believes this information should be subject to scrutiny by an independent body.

In 1999, the Victorian Parliament amended the Audit Act 1994 to provide the authority for the Auditor-General to audit performance measures and to express an opinion as to whether they are:

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

However, the Committee notes that the Victorian Auditor-General’s Office has not yet, for a variety of reasons, taken up this legislative challenge even though in his most recent report on Ministerial Portfolios it was found that:  

- Considerable progress has been made by the Government in implementing a new performance management and reporting framework for the budget sector.
- The framework is not yet sufficiently developed for audit opinions to be issued regarding the relevance, appropriateness and fair presentation of performance information.
- The output measures incorporated in the Government’s Budget Papers may not be the most appropriate indicators of departmental performance.

The key Victorian accountability requirements under the Financial Management Act 1994 and the Management Reform Program have been for all Departments and public bodies to:

- establish a corporate and business planning process;
- define measures relating to quantity, quality, timeliness and cost measures for various output groups, as part of the annual budget process;

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• prepare audited annual financial statements and a report of operations; and
• table the financial statements and report of operations in Parliament, through the relevant Minister.

The Committee is aware that, in the past decade, a number of Victorian performance audits have examined and reported on the quality of performance information reported by Departments.

The amendments to the Audit Act are directed at providing the Auditor-General with discretion to issue audit opinions on performance information reported publicly by Departments and public bodies, including in the Budget Papers and annual reports.

However, the Committee notes the advice of the Auditor-General that:

We have formed the view that it has not yet been sufficiently developed to enable audit opinions to be issued regarding the relevance, appropriateness and fair presentation of performance indicators. We have also identified a number of areas relating to the framework which need to be addressed, to achieve a sound public reporting regime.\[11\]

The Committee continues to assert the need for external verification of performance measures published in the Budget Papers.

Accordingly, the Committee recommends that:

**Recommendation 2.1**

The Auditor-General take immediate steps to audit key performance indicators of Departments to ensure their appropriateness to outcomes.

\[11\] Ibid, p. 424
Previous Recommendation 4.5 - 2000-2001 Budget Estimates

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 Government response was that the recommendation had been accepted.

For 2001-2002, the Government had enhanced performance management and reporting by publishing the objectives of Departments in the Budget Papers.

In its forthcoming Inquiry into the Budget Outcomes for 2000-2001, the Committee will examine the link between departmental objectives, Government objectives and priorities and the reporting of outputs.

Partly accepted Recommendation 4.6 - 2000-2001 Budget Estimates

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.

The Government has accepted this recommendation in part. The Government indicated that errors of the type identified by the Committee in its previous report are not common:

Where material errors identified in the departmental output budgets are considered to be material in the opinion of the Minister, the Minister should notify Parliament through existing accountability and disclosure arrangements and processes, as soon as practicable.12

An issue for the Committee is the nature of the test of materiality to be applied and the determination of the appropriate materiality level. Australian Accounting Standard AAS5 - Materiality in Financial Statements - identifies the test for materiality as being that the level of non-disclosure or mis-statement would adversely affect a user’s decision about the allocation of scarce resources. The Committee is of the view that the level of reporting to Parliament should be at the departmental, not the aggregated Budget level. Therefore any departmental material omissions, non-disclosure or mis-statement should be brought to the attention of the Parliament as soon as practicable.

Rejected Recommendation 4.7 - 2000-2001 Budget Estimates

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.

The Committee is disappointed that the Government rejected this recommendation.

The Committee’s previous estimates report argued that the current Budget Papers are too highly aggregated and that more specific information could be provided within them. Once again, debate on this issue hinges on the test of meaningful information about output groups and materiality of items to be reported. The Department of Treasury and Finance acknowledged that there are instances where it is difficult to draw out some of the more complex detail. In response to the specific example referred to by the Committee in the last report, the Department of Treasury and Finance did acknowledge that an additional footnote would assist in clarifying this issue.13

In the Committee's view, this is a positive step forward.

13 Ibid, p. 4
Capital asset charge

Partly accepted Recommendation 4.8 - 2000-2001 Budget Estimates

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

The Committee’s recommendation was only accepted in part.

The current position with respect to the Capital Asset Charge is that each Department discloses, in its departmental Statement of Financial Performance, a single line item under the heading of “operating expenses”. This line item shows the amount of expense stemming from the capital asset charge for each Department in any given year. In addition, the Department of Treasury and Finance advised in its response that detailed policy disclosures are made in the Department of Treasury and Finance’s CAC publication available on the Internet.14

This booklet outlines the background for the introduction of a capital assets charge, its operation and impact upon departmental outputs, but the Committee notes that it has not been updated since 1998.

More importantly, the Committee is interested in the effect that the capital asset charging system is having on the operations of individual Departments. Current disclosures do not provide an insight into that question, and the Committee considers that this is an area that warrants review.

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14 Ibid, p. 5
CHAPTER 3: BUDGET OVERVIEW

Key Finding:

3.1 The Committee accepts that the Budget is subject to many uncertainties which are beyond the control of the State Government.

3.1 Basis for preparation of the Budget Estimates

The 2001-2002 budget estimates have been prepared in accordance with the provisions of the Financial Management (Financial Responsibility) Act 2000.

The Government is required to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management as stated in the Act.¹⁵ The principles of sound financial management 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.

¹⁵ 2001-2002 Budget Paper No. 2, Budget Statement, pp. 11-12
The Committee notes that the scope of the budget sector as presented in the 2001-2002 Budget has been expanded to include all general government sector agencies. Accordingly, the estimated financial statements now include the projected financial results of a number of agencies that were previously classified as the non-budget sector, including:

- Parks Victoria;
- the Country Fire Authority and the Metropolitan Fire and Emergency Services Board;
- catchment management authorities; and
- a range of occupational registration boards.

This shift to a general government sector basis brings the Victorian budget statements into closer alignment with those of the Commonwealth and most other States and Territories. It also means that the budgeted financial statements will better align with the Annual Financial Report for the State of Victoria and have a similar format.

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 Government to the Parliament.

3.2 Budget strategy, objectives and priorities

3.2.1 Budget strategy and financial objectives

The Government’s Budget strategy and financial policy objectives have not changed since the previous budget, and continue to be underpinned by the financial management principles as described in the Financial Management (Financial Responsibility) Act. The Budget Papers state that the broad strategic priority underlying the Government’s financial strategy is to provide a sound and

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16 Ibid, p. 33
stable financial basis from which growth can be promoted across the whole State and provide improved services to all Victorians.\textsuperscript{17}

The Government’s financial objectives are outlined in the following exhibit.

**Exhibit 3.1**

<table>
<thead>
<tr>
<th><strong>Long-term</strong></th>
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<tbody>
<tr>
<td>• Maintain a substantial budget operating surplus.</td>
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<tr>
<td>• Provide capital works to enhance social and economic infrastructure throughout Victoria.</td>
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<tr>
<td>• Provide improved service delivery to all Victorians.</td>
</tr>
<tr>
<td>• Ensure competitive and fair taxes and charges to Victorian businesses and households; and</td>
</tr>
<tr>
<td>• Maintain state government net financial liabilities at prudent levels.</td>
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</tbody>
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<table>
<thead>
<tr>
<th><strong>Short-term</strong></th>
</tr>
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<tbody>
<tr>
<td>• Operating surplus of at least $100 million in each year;</td>
</tr>
<tr>
<td>• Implement strategic infrastructure projects, including those funded from the Growing Victoria infrastructure reserve;</td>
</tr>
<tr>
<td>• Expenditure priority on education, health and community safety;</td>
</tr>
<tr>
<td>• Implement reforms to Victoria's business taxation system; and</td>
</tr>
<tr>
<td>• Maintain a triple-A credit rating.</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 2, Budget Statement, Table 2.1 Financial Objectives, p. 12

\textsuperscript{17} Ibid, p. 12
3.2.2 Growth and service delivery priorities

The Government has outlined a number of measures in the 2001-2002 budget designed to foster an environment in Victoria that is conducive to investment and the promotion of economic growth and jobs creation. Some of the key measures announced in the Budget which aim to promote growth include:\(^{18}\)

- new infrastructure projects of $2.13 billion to commence in 2001-2002. This includes $780 million for transport, $514 million for health and $336 million for community safety;
- investing $359 million in Victorian schools, TAFE institutes and research centres to improve learning environments and research activity;
- investing $193 million over four years in new initiatives to improve Victoria's environmental sustainability and biodiversity by tackling salinity, protecting Victoria's marine environment and restoring flows to the Snowy River; and
- implementing the Government's tax reform package and reducing a number of State business taxes, including payroll tax, land tax and mortgage duty by a total of $774 million over the four year period to 2004-2005.

The Committee notes that the Government has given a commitment to improve services in rural and regional Victoria and increase expenditure on health, education, community safety and transport.\(^ {19}\)

The 2001-2002 Budget provides additional funding for new output initiatives of $226 million in 2001-2002 increasing to $301 million in 2004-2005.\(^ {20}\)

Key new service delivery initiatives contained in the 2001-2002 Budget include:\(^ {21}\)

\(^{18}\) Ibid, p. 61
\(^{19}\) Ibid, pp. 88, 90
\(^{20}\) Ibid, p. 87
• $108 million to increase hospital capacity to cope with rising demand, in particular for emergency services and alternative care options;
• a four-year $150 million program to address the causes of growth in hospital admissions through a range of preventive initiatives;
• $25 million to improve a range of community support services for people and their carers;
• $7 million for new initiatives to improve services provision for older Victorians;
• since the 2000-2001 Budget, education has received an additional $371 million to 2004-2005 for initiatives to improve participation and achievement in education outcomes;
• $386 million investment in education and training facilities across Victoria to provide modern and enhanced learning environments;
• $34 million to make Victorian communities safer through a visible police presence and to upgrade local and regional police stations;
• $166 million to increase the permanent capacity of the prison system; and
• $246 million over four years towards transport initiatives to provide more accessible and efficient transport services.

3.3 2000-2001 budget outcomes and overall position

3.3.1 2000-2001 revised operating surplus

The 2000-2001 Budget Papers forecast an operating surplus of $592 million.\(^{22}\) The forecast operating surplus, as stated in the 2000-2001 Budget Update, was revised upward to $953 million in

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\(^{21}\) Ibid, p. 87

\(^{22}\) 2000-2001 Budget Paper No. 2, Budget Statement, p. 59
January 2001,\textsuperscript{23} and again increased in May 2001 to $1,207 million.\textsuperscript{24}

Exhibit 3.2 provides a summary of the financial performance for the 2000-2001 Budget, compared to the forecast for 2000-2001. The exhibit also includes the corresponding forecast operating surplus for 2001-2002.

### Exhibit 3.2: Summary statement of financial performance
#### 2000-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>7,845.3</td>
<td>8,530.4</td>
<td>685.1</td>
<td>8,387.2</td>
<td>7,976.5</td>
</tr>
<tr>
<td>Investment Income</td>
<td>947.7</td>
<td>1,383.1</td>
<td>435.4</td>
<td>1,425.7</td>
<td>938.2</td>
</tr>
<tr>
<td>Grants</td>
<td>10,198.1</td>
<td>10,310.2</td>
<td>112.1</td>
<td>10,309.3</td>
<td>11,311.7</td>
</tr>
<tr>
<td>Sale of Goods and Services</td>
<td>1,939.8</td>
<td>2,048.3</td>
<td>108.5</td>
<td>1,902.6</td>
<td>2,111.6</td>
</tr>
<tr>
<td>Other Revenue (a)</td>
<td>1,249.1</td>
<td>1,194.8</td>
<td>-54.3</td>
<td>1,342.0</td>
<td>1,127.4</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>22,180.0</td>
<td>23,466.8</td>
<td>1286.8</td>
<td>23,366.8</td>
<td>23,465.5</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superannuation</td>
<td>1,380.3</td>
<td>1,422.2</td>
<td>41.9</td>
<td>1,417.8</td>
<td>1,506.9</td>
</tr>
<tr>
<td>Depreciation</td>
<td>773.3</td>
<td>817.7</td>
<td>44.4</td>
<td>758.4</td>
<td>871.3</td>
</tr>
<tr>
<td>Borrowing Costs</td>
<td>510.4</td>
<td>602.5</td>
<td>92.1</td>
<td>597.1</td>
<td>477.6</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td>7,721.3</td>
<td>7,991.0</td>
<td>269.7</td>
<td>7,913.0</td>
<td>8,411.5</td>
</tr>
<tr>
<td>Supplies &amp; Services</td>
<td>7,020.6</td>
<td>7,372.5</td>
<td>351.9</td>
<td>7,116.7</td>
<td>7,672.3</td>
</tr>
<tr>
<td>Other Expenses (b)</td>
<td>4,182.6</td>
<td>4,053.7</td>
<td>-128.9</td>
<td>4,346.6</td>
<td>4,017.5</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>21,588.5</td>
<td>22,259.5</td>
<td>671.0</td>
<td>22,149.6</td>
<td>22,957.0</td>
</tr>
<tr>
<td><strong>Operating Surplus</strong></td>
<td>591.5</td>
<td>1,207.3</td>
<td>615.8</td>
<td>1,217.2</td>
<td>508.5</td>
</tr>
</tbody>
</table>


\textsuperscript{23} Budget Update January 2001, p. 20
\textsuperscript{24} 2001-2002 Budget Paper No. 2, Budget Statement, p. 25
Notes:  
(a) 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; and  
(b) Includes grants and transfer payments and amortisation expense.

The Committee notes the significant growth in the forecast operating surplus for 2000-2001 ($592 million), which more than doubled to a revised estimate of $1,207 million. The 2000-2001 result was attributable to strong revenue growth, partly offset by the increase in operating expenses.

Total revenue for 2000-2001 was revised to $23,467 million, and exceeded the budget estimate by $1,287 million, more than half of which was attributable to growth in State taxation. State taxation for 2000-2001 was revised to $8,530 million, $685 million above the budget estimate. Victorian economic conditions softened over the course of 2000-2001, but were generally more buoyant than national conditions. This was particularly noticeable in the Victorian labour market, which resulted in strong growth in payroll tax, while the ongoing strength in the property market resulted in significant growth in conveyancing duties. In addition, investment income for 2000-2001 has been revised to $1,383 million, $435 million above the budget estimate of $948 million.\(^25\)

Total operating expenditure for 2000-2001 was revised to $22,260 million, and exceeded the budget estimate by $671 million, most of which was attributable to growth in employee entitlements and supplies and services.

### 3.3.2 2001-2002 forecast operating surplus

As shown in Exhibit 3.2, the operating surplus is expected to decline from $1,207 million in 2000-2001 to $509 million in 2001-2002, a reduction of $699 million, which reflects a broadly

\(^{25}\) Ibid, pp. 210-220
unchanged level of operating revenue and projected growth in operating expenses of $698 million.

Operating expenses are budgeted at $22,957 million in 2001-2002, representing an increase of $698 million (3.1 per cent) on the 2000-2001 revised estimate. A significant part of this increase includes 2001-2002 Budget output initiatives of $226 million and output initiatives totalling $264 million previously announced in the 2000-2001 Budget Update. The Committee notes that employee entitlements are projected to increase by $421 million in 2001-2002, which is partly offset by a reduction in borrowing costs of $125 million.

Total operating revenue amounts to $23,466 million in 2001-2002, representing a $1.3 million decrease on the 2000-2001 estimate. The decrease in operating revenue reflects a decline in taxation revenue for 2001-2002, which is forecast to decline by $554 million or 6.5 per cent compared with the revised 2000-2001 outcome.

This estimated decline in taxation revenue is mainly attributable to:

- the abolition of financial institutions duty and stamp duty on listed securities from 1 July 2001 as part of changes agreed to in the Intergovernmental Agreement ($547 million);
- lower property tax revenue from land transfer duty and mortgage duty, which reflects activity in the property market returning to long-term trend levels; and
- business tax cuts totalling $100 million in 2001-2002, resulting from the reduction in the payroll tax rate, an increase in the land tax threshold and the abolition of stamp duty on non-residential leases.

Investment income is forecast to decline by $445 million. This is largely due to a one-off revenue boost in 2000-2001 of $60 million in relation to realised gains on retirement of Victorian Accelerated Infrastructure Program bonds and a projected $353 million

26 Ibid, p. 27
decrease in public authority income. The latter mainly reflects the wind-down of a profitable gas supply arrangement with Esso/ BHP in September 2001, which accounts for a decrease of $241 million.\textsuperscript{27}

The growth in Commonwealth grants of $1,002 million, is mainly attributable to:\textsuperscript{28}

- a projected increase in funding from the Commonwealth of $636 million, to compensate for financial assistance grants and taxation revenue foregone;
- additional funding mainly for highway construction in Albury-Wodonga and Geelong Road under the Roads of National Importance program ($132 million); and
- an increase of $97 million in the Health Care Grant, taking account of population growth, ageing and technological development.

### 3.3.3 Economic outlook and risks

At the time of the Budget’s release, Victorian economic growth was forecast to moderate to 2.5 per cent in 2000-2001 and 2.75 per cent in 2001-2002. While this forecast was only moderately higher than 2000-2001, growth is expected to strengthen through the year. The Committee notes that broadly, economic activity is forecast to ease from 2000-2001, to progressively strengthen over the course of 2001-2002. Some of the key factors affecting the short-term economic outlook include:\textsuperscript{29}

- State final demand growth, which is expected to weaken in 2000-2001 due to the impact of the GST on housing and consumer spending. In 2001-2002, State final demand growth is projected to strengthen, with consumer spending growth improving and dwelling investment stabilising;

\textsuperscript{27} Ibid, p. 28
\textsuperscript{28} Ibid
\textsuperscript{29} Ibid, pp. 57-58
• a decline in net international merchandise exports in 2001-2002, due to moderating global activity, will have a negative effect on growth. Imports are forecast to increase as domestic demand strengthens in 2001-2002;

• an easing of employment growth to 0.5 per cent in 2001-2002, but like economic growth, employment growth is expected to improve through the course of the year, to around 1.25 per cent over the year to the June quarter 2002. Victoria’s average unemployment rate is projected to be 6.5 per cent in 2001-2002;

• moderation of the consumer price inflation to 2 per cent in 2001-2002, as the initial price impact of the GST and past oil price rises subside, and savings from changes in the indirect tax system flow through to consumers. As part of the National Tax Reform package, business costs should be lower following the removal of wholesale sales tax on capital equipment and the abolition of financial institutions duty and stamp duty on quoted marketable securities. As part of the 2001-2002 Budget, the Government’s decision to lower payroll tax, raise the land tax threshold and remove the stamp duty on non-residential leases could further reduce business costs; and

• a forecast annual wage growth that will remain moderate at 3.5 per cent over 2001-2002, while population growth projections assume net interstate migration eventually eases to a gain of 2,000 people per year.

The Committee accepts that the Budget is subject to many uncertainties which are beyond the control of the State Government. The Committee notes that the Department of Treasury and Finance has identified a number of risks to the Victorian economic outlook, including:30

• international developments, including the general slowdown of world growth, and particularly a sharper downturn in the United States which would reduce demand for Victorian exports;

30 Ibid, pp. 58-59
• a deterioration of United States' asset markets that, if sustained, would affect household wealth and consumer and business confidence and have a noticeable impact on domestic spending patterns;
• the potential flow on of higher oil prices and the declining exchange rate into higher production costs and eventually to consumer prices could result in higher interest rates than otherwise; and
• the impact on gross state product from adverse movements in population growth.

However, these potentially adverse impacts may be mitigated by:31

• global monetary policy easing, which could enhance the prospects for a recovery in world activity later this year and into 2002;
• the reduction of domestic interest rates, which may help to stimulate domestic demand and offset the impact of weaker world growth on the Victorian economy; and
• the stimulatory effects of personal income tax cuts (resulting from national tax reform) may add to general activity and State growth.

The Committee is aware that the projected budget position and outlook for the period 2001-2002 to 2004-2005 were framed in a global economic climate that was considered sluggish in terms of activity, but relatively secure in the political sense. However, with the events that occurred in the United States during September 2001, the heightened volatility in the political landscape has served to undermine the economic environment and created significant uncertainty, which has accelerated the threat of a global recession.

In addition, the domestic economy has shown considerable weakness in the retail sector, coupled with declining business and consumer sentiment, and recent corporate failures (HIH, OneTel and Ansett Airlines) have raised the prospect of an increase in the unemployment rate. On a more positive note, the property market

31 Ibid, p. 185
continues to demonstrate strong demand, further buoyed by the decline in domestic interest rates, while the threat of rising oil prices appears to have abated.

The Committee looks forward to reviewing the 2001-2002 Budget Update, which should report on:

- the economic assumptions underpinning the Budget; and
- the sensitivity of estimates of revenue and expenditure and the budget sector’s operating surplus to the changed economic conditions that currently prevail.

3.4 2001-2002 budget initiatives

Exhibit 3.3 shows new output and asset funding for 2001-2002 by Departments. The objective of these measures is to enable the Government to deliver improved services and promote growth across Victoria through new initiatives in priority service delivery areas, significant investments in social and economic infrastructure and a reduction in State business taxes.

Exhibit 3.3: New output and asset funding

<table>
<thead>
<tr>
<th>Funding for 2001-2002 New Budget Initiatives</th>
<th>Output Initiatives ($ million)</th>
<th>Infrastructure Projects ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>67.6</td>
<td>157.5</td>
</tr>
<tr>
<td>Human Services</td>
<td>263.8</td>
<td>120.2</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>46.6</td>
<td>78.4</td>
</tr>
<tr>
<td>Justice</td>
<td>59.6</td>
<td>67.6</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>40.0</td>
<td>42.5</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>22.0</td>
<td>21.4</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>57.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>19.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Parliament</td>
<td>3.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Less Demand Contingency</td>
<td>90.0</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>489.9</strong></td>
<td><strong>501.8</strong></td>
</tr>
</tbody>
</table>

Source: 2000-2001 Budget Paper No. 2, Budget Statement, Table 2.2, p. 18 and Table 4.2, p. 57; and 2001-2002 Budget Paper No. 2, Budget Statement, Table 3.1, p. 23 and Table 3.2, p. 24
The 2001-2002 Budget provides additional funding for:

- new output initiatives of $490 million, of which $264 million of output initiatives were announced in the 2000-2001 Budget Update. This is net of $90 million funding from existing forward estimates demand contingencies (put aside for increasing service delivery on account of population and demonstrated client demand growth). Exhibit 3.3 shows that this funding will be directed to service delivery initiatives in the key areas of education, health and community safety; and


The 2001-2002 Budget includes a number of major policy initiatives affecting revenue, including:

- implementation of the Better Business Taxes package, at a net cost to revenue of $100 million in 2001-2002;

- implementation of an integrated road safety package designed to reduce Victoria’s annual road toll, including increased traffic penalties and an enhanced speed camera enforcement regime which are expected to increase revenue by $30 million in 2001-2002; and

- the introduction of an additional $1,200 per year health benefit levy on all electronic gaming machines, which is expected to raise $36 million per annum, for allocation to the public hospital system.

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32 Ibid, p. 22
33 Ibid, p. 23
34 Ibid, pp. 24-25
3.5 Budget sector statement of financial position

Exhibit 3.4 presents details of the State’s expected financial position for the budget sector for the year ended 30 June 2001. The statement of financial position discloses an increase in budget sector net assets by $2.4 billion, from $13.5 billion at the time of the 2000-2001 Budget, to $15.9 billion as at 30 June 2001. Approximately 50 per cent of the increase can be attributed to the larger than expected operating surplus of $1.2 billion for 2000-2001.
### Exhibit 3.4: Budget sector statement of financial position

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>626.1</td>
<td>889.2</td>
<td>1,033.6</td>
</tr>
<tr>
<td>Investments</td>
<td>838.9</td>
<td>925.2</td>
<td>1,064.1</td>
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<tr>
<td>Receivables</td>
<td>600.5</td>
<td>740.1</td>
<td>793.8</td>
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<tr>
<td>Prepayments</td>
<td>82.3</td>
<td>40.1</td>
<td>45.1</td>
</tr>
<tr>
<td>Inventories</td>
<td>129.6</td>
<td>166.2</td>
<td>235.0</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>2,279.9</td>
<td>2,763.7</td>
<td>3,174.5</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>2,035.9</td>
<td>2,470.2</td>
<td>2,413.0</td>
</tr>
<tr>
<td>Receivables</td>
<td>462.2</td>
<td>277.9</td>
<td>233.1</td>
</tr>
<tr>
<td>Inventories</td>
<td>4.1</td>
<td>3.4</td>
<td>98.0</td>
</tr>
<tr>
<td>Property, Plant &amp; Equipment</td>
<td>17,899.8</td>
<td>19,072.8</td>
<td>21,593.3</td>
</tr>
<tr>
<td>Roads</td>
<td>11,454.8</td>
<td>12,004.6</td>
<td>12,180.2</td>
</tr>
<tr>
<td>Other</td>
<td>1,673.7</td>
<td>1,642.1</td>
<td>1,725.1</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>33,530.5</td>
<td>35,471.0</td>
<td>38,242.8</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>35,810.4</td>
<td>38,234.7</td>
<td>41,417.3</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>846.1</td>
<td>938.0</td>
<td>1,019.8</td>
</tr>
<tr>
<td>Borrowings</td>
<td>568.1</td>
<td>636.8</td>
<td>588.2</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td>612.3</td>
<td>702.3</td>
<td>735.7</td>
</tr>
<tr>
<td>Superannuation</td>
<td>699.4</td>
<td>675.3</td>
<td>731.2</td>
</tr>
<tr>
<td>Other</td>
<td>141.2</td>
<td>233.6</td>
<td>404.9</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>2,867.2</td>
<td>3,186.2</td>
<td>3,479.8</td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>87.4</td>
<td>5.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Borrowings</td>
<td>5,981.5</td>
<td>5,647.4</td>
<td>5,757.5</td>
</tr>
<tr>
<td>Employee Entitlements</td>
<td>1,685.0</td>
<td>1,526.5</td>
<td>1,740.4</td>
</tr>
<tr>
<td>Superannuation</td>
<td>11,398.2</td>
<td>11,720.0</td>
<td>11,799.3</td>
</tr>
<tr>
<td>Other</td>
<td>258.5</td>
<td>260.3</td>
<td>279.8</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td>19,410.6</td>
<td>19,160.1</td>
<td>19,583.5</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>22,277.7</td>
<td>22,346.3</td>
<td>23,063.3</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>13,532.6</td>
<td>15,888.4</td>
<td>18,354.0</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 2, Budget Statement, pp. 182, 228
The Committee notes that the net equity of the State is estimated to grow over 2001-2002 by around $2.5 billion or around 16 per cent. However, as the Committee indicated in its previous estimates report, equity data should be interpreted with considerable reservations. It 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 private sector. However, there is no implication that equity in the public sector is distributable, as is the case in a private sector financial statement.

3.5.1 Budget sector assets

The Budget Papers disclose that, as at 30 June 2002, assets with an aggregate value of $41.4 billion will be under the control of the Government, representing an increase of around $3.2 billion over the previous year’s revised total of $38.2 billion. This increase largely reflects the revaluation of non-current assets by $2.8 billion, and specifically property, plant and equipment, which has been revalued by $2.5 billion over the period.

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. Physical infrastructure, including land and buildings, plant and equipment and roads, accounts for the majority of general Government non-financial assets.

However, there is little information provided in the notes to the estimated financial statements to explain the extent of the revaluations and the classes of assets to which they relate.

Accordingly the Committee recommends that:

---

Recommendation 3.1:

Greater information be provided in the notes to the estimated financial statements regarding the extent of non-current asset revaluations and the classes of assets to which these revaluations relate.

The Committee noted that the total current assets are expected to increase by around $410 million or 15 per cent, with cash and investments growing by around $144 million and $140 million respectively.

3.5.2 Budget sector liabilities

The Budget Papers disclose that, as at 30 June 2001, total liabilities were estimated to be $22,346.3 million, marginally higher than the budget estimate for 2000-2001 of $22,277.7 million. However, total liabilities are estimated to increase over 2001-2002 to $23,063.3 million, an overall increase of $717 million, which is mainly attributable to:

- growth in non-current liabilities, particularly borrowings and employee entitlements, which increased by around $110 million and $214 million respectively; and
- growth in other current liabilities of around $170 million.

Despite the overall increase in total liabilities, total assets are also expected to increase from the revised budget figure for 2000-2001 of $38,234.7 million to an estimated $41,417.3 million at 30 June 2002, an increase of $3,182.6 million.

The Committee notes that the Budget Papers state that, General Government net financial liabilities (excluding Growing Victoria) are expected to decrease from $16.3 billion or 10.8 per cent of GSP at June 1999 to $15.2 billion or 7.2 per cent of GSP by June 2005. Over the same period net debt is expected to halve from $4.9 billion to $2.5 billion.
The Committee is also aware that the Budget Papers disclose that, on 27 March 2001, Standard & Poors reaffirmed Victoria’s long-term local currency rating of AAA.36

3.5.3 Debt management

The budget forecasts include an assumption that all future cash surpluses are held as financial assets. Given this, State Government net debt (excluding Growing Victoria financial assets) is projected to fall from $5.2 billion at June 2000 to $3.5 billion at June 2005.37

State Government net debt to GSP is also expected to decline from 3.2 per cent at June 2000 to 1.7 per cent at June 2005.38

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 were relatively constant from $452.9 million in 1999-2000 to a revised estimate for 2000-2001 of $450.3 million. In 2001-2002, interest and finance costs are projected to increase to $558.1 million.

3.5.4 Unfunded superannuation liabilities

The most significant liability on the State’s balance sheet is unfunded superannuation. At 30 June 2001, the State’s unfunded superannuation liability is projected to be $12.4 billion. Actuarial projections indicate that the unfunded superannuation liability is expected to grow on a nominal basis over the forward estimates period to approximately $12.8 billion by June 2005 (6 per cent of GSP). This represents an average annual growth rate of 1 per cent, significantly less than the expected growth in GSP. The growth is mainly due to the increasing average age of the public sector workforce covered by defined benefit schemes.39

36 2001-2002 Budget Paper No. 2, Budget Statement, p. 18
37 Ibid, p. 152
38 Ibid
39 Ibid, p. 154
From 1 November 1995, general Government sector Departments and Agencies assumed responsibility for meeting the accruing superannuation cost through payments from their annual budget. However, the costs of prior service remain the responsibility of the State and appear on the statement of financial position for general Government. The prior service costs are currently funded via an annual payment determined on the basis of actuarial advice that is consistent with the Government’s aim of 100 per cent funding of the State's unfunded superannuation liabilities by 2035.\(^{40}\)

In November 2000, the Victorian Parliament passed legislation which allows the State to provide current pensioners and deferred beneficiaries of the State Superannuation Fund with the opportunity to commute their benefits to lump sums. Current active members will be able to elect to commute all resignation and retirement benefits to lump sums when they become entitled to such benefits in the future. These changes are collectively known as the Beneficiary Choice Program. The program is expected to reduce the State’s unfunded superannuation liability and provide some flexibility in terms of the Government’s future outlays on superannuation. The expected impact of the program has been included in estimating the unfunded superannuation liability and the ongoing superannuation expense. The full realisation of these impacts is contingent upon the take-up level achieved.\(^{41}\)

\(^{40}\) Ibid, p. 153
\(^{41}\) Ibid, p. 207
CHAPTER 4: REVIEW OF BUDGET PAPERS

Key Findings:

4.1 Some of the Committee’s recommendations from the 2000-2001 Budget Estimates Report concerning formatting have been adopted, resulting in the incorporation of actual data into departmental operating statements and statements of cash flow in the 2001-2002 Budget Papers.

4.2 This Committee has consistently raised over a number of years that the current presentation of the Budget Papers does not easily facilitate time series analysis and ongoing evaluation of departmental performance in output delivery. Progress towards achieving this has been slow.

4.3 It is now increasingly common in private sector reporting to include at least two sets of comparative actual data, rather than just one year of comparative data. The provision of two years comparative data would greatly assist the readers of the Budget Papers with trend and time series analysis. The public sector should be able to provide a comparable level of disclosure and therefore improve the transparency of financial information within the Budget Papers.

4.4 Departmental cashflow statements dealing with operating payments use terminology which is not appropriate in a document that sets out cash flows.

4.5 The output groups and outputs specified by Departments in the Budget Papers have been stable over the past three years. However, there has been no stability in selecting and reporting on performance indicators relating to outputs. Measured over a three-year period, there was a 32 per cent increase in the number of performance indicators included in the Budget Papers.
Key Findings (continued):

4.6 A review of some output groups revealed a high rate of performance indicator change.

4.7 While the Government accepted the Committee's previous recommendation that Departments should explain the deletion or addition of performance indicators within the Budget Papers, that acceptance has not yet translated into practice.

4.8 To derive benefit from output based budgeting, clear links must be determined between the inputs used by Departments, the outputs produced or purchased as a result, and the outcomes generated in response. No such links are set out in departmental output statements.

4.9 According to the Budget Papers, the standard measure used to assess State Government debt is State Government (non-financial public sector) net debt, which is determined by deducting liquid financial assets from gross borrowings.

4.10 The Budget Papers do not sufficiently define the distinction between General Government net debt and State Government net debt. Accordingly, these definitions should be standardised in the future.

4.11 The Government's presentation of net debt is determined by deducting liquid financial assets from gross borrowings. However, the liquid assets that constitute the Growing Victoria reserve are not deducted from gross borrowings on the basis that they have been earmarked for the funding of physical asset investment.

4.12 All Departments reviewed their operational costs and supplier contracts, as at 30 June 2000, and applied this information to an economic model to estimate their embedded tax savings.
Key Findings (continued):

4.13 The Department of Natural Resources and Environment advised that the identification of embedded taxes was difficult, as suppliers generally could not identify or pass on the savings.

4.14 The Committee is unable to form a view regarding the achievement of the estimates of embedded tax savings for Departments for 2000-2001. Only the Department of Infrastructure reported that they had achieved their level of estimated embedded tax savings.

4.15 Responses from Departments indicated that the difficulties experienced in identifying embedded tax savings for 2000-2001 will continue over the forward estimates period.

4.16 Given the lack of clarity regarding the achievement of embedded tax savings by Departments, it is not possible for the Committee to form a view on the impact of any shortfalls in the recovery of embedded tax savings by Departments and any subsequent impact this may have on their operational budgets and capacity to deliver services.

4.1 Introduction

As part of its role, the Committee reviews the adequacy and the presentation of the information contained in 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 2001-2002, the Committee observed that while the format was similar to that of previous years, the Budget Papers contained a considerable amount of new information, which improves their usefulness. As discussed in Chapter 2, certain of
the Committee’s recommendations made in its 2000-2001 Budget Estimates report suggesting changes to formatting have been adopted.42

The annual Budget Paper series remains a vital component of the Government’s accountability to the Parliament and the community about its policies, fiscal plans, revenue expectations, spending proposals and underlying economic assumptions. The Budget Papers also provide valuable information about the performance of the public sector and its administration of programs and services.

The Committee believes the nature, format and content of the Budget Papers should evolve over time, to meet the changing information needs of readers and to reflect transitions in management structures and priorities. This change forms part of a process of continuous improvement.

The Committee welcomes the positive improvements in the quality of reporting and disclosure, which have occurred since it released its 2000-2001 Budget Estimates report.

Included, for the first time, in the 2001-2002 Budget Papers is actual data for the previous year for Departments’ operating statements and statements of cash flow.

In previous years, actual data had not been made available for these statements alongside budget data, making interpretation and contextualisation difficult. Those tasks are now facilitated by the availability of actual data which the Committee hopes will be ongoing.

Notwithstanding these improvements, the Committee believes the process is by no means complete. The Committee’s analysis suggests significant challenges remain in several areas. In particular, the Committee has raised over a number of years that the Budget Papers do not easily facilitate time series analysis and

ongoing evaluation of departmental performance in output delivery and that progress in achieving this has been slow. This diminishes the public accountability value of the Budget Papers, which the Committee believes could be rectified at relatively low cost.

Accordingly, the Committee recommends that:

**Recommendation 4.1:**

Actual data be included in the Budget Papers for a consistent set of output, outcome and performance indicators over two years.

**4.2 Departmental financial statements**

In keeping with Australian best practice, the Victorian Budget Papers now include a complete operating statement, and statements of financial position and cash flow for each Department. The utility of these statements has risen considerably since 1999-2000, when they were first disclosed in the Budget Papers. In that year, although all three key financial statements were produced at a departmental level and disclosed within the Budget Papers, no data on actual outcomes was included in the statements. This meant that the only comparative data available was the previous year’s budget figures. A partial improvement had occurred by 2000-2001 with data on actual outcomes being included in each department’s statement of financial position, although these are still omitted from both the operating statement and the cash flow statement.

This omission was noted in the Committee’s report on the Budget Estimates for 2000-2001, which recommended (recommendation 4.1 at page 49) that data relating to actual outcomes be disclosed for all departmental financial statements, including the operating statements and cash flow statements.

The Committee believes that this development is not, however, an end in itself. Rather, it is a step towards improving public accountability through the Budget Papers.
Accordingly, the Committee recommends that:

**Recommendation 4.2:**

The Budget Papers include actual financial data for the two most recent periods for which actual data is available.

The Committee believes that the cost of such an exercise would be minimal, because no new data would need to be collected. The benefits would be substantial, given that the reader could examine on one page the data relating to four periods: the forthcoming Budget period, the most recent Budget period and the two periods preceding the most recent Budget period.

The Committee notes that it is increasingly common in private sector reporting to include at least two sets of comparative actual data (to assist financial statement users with trend and time series analysis), rather than the traditional one year of comparative data.

The Committee believes that the Government should provide a comparable level of disclosure within the Budget Papers.

The Committee also notes that some terminology used in the departmental cash flow statements in the Budget Papers contains minor technical errors. The section of the cash flow statement that deals with operating payments uses expressions such as “employee related expenses” and “interest and finance expenses” which are not appropriate in a document that sets out cash flows. Terms such as “revenue” and “expenses” should generally be reserved for documents produced under the accrual framework. This minor issue could easily be resolved by adoption of expressions such as “employee related cash payments” (rather than “employee related expenses”) and “payments for interest and finance charges” (rather than “interest and finance expenses”).

Accordingly, the Committee recommends that:
Recommendation 4.3:  

In the Budget Papers, the terminology used in the departmental statements of cash flow should reflect cash flow not accrual terminology.

4.3 Output framework

The Victorian Budget Papers are structured to reflect the output budgeting methodology which has been adopted by the Government. This framework for budgeting represents an important component of the overall financial management improvement strategy that various Victorian governments have progressively implemented over an extended period.

Each Department produces several groups of outputs. These groups are arranged so related outputs are represented and reported on together within a contiguous section of the Budget Papers. One means of measuring the stability of the output framework is to track the number of output groups specified for each Department over time. The results of a review of the Budget Papers 2001-2002 are presented in the following exhibit.

Exhibit 4.1: Number of output groups - Victorian Government Departments

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Human Services</td>
<td>12</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Justice</td>
<td>13</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>10</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>8</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>6</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>7</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>69</strong></td>
<td><strong>71</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>
Generally, the output groups specified by Departments have demonstrated a high level of stability over the past three years, from 69 in 1999-2000 to 71 in 2000-2001 to 65 in the current Budget Papers. This is a desirable outcome, as a higher degree of stability is likely to result in a better ability to track information on the performance and position of Departments over time.

A more detailed approach to examining the stability of the output specification and performance measurement framework is to increase the level of resolution by identifying all specified outputs over a period of time. This data is presented in the following exhibit.

Exhibit 4.2: Number of outputs - Victorian Government Departments

<table>
<thead>
<tr>
<th>Department</th>
<th>1999-2000</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>22</td>
<td>22</td>
<td>17</td>
</tr>
<tr>
<td>Human Services</td>
<td>46</td>
<td>49</td>
<td>62</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>29</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Justice</td>
<td>37</td>
<td>35</td>
<td>45</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>43</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>28</td>
<td>29</td>
<td>19</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>35</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>30</td>
<td>36</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>274</td>
<td>265</td>
</tr>
</tbody>
</table>

Again, a pattern of relative stability emerges at the individual Department output level, which is a desirable outcome. The Committee is pleased with this patterning, because stability in reporting over time improves the disclosure value of the information contained in the Budget Papers.
However, analysis of output groups and individually specified outputs represents only a partial analysis of the disclosure quality issue. This is because the key information content relating to outputs consists of the disclosure of data on key performance indicators for each specified output, as well as the cost of providing each output. The latter data has been made available since 2000–2001 and the Committee welcomes its continued inclusion in the Budget Papers.

However, the Committee is concerned about the lack of stability in selected and reported performance indicators relating to outputs. Even if specified outputs and output groups are relatively stable over time, as the data in exhibits 4.1 and 4.2 suggest, the quality of disclosures relating to outputs can be significantly undermined if there is insufficient stability in the reporting of performance indicators for outputs.

Previous Committee reports have raised concerns about stability in performance indicator reporting, for example in Recommendation 4.4, that changes to performance indicators should be minimised, wherever possible, and that explanations should accompany the addition or deletion of performance indicators. The Government accepted this recommendation.

Despite the recommendation being accepted, detailed analysis of the rate of survival and rate of insertion of new performance indicators for four key Departments suggests that there is still considerable room for improvement in this area (see Exhibit 4.3). Even high level data captured at a whole of Department level rather than at an individual output level suggests the existence of substantial ‘churn rates’ in performance indicators. A total of 1,406 performance indicators were reported on for the eight Departments in 1999–2000, rising by 29.5 per cent to 1,821 indicators in 2000–2001 and by a further 2.25 per cent to 1,862 in 2001–2002. Measured over a three year period, this represents 32.5 per cent growth in performance indicators disclosed in the Budget Papers.

Exhibit 4.3: Departmental performance indicators

<table>
<thead>
<tr>
<th>Department</th>
<th>1999-2000</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>131</td>
<td>176</td>
<td>165</td>
</tr>
<tr>
<td>Human Services</td>
<td>143</td>
<td>206</td>
<td>258</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>158</td>
<td>265</td>
<td>282</td>
</tr>
<tr>
<td>Justice</td>
<td>184</td>
<td>207</td>
<td>227</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>268</td>
<td>256</td>
<td>282</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>150</td>
<td>192</td>
<td>131</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>225</td>
<td>254</td>
<td>280</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>147</td>
<td>265</td>
<td>237</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,406</strong></td>
<td><strong>1,821</strong></td>
<td><strong>1,862</strong></td>
</tr>
</tbody>
</table>

Growth rates varied in individual Departments, with the highest rate of growth in the Department of Human Services, whose performance indicator count appears to have increased by 80 per cent over the three years. Over the same period, the Department of Premier and Cabinet reduced the number of performance indicators in its Budget Papers.

The Committee believes that the latest Budget Papers reveal that substantial changes have been made to performance indicators even though the Government indicated in its response to Recommendation 4.4 that no further action was required because:

Where possible performance measures published in the Budget Papers are used continuously to provide analysis against historical data and to maintain compatibility.

The Directions of the Financial Management Act 1994 requires Departments to maintain consistency with respect to financial details submitted in their reporting of monthly, quarterly and half-

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yearly performance. Changes are reported to Government and externally through the Department’s annual reports and financial statements.

The Committee’s analysis indicates that there has been a significant variation in the performance indicator selection and reporting practices of Departments over the past three years. A review of some output groups, for example — School Education and Metropolitan Transport Services — revealed a surprisingly high rate of performance indicator change. On the other hand, the Acute Health Services and Crime Investigation output groups revealed a high degree of stability over the three year period.

If output specification and performance measurement are to form an integral part of the Government’s strategic planning and budgetary cycle, then the Government needs to urgently address the ‘churning’ in performance indicators.

4.3.1 Explanations of variations in outputs and performance indicators

The Committee has suggested in previous reports that Departments should explain the deletion or addition of performance indicators within the Budget Papers. While the Government accepted this recommendation, that acceptance has not translated into practice.

A review of each departmental statement indicates that the performance indicators used by each Department changed between the 2000–2001 and 2001–2002 Budget Papers series (see Exhibit 4.3) and that all but two Departments (the Department of Justice and the Department of Natural Resources) changed the outputs on which they reported in 2001–2002, yet explanation or discussion of these changes was almost non-existent.

Accordingly, the Committee again recommends that:

Recommendation 4.4:
A priority be given by Departments to maintaining consistent key performance indicators in the Budget Papers but where change occurs, clear explanations be given for the addition or deletion of performance indicators.

Recommendation 4.5:
The Directions of the Financial Management Act 1994 be updated and monitored to ensure Departments maintain consistency in the financial and performance indicator details submitted in their monthly, quarterly and half-yearly performance reporting. Any material change in output classes or performance indicators be reported to the Government and externally through the Department’s business plans, Budget Estimates, annual reports and financial statements.

4.4 Output-outcome framework

The Committee is unsure whether measurable outcomes are addressed within the context of the current Budget Papers. While each Department includes a section in its departmental statement addressing ‘key responsibilities’ or ‘primary aims’, there is no evidence in the Budget Papers that the output structures adopted by Departments explicitly relate to these responsibilities and aims. To derive benefit from output based budgeting, clear links must be determined between the inputs used by Departments, the outputs produced or purchased as a result, and the outcomes generated in response. No such links are set out in departmental output statements. To achieve maximum accountability value, links must be drawn among inputs, outputs and outcomes. However, this assumes that outcomes are clearly and measurably specified. There is little evidence in the current Budget Papers that Departments have met either of these conditions.
Each year, departmental statements set out strategic priorities for the forthcoming year. In 2000–2001, for example, the Department of Education, Employment and Training set out the following strategic priorities:\(^{46}\)

- lifting standards of literacy and numeracy;
- increasing retention rates;
- creating higher standards and status for the teaching profession;
- improving school quality;
- reviewing post-compulsory education and training pathways;
- developing a coherent vision for public education through the Public Education: The Next Generation review;
- improving access to education for the disadvantaged, including enhancing welfare and support;
- building new partnerships with non-government schools and increasing funding for disadvantaged non-government schools;
- achieving a sustainable network of reinvigorated TAFE institutes;
- improving access to and the quality of training and further education and adult and community education;
- improving employment opportunities for all Victorians, particularly youth; and
- working in partnership with business, unions and the community to create more jobs and drive down Victoria’s unemployment.

However, the 2001–2002 Department of Education, Employment and Training departmental statement does not address any of these points (despite containing a section entitled ‘Review of 2000-2001’).\(^{47}\) Instead, it contains a generalised description of the extent

\(^{46}\) 2001-2002 Budget Paper No. 3, Budget Estimates, p. 19  
\(^{47}\) Ibid, pp. 16-17
to which the Department’s financial performance matched the Budget projections developed in the prior period.

The Committee believes it would be useful if each strategic priority set down in a particular year is briefly revisited in the subsequent Budget Papers so readers can find a more fully developed picture of the activities and achievements of the Department over that period. Further, it would substantially improve the accountability value of the strategic directions noted in departmental statements if Departments set out the outputs relevant to each strategic priority so readers can refer directly to performance indicators reported in Budget Papers to form their own views about the degree to which priorities are achieved.

The Committee previously recommended that there was a need to achieve clear links among Departments’ aims, responsibilities, output structures and output statements.48

The response from the Government was that no further action was required because:49

[The Department of Treasury and Finance], with Departments, regularly review (at least annually during the Budget process) information required and generated for assessing performance to ensure that outputs and performance measures remain relevant to departmental objectives and Government outcomes.

The Committee believes that the Department of Treasury and Finance should undertake further work to improve the quality and nature of Departments’ output forecasting and reporting systems. Areas for improvement include the selection of outputs, outcomes and performance indicators to ensure they are meaningful and measurable and relate to the underlying activities of Departments.

Accordingly, the Committee recommends that:

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Recommendation 4.6:  

The Department of Treasury and Finance:

(a) review the output data submitted by Departments to ensure it is accurate and reflects activities undertaken by the Departments; and

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

Recommendation 4.7:

The Auditor-General and officers of the Department of Treasury and Finance appear before the Public Accounts and Estimates Committee to report on the appropriateness and application of key performance indicators across the Victorian Public Sector.

4.5 Definition of net debt

State net debt has been included in the Budget Papers since 1996. According to the Budget Papers, the standard measure used to assess State Government indebtedness is State Government (non-financial public sector) net debt, as defined in the Uniform Presentation Framework and reported in Appendix D of Budget Paper No. 2 Accrual Uniform Presentation by Government Finance Statistics. Under this framework, net debt is determined by deducting liquid financial assets from gross borrowings.50

50 2001-2002 Budget Paper No. 2, Budget Statement, p. 152
4.5.1 Net debt as disclosed in the Budget Papers

The estimates of net debt exclude financial assets contained in the Growing Victoria infrastructure reserve. Exhibit 4.4 shows the net debt position, excluding the Growing Victoria reserve, for the State Government and General Government classifications over the period 2000 to 2005.

Exhibit 4.4: Net debt, excluding the Growing Victoria reserve, for the State Government and General Government classifications

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Government (a)</td>
<td>5.2</td>
<td>4.4</td>
<td>4.3</td>
<td>3.9</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td>General Government (b)</td>
<td>3.9</td>
<td>2.9</td>
<td>2.7</td>
<td>2.6</td>
<td>2.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 2, Budget Statement, Table 8.4, p. 152

Notes: (a) State Government net debt, that is the net debt of the state government sector, which is the sum of the general government sector plus public non-financial corporations net debt (formerly referred to as public trading enterprises) less inter-sector transactions.

(b) General Government net debt, that is net debt related to the General Government sector, which comprises all Government Departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production, (that is the combination of the budget and non-budget sectors).
Notes:  (c) On the assumption that funds planned to be provided for infrastructure projects under the Growing Victoria initiative are spent in accordance with their allocation as shown in Exhibit 4.5, the impact of the balance of these funds on the net debt position of the State is as follows:

Net debt, less Growing Victoria reserve balances, for State Government and General Government classifications

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Government</td>
<td>4.2</td>
<td>3.2</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>General Government</td>
<td>2.9</td>
<td>1.7</td>
<td>1.8</td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Exhibit 4.4 shows that both estimates for State and General Government net debt fell as at 30 June 2001, and continue to fall over the forecast period. The estimate for State Government net debt is higher as it is the sum of General Government net debt plus public non-financial corporations net debt, less inter-sectoral transactions.

4.5.2 Rationale for the presentation of net debt

As the measure of the State’s indebtedness, Governments have applied the use of State Government net debt over recent budgets. This application is consistent with the Government finance statistics system employed by the Australian Bureau of Statistics, which is designed to provide statistics relating to all Australian public sector entities. The statistics show consolidated transactions of the various institutional sectors of Government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions over which a Government exercises control under its legislative or policy framework.51

At the estimates hearing with the Treasurer, the Secretary of the Department of Treasury and Finance advised the Committee:

51 Ibid, p. 291
The net debt is not an accounting term, it is a term used by financial analysts, particularly the ratings agencies. The reason they use it is much like when they are analysing an individual’s position. If they have a mortgage they are worried about whether, if that individual falls on hard times, they can pay back the mortgage. In assessing that individual’s position they deduct from the mortgage cash or liquid securities so that, if hard times fall, they could liquidate those securities and use that to pay off portion of the mortgage and they would have only the remaining mortgage.

The ratings agencies are trying to do something similar for the State. They look at our gross debt, which is a higher figure than the figures quoted, and as is the practice in financial markets, deduct what assets they believe could be liquidated quickly if the State fell on hard times and the remaining amount of debt would be the debt they would be worried about in their advice to customers.52

It is the view of the Committee that readers of the Budget Papers should be able to distinguish between the debt position faced by the General Government sector (that is essentially the sector comprised of budget dependent agencies), and the position of the State Government sector (which consolidates the assets and liabilities of the public non-financial corporations).

Advice received by the Committee suggests that the key distinction between these two forms of reporting appears to stem from the prima facie legal and operational separation of the affairs of the public non-financial corporations from those of the general government, budget dependent sector. This presentation is guided by the presumption that the net debts of the public non-financial corporations will not need to be funded through future budget appropriations, but rather will be met from the operating results from the public non-financial corporations themselves.

If this presumption holds true then the distinction is appropriate. However, where public non-financial corporations are reliant on regular budgetary infusions to sustain or expand operating...

52 Mr. I Little, Secretary, Department of Treasury and Finance, transcript of evidence, 1 June 2001, 2001, p. 52
capacity, the distinction currently made between General Government net debt and State Government net debt becomes increasingly artificial.

The Budget Papers do not sufficiently define the distinction between General Government net debt and State Government net debt. Accordingly, these definitions should be standardised in the future. It is not possible for the reader to identify the entities that constitute the public non-financial corporations and determine their reliance on budget funding.

Accordingly, the Committee recommends that:

**Recommendation 4.8:**

The entities that constitute the public non-financial corporations sector be clearly specified in the Budget Papers.

**Recommendation 4.9:**

A standard definition of debt be developed and included in future Budget Papers to enable year-on-year comparisons.

### 4.5.3 Rationale for the exclusion of the Growing Victoria reserve from the estimation of net debt

The Growing Victoria infrastructure reserve was established by the Government to target additional investment primarily under the three key strategies of Linking Victoria, Skilling Victoria and Connecting Victoria.\(^{53}\) The Growing Victoria reserve has been built up with funds that have accrued to Government through the better than expected budget operating surpluses over 2000-2001 and 2001-2002. The Treasurer stated that the Growing Victoria reserve is $1.175 billion.\(^{54}\)

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\(^{53}\) 2001-2002 Budget Paper No. 2, Budget Statement, p. 3

\(^{54}\) Hon J Brumby, MP, Treasurer of Victoria, transcript of evidence, 1 June 2001, p. 51
Exhibit 4.5 shows the balance of the Growing Victoria reserve at 30 June 2001, and assuming there are no further allocations to the reserve over future budget periods, the assumed disbursement of funds to infrastructure projects is shown for the period 2001-2002 to 2004-2005.

**Exhibit 4.5:** Current balance of the Growing Victoria reserve at 30 June 2001, and assumed disbursements between 2001-2002 and 2004-2005

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation</td>
<td>57</td>
<td>224</td>
<td>255</td>
<td>191</td>
<td>170</td>
</tr>
<tr>
<td>Balance</td>
<td>1.175</td>
<td>894</td>
<td>639</td>
<td>448</td>
<td>278</td>
</tr>
</tbody>
</table>

Source: Based on information contained in 2001-2002 Budget Paper No. 2, Budget Statement, Table G1, p. 316

Based on the assumption that Growing Victoria funds are spent in the year that they are allocated, around $278 million will remain unallocated as at 30 June 2005.

The Government’s presentation of net debt is determined by deducting liquid financial assets from gross borrowings. However, the liquid assets that constitute the Growing Victoria reserve are not deducted from gross borrowings on the basis that they have been earmarked for the funding of physical asset investment. Net debt is therefore shown as a higher figure than if it had been deducted.

On the issue of the exclusion of the Growing Victoria reserve from the calculation of the State’s net debt position, the Treasurer advised the Committee:

... Growing Victoria is a fund created from the unexpectedly large surplus we enjoyed in 1999-2000, where we took $1 billion from the surplus and put it in a fund called Growing Victoria out of this year’s unexpectedly large surplus we took an additional $175 million and put it in that fund, as well. The fund has $1.175 billion.
Because having extracted that $1 billion, in a sense we have taken it outside the budget system. We have taken $1 billion and put it in a fund. But it is a cash fund; it invests in cash assets. You could, on a technical interpretation, say it is cash and as you spend it, the cash balance of the State comes down. 55

The Treasurer also advised the Committee:

I am suggesting that the approach we are taking here is one that gives an accurate position of the budget position, the cash position, the underlying structural position of the budget, and moreover is a position or approach that the ratings agencies – Moody’s Investor Services and Standard & Poors – are happy with ... 56

The Secretary of the Department of Treasury and Finance reinforced this view:

... The Government and I agree, and the ratings agencies agree, that it would not be the right thing to do to regard the Growing Victoria financial assets as available to meet debt in that way because the government has already said that those assets are earmarked for future infrastructure projects. They are not available for the paydown of debt when debt matures or if the State fell on hard times.

In fact, in this budget it is not only that it has been earmarked, the projects have actually been announced and in a few months will start, so very likely there will be contractual commitments that will require the use of the financial assets in a period of time. The Government is saying – and the rating agencies have accepted – “Don’t take all those assets off gross debt because you’re kidding yourself because some of those assets won’t be available”. That’s the reason we exclude Growing Victoria. 57

The creation of the Growing Victoria reserve, which is essentially a provisioning strategy for the Government’s proposed funding of infrastructure projects, does not alter the position that the reserve

55 Ibid
56 Ibid, p. 52
57 Mr. I Little, Secretary, Department of Treasury and Finance, transcript of evidence 1 June 2001, p. 53
is constituted of cash funds. It is expected that any cash disbursements from the reserve would be accounted for as part of the overall cash surplus or deficit calculation over the forward estimates period.

State Government net debt, as previously stated, is determined by deducting liquid financial assets from gross borrowings. The Government has justified its rationale for not deducting the Growing Victoria reserves from gross borrowings, despite the liquid nature of those funds, because they have been committed for future infrastructure projects.

Accordingly, the Committee recommends that:

**Recommendation 4.10:**

The Growing Victoria infrastructure reserve be fully reported on in the Budget Papers over its life.

### 4.6 Embedded tax savings

#### 4.6.1 Background

The Committee noted in its 38th Report, that one of the major challenges facing public sector agencies is the recovery of embedded tax savings (ETS) estimated to accrue to Departments, through the Commonwealth Government’s tax reform package and the removal of the wholesale sales tax and the reduction in fuel excises.

In the business sector, the offsetting effect of ETS against the impact of the GST, is usually available for on-passing to the final consumers of goods and services. However, in the case of purchases by the general government sector, ETS are classified as a benefit accruing to state governments and under the Intergovernmental Agreement Act they reduce the GST transitional payments made by the Commonwealth.

It is crucial that Departments recover embedded tax savings, as the Commonwealth’s funding to Victoria from GST revenues is net of
these estimated savings. Under the Agreement, the State needs to recover an amount at least equal to the estimates of ETS for the GST to have a neutral effect on the State's budget. The achievement of these savings should be a priority for Government to ensure that shortfalls do not adversely impact on the capacity of Departments to deliver programs and services.

4.6.2 Estimation of embedded tax savings

As part of the 2000-2001 budget process Departments, together with the Department of Treasury and Finance, estimated embedded tax savings, as shown in the following exhibit.

Exhibit 4.6: Impact of the estimate of embedded tax savings on the Victorian Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedded tax savings</td>
<td>100.4</td>
<td>107.4</td>
<td>115.0</td>
<td>122.9</td>
</tr>
</tbody>
</table>


All Departments confirmed that they reviewed their operational costs and supplier contracts, as at 30 June 2000, and applied this information to an economic model (developed by Econtech) to estimate the recovery of ETS. Departmental estimates were discussed with the Department of Treasury and Finance and amended, where necessary, until agreement was reached on the amount of the tax savings and the impact on departmental budgets.

However, one Department advised the Committee that, as part of this process, it became apparent that the identification of embedded taxes was difficult, as suppliers generally could not identify or pass on the savings. Other Departments stated that as the price of goods and services were subject to competitive
pressures and exchange rate variations, embedded taxes were not always identifiable.

The level of ETS estimated to be achieved by Departments is shown in the following exhibit.

**Exhibit 4.7: Government and Parliamentary Departments - Estimate of embedded tax savings**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, Employment and Training</td>
<td>10.3</td>
<td>N/A</td>
<td>18.5</td>
<td>21.6</td>
<td>22.8</td>
<td>24.0</td>
</tr>
<tr>
<td>Human Services</td>
<td>17.5</td>
<td>N/A</td>
<td>30.5</td>
<td>34.1</td>
<td>33.7</td>
<td>33.7</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>13.2</td>
<td>N/A</td>
<td>20.5</td>
<td>23.2</td>
<td>24.3</td>
<td>25.4</td>
</tr>
<tr>
<td>Justice</td>
<td>7.0</td>
<td>N/A</td>
<td>12.1</td>
<td>13.5</td>
<td>13.6</td>
<td>13.7</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>4.6</td>
<td>N/A</td>
<td>8.8</td>
<td>8.9</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>4.8</td>
<td>N/A</td>
<td>7.9</td>
<td>8.7</td>
<td>8.7</td>
<td>8.6</td>
</tr>
<tr>
<td>State and Regional Development</td>
<td>2.3</td>
<td>N/A</td>
<td>4.2</td>
<td>4.8</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>4.0</td>
<td>N/A</td>
<td>6.9</td>
<td>7.8</td>
<td>7.9</td>
<td>8.0</td>
</tr>
<tr>
<td>Parliament</td>
<td>0.5</td>
<td>N/A</td>
<td>0.9</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64.2</strong></td>
<td><strong>N/A</strong></td>
<td><strong>110.3</strong></td>
<td><strong>123.7</strong></td>
<td><strong>125.8</strong></td>
<td><strong>128.1</strong></td>
</tr>
</tbody>
</table>

Source: Departmental responses to the Committee’s estimates questionnaire

**4.6.3 Level of embedded tax savings**

Based on the limited information available to the Committee, it was not possible to form a view regarding the achievement of the estimates of ETS for 2000-2001. Only the Department of Infrastructure reported that they had met their level of embedded tax savings. Departmental responses generally stated that they were unaware of the specific level of ETS achieved due to:
• Departments’ inability to realise savings that occur through the supply chain, as an “end user” the Department can only influence its immediate supplier, and any savings over the supply that the supplier is not pursuing, are outside the reach of the Department;

• the ETS not being transparent due to other factors such as the value of the Australian dollar and oil prices that impact on the general level of prices. Given these influences, it is not possible for a department to separately identify the benefits of lower supply prices resulting from the ETS;

• some Departments believed that the savings targets developed by Government were too optimistic as many departmental purchases have high labour components and, accordingly, their suppliers have a limited opportunity to pass on ETS; and

• ETS targets were not achieved as contractors stated that their costs had not been reduced to a large extent and that ETS savings were offset by compliance costs with the new tax system.

In regard to the achievement of future embedded tax savings, departmental responses indicated that the difficulties experienced in isolating ETS for 2000-2001 will continue over the forward estimates period. Departments expect that supply prices will drop over time, partly a reflection of ETS and partly through competitive pressures to negotiate best price contracts. However, it would be unrealistic to attribute these anticipated future benefits entirely to ETS given the many price distortions that will result from changes in domestic and international economic circumstances and their resultant impact on exchange rates and the price of imports, which will eventually feed through the supply chain.

Accordingly, the Committee recommends that:
Recommendation 4.11:

The Government include in the Budget Papers:

(a) a report on the level of embedded tax savings achieved by individual Departments against published estimates; and

(b) explanations for any variations in the level of achieved embedded tax savings against published estimates.

4.6.5 Impact on Departments’ operational budgets

Given the lack of clarity regarding the achievement of ETS by Departments, it is not possible for the Committee to form a view on the impact of any shortfalls in the recovery of ETS and any subsequent impact this may have on operational budgets and services.

This issue is compounded by the view expressed by some Departments that the Government’s original estimates of ETS may have been overstated because of the extent of departmental purchases that significantly comprise labour costs, thereby limiting suppliers capacity to pass on ETS.
CHAPTER 5: COMMONWEALTH-STATE FUNDING ISSUES

Key Findings:

5.1 Victoria is disadvantaged by the Commonwealth Grants Commission's methodology and assessment for determining the distribution of Commonwealth grants to the States.

5.2 In its 2001 upgrade of relativities, the Commonwealth Grants Commission substantially reduced Victoria's relativities for forgone financial assistance grants. This will result in a reduction in Victoria's guaranteed minimum amount under the Intergovernmental Agreement.

5.3 The distribution of the Commonwealth Government's general-purpose grants to the States and Territories is not based on their relative population shares, rather it is determined by the recommendations of the Commonwealth Grants Commission.

5.4 The Department of Treasury and Finance considers that the Commonwealth Grant Commission's assessments not only lead to unjustifiable distributions between States, but have also been based on insupportable assumptions.

5.5 It is unlikely agreement could be reached with the Commonwealth Government to review the existing funding arrangements. Victoria, in partnership with the Governments of New South Wales and Western Australia, has commissioned an independent review of the current system of Commonwealth grants distribution.
5.6 Victoria is receiving a disproportionately low share of total specific purpose payments.

5.7 In February 2001, the Heads of Commonwealth and State Treasury meeting endorsed best-practice principles developed by the Victorian Government for agreements between the Commonwealth and the States for specific purpose payments.

5.1 Background

During the estimates hearing with the Treasurer, a number of issues were raised about the State's dissatisfaction with the Commonwealth Grants Commission's funding arrangements.

The issues relate to:

- the impact of the Commonwealth Grants Commission decisions on the transfer of the Victorian subsidy to other Australian jurisdictions. Also covered are matters concerning the methodology and assumptions underpinning the Commission's funding formula;

- the treatment of specific purpose payments from the Commonwealth, along with Victoria's share of these payments; and

- Victoria's best practice principles for enhancing Commonwealth State Agreements.

5.2 Commonwealth Grants Commission - Impact on the Victorian subsidy

At the Ministerial Council for Commonwealth State Financial Relations meeting of March 2001, the Commonwealth Government advised that it would adopt the latest Commonwealth Grants Commission recommendations, which would have the effect of
reducing guaranteed amounts to Victoria and increasing the Victorian cross-subsidy to other jurisdictions.

The Committee was advised that horizontal fiscal equalisation remains the major issue for Victoria. The Goods and Services Tax (GST) revenue, which is distributed to the States in the form of GST grants, is centrally pooled and distributed on the basis of horizontal fiscal equalisation principles that applied to July 2001 to the distribution of financial assistance grants.

In its 2001 upgrade of relativities, the Commission substantially reduced Victoria’s relativities for foregone financial assistance grants. This will result in a reduction in Victoria’s guaranteed minimum amount under the Intergovernmental Agreement.

The Treasurer informed the Committee that distribution of the Commonwealth’s general-purpose grants to the States and Territories is not based on the jurisdictions’ relative population, rather, it is determined by the recommendations of the Commission.

Exhibit 5.1 compares equal per capita distribution with the distribution based on the Commission’s recommendations, showing that Victoria’s subsidy in 2001-2002 will be around $968 million, compared to the 2000-2001 subsidy of $847 million - an increase of 14.3 per cent. The Committee notes that the cross-subsidy provided by Victoria continues and grows in magnitude.
### Exhibit 5.1

<table>
<thead>
<tr>
<th></th>
<th>CGC Distribution ($ million)</th>
<th>Equal per capita distribution ($ million)</th>
<th>Subsidy ($ million)</th>
<th>Subsidy ($ per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>7,554.0</td>
<td>8,548.9</td>
<td>- 994.9</td>
<td>- 151</td>
</tr>
<tr>
<td>Vic</td>
<td>5,223.6</td>
<td>6,291.3</td>
<td>- 967.7</td>
<td>- 200</td>
</tr>
<tr>
<td>Qld</td>
<td>4,830.0</td>
<td>4,736.6</td>
<td>93.4</td>
<td>26</td>
</tr>
<tr>
<td>WA</td>
<td>2,317.3</td>
<td>2,504.9</td>
<td>- 187.6</td>
<td>- 97</td>
</tr>
<tr>
<td>SA</td>
<td>2,493.2</td>
<td>1,956.5</td>
<td>535.7</td>
<td>356</td>
</tr>
<tr>
<td>Tas</td>
<td>1,024.8</td>
<td>607.5</td>
<td>418.3</td>
<td>893</td>
</tr>
<tr>
<td>ACT</td>
<td>488.6</td>
<td>410.5</td>
<td>78.1</td>
<td>247</td>
</tr>
<tr>
<td>NT</td>
<td>1,283.5</td>
<td>259.9</td>
<td>1,023.6</td>
<td>5,110</td>
</tr>
<tr>
<td>Total</td>
<td><strong>25,316.2</strong></td>
<td><strong>25,316.2</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
</tr>
</tbody>
</table>


In addition, the Committee was advised by the Treasurer that the Commission currently sets aside about $1.5 billion from its total pool of funds to be distributed to the States and Territories for those jurisdictions deemed to be in greater need. The Committee was also advised that this amount will increase to around $3 billion within three years. Victoria's contribution to this amount will be approximately $100 million per year, which is about the amount required to fund the natural growth in the Victorian hospital system each year.

The Treasurer informed the Committee:

> The extent of the subsidy now is approximately $1 billion, and if you add then what we lose in specific purpose payments you are looking at a total loss to the State in excess of $1 billion – in the order of $1.1 billion to $1.2 billion per annum. That is from the overall share of revenue – horizontal fiscal equalisation – plus the specific purpose payments in education, health, legal aid and so on where we are
getting less than our share for the population. It is an extraordinary subsidy.\textsuperscript{58}

The Victorian Budget Papers state that the continuation of the above cross-subsidisation, particularly of Queensland and the Australian Capital Territory, can no longer be justified given the economic maturity and financial stability of those jurisdictions.\textsuperscript{59}

5.3 Commission’s assumptions and methodology

In addition to the problem of the growing cross-subsidy faced by Victoria, the Department of Treasury and Finance has advised that there are significant failings with the Commission’s methodology and assessments, which should be subject to review and change.

The Department of Treasury and Finance considers that the Commission’s assessments not only lead to unjustifiable distributions between States, but also have been based on insupportable assumptions.

Regarding assumptions used by the Commission, the Department of Treasury and Finance objected to:

• the use of disabilities as applied to recurrent spending, in the assessment of capital stock. The Department stated that this practice costs Victoria around $90 million per year; and

• the arbitrary adjustments made by the Commission for expenditures on telephone calls, general freight, road travel, air travel and locality allowances, in assessing the effects of population dispersion within different States.

\textsuperscript{58} Hon. J Brumby, MP, Treasurer of Victoria, transcript of evidence, 1 June 2001, p. 44
\textsuperscript{59} 2001-2002 Budget Paper No. 2, Budget Statement, p. 131
Regarding the Commission’s funding methodology, the Department of Treasury and Finance considers that:

- the Commission’s methodology for assessing the costs to State Governments of providing superannuation is flawed because its approach mixes cash and accrual concepts. Further, the Commission assumes a standard ten-year period for the rundown of superannuation liabilities in each State, even though this period varies and, in most cases, is longer than ten years. Independent advice commissioned by the Department of Treasury and Finance confirms this view and this treatment of superannuation liabilities will cost Victoria an estimated $40 million in 2001-2002; and

- the Commission’s method of assessing the costs to State Governments of providing school education is also flawed. The Commission undertakes a separate assessment of the costs of Government and non-government schools. This is inconsistent with its treatment of the costs of hospitals and nursing homes, which have Government and non-government cost components.

The Treasurer also raised the issue of the basis on which the Commission’s funding relativities are determined. He advised the Committee that:

... in general the relativities or the assessments on which the transfers are made should be based on outcomes and not input, and essentially this is an input-based system.60

Regarding this point, and the general issue of the State subsidies, the Secretary of the Department of Treasury and Finance advised the Committee:

A fair proportion of that money goes to States that have to pay higher service delivery costs to Aboriginals and Torress Strait Islanders who generally live in more remote areas and generally have higher needs - that can be understood. But the Commission has

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60 Hon. J Brumby, MP, Treasurer, transcript of evidence, 1 June 2001, p. 45
no powers in its terms of reference to ensure that the States receiving
that money are accountable and that the educational and social
attainment of those people is going up over time so that transfer of
subsidies is not permanent. At the moment the Victorian public
would probably not mind some money going in that direction, but it
has no idea whether the money is being spent in that area and, if it
is, whether it is doing some good so that the Victorian public does
not have to still be handing out that amount in 10 years time. That
is clearly outside the Commonwealth Grants Commission’s terms of
reference. It can only be looked at from outside the system.61

The Treasurer advised the Committee that it was unlikely
agreement could be reached with the Commonwealth to review
the existing arrangements. The Treasurer informed the
Committee:

We have done everything within the system and the framework to
try to change those arrangements. In the absence of any agreement
from the Commonwealth to review those arrangements, we have no
option but to embark on a partnership with New South Wales and
Western Australia to commission our own independent review, to
ensure that it is a high-profile review with the objective of a report
back by the end of the year.62

5.4 Specific purpose payments

Specific purpose payments are Commonwealth grants that are
subject to terms and conditions laid down by the Commonwealth,
generally with a view to ensuring that Commonwealth policy
objectives, or agreed objectives with the States, are met.

The terms and conditions may require that the grants be spent in
accordance with broad agreements covering principles and
program delivery mechanisms. However, they may be more
detailed and require Commonwealth approval of individual
projects or the State’s commitment to provide matching funds.

61 Ibid, p. 46
62 Ibid, p. 44
Specific purpose payments have a significant impact on total Budget funding.

Victoria is estimated to receive $3,471 million in such payments in 2001-2002, which represents 14.8 per cent of total State revenue. This is shown in Exhibit 5.2 below.

**Exhibit 5.2  Total Victorian revenue for 2000-2001 and 2001-2002**

<table>
<thead>
<tr>
<th></th>
<th>2000-2001 Revised Budget ($ million)</th>
<th>2001-2002 Budget ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own source revenue</td>
<td>13,156.6</td>
<td>12,153.7</td>
</tr>
<tr>
<td><strong>Grants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General purpose grants</td>
<td>5,884.9</td>
<td>6,583.7</td>
</tr>
<tr>
<td>Specific purpose grants</td>
<td>3,198.2</td>
<td>3,471.2</td>
</tr>
<tr>
<td>On-passing grants</td>
<td>1,227.1</td>
<td>1,256.8</td>
</tr>
<tr>
<td><strong>Total grants</strong></td>
<td>10,310.2</td>
<td>11,311.7</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>23,466.8</td>
<td>23,465.5</td>
</tr>
</tbody>
</table>


The Department of Treasury and Finance advised that Victoria is receiving a disproportionately low share of total specific purpose payments. According to the Department, in 2000-2001, based on a per capita share method for the distribution of specific purpose payments, Victoria received 22.3 per cent of these payments compared with a population share of 24.9 per cent and it is estimated to have cost Victoria in excess of $300 million.

Road funding is cited as a key area contributing to this divergence. Victoria’s share of national road funding was 12 per cent in 2000-2001. The Department of Treasury and Finance argues that the Commonwealth Government fails to recognise the comparative share of Victoria’s roads in the declared “Roads of National
Importance”, with a consequential negative impact on road funding for Victoria.

A contributing factor to Victoria’s reducing share of specific purpose payments is the Commonwealth Government’s offer of a flat $28 million for legal aid over the next three years, which will reduce Victoria’s share of these Commonwealth funds from 27 per cent to 22 per cent.

5.5 Enhancing Commonwealth-State Agreements

In February 2001, the Heads of Commonwealth and State Treasury meeting endorsed best-practice principles developed by the Victorian Government for agreements between the Commonwealth and the States for specific purpose payments.

These principles recognise that States, where appropriate, should be accountable for results, and that these should be defined in terms of the achievement of broad outcomes or the delivery of outputs, rather than by expenditure on inputs. Implementation of these principles is intended to facilitate negotiations between the Commonwealth and States on agreements for specific purpose payments.

In negotiating these agreements, Victoria’s policy objectives are to:

- identify the most efficient and effective means of achieving program objectives in areas that require a cooperative approach with the Commonwealth;
- avoid distortions of State priorities in the provision of services for Victorians;
- provide the State with a reliable source of revenue so that predictability, stability and forward planning may be improved, while maintaining the flexibility of the Government to manage its Budget;
- eliminate unnecessary and costly duplication of functions; and
- minimise the administrative costs of monitoring and reporting mechanisms.
Key Findings:

6.1 In December 1999, the Government provided a response to the 58 recommendations contained in the Committee's May 1999 Report on Annual Reporting in the Victorian Public Sector. The response indicated that the Government had accepted 30 of the recommendations in full and another 17 recommendations in part (i.e. in principle only). The main reason 17 of the recommendations were only accepted in part, at that stage, was due to the need to consult further with other interested parties. Six of the other recommendations required decisions by Parliament on the role of the Auditor-General.

6.2 Only four of the accepted recommendations have been implemented by the Department of Treasury and Finance.

6.3 The Department of Treasury and Finance will address the recommended actions in the Government's Financial Management Compliance Framework Project which will shortly commence.

6.4 The main purpose of the Framework Project is to develop a mechanism through which the Government can monitor, review and enforce its legislative and regulatory financial management structure. One of the major components of the Project is a review of the existing Ministerial Directions on annual reporting and the related compliance monitoring procedures.
6.1 Introduction

In May 1999, the Committee tabled the Report on Annual Reporting in the Victorian Public Sector. The Inquiry into annual reporting was initiated in the context of, and in response to, the significant financial management and accountability reforms that had been implemented in the previous five years.

The primary policy aim of the Government’s extensive reform program is to improve the effectiveness and efficiency of the services delivered by public sector agencies. The Committee’s view is, and always has been, that annual reports are an important mechanism in communicating information on the effectiveness of the public sector in delivering Government programs and services.

The main thrust of the Committee’s report was aimed at assisting agencies in developing better performance information for inclusion in their annual reports. The many detailed recommendations in the report were intended to provide a foundation for a major overhaul of the annual reporting regime within the Victorian Public Sector.

The Committee’s 58 recommendations were mainly concerned with the form and content of agencies’ annual reports, the report preparation process, mechanisms to provide for an external scrutiny of those reports, and the underlying information collection systems.

6.1.1 Government’s response to Committee’s recommendations

In December 1999, the Government responded to the recommendations in the Committee’s report. The exhibit below gives a summary of the responses to the recommendations:

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63 Public Accounts and Estimates Committee, Report No. 28, Annual Reporting in the Victorian Public Sector, May 1999
64 Throughout this chapter, the term “agencies” refers to a Department or a Public Body as defined in the Financial Management Act 1994, as amended
Exhibit 6.1: Summary of the Government’s response to the Committee’s recommendations contained in its Report on Annual Reporting in the Victorian Public Sector

<table>
<thead>
<tr>
<th>Number of Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepted by Government</td>
</tr>
<tr>
<td>Accepted in Part by Government</td>
</tr>
<tr>
<td>Rejected by Government</td>
</tr>
<tr>
<td>Requiring decisions by Parliament on the Auditor-General</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Most of the 47 recommendations that the Government accepted in whole or in part, required action by the Department of Treasury and Finance, including the issuing of new or amended Directions by the Minister for Finance. The main reason that 17 of the recommendations were accepted only in part was because the Government needed to further consult with other interested parties even though, in nearly all cases, the Government had already indicated agreement in principle with the recommendations.

The five rejected recommendations principally related to the proposal for the Department of Treasury and Finance to oversee the development of agencies’ performance benchmarking and reporting of comparisons. The Department advised that it does not consider that it should have a role in overseeing the development of benchmarking.

Based on information provided by the Department of Treasury and Finance, the Committee understands that only four of the accepted recommendations have been implemented by the Government. The main reason given by the Department for the delay in taking the necessary actions is that they will be addressed within the Financial Management Compliance Framework Project, which is due to commence shortly.
Under this Project, a Compliance Framework will be developed to provide a mechanism through which the Government can more effectively monitor, review and enforce its legislative and regulatory financial management structure. The Framework will be applied across all agencies in the Victorian Public Sector at whole-of-government, portfolio and agency level. One of the major components of this Project is a review and update of all existing Minister for Finance Directions and Department of Treasury and Finance Bulletins, as well as the related compliance monitoring procedures.

The Committee was informed that the review of Directions and Bulletins should be completed by January 2002 and the Compliance Framework is planned to be implemented in June 2002.

The Department of Treasury and Finance has advised that the implementation of the accepted Committee recommendations will occur within the context of the Compliance Framework Project.

The Committee wishes to reiterate the view expressed in the May 1999 report that, as the primary user of the information contained in the annual reports is the Parliament, this Committee would like the opportunity to comment on the Directions on Annual Reporting before they are re-issued.65

The Committee understands that the Commonwealth Parliamentary Committee on Public Accounts and Audit undertakes a similar role in relation to the Commonwealth Government’s requirements relating to annual reporting.

The Government has taken the following actions in response to the recommendations contained in the May 1999 Report:

• **Model Financial Report:**
  The Minister for Finance issued Directions in May 2001 that prescribe the contents of a model financial report to be adopted by all Departments. The aim of the new requirement is to ensure consistency and comparability in financial reporting;

• **Reporting of Budgeted and Actual Information:**
  The Minister for Finance issued Directions in June 2001 that require Departments to include in their annual reports a comparison between (1) the accrual-based portfolio financial statements published in the Budget Papers and (2) the actual results for the portfolio for the corresponding financial year; and

• **Occupational Health and Safety Reporting:**
  The Minister for Finance issued Directions in September 2001 that require annual reports to contain:
  
  − a statement on a range of occupational health and safety (OHS) matters such as the number of significant incidents and the status of their resolution; major improvements and initiatives; and targets for improved OHS performance in the following year; and
  
  − appropriate performance measures for OHS matters as they affect outputs.

While the Committee welcomes these developments, it is concerned about the significant delay in revising the Directions relating to annual reporting. The Committee keenly awaits the implementation of its recommendations within the context of the Financial Management Compliance Framework Project.

Accordingly, the Committee recommends that:
Recommendation 6.1:

In the context of developing the Government’s Financial Management Compliance Framework, the Department of Treasury and Finance implement the recommendations contained in the Public Accounts and Estimates Committee report on Annual Reporting in the Victorian Public Sector.

6.2 Performance reporting framework

In the May 1999 Report, the Committee recommended that consideration be given by the Department of Treasury and Finance to the incorporation of a list of specific matters in the Ministerial Directions on performance reporting. Those matters were intended to constitute the first tier of the proposed two-tiered reporting framework. The views and comments of the Committee as set out in Attachment 1 are provided to assist the Department in developing appropriate Guidelines to clarify the intent of the reporting requirements and to offer practical guidance to agencies.

Accordingly, the Committee recommends that:

Recommendation 6.2:

The Public Accounts and Estimates Committee’s proposed Guidelines on Performance Reporting (contained in Attachment 1 at page 169) be adopted by the Department of Treasury and Finance and included in future guidelines for agencies on annual reporting.

6.3 Further proposed reporting initiatives

The Committee has formulated further views on a number of additional reporting initiatives which it believes should be incorporated into the proposed new reporting framework. Set out below is a brief explanation for each of the proposed reporting requirements.
6.3.1 Executive summary

A short Executive Summary should be included at the beginning of the annual report providing year-at-a-glance information in user-friendly form. The summary should comment briefly on:

- progress towards achievement of the agency’s corporate objectives;
- significant issues and developments in the current year and the plans and outlook for the following year (including both positive and negative factors);
- performance measures and indicators relating to the key features of the agency’s operations; and
- the financial results for the year.

6.3.2 “Report on targeted outcomes” section

There should be a separate section in the annual report providing highlights of major achievements as well as details on significant variations, both positive and negative. Both successes and setbacks should be analysed and discussed in the report to ensure a balanced presentation. The report should also give a clear indication of what actions have been taken or are intended to be taken.

The Committee is aware that some agencies are reluctant to discuss setbacks and problems in their annual reports, preferring instead to concentrate on the positive outcomes, even though the problems may have already been reported in the public arena. The Committee believes that it can be positive for agencies to include information on performance that did not meet expectations, in the context of what was learned. In other words, agencies could present the information by explaining what they know works and what does not work, and indicate how they plan to improve the situation.
6.3.3 Financial commentary

Agencies should include in the annual report:

- a brief financial summary together with explanations;
- key financial ratios and aggregates (exemplifying performance) with an explanation of the significance of each; and
- a narrative preface to the audited annual financial statements in the form of an explanatory discussion and analysis by management.

The discussion and analysis would need to deal with both financial management and accountability issues as well as giving comments on changes to financial position and performance. The narrative preface should also provide an important link between the financial statements and the “Review of Operations” section of the annual report.

6.3.4 Management of human resources

As human resources are an important asset and input of every agency, the Committee considers it appropriate that the annual report should include an assessment of the agency’s effectiveness in managing and developing its staff to achieve its objectives. This may include consideration of:

- workforce planning and staffing retention and turnover;
- the agency’s key training and development strategies, the outcomes of training and development and evaluation of effectiveness;
- the agency’s key occupational health and safety performance; and
- an explanation of productivity measures and gains.

The discussion should be supported by statistics on the number of employees at year end for the current and preceding year.
6.3.5 Statement of compliance

In recognition of the significance of annual reports within the accountability framework, the Committee believes that a specific obligation should be placed on the Chief Executive Officer of an agency to comply with all the annual reporting requirements and that Officer should be required to sign a Statement of Compliance, to be included in the annual report.

6.3.6 Correction of errors in reporting

If the previous annual report of an agency contains any significant statement on a matter of fact which has proved to be incorrect in a material respect, the Committee believes that it is important that the agency bring this matter to the attention of the Parliament as soon as possible.

Accordingly, the Committee recommends that:

Recommendation 6.3:

The following additional matters be prescribed for the new annual reporting framework to be developed by the Department of Treasury and Finance:

(a) inclusion of an executive summary, a “Report on all targeted outcomes” section and a Financial Summary in the annual reports;

(b) provision of information on the management of human resources;

(c) inclusion of a Statement of Compliance to be signed by the Chief Executive Officer; and

(d) a requirement to table in Parliament an explanation for any material errors in the prior year’s annual report.
6.4 Improving the quality of annual reporting

The Committee is of the view that other initiatives could be implemented by the Department of Treasury and Finance and agencies to improve the overall quality of the annual reports produced by the Victorian Public Sector.

6.4.1 Role of the Department of Treasury and Finance

The Committee understands that the Department of Treasury and Finance currently does not have any resources dedicated to the regular review of agencies' annual reports. In the absence of external scrutiny by a central agency and the availability of a feedback mechanism, the Committee believes it could be difficult to achieve continuous improvement in the quality of annual reports. This view has been reinforced by comments from a large number of staff involved in the preparation of annual reports.

The Committee believes it is important that adequate resources be allocated in the future to the review of agencies' annual reports. The review should focus not only on legislative compliance but also on the quality of the performance information provided. It is further proposed that a Bulletin be issued after each year's review drawing agencies' attention to the common deficiencies noted as well as giving guidance on better practice. The Bulletin should also include specific examples of "good" reporting practices as identified by the Department from the annual reports.

To ensure that agencies are given adequate guidance, the Committee believes that the Department should also conduct regular training seminars and workshops particularly following the introduction of new reporting requirements. This can be done in partnership with the Auditor-General's Office and the Institute of Public Administration, where appropriate. In addition, an annual Discussion Forum on Annual Reporting would be helpful in providing an opportunity for the key staff involved in the preparation of the annual report to exchange knowledge, ideas and experiences. All these initiatives should be complemented by other ongoing liaison and peer support arrangements to be coordinated by the Department.
The Committee believes it would be useful if the Department of Treasury and Finance developed an Annual Reporting Manual for use by all agencies within the Victorian Public Sector. The manual could contain:

- a consolidation of all the annual reporting requirements;
- a detailed explanation of the legislative and/or policy intent of those requirements;
- a guide to “Best Practice Performance Reporting” accompanied by a checklist for self-assessment by agencies;
- illustrative examples of “good” and “bad” reporting practices; and
- suggested solutions to the common internal organisational issues faced by officers preparing annual reports.

The manual should be a “living” document to be regularly updated with input from agencies. This should ensure that the corporate memories and wisdom of annual reporting are shared across the Victorian Public Sector.

Accordingly, the Committee recommends that:

**Recommendation 6.4:**

The Department of Treasury and Finance:

(a) allocate adequate resources to the review of agencies’ annual reports (focussing on both legislative compliance and quality of the performance information disclosed);
(b) issue a Bulletin after each year’s review giving appropriate feedback to agencies on the problems and issues identified as well as providing guidance on better practice;

(c) conduct regular training seminars and workshops for agencies as well as an annual forum on annual reporting;

(d) issue an annual reporting manual to provide practical guidance on:
   (i) the legislative and/or policy intent of each of the prescribed reporting requirements; and
   (ii) the “best practice” approach to performance reporting (including illustrative examples of “good” reporting practices); and

(e) facilitate ongoing liaison between key officers involved in preparing annual reports.

6.4.2 Internal organisational arrangements

The Committee believes that, in producing a “good” annual report, the internal management of an agency has an important role to play. The quality of the reports produced, in essence, is influenced by three factors: Prescribed Requirements, People and Process. The last two factors are within the control of the management of an agency. In this regard, the Committee has identified a number of issues that it believes agencies should focus on in setting up an appropriate organisational arrangement for annual report preparation.
At the outset, senior executive involvement is essential in the annual reporting process. A clear reporting framework needs to be established before the report preparation process begins and each contributor should have clear instructions as to what must be provided to the officers preparing the report. These officers do not have the authority to effect change to the reporting framework by themselves. It must come from the top. Also, it should be the responsibility of the senior executive to ensure that adequate resources are allocated to the reporting process and that a continuity of staff is maintained.

Officers who are responsible for the preparation of the corporate and business plans should also determine how the objectives, plans and targets are to be reported against actual performance, in the annual reports.

The Committee believes that there must also be senior executive commitment to linking the objectives and performance targets outlined in the corporate and business plans to the performance information presented in the annual report. Both successes and setbacks should be addressed in the report.

In September 2001, the Australian Stock Exchange (ASX) Listing Rules were amended to require all listed companies to appoint a “Corporate Disclosure Manager”. The responsibility of this person is to oversee and co-ordinate the public disclosure of information as well as compliance with the ASX’s continuous disclosure requirements.

The Committee can see some practical benefits for agencies in having a senior staff member assuming overall responsibility for overseeing and co-ordinating the preparation of annual reports and other forms of public disclosure about the operations of the agency. The appointed staff member should report and make recommendations to the Chief Executive Officer and the Governing Board (where applicable) on disclosure issues. In addition, the person should also be responsible for providing ongoing education on reporting requirements to senior management and other staff members.
Accordingly, the Committee recommends that:

**Recommendation 6.5:**

Chief Executive Officers be more closely involved in the annual report preparation process to ensure that:

(a) a reporting framework is agreed at the outset;

(b) staff members’ contributions to the report are clearly specified; and

(c) adequate resources are provided to the process.

**Recommendation 6.6:**

A senior officer in each agency be given overall responsibility for:

(a) overseeing and co-ordinating the preparation of annual reports and other forms of public disclosure about the operations of the agency; and

(b) providing ongoing education on reporting requirements to senior management and other staff members.
ATTACHMENT 1: PROPOSED GUIDELINES FOR PERFORMANCE REPORTING

In the May 1999 Report titled “Annual Reporting in the Victorian Public Sector”, the Committee identified a set of core matters that, in its view, should be addressed by agencies in reporting on the performance of their operations. It was envisaged by the Committee that those matters would be prescribed by Directions to be issued by the Minister for Finance.

The Government, in its response to the Committee’s Report, indicated that it would support the adoption of a two-tiered approach for annual reporting with the first tier focussing on key performance and accountability issues.

The following views and comments are provided to assist the Department of Treasury and Finance in developing appropriate Guidelines to clarify the intent of each of the reporting requirements (as recommended by the Committee) and to offer practical guidance to agencies.

- The charter, objectives and major strategies and activities of the organisation

The early pages of the annual report should provide an indication of the agency’s:

- vision, mission and corporate values;
- charter and objectives (formulated in a way that enables an assessment of actual performance in comparison with objectives);
- strategies for achieving the objectives;
- range of operational functions and activities; and
- organisational structure.
Major features of corporate governance operating within the organisation

The corporate governance structures should identify the processes by which agencies are directed, controlled and held to account. The four key elements of corporate governance are stewardship, leadership, direction and control.

A sound governance structure provides the essential framework for Chief Executives of agencies and Members of Governing Boards to make informed decisions, with the assurance that all proper controls are in place and that risks are well managed. The essence of any system of good corporate governance is to allow managers to drive their organisation forward within a framework of effective accountability. Therefore, corporate governance arrangements should include the devolution of responsibilities from the Chief Executive or Board Members to other managers within the organisation.

The reporting of corporate governance practices should not just reflect a checklist approach. Agencies should be willing to disclose, where appropriate, not only those practices which are in place, but also those areas where they have identified shortcomings in their corporate governance and any plans to address those shortcomings.

The following are examples of the kinds of issues that the Committee believes should be commented on:

- accountability chain between the chief executive, the governing body and the Minister and their respective roles;
- composition of the governing body (e.g. board) including qualifications, experience and expertise of members and the balance of non-executive and executive members;
- independence of members including policies on disclosure of any business relationship between a member and the agency and on dealing with potential and actual conflicts of interest;
Chapter 6: Annual Reporting Regime

- appointment, retirement and review of performance of members;
- criteria for remuneration of members and retirement benefits;
- names of senior executives and their responsibilities;
- senior management committees and their roles;
- how the nature and amount of remuneration for senior executives is determined;
- delegation of functions to management and mechanisms for providing leadership to and interaction with management;
- approach to managing significant business risks;
- ethical standards including the existence of written codes or guidelines for members, management and staff;
- corruption prevention strategies;
- sponsorship arrangements entered into; and
- directions from Ministers to statutory bodies.

• **The existence and effectiveness of the system of risk management and internal control**

Under this requirement, agencies are expected to report on:

- the responsibility chain for risk management and internal control within the organisation;
- the policies and systems that have been put in place and how effective they were during the year;
- the results of any reviews undertaken during the year; and
- major improvement initiatives and programs implemented to address identified deficiencies.
• Whether, in the opinion of the chief executive (or the governing board), the agency has achieved its plans, objectives and targets as indicated in the corporate and business plans and Budget Papers and, if not, the reasons for non-achievement

The matters reported should include:

- an analysis and discussion of the operational activities and the achievements/ results for the year in comparison with objectives, plans and targets for the specified output groups. (The achievements reported should relate to outputs and outcomes and not merely a long list of activities and events);
- the extent to which the agency is wholly or partly responsible for the outcomes;
- full explanations of the reasons for any significant variations (both positive and negative) from the plans, objectives and targets previously established; and
- an indication of actions taken to address any unfavourable performance gaps.

• Qualitative and quantitative measures of actual performance together with a commentary on significant trends (including a clear linkage between inputs, outputs and desired government outcomes)

The following are the general views of the Committee in relation to the reporting of performance:

- the objectives established should be:
  * appropriate (i.e. consistent with the organisation’s charter, vision and purpose);
  * practical (i.e. suggestive of the action expected to be taken); and
  * useful (i.e. credible and specific enough to report outcomes against);
well defined objectives are necessary for the production of useful and valid indicators of performance;

objectives, where appropriate, should be measurable and should embody standards and levels of outputs and outcomes aimed for. The Committee acknowledges that not all aspects of what an organisation set out to achieve and what has actually been achieved are able to be expressed in measurable terms;

the published performance information should be:
  * relevant (to the objectives and in terms of assessing achievements);
  * meaningful (generally understandable to the readers targeted);
  * valid (the results/ outcomes are able to be influenced by the organisation); and
  * complete (all the key functions and programs have been covered);

performance information (including key performance indicators) should be used not only to report to the Government and the general community on how efficiently and effectively an agency has performed but also as a means to indicate the extent of progress made in meeting the objectives as compared to prior years. The achievement of the latter aim can be assisted by the provision of trend information comparing current year’s performance with past years’.

from the Committee’s review of annual reports in the past, it is clear that more work still needs to be done by some agencies, with the assistance of the Department of Treasury and Finance, to improve on the quality and accuracy of their reported performance indicators. Unless the performance indicators are of an acceptable standard, the validity of any performance information provided in the annual report must be open to question;
− performance indicators must be used consistently from period to period and where there have been changes, agencies should clearly describe the change and explain the reasons for the change. Where possible, data should be provided for both the original and replacement indicators for the changeover year. Further, explanations should also be given where established indicators have been discontinued;

− as part of performance reporting, the annual report should disclose details of all feedback received from consumers and stakeholders during the year as well as actions taken to improve operations and delivery of services. Feedback from consumers and stakeholders is an objective and independent form of performance indicators. The feedback could be obtained through formal surveys or receipt of specific complaints. In relation to surveys, particulars of the methodology adopted must also be provided so that the validity of the results can be judged by the readers of the report; and

− objectives and results/outcomes achieved should be explained using narrative, graphics and other suitable devices. Part of the comments needs to be devoted to explaining the linkages between the different kinds of inputs used in the operations and the outputs and outcomes achieved from applying those resources.

• A comparison of actual performance with past and planned performance as well as the performance of equivalent agencies in other jurisdictions, both locally and overseas (where practicable)

To be meaningful, the performance analysis provided in the annual report needs to set out a comparison of the agency’s actual performance with the levels of performance planned for the current year (including targets and budgeted outputs and outcomes) as well as the performance achieved in past years. For the purpose of benchmark comparisons, the performance of the agency should be evaluated against the performance of agencies
that are engaged in similar activities locally in Australia and/or overseas (where practicable).

- **Significant internal and external factors to be taken into account in assessing the financial and non-financial performance**

To assist a proper assessment of an agency’s performance, it is important that the readers of the report be fully informed of all significant internal and external (“big picture”) factors that have impacted on its operations during the year. Both positive and negative factors should be explained and quantified (where possible). Further, those external factors which were within the control of the agency should be identified and the nature and extent of the agency’s influence should be explained.

- **The agency’s response to issues of significant public interest about major aspects of its activities**

The annual report should provide information on all major issues raised by the following parties during the year in relation to the activities and performance of the agency as well as the agency’s responses:

- media and the public;
- Members of Parliament;
- parliamentary committees; and
- Auditor-General and Ombudsman.

The explanations need to be accompanied by an indication of any actions taken or proposed to be taken in response to the issues raised.

- **The future operating environment and developments as well as future plans and major projects including those which are designed to further improve performance**

One of the sections in the annual report should contain pertinent forward-looking information and comments such as:
– a discussion of the future outlook for the organisation including issues and events that are likely to have a significant impact on the following year’s performance or position;

– details of expected future changes and trends within the agency’s operating environment; and

– an outline of what the agency aims to achieve in coming periods (particularly in the next year) and objective measures of performance.

**Such other matters as are relevant to an informed assessment of performance**

In fulfilling the objectives of performance reporting, it is a matter of judgement for each agency to determine what other information should be disclosed in the report in addition to the prescribed requirements. The test is what the readers of the report would reasonably expect to see given the activities and events that have occurred during the year.
Key Findings:

7.1 A Guide to Corporate and Business Planning was issued by the Department of Treasury and Finance in April 1996. The Committee has been informed that the Department of Treasury and Finance and the Department of Premier and Cabinet have recently commenced a project to review this Guide. It is expected that the revision of the document will be completed by the beginning of 2002. The intention is to allow a transitional period of 18 months with full implementation for the 2004-2005 planning period.

7.2 The Committee's review of a sample of Departments' latest corporate and business plans identified a number of common problems. These include the omission of information on key issues such as departmental overview, critical success factors, risk management strategies, identification of stakeholders, financial outlook and outcomes evaluation plans. In addition, some of the diagrams and charts have not been adequately explained.

7.1 Introduction

In its Report No. 41, the Committee foreshadowed that it would make greater use of Departments' corporate and business plans and annual reports as part of the review of budget outcomes.66

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7.2 Role of corporate and business planning

Planning is about looking forward to determine where an organisation is heading and the path it intends to take to get there. Corporate planning describes the strategic focus of an organisation – its vision, mission, objectives and priorities. Business planning establishes how those objectives will be achieved at an operational level through the:

- allocation of resources;
- identification of outputs; and
- establishment of timelines;

to achieve the organisation's vision.

Corporate and business plans are documents which describe what Departments are required to produce as part of the whole-of-government planning and resource allocation arrangements. The corporate plan has a three to five year outlook and is the statement of direction (overall aims and objectives). Business plans have a one year timeframe and map the process to achieve those aims and objectives.

Both the corporate and annual business plans form an important basis for accountability, and for determining whether Departments were successful in achieving their stated objectives. The performance analysis and evaluation is documented in the annual reports and is also fed into the following year’s planning cycle.

In the public sector, the framework for all planning is set by Government policy, and all Departments are bound to direct their activities towards meeting Government objectives and achieving Government priorities.

In the past five years, Victorian Governments have implemented significant reforms to management and accountability practices across the public sector, which have important implications for corporate and business planning. The reforms have been directed at a more performance oriented public sector, focussed on delivering specific outputs to achieve outcomes for the
community. Management practices have been reformed to establish clear accountability structures and to link resource allocation more closely to the delivery of outputs. In addition, a structured reviewing and reporting framework has been established that more clearly defines the roles and responsibilities of departmental managers.

Under output budgeting, resources (i.e. parliamentary appropriations) are allocated on the basis of the outputs a Department undertakes to deliver. The planning process determines the outputs to be delivered to achieve Government outcomes. Departments’ annual business plans form the basis of resource allocation. In addition, the business plan is the key accountability document in a Department’s relationship with Government and, together with the corporate plan, provides the basis for annual portfolio and departmental reviews and for performance management.

Corporate and business plans are reviewed by the Departments of Premier and Cabinet and Treasury and Finance to ensure that Departments’ planned activities are consistent with Government objectives. Agreed business plans then form the basis for the allocation of resources to Departments. Some of the information contained in business plans also flow through to the service agreements and the performance agreements of staff.

There are two key aspects in the relationship between the Government and Departments:

- the Government purchases outputs from Departments and is therefore a customer in a purchaser/provider relationship.
- the Government is the “owner” of the Departments from which it is purchasing outputs.

The purchaser/provider aspect of the relationship entails a range of negotiations about the nature, quality, quantity and price of goods and services to be purchased (outputs). The purchaser also requires reports on the results achieved and actual costs. The ownership aspect of the relationship is similar to a company and
the board of directors. The board requires information on the financial, asset and resource management of the company to ensure sound management performance.

Departments are required to provide information to the central agencies (acting as “agents” for the Government) which relates to either or both of the purchaser/provider and ownership aspects of the relationship. The function of corporate and business plans is to provide:

- a statement to the purchaser of the outputs the provider undertakes to deliver and is therefore a key tool for determining whether the provider has delivered on its side of the bargain; and

- a report to the Government on the planned activities and financial position of the Department.

7.3 Existing guide to corporate and business planning

A Guide to Corporate and Business Planning was issued in draft form by the Department of Treasury and Finance in April 1996. The Guide was developed with the intention to:

- provide guidance to Departments in the development of corporate and business plans as part of the Integrated Management Cycle (IMC); and

- provide information to Departments on the specific requirements in relation to corporate and business plans.

The Guide has four sections. Sections 1 and 2 articulate the planning parameters of the Victorian Public Sector. Section 3 sets out the specific central agency requirements. Section 4 provides guidance on the key stages in the planning process, and how they should be reflected in the corporate and business plans.

To ensure the integrity of Departments’ planning processes, the Guide has identified the following specific matters that, in the view of the Department of Treasury and Finance, should be covered by the corporate and business plans:
Chapter 7: Corporate and business plans of departments

Corporate Plans

- Government policy objectives;
- Government strategic priorities;
- agency’s charter and purpose;
- agency’s vision, mission, values and objectives;
- agency’s corporate governance framework, core business, strategic priorities, critical success factors and operational strategies;
- identification of customers and stakeholders;
- environmental analysis; and
- financial outlook.

Business Plans

- specification of outputs and deliverables;
- specification of performance measures and targets;
- identification of resource requirements (including human, information technology and capital resources);
- identification of activities and processes;
- outcomes evaluation plans;
- projected Statement of Financial Position, Operating Statement and Statement of Cash Flows together with a Capital Expenditure Forecast; and
- projected Operating Statement for each output group.

The Guide states that Departments’ corporate and business plans are to form the basis for evaluating how well Government objectives are being achieved. The corporate plan, by articulating priorities and strategic objectives, is to assist in the evaluation of outcomes against objectives. The annual business plan is to identify the outputs to be delivered, and the performance measures and targets against those outputs. Departments are required to report on how well they have performed against the
Business Plans in their annual reports. The Guide also states that Business Plans should be used to develop strategies to effect continuous improvements within Departments.

7.3.1 Review of existing planning guide

The Committee has been informed that the Department of Treasury and Finance and the Department of Premier and Cabinet have recently commenced a project to review the current Guide for Corporate and Business Planning in the Victorian budget sector. The main purpose of the review is to examine existing practice to determine:

- the role the Government should play in endorsing or approving the strategic directions of Departments. (Currently, there is no requirement for the Government, or even the Minister, to have any input into or approve the corporate and business plans of Departments);

- how close should the link be between departmental corporate/strategic planning cycle and the strategy round of the Expenditure Review Committee (usually in November);

- how can the policy of “joined-up” government be promoted and advanced through the strategic planning processes; and

- how close should the link be between departmental business planning and the budget round of the Expenditure Review Committee (usually in February/March).

The review will be conducted with the assistance of a reference group of departmental representatives. The plan is to have the revision of the existing Guide completed by the beginning of 2002. Given the different practices currently used in Departments, the two central agencies intend to adopt the revised Guide initially in an interim form for about 18 months to allow Departments time to modify their existing procedures. At this stage, it is expected that full implementation of the new Guide will be applied to the 2004-2005 planning period.
7.3.2 Committee's views on existing planning guide

The existing Guide to Corporate and Business Planning is a comprehensive document which covers all the major issues that should be addressed in the planning process for those public sector agencies which have adopted output-based budgeting. However, given the developments in financial management reforms since 1996, the Committee agrees with the Department of Treasury and Finance and the Department of Premier and Cabinet that the document now needs to be reviewed to ensure that it fully reflects the current policy focus of the Government in relation to resource planning and allocation.

In redrafting the Guide, the Committee recommends that the following views be taken into account:

- as a matter of policy, it is important that strategic/corporate planning at the whole-of-government and agency levels and business planning at the agency level be closely linked to the Government’s budget process. This would facilitate strategic allocation of resources across portfolio areas as well as joint delivery of outcomes by associated agencies. Further, the Committee believes that a closer alignment between the Business Plans and the budget process should lead to a more efficient and effective allocation of resources and better value-for-money in the provision of goods and services;

- the planning and subsequent evaluation of performance should focus on three key issues:
  - value-for-money in service delivery (i.e. efficiency and effectiveness of performance);
  - financial plans (i.e. financial health of the Department); and
  - budget plans (i.e. budget limits of the Department).

The existing Guide refers to the need for Departments to include:

- projected financial statements and budget statements in the Business Plans; and
− some high level, long term projected financial and budget information in the corporate plans.

The Committee agrees that the main focus of the plans should be on the operational performance of Departments. However, it is noted that a large number of Departments have not included any financial/ budget information in their plans or only limited information in some cases. Sound financial planning and reporting provides public sector managers with the tools to analyse financial performance in the delivery of outputs. In addition, financial statements also provide the Government, as “owner” of Departments, with an indication of the soundness of Departments’ financial management.

• corporate and business plans of Departments should be reviewed and endorsed by the relevant Portfolio Ministers and the Minister for Finance for the following reasons:
  − it is essential that the objectives, outputs and performance targets (i.e. performance standards) of Departments be agreed to and endorsed by the Government in its role as the “owner” of the businesses and as a purchaser of the outputs to be delivered; and
  − the endorsement process will also ensure that whole-of-government and cross-agency issues are properly addressed in the preparation of the plans and that there is an element of independent review of the planning process (particularly the performance measures and targets to be used by the Departments);

• the Committee believes that the revised Guide needs to stipulate that the performance measures should be developed by the Departments with external advice where considered appropriate and that they should be aligned with comparable measures of similar bodies as well as with nationally agreed performance indicators as
published under Commonwealth-State agreements (where available);

- in view of the low level of compliance with the existing Guide (which is not mandatory), it will be necessary for the Minister for Finance to prescribe by way of Directions, the key issues that are required to be covered by the corporate and business plans;

- from a review of a sample of corporate and business plans, the Committee has identified a common problem. According to the existing Guide, the corporate plan should set the strategic priorities, vision, mission and objectives for the Department. The business plan should then translate the high level directions into a detailed work plan showing outputs to be delivered and performance measures and targets for the next 12 months.

A number of the business plans reviewed by the Committee contain not only a detailed work plan but also some (but not all) of the matters that normally should be included in the corporate plans such as Government policy objectives and priorities, Department's vision and mission and environmental analysis. Presumably the reason those matters were included was to provide a background context for the Business Plans.

The issue is that there is at present a degree of duplication between the corporate and business plans of some Departments. One possible way of overcoming the problem is to incorporate the two plans as complementary documents in a single package but with a provision for the individual documents to be separately distributed if so required. Each of the documents should refer the readers to the other accompanying document if they wish to obtain a full picture of the strategic and annual planning process. An alternative is to preface the business plan with a short section providing a strategic context and a link to the corporate plan; and
the Committee has noted that some of the plans prepared by Departments have included in them a separate section titled “Overview”. This section normally provides a background context for the readers of the plans giving brief information on such matters as the role of the Department, manner of establishment, legislative charter (were applicable), organisation structure, staff numbers and funding levels. In this section, the Chief Executive Officers often also outline the key focus of the organisation for the planning period. The Committee believes that such a section is useful in helping the readers in gaining a better understanding of the plans and therefore should be included as a specific requirement in the new Guide.

Accordingly, the Committee recommends that:

**Recommendation 7.1:**

(a) The Department of Treasury and Finance emphasise, in redrafting the existing Guide to Corporate and Business Planning, that:

(i) strategic/corporate planning at the whole-of-government and agency levels and business planning at the agency level be closely linked to the Government’s budget process;

(ii) planning and subsequent evaluation of performance focus not only on value-for-money in service delivery but also the financial position and budgetary parameters of Departments;
(iii) the corporate and business plans of Departments be reviewed and endorsed by the relevant Portfolio Ministers and the Minister for Finance acting on behalf of the Government as “owner” of the businesses and as purchaser of outputs;

(iv) the performance measures of Departments be developed with external advice where considered appropriate and they be aligned with comparable measures of similar bodies as well as with relevant nationally agreed performance indicators as published under Commonwealth-State Agreements (where applicable);

(v) an “Overview” section be included in the plans to provide a background context to assist the readers in gaining a better understanding of the issues covered in the documents; and

(vi) unnecessary duplication be avoided in preparing the corporate and business plans; and

(b) The key issues to be covered by the corporate and business plans (as set out in the new Guide) be prescribed by Directions to be issued by the Minister for Finance.
7.4 Review of corporate and business plans

The Committee has undertaken a review of a sample of the latest corporate and business plans produced by Departments. It should be noted that the focus of the review, on this occasion, was only on the structures of the plans and their coverage and not the quality and validity of the information provided.

7.4.1 Department of Treasury and Finance

2001-2004 Corporate Plan

The plan is a very short two-page document showing vision, mission, principles, departmental objectives, strategic priorities, outputs and major projects/initiatives. The main deficiencies of the document are:

- a large number of important matters have not been covered such as Government policy objectives, Government strategic priorities, departmental charter and purpose, critical success factors, operational strategies, stakeholders, environmental analysis and financial outlook; and

- no planned completion dates have been indicated for major projects and initiatives. However, it is noted that the individual names of all the output managers and divisions (only initials and not full names) responsible for the projects have been provided. Such details are not essential and could have been omitted.

The Committee also believes that the inclusion of an “Overview” section at the beginning of the plan would be helpful in assisting the readers in gaining a better understanding of the whole-of-government role of the Department.

7.4.2 Department of Premier and Cabinet

2001-2002 Business Plan

The plan has a number of positive features such as:

- providing an explanation of the Department’s contribution to the Government’s Policy Program;
• a separate section on “Organisational Development Priorities” highlighting the Department’s emphasis on improving its internal capabilities during the planning period; and
• providing an explanation for each of the outputs to be delivered and showing quantity, quality and cost targets as well as timelines for the performance measures.

The Committee’s view is that the plan could be further improved by the inclusion of an “Overview” section, an outcomes evaluation plan and also information on financial outlook (including a set of projected financial statements and budget statements).

### 7.4.3 Department of Infrastructure 2001-2004 Corporate Plan

Overall, the Committee has noted that the plan has the “right” level of details to enable a proper understanding of the future directions and aims of the Department and what it intends to do to achieve the planned results. Most of the key issues have been addressed in the plan with the exception of information on critical success factors, risk management, stakeholders and financial outlook.

Parts of the plan have been well-prepared including:

- the Secretary’s Forward providing an overview of the structure of the plan, the role of the Department and its administrative arrangements as well as “key messages” as to how the operations will be conducted;
- quantification of performance targets (where appropriate); and
- a separate section on “Organisational Capability”.

The inclusion of a section on “Corporate Governance Framework” is useful but the Committee’s view is that it could be further improved with more details on the significant governance arrangements.
The diagrams on “Organisational Relationship of Outcomes to Outputs”, “Executive Director’s Accountability Matrix” and “Organisation Structure” are difficult to understand. More explanatory comments should be provided in future.

7.4.4 Department of Education, Employment and Training 2000-2003 Corporate Plan

The Committee’s review of the plan shows a number of positive features:

- the inclusion of a “Secretary’s Forward” as an introduction to the plan and a section on “Who We Are”;
- the provision of information on the Government’s quantified performance targets; and
- the inclusion of a section on “Challenges” addressing not only the external environment but also internal issues within the Department and another section providing details of planned responses to the challenges.

Apart from the above positive features, the Committee believes that improvements could be made in the following areas:

- the list of “Departmental priorities” under each of the objectives is too long and detailed. By definition, the priorities should only focus on a small number of key issues;
- many of the descriptions included for the key strategies and outputs are vague and too cryptic. Better explanations are required if they are to be properly understood by the readers of the plan;
- the organisation chart should be accompanied by some explanatory comments; and
- additional sections on critical success factors, stakeholders, risk management and financial outlook should be included.
7.4.5 **Department of Natural Resources and Environment 2001-2004 Corporate Plan**

The plan has a number of well-prepared sections such as:

- an “Overview” section outlining the charter, role, organisational arrangements and budget of the Department;
- brief explanations provided for each of the seven objectives of the Department together with an outline of the sub-objectives; and
- a section on financial outlook including projected operating expenses for each of the output groups, Projected Input Cost Summaries and a Projected Statement of Financial Position.

The Committee believes that the plan could be further improved by the inclusion of additional information on critical success factors, risk management, stakeholders and the external environment. The “Financial Outlook” section should be expanded to incorporate a projected Operating Statement for each of the output groups, projected financial statements and projected budget statements.

7.4.6 **Department of State and Regional Development Corporate Plan 2001-2002**

The Committee has noted the following main issues in relation to the Department’s Plan:

- the “Message from the Secretary” is useful in providing a background context for the Plan (including details of strategic and organisational changes that had occurred);
- the section on “Our Resources” is a positive feature but it has not gone far enough. It should be supplemented by a projected Operating Statement for each output group;
• although the document is titled “Corporate Plan 2001-2002”, it is in actual fact a business plan. A number of high level issues covered in the document should really be dealt with in the business plan instead (for example, Government policy objectives, positioning statement and corporate values);

• the section on “Strategic Challenges” is difficult to understand and could be better explained;

• many of the performance targets are related to the quantity or timeliness of outputs and there is insufficient emphasis on the quality aspect (for example, use of satisfaction indices);

• in the planning document, it is stated that a number of outputs/targets have been developed through the internal business planning process and they are not shown in the Budget Estimates. The Committee is not sure from the document whether there is a close link between the Department’s Business Plans and the budget process.

Apart from the above, the Business Plan could be further improved by including an outcomes evaluation plan and a section on “Financial Outlook” (including projected Statement of Financial Position, Operating Statement and Statement of Cash Flows).

7.4.7 Department of the Legislative Council Annual Plan 2001-2002

The main positive features of the Plan are the inclusion of an “Introduction” section and a brief outline of the strategic context thus providing a link to the Corporate Plan.

The section on “Resources” covering both financial and human resources is helpful except that the financial resources part should be expanded to include the monetary amounts of the different forms of parliamentary appropriations as well as a projected Operating Statement for each of the output groups.
Some of the performance targets have not been quantified, for example, “Install hardware and software in a timely and efficient manner”, “Research is comprehensive and provided to committee members in a timely manner” etc. Further, details have not been provided on how some of the targets are to be measured e.g. “Successfully stage State and National Youth Parliaments, Students’ Parliament and Open Day”. In some other instances, the performance targets have not addressed the quality issue e.g. “Staff Development Committee meets at least bi-monthly”, “Upgrade Legislative Document Management System by June 2002” etc.

In addition to the above, the Committee suggests that future plans should also include an outcomes evaluation plan and a “Financial Outlook” section (including a set of projected financial statements and budget statements).

7.4.8 Department of Legislative Assembly Business Plan 2001-2002

In providing a background context for the Business Plan, information on the Department’s mission, responsibilities, customers and management and staffing structures has been included. In addition, the Plan also contains details of a number of specific challenges facing the Department which should be helpful to the readers in identifying the various areas of potential difficulty in delivering the planned services in the next 12 months.

Most of the nine goals mentioned in the Plan refer to planned service improvements in different aspects of the Department’s operations. However, it is noted that the performance targets for the activities planned under the first eight goals are all only concerned with either the completion of specific tasks/ projects or the conduct of ongoing activities.

The Committee believes that specific measures of service improvement (for example, surveys of different categories of customers) and target levels of customer satisfaction should be developed and included in future Plans. At present, it appears
that the Department’s performance measurement framework is primarily focussed on processes rather than outcomes.

One of the goals of the Department is “to ensure a consistently high level of customer satisfaction with all services provided by the Department”. To achieve that goal, the Committee notes that the Department plans to implement a system to obtain customer feedback. To measure service outcomes, it is important that feedback be obtained, on a regular basis, from all categories of both internal and external customers and stakeholders.

Another major issue with the Plan is that it does not contain any financial and budget information nor any details relating to output groups and funding of outputs to be produced.

Apart from the above, the Committee believes that future Plans could be further improved by including the following additional information:

- specification of major output groups and the related funding cost;
- projected Operating Statement for each output group; and
- an Outcomes Evaluation Plan.

**7.4.9 Department of Parliamentary Debates Business Plan 2001-2002**

A positive feature of the Plan is that it has included an Output Summary which incorporates, among other things, performance measures that are directed at assessing the quantitative, qualitative and timeliness aspects of performance. The Committee believes that further disaggregation of the Summary based on different output groups would be helpful.
It is not clear as to why the Financial Plan refers to the 2000-2001 Budget figures rather than figures for the 2001-2002 year (i.e. the planning period). The commentary on the Financial Plan is useful in providing an insight into the major factors that should be taken into account in interpreting the Plan.

The Action Plan contains a section dealing with performance measurement. This is an area where the Committee has some concerns. A number of the measures refer to completion of tasks/projects rather than achievement of planned service outcomes. For example, “staff trained” has been identified as a measure in quite a few instances, but there is no indication of the number of staff planned to be trained and how increase in competency is to be measured. Another example is the planned improvement in the timeliness and quality of Members’ proofs and Committee transcripts. Again, the Plan has not given any explanation as to how the improvement is to be measured nor has it provided any target levels.

In addition to the above, the Committee suggests that future Plans should also include Projected Financial Statements and Budget Statements, Projected Operating Statement for each output group and an Outcomes Evaluation Plan.

7.4.10 Joint Services Department Business Plan 2001-2002

The overall impression is that there is too much low-level detail in the Plan. In the Committee’s view, the information regarding the responsibilities of the Department (pages 5-8) and the planned activities (pages 10-28) can be provided at a higher level without compromising the purpose and focus of the Plan.

As it currently stands, the Business Plan resembles a combination of a series of quasi work plans rather than a Plan viewed at a departmental level. Many examples of minor details can be quoted, one example under “Education and Community Relations”, lists the following planned activities:
• plan signage directing people to function rooms and outlets; and
• install signage.

Another issue is that the performance measures and targets are mostly concerned with completion of tasks and projects by target dates rather than planned service outcomes. There are a few exceptions such as in relation to the provision of personnel and financial services to Parliament, where a number of timeliness and accuracy targets have been identified.

It is noted that, on page 20 of the Plan, there is a reference to the design and conduct of a customer satisfaction survey which is planned to be completed by 30 June 2002. However, the Plan does not provide any target satisfaction levels. The Committee wishes to emphasise that independent and objective feedback from both internal and external customers/stakeholders is an important measure of the Department’s performance outcomes.

Further, the Committee suggests that future Plans could be improved if they are also accompanied by specification of major output groups and the related funding costs, Projected Financial Statements and Budget Statements, an Operating Statement for each output group as well as an Outcomes Evaluation Plan.

7.4.11 Parliamentary Library Business Plan 2001-2002

The Committee has noted that the Business Plan only includes a series of tables setting out the goals, objectives and activities for the next 12 months as well as target completion dates for specific projects and other performance measures. There is no information provided on the strategic context nor an overview of such matters as the role of the Library and its organisational structure, staff numbers and funding levels. Background information of this kind is useful in helping the readers in gaining a better understanding of the Plan.

A major issue identified by the Committee in relation to the Plan is that there does not appear to be sufficient emphasis given to the measurement of performance outcomes. Most of the measures and
targets are related only to the assessment of activities and processes. The following are some examples.

Under the objective to improve the ability of the Members of Parliament to conduct their own research (pages 1 and 2), the Library intends to conduct specialised workshops for research assistants and political advisers. The performance measures identified in the Plan are "conduct of training sessions", "production of instructional packages" and "visits to Electorate Offices by library trainers". The Committee suggests that other measures such as client satisfaction levels and competency standards achieved are more valid in measuring the extent of improvement in research capability.

On pages 2 and 3 and throughout the rest of the Plan, there are many other instances where the objective is stated as seeking an improved service outcome in a particular area. However, the performance measures adopted to assess success again are only concerned with the timely completion of specific projects or activities. Such indicators are useful in measuring the processes and therefore should form part of the whole suite of performance indicators but other indicators to assess service outcomes must also be developed and adopted.

Further, the Committee has noted that one of the goals of the Library is "to be proactive and innovative in service provision". The activity planned to be carried out under this goal is the conduct of a quality of service survey with clients and the related performance measure is the implementation of an action plan to address the issues identified by the survey. This is another example where the chosen measure does not really have the ability to assess the degree of the Library's success in service delivery. Client satisfaction indices and numbers and nature of complaints/compliments received are examples of the more suitable performance measures.

Another issue with the performance measures is that, in some instances, how the success of the organisation is to be measured is not explained in the Plan. For example, on page 8 of the Plan, two
of the measures are simply stated as “successful public events for Parliament” and “successful conference run”.

In the case of the goal “to ensure optional use of human, financial and physical resources”, the Committee has noted that only two projects have been identified under objectives and activities i.e. upgrading of staff work areas and renovation of Central Chamber. All the performance measures listed under this particular goal are related to the completion of the various aspects of these two projects. The Committee is concerned that the Plan:

- has not addressed all the other broader issues relating to the management of the Library’s human, financial and physical resources; and
- has not incorporated any appropriate measures of its success such as staff satisfaction indices and budget variances.

In addition to the above comments, the Committee further recommends that the Library include in its future plans a Financial Management Section which should incorporate a set of Projected Financial Statements and Budget Statements together with a commentary.
### Key Findings:

**8.1** There has been a significant loss of male teachers in the age groups of 25 to 34, and 40 to 54. This has been partially offset by the engagement of 128 male teachers in the 60 to 64 year age group and a further four male teachers in the 65 plus age group. The Department will need to develop strategies to attract younger male teachers to the profession.

**8.2** On the basis of the staffing estimates for 30 June 2001, the Department has 8,150 teachers in the 50 to 59 age group, representing 21.7 per cent of total teaching staff at schools and 555 teachers over 60 years of age; and there are 1,290 principals in the 50 to 59 age group, or 46.1 per cent of total principals.

**8.3** There needs to be significant recruitment action to meet the potentially high attrition rates arising from retirements of teachers in the higher age groups.

**8.4** Given the significance of mathematics, science and information technology to a knowledge based economy and environment, the Department needs to widen its options for recruitment to ensure an adequate supply of teachers for these subjects.

**8.5** There needs to be a framework to evaluate the effectiveness of drug education programs.

**8.6** The demand for higher education was greater than supply in Victoria, a situation which is not the case in all other States.
Key Findings (continued):

8.7 The reductions in Commonwealth funding of research places at universities were damaging to Victoria given the significant investment in innovation and science and technology infrastructure by successive Victorian Governments.

8.8 Higher education participation is much lower in some regions including the Mornington Peninsula, Gippsland and south-eastern and north-western Melbourne.

8.9 In September 2001, the Government indicated that Chisholm is the only TAFE Institute still facing significant financial difficulties, despite receiving additional Government funding.

8.10 The establishment of Local Learning and Employment Networks are designed to make an important contribution to improving the nexus between training and education.

8.11 As the Victorian Youth Strategy is a significant initiative to ensure synergy of activities by various Departments relating to youth affairs across the State, it is important that the Office for Youth finalise its completion of the strategy as soon as possible.

8.12 The issue of where responsibility rests for events run under the FReeZa program needs to be clarified.

8.1 Departmental overview

The Department of Education, Employment and Training provides support to the Education; Post Compulsory Education, Training and Employment; and Youth Affairs portfolios.
8.2 Output management framework

The Department’s 2001-2002 output management framework is shown in the exhibit below.

Exhibit 8.1: Department of Education, Employment and Training - Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>4,608.4</td>
<td>4,609.3</td>
<td>4,681.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Tertiary Education, Employment and Training</td>
<td>977.6</td>
<td>982.6</td>
<td>1,018.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Youth</td>
<td>5.5</td>
<td>6.5</td>
<td>5.7</td>
<td>3.6</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>23.4</td>
<td>20.0</td>
<td>21.2</td>
<td>-9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,614.9</strong></td>
<td><strong>5,618.4</strong></td>
<td><strong>5,727.3</strong></td>
<td><strong>2.0</strong></td>
</tr>
</tbody>
</table>


As shown in Exhibit 8.1, the Department’s budget allocation for 2001-2002 was $5,727.3 million representing a $112.4 million or 2 per cent increase from 2000-2001.

The Department’s output groups now include a new output group for Youth and related expenditure has been transferred from the output group Policy, Strategy and Information Services.

8.3 Financial analysis

The operating statement for the Department of Education, Employment and Training is shown in the following exhibit:
Exhibit 8.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>5,901.3</td>
<td>5,948.6</td>
<td>6,088.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5,894.7</td>
<td>5,870.4</td>
<td>5,980.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>6.5</td>
<td>78.3</td>
<td>108.5</td>
<td>N/A</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>11.4</td>
<td>11.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Section 29 Receipts – Asset Sales</td>
<td>24.2</td>
<td>19.2</td>
<td>18.9</td>
<td>-20.7</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>42.1</td>
<td>108.9</td>
<td>127.3</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Administered Items

| Operating Revenue              | 885.0                           | 914.5                                 | 933.3                         | 3.3                     |
| Operating Expenses              | 885.0                           | 914.5                                 | 933.3                         | 3.3                     |
| Operating Surplus/Deficit      | -                               | -                                     | -                             | -                       |

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, Table 2.1.2, p. 41

The variations for operating revenue and expenses are relatively minor with an increase of 0.8 and a decrease of 0.4 per cent respectively.

The increase in the surplus for the year arises from an increase in Revenue from State Government of $74 million and decreases in Section 29 Receipts – Asset Sales, Other Commonwealth Grants and Other Revenue of $5 million, $15.1 million and $14.3 million respectively.

Changes in key expenditure items include increases in Employee related expenses which are largely offset by a reduction in Purchases of Supplies and Services. The main reason for the
decrease in expenditure arises from a reduction in Depreciation and Other Expenses in aggregate, of approximately $27 million.

Most of the changes represented less than 10 per cent, with the only exception a reduction of $5 million in Section 29 Receipts – Asset Sales as a result of a rescheduling of asset sales and reflect the latest estimate of the most likely outcome for this year.67

8.3.1 Other revenue and other expenses

The Committee has a long standing interest in the level of disclosure of material amounts in the ‘other revenue’ and ‘other expenses’ categories. Accordingly, the Committee has previously recommended that all material revenue and expense items be disclosed in the Budget Papers each year.68

The Committee’s analysis of items in the ‘other revenue’ and ‘other expenses’ classifications, controlled and administered, which contain estimated budget amounts of $629.9 million and $1,487.9 million respectively in 2001-2002, shows that significant material amounts still remain undisclosed.

Accordingly, the Committee recommends that:

Recommendation 8.1:

The Secretary of the Department of Education, Employment and Training ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

8.4 Management Reform Program

The Committee was advised that the implementation of the Management Reform Program has resulted in a better

67 Department of Education, Employment and Training response to the Committee’s 2001-2002 estimates questionnaire, p. 90
understanding of what the Department delivers and the resources used.

In April 2001, work commenced on improving processes for strategic planning, accountability and performance management and reporting in accordance with a decision to develop and implement improvements arising from a consultant’s report.

The Department also highlighted that the Management Reform Program has been demanding as it required considerable expertise and training to implement the new framework.69

8.5 Human resources issues

The Department estimated it would have 57 262 Equivalent Full Time (EFT) staff at 30 June 2001 compared with the actual number of 56 032 EFT staff at 30 June 2000.

Exhibit 8.3

<table>
<thead>
<tr>
<th>Output Group</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>45,936</td>
<td>47,266</td>
<td>2.9</td>
</tr>
<tr>
<td>Tertiary Education, Training and Employment</td>
<td>537</td>
<td>193 *</td>
<td>N/A</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>187</td>
<td>203</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>46,660</strong></td>
<td><strong>47,662</strong></td>
<td><strong>2.1</strong></td>
</tr>
<tr>
<td>Tertiary Education, Training and Employment (employed by TAFE Institutes)</td>
<td>9372</td>
<td>9,600</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56,032</strong></td>
<td><strong>57,262</strong></td>
<td><strong>2.2</strong></td>
</tr>
</tbody>
</table>

Note: * Excludes staff from the Adult Multicultural Education Service (AMES), which has operated as an Adult Education institution since March 2001

Exhibit 8.1 shows an overall increase of 1 230 equivalent full time staff for both the Education and Post Compulsory Education Training and Employment Sectors estimated at 30 June 2001.

69 Response by the Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, p.122
8.5.1 **Key staffing issues**

(a) **Mix of ongoing full time and fixed term teaching and non-teaching staff at schools**

The Department advised that it had adopted a strategy to increase the number of ongoing full time staff and reduce the number of staff on fixed term contracts by a significant margin. The estimate of effective full time staff numbers at 30 June 2001 shows increases in ongoing teaching staff of 5.4 per cent and non-teaching staff of 14.7 per cent. In contrast, there has been a reduction of fixed term teaching staff of 12.9 per cent and non-teaching staff of 8.4 per cent at schools.

(b) **Ratios of males and females in the workforce**

The Committee noted that the Department has a significantly higher proportion of female teachers in schools than male teachers. The mix of male to female teachers estimated at 30 June 2001 has moved marginally to 10,860 or 29 per cent males and 26,590 or 71 per cent females.

The estimated results for 30 June 2001 reflect an overall net increase of 769 teachers comprising a decrease of seven males and an increase of 776 females compared to 30 June 2000.\(^70\)

A profile on new teachers recruited and departures indicates the following characteristics:

\(^70\) Response by the Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, pp. 77-78
Exhibit 8.4: Teaching staff

<table>
<thead>
<tr>
<th>Variation in the number of teachers estimated at 30 June 2001 compared to 30 June 2000</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>25 - 29</td>
<td>-44</td>
<td>-9</td>
</tr>
<tr>
<td>30 - 34</td>
<td>-23</td>
<td>153</td>
</tr>
<tr>
<td>35 - 39</td>
<td>37</td>
<td>105</td>
</tr>
<tr>
<td>40 - 44</td>
<td>-40</td>
<td>85</td>
</tr>
<tr>
<td>45 - 49</td>
<td>-32</td>
<td>256</td>
</tr>
<tr>
<td>50 - 54</td>
<td>-43</td>
<td>173</td>
</tr>
<tr>
<td>55 - 59</td>
<td>-1</td>
<td>44</td>
</tr>
<tr>
<td>60 - 64</td>
<td>128</td>
<td>-14</td>
</tr>
<tr>
<td>65 +</td>
<td>4</td>
<td>-27</td>
</tr>
<tr>
<td>Total</td>
<td>-7</td>
<td>776</td>
</tr>
</tbody>
</table>

Source: Response by Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, pp. 77-78

The above exhibit shows a significant loss of male staff in teaching in the age groups of 25 to 34 years of age and 40 to 54 years of age. This has been partially offset by the engagement of 128 male teachers in the 60 to 64 year age group and a further four male teachers in the 65 plus age group. The Committee is concerned at this trend because it represents a short term solution and the Department will need to develop strategies to attract younger male teachers to the profession.

Accordingly, the Committee recommends that:

Recommendation 8.2:

The Department of Education, Employment and Training:

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71 The above table is in actual numbers of full time ongoing and fixed term staff
Chapter 8: Department of Education, Employment and Training

(a) identify key factors leading to the imbalance of male teachers relative to female teachers with a view to increasing the proportion of male teachers;

(b) determine the reasons underpinning the departure of a significant proportion of younger male teachers from the profession; and

(c) put in place a recruitment and development strategy designed to attract and retain younger male teachers.

(c) Appointments of principals at schools

The Department has indicated that the number of male principals and female principals estimated at 30 June 2001 was 1,670 or 60 per cent males and 1,130 or 40 per cent female principals.

Estimates of the number of principals at schools provided by the Department show that compared with the equivalent number at 30 June 2000, there has been an overall increase of 94 principals comprising a net decrease of two male principals and a net increase of 96 female principals.72

Last year, the Department indicated that it was encouraging women to gain leadership positions. In this context, the Department implemented a Focus on Women Strategy involving activities which included a Women in Educational Leadership initiative, Post Graduate Scholarships for Women, a Family Friendly Work Place program and an Employees as Carers Information Strategy.

72 Response by the Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, pp. 77-78
The Committee commends the Department on the Focus on Women Strategy, and its success in increasing the number of female principals.

(d) Age profile for teaching staff and principals at schools

The following exhibit shows the various percentages by classification in age groups of EFT teachers and principals engaged at schools.

**Exhibit 8.5: Teachers and Principals (EFT) estimated at 30 June 2001**

<table>
<thead>
<tr>
<th>Age</th>
<th>Teacher Number</th>
<th>Teacher %</th>
<th>Principal Number</th>
<th>Principal %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25 to 49</td>
<td>28,745</td>
<td>76.8</td>
<td>1,490</td>
<td>53.2</td>
</tr>
<tr>
<td>50 - 54</td>
<td>6,270</td>
<td>16.7</td>
<td>1,030</td>
<td>36.8</td>
</tr>
<tr>
<td>55 - 59</td>
<td>1,880</td>
<td>5.0</td>
<td>260</td>
<td>9.3</td>
</tr>
<tr>
<td>60 - 64</td>
<td>535</td>
<td>1.4</td>
<td>20</td>
<td>0.7</td>
</tr>
<tr>
<td>65 +</td>
<td>20</td>
<td>0.1</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,450</strong></td>
<td><strong>100.0</strong></td>
<td><strong>2,800</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, p. 78

On the basis of the above estimates for 30 June 2001:

- the Department has 8,150 teachers in the 50 to 59 age group, representing 21.7 per cent of total teaching staff at schools and 555 teachers over 60 years of age; and
- there are 1,290 principals in the 50 to 59 age group, or 46.1 per cent of total principals.

The Department advised that there is a comprehensive strategy, incorporating a new salary structure and performance bonuses in place to attract new graduates. However, the results of this strategy will take some time to unfold.

Staff morale is a significant factor in the retention of key staff. In this context, the Committee notes that the Budget Papers showed
the performance targets for 2001-2002 for morale of secondary school teachers on a 100 point scale at 58, and primary teachers at 75.\(^{73}\)

The above figures indicate the need for significant action in terms of recruitment of staff to meet the potentially high attrition rates arising from resignations and retirements of teachers.

Accordingly, the Committee recommends that:

**Recommendation 8.3:**

The Department of Education, Employment and Training:

(a) take steps to improve recruitment of teachers at lower age groups; and

(b) review the factors affecting the morale levels of secondary school teachers and implement strategies for improvement.

(e) Age and gender profile for non-teaching staff at schools

The following exhibit shows the various percentages by classification in age groups of non-teaching staff at schools, estimated at 30 June 2001:

\(^{73}\) 2001-2002 Budget Paper No. 3, Budget Estimates, pp. 22-23
Exhibit 8.6: Age and gender profile for non-teaching staff at schools

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Non-teaching total</th>
<th>Non-teaching percentage of overall total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25 to 49</td>
<td>600</td>
<td>7,760</td>
<td>8,360</td>
<td>72.1</td>
</tr>
<tr>
<td>50 - 54</td>
<td>120</td>
<td>1,905</td>
<td>2,025</td>
<td>17.5</td>
</tr>
<tr>
<td>55 - 59</td>
<td>60</td>
<td>825</td>
<td>885</td>
<td>7.6</td>
</tr>
<tr>
<td>60 - 64</td>
<td>25</td>
<td>265</td>
<td>290</td>
<td>2.5</td>
</tr>
<tr>
<td>65 +</td>
<td>5</td>
<td>35</td>
<td>40</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>810</td>
<td>10,790</td>
<td>11,600</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Response by Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, p. 79

On the basis of the above estimates for 30 June 2001:

- the ratio of male and female non-teaching staff at schools is 7 per cent males and 93 per cent females. This position is unchanged from the previous year; and
- the number of staff in the 50 to 59 age group is 2,910 (25.1 per cent), with 330 staff in the over 60 years of age group (2.8 per cent).

8.6 Education portfolio

8.6.1 Background

The Minister for Education has responsibility for a number of outputs within the two output groups School Education and Policy, Strategy and Information Services. Outputs for which the Minister is responsible account for $4,703.1 million in 2001-2002 and represent 82.1 per cent of the overall Budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:
Exhibit 8.7: Education portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Education</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>Primary Education</td>
<td>2,100.1</td>
</tr>
<tr>
<td></td>
<td>Junior Secondary Education (Years 7-10)</td>
<td>1,295.7</td>
</tr>
<tr>
<td></td>
<td>Senior Secondary Education (Years 11 and 12)</td>
<td>611.7</td>
</tr>
<tr>
<td></td>
<td>Non-Government School Education</td>
<td>273.4</td>
</tr>
<tr>
<td></td>
<td>Student Welfare and Support Services</td>
<td>73.8</td>
</tr>
<tr>
<td></td>
<td>Services to Students with Disabilities and Impairments</td>
<td>246.1</td>
</tr>
<tr>
<td></td>
<td>Education Maintenance Allowance</td>
<td>35.0</td>
</tr>
<tr>
<td></td>
<td>Student Transport Services</td>
<td>46.1</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>Policy, Strategy and Executive Services *</td>
<td>14.6</td>
</tr>
<tr>
<td></td>
<td>International Education Services #</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Public Information and Promotion Services *</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>4,703.1</td>
</tr>
</tbody>
</table>

Notes:  * Responsibility for these outputs is shared with the Minister for Post Compulsory Education, Training and Employment and the Minister for Youth Affairs

# Responsibility for this output is shared with the Minister for Post Compulsory Education, Training and Employment

8.6.2 2001-2002 outlook for the portfolio

The Department has developed a number of high priority strategic objectives including:

- lifting standards of literacy and numeracy;
- increasing completion rates of year 12 or its equivalent;
creating higher standards and status for the teaching profession; and

- improving school quality and the quality of learning outcomes for all students.

8.6.3 Analysis of the 2001-2002 Budget

Budget funding changes for 2001-2002 for the output group School Education included an increased allocation of 3.9 per cent to $246.1 million for Services to students with disabilities and impairments and an additional 3.4 per cent to $73.8 million to the output Student welfare and support. In addition, funding for the output Non-Government school education decreased by 2.8 per cent to $273.4 million.

Initiatives in the 2001-2002 Budget Papers to achieve the Department’s objectives include:74

- $14.9 million in funding for the improvement of literacy and numeracy and increase student attendance rates in years 5 to 9;
- $43.2 million allocation to fund the school teacher classification and improvement framework;
- $17 million for additional computers and networking for schools to achieve a 1:5 computer-to-student ratio;
- $20 million for the construction of purpose-built information and communications technologies classrooms;
- $4.4 million for continuous replacement of notebook computers for teachers and principals; and
- $78.5 million for the construction of new schools, upgrade of existing schools and replacement of fire damaged schools.

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74 2001-2002 Budget Paper No. 2, Budget Statement, pp. 231, 233 and 234
8.6.4 Performance measures

The Department’s output structure, which was modified substantially for 2000-2001, has been changed again for 2001-2002. It is noted that the Rural Support Services output, which was specifically created in 2000-2001, has not been retained with key measures integrated into the Primary Education and Junior Secondary Education outputs to better reflect services provided to external customers.\(^{75}\)

In 2001-2002, the Department will deliver 17 outputs within four output groups focusing on school education, tertiary education, employment and training, youth and policy and strategy. The Committee was advised that the output structure has been changed to reflect ministerial responsibilities, improve accountability and reduce duplication.\(^ {76}\) The Department’s 2001-2002 performance measures are, in most cases, related to the school year, i.e. the 2001 calendar year.

Several previously separate outputs within the School Education output group have been integrated into the three major outputs of primary, junior secondary and senior secondary education to provide closer alignment with departmental objectives and a clearer focus on the linkages with the Department’s strategic directions.

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 that will impact on the portfolio and the budget estimates for 2001-2002.

\(^{75}\) Department of Education, Employment and Training response to the Committee’s 2001-2002 estimates questionnaire, p. 3
\(^{76}\) 2001-2002 Budget Paper No. 3, Budget Estimates, p. 19
(a) Lifting standards of literacy and numeracy

The Department has a number of programs in place to achieve improvements in literacy and numeracy, including:

- implementation of the Early Years (Literacy) Program by 1,285 schools;
- reduction in class sizes in Prep to Year 2 to improve performance in the early years;
- a pilot study in 70 schools entitled the Early Numeracy Research Project involving new teaching methods for basic mathematics is showing early signs of improvement relative to other reference schools;
- implementation of the Achievement Improvement Monitor (AIM) to assess how children are progressing at school including testing beyond Year 3 and Year 5 to sample test English and Mathematics in Year 7; and
- establishment of the Victorian Curriculum Assessment Authority which is responsible for assessments and statewide testing of students' knowledge in eight key areas of learning from the Preparatory year to Year 10.

The Committee was advised that the Early Years (Literacy) Program and the initiative to reduce class sizes in Prep to Year 2 to an average of 21 students was driving improved performance in the early years.77

According to Victoria's result in the national tests, 93 per cent of Victorian Year 3 students were at or above the benchmark in literacy in 2000, an increase from 89 per cent in 1999.

(b) Supply of teachers to address potential future staff shortages

The Report of the Ministerial Working Party – Public Education: The Next Generation (the PENG Review), completed during the year identified an urgent need to ensure an adequate supply of well-

77 Correspondence, received 27 July 2001, from the Minister for Education
prepared teachers to avert the threatened teacher shortage in Victoria.\textsuperscript{78}

Faced with increased competition both overseas and interstate, the Department has finalised a comprehensive package to improve standards and the status of the teaching profession and implemented a number of strategies to address potential future shortages of teachers. These initiatives include:

- implementation of the Victorian Government Schools Agreement 2001, which includes a restructured classification and performance framework designed to attract and retain teachers with funding of $249.2 million from 2000-2001 to 2004-2005 inclusive;

- provision of leadership, management, career and professional development and skills development programs provided for teachers, principals and aspiring principals;

- revision of School Global Budgets to reflect the teachers’ agreement and provide more equity in school funding;

- provision of $800,000 over three years to fund the Teaching Scholarship Scheme to attract quality undergraduate students to the teaching profession with a target for 220 new teachers to commence next year in schools; and

- inclusion of a focus within scholarships on targeting geographic areas of recruitment difficulties and subjects where there is increased teacher demand.

The Committee was advised that the above initiatives have led to a 25 per cent increase in the number of applicants for undergraduate courses, putting teacher education programs as their first preference for 2001 compared with the previous year.\textsuperscript{79}

\textsuperscript{78} Report of the Ministerial Working Party – Public Education: The Next Generation, Executive Summary

\textsuperscript{79} Correspondence, received 27 July 2001, from the Minister for Education
In May 2000, the Minister announced the establishment of an Advisory Committee to advise on establishing an Institute of Teaching as an independent and representative professional body to determine qualifications, registration, certification, standards and professional development of teachers. At the time of the announcement, the Advisory Committee was intended to report by April 2001. However, in July 2001 the Minister indicated that the Victorian Institute of Teaching had not yet been established and that additional funding had not been sought as part of the 2001-2002 Budget.

Accordingly, the Committee recommends that:

**Recommendation 8.4:**

The Department of Education, Employment and Training:

(a) evaluate, on an ongoing basis, the impact of its strategies to attract new graduate teachers;

(b) establish performance information on the number of students in teaching courses for the duration of the course; and

(c) analyse the reasons for students completing the courses and for students discontinuing teaching studies.

(c) Shortages of teachers of specific subjects

Within the areas of teacher shortages for specific subjects highlighted in the previous year, the remaining areas are Mathematics and Science, Information Technology, Indonesian and Japanese.

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80 Media Release by the Minister for Education, dated 26 May 2000
81 Correspondence, received 27 July 2001, from the Minister for Education
Current shortages have arisen from an increased demand at the secondary level for these subjects as well as Technology Studies, German and French. The Committee was advised that there have been difficulties in recruiting primary teachers for Art, Instrumental Music, Indonesian, Japanese and Italian.\(^{82}\)

Given the significance of mathematics, science and information technology to a knowledge-based economy and environment, the Committee believes that the Department needs to widen its options for recruitment to ensure an adequate supply of teachers for these subjects.

(d) Drug prevention education

The Committee was advised that all Government schools and 80 per cent of non-government schools had developed programs, policies and practices over the past four years in line with the Department’s Individual School Drug Education Strategy.

These programs include implementation of drug education within the curriculum, provide drug education, prevention and intervention programs, develop and review drug-related policies and involve parents and the community in drug-related curriculum and welfare issues. Additional support included promotions such as Get Wise; Working on Illicits in School Education, Responding to Cannabis, and a Drug Education website.\(^{83}\)

Given the significant personal and community cost of drug use, the Committee recommends that:

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\(^{82}\) Response by the Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, p. 86

\(^{83}\) Correspondence, received 27 July 2001, from the Minister for Education
Recommendation 8.5:

The Department of Education, Employment and Training regularly evaluate and report on the effectiveness of drug prevention and intervention programs in schools.

(e) Violence and bullying

The Minister advised the Committee that a letter was sent to schools in January 2000 dealing with the issue of bullying in schools.\textsuperscript{84}

An education package, Addressing Bullying Behaviour - It's Our Responsibility, was launched in October 2000. The package included a website featuring resources available for parents, staff and students.

Intervention strategies include the availability of Student Support Services Officers such as psychologists, social workers and guidance officers and additional funding has been provided for secondary schools to employ student welfare co-ordinators to improve school planning and implementation of school support.

The Committee believes that action taken in relation to bullying needs to be evaluated on a regular basis to ensure the continued relevance of intervention strategies adopted to minimise violence in schools.

8.7 Post Compulsory Education, Training and Employment portfolio

8.7.1 Background

The Minister for Post Compulsory Education, Training and Employment has responsibility for a number of outputs within the two output groups Tertiary Education Employment and Training and

\textsuperscript{84} Ibid
Policy, Strategy and Information Services. Outputs for which the Minister is responsible account for $1,039.7 million in 2001-2002 and represent 18.1 per cent of the overall Budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

### Exhibit 8.8: Post Compulsory Education, Training and Employment portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under Minister for Post Compulsory Education, Training and Employment</th>
<th>Output Cost ($Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary Education, Employment and Training</td>
<td>Training and Further Education Places (TAFE)</td>
<td>861.1</td>
</tr>
<tr>
<td></td>
<td>Adult and Community Education Places and Community Support (ACE)</td>
<td>90.1</td>
</tr>
<tr>
<td></td>
<td>Employment Services</td>
<td>64.5</td>
</tr>
<tr>
<td></td>
<td>Higher Education</td>
<td>2.8</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>Policy, Strategy and Executive Services *</td>
<td>14.6</td>
</tr>
<tr>
<td></td>
<td>International Education #</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Public Information and Promotion *</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,039.7</strong></td>
</tr>
</tbody>
</table>

Notes: * Responsibility for these outputs is shared with the Minister for Education and the Minister for Youth Affairs

# Responsibility for this output is shared with the Minister for Education

### 8.7.2 2001-2002 outlook for the portfolio

Priority initiatives for 2001-2002 in the Post Compulsory Education, Training and Employment portfolio, include:
increasing the capacity of TAFE institutes to deliver education and training across a range of areas;
• increasing the accessibility of learning facilities to students across the State;
• creating a high broadband infrastructure for ICT to improve internet access via additional networking and technological improvements;
• fostering e-learning by ongoing replacement of notebook computers for teachers and principals;
• providing computers for distance education;
• establishing the Victorian Schools Innovation Commission;
• providing capital funding to modernise and upgrade TAFE facilities across the State;
• additional funding to address the deterioration in the financial position of TAFE Institutes; and
• providing additional funding for initiatives to enable young people in rural and regional Victoria to access education and training.

8.7.3 Analysis of the 2001-2002 Budget

Analysis of the output groups shows a $38.7 million or 3.8 per cent increase in funding for 2001-2002. This increase provides for the following initiatives to be undertaken in 2001-2002:

• $6.3 million to modernise and upgrade TAFE facilities;
• $9.2 million for improved learning environments;
• $6.8 million for the Broadband ICT delivery infrastructure for TAFE;
• $2.5 million for the education precinct of Gippsland; and
• $16.6 million within triennium programs for a space education centre, a gene technology access centre, an Australian College of Wine, a science and technology centre at Bacchus Marsh and a vocational education and training centre at Ballarat.
8.7.4 Performance measures

In its Report on the 2000-2001 Estimates, the Committee recommended development of performance measures relating to teacher quality and the professional development of teachers, development of measures on the Community Business Employment Program, and splitting the measures relating to student hours in TAFE into government and non-government funded hours. These recommendations were not adopted by the Department.

However, the Department has introduced ten new performance measures within the major outputs Training and Further Education Places, Employment Services, and Higher Education, including:

- employer satisfaction with training;
- Go for IT - apprenticeship and traineeship commencements;
- Private Sector Skills development Program and Go for IT – Participants who complete and are in employment, education or training three months after completion;
- universities participating in cooperative arrangements in regional areas;
- students enrolling in ICT courses;
- additional students enrolling in post graduate ICT courses; and
- participation of stakeholder groups in consultation processes.

While the Committee welcomes these valuable additions to the Department’s suite of performance measures, it considers there is still further scope for improvement.

8.7.5 Key issues impacting on the Post Compulsory Education, Training and Employment portfolio

The Department's response to the Committee's questionnaire and the estimates hearing with the Minister for the Post Compulsory Education, Training and Employment identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Unmet demand for higher education places

The Minister indicated that nearly 20,000 students who had successfully completed year 12 and were eligible for access to higher education had "missed out" on tertiary places in 2000.86 The demand for higher education was greater than supply in Victoria, a situation which is not the case in all other States.87

The Committee is concerned to note that higher education participation is much lower in some regions including the Mornington Peninsula, Gippsland and south-eastern and north-western Melbourne.88

The Minister further advised the Committee of a 43 per cent cut in Commonwealth funding for research places at universities announced in August 2001. The research funding cuts have been based on a new funding formula which was foreshadowed last year, but the impact has been much worse than expected. Examples of funding cuts include a decrease of 42.7 per cent at Deakin University, a loss of 224 places, and a reduction of 21.9 per cent at Latrobe University with 177 places lost.

These reductions in Commonwealth funding of research places at universities were damaging to Victoria given the significant investment in innovation and science and technology infrastructure by successive Victorian Governments.

86 Hon. L Kosky, MP, Minister for Post Compulsory Education, Training and Employment, transcript of evidence, 7 August 2001, p. 427
87 Ibid
88 Ibid
Accordingly, the Committee recommends that:

**Recommendation 8.6:**

(a) The Department of Education, Employment and Training adopt a strategy aimed at addressing the current shortfall of tertiary places in Victoria; and

(b) A key component of the strategy involve representations to the Commonwealth Government, including highlighting the effect of the recent reduction in Commonwealth funding for research places at universities.

**Recommendation 8.7:**

The Department of Education, Employment and Training develop strategies to address the low participation rates in higher education in some regions of Victoria.

(b) Australian National Training Agreement funding

Following protracted negotiations with the Commonwealth Department of Education Training and Youth, the Australian National Training Agreement (ANTA) was finalised with Victoria receiving $59 million over three calendar years to 2003. The Minister advised that this compares with Victoria’s contribution over the same period of $120 million.\(^9^9\)

The Committee was advised that Victoria has had very significant growth in apprenticeships and trainees with a record 107,753 in training representing an increase of 37 per cent on the previous year and a position which at 30 June 2001 exceeded all other States. On the basis of continuous growth over recent years, the Minister

\(^{99}\) Ibid, p. 434
indicated that Victoria needed an additional $25 million per year. At present, there is no agreement between the Commonwealth and the Victorian Governments about the provision of this funding.

The combined funding available for training provides additional capacity to fund more places across Government, public, private and community training schemes.

While there has been a substantial commitment by employers and individuals to training, the funding under the ANTA agreement has restricted Victoria's capacity to provide all the places companies and individuals would like to have funded.

(c) Centre for Adult Education

In June 2001, the Minister announced a funding allocation of $5.6 million to substantially upgrade facilities of the Centre for Adult Education (CAE).

The funding provided:

- $4 million to develop a science laboratory in the annexe building, Degraves Street in Melbourne and library and classroom equipment in Flinders Lane;
- $0.25 million to establish an online learning centre; and
- $1.4 million to upgrade information technology infrastructure.

(d) Financial position of Chisholm Institute of TAFE

The Auditor-General’s Report on Ministerial Portfolios, June 2001, reported on five TAFE institutes which were operating under financial difficulties at 31 December 2000. The Report indicated that Chisholm Institute of TAFE had required advance funding of $2 million as it had experienced cash flow problems and had not paid its suppliers in accordance with Government guidelines.

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90 Ibid, pp. 425, 434
91 Media Release by the Minister for Post Compulsory Education, Training and Employment, dated 14 June 2001
The Minister indicated in February 2001 that the Department had put in place a review of the financial position of Chisholm Institute and was monitoring the situation on a quarterly basis.93

In August 2001, following completion of the review, the Minister announced further immediate funding of $5 million to assist Chisholm which had accumulated losses of $15.9 million.94 A key finding was that there were too many layers of management, a lack of strategic direction and that the Institute had difficulties with poor budget construction and monitoring.

In September 2001, the Minister announced further funding of $8 million for a new training centre at the Chisholm Institute Dandenong campus, and an additional $1.9 million as part of an ongoing commitment to revitalise the TAFE.95 The September announcement, which included the Government’s response to the review of Chisholm also indicated that Chisholm was the only TAFE Institute still facing significant financial difficulty, despite additional Government funding.

The Committee supports action taken by the Department to monitor and improve the financial position of Chisholm Institute of TAFE, however the Department will need to continue its oversight to ensure continued viability of all TAFE Institutes.

Accordingly, the Committee recommends that:

**Recommendation 8.8:**

The Department of Education, Employment and Training:

(a) ensure that appropriate governance processes are in place at Chisholm Institute; and

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93 Media Release by the Minister for Post Compulsory Education, Training and Employment, dated 21 February 2001
94 Ibid, 23 August 2001
95 Ibid, 13 September 2001
(b) continue to monitor the financial performance of all TAFE Institutes on an ongoing basis.

(e) Development of learning communities to maximise access to education and training

Early in 2001, the Department established 15 Local Learning and Employment Networks (LLENs) comprising individuals or organisations with an interest in post compulsory education, training and employment within a designated network area.

During 2001-2002, the Department intends to establish a further 20 LLENs across the State. In addition, the Budget provides $16.5 million for the Managed Individual Pathways program to support Victorian students.96

The functions of the LLENs are to:

- bring together local education providers, employers, councils and other interested people in the community;
- identify gaps in the provision of education and training locally;
- plan the development and delivery of educational programs for young people which will assist in meeting the targets for better completion rates and employment outcomes;
- take a strategic approach to developing pathways for local young people, especially those at risk of dropping out;
- monitor these pathways and outcomes to ensure they are beneficial to young people; and
- advise the new Victorian Learning and Employment Skills Commission on the needs of young people in their area.

96 Document tabled by the Minister for Post Compulsory Education, Training and Employment at the estimates hearing, 7 August 2001, p. 9
The Committee believes that the establishment of LLENS has the potential to make an important contribution to improving the nexus between training and education.

(f) Assessment of training needs and skill priorities in key Victorian industries

As an overall strategy of providing information relevant to training and employment needs, the Department has, for each LLEN compiled and now provides on the internet, a facility known as LLNSTAT.

The information on this site is designed to identify gaps or links to direct training and education to key areas of need in a particular community. The data on LLNSTAT includes information for each particular region in Victoria on:

- population, over a time series and prospective growth, together with age of the population;
- economic base with information on business and industry, including number of businesses and employees by business types and change in employment over time, including other factors which have impacted on employment in the region;
- learning and skill base which includes information on qualifications and occupation and changes over time; and
- workforce including age, full and part time employment, related gender information and unemployment.

The Committee considers that the provision of information based on regions is a major step forward in identifying key factors relevant to students, industry and the Government in terms of education and employment.

(g) Property maintenance at TAFE Institutes

The Auditor-General’s Report on Ministerial Portfolios, June 2000, identified that property maintenance of $32 million was necessary to bring all TAFE buildings up to standards required by the
appropriate building regulations, and occupational health and safety standards.\textsuperscript{97}

In relation to Kangan Batman Institute of TAFE, which through amalgamation inherited the automotive campuses at Coburg and Richmond, a number of buildings are in a severe state of deterioration and three buildings at the Coburg Campus have significant asbestos material in the building structure, i.e. in the roof, walls, or floor.\textsuperscript{98}

The Report also found that at Richmond TAFE, the main complex and the automotive parts building had similar maintenance and roof material problems as the Coburg campus.

The Minister advised the Committee that to address these issues, $11.3 million had been provided in 2000-2001, including $6.2 million from the Government’s maintenance backlog initiative and $3 million in one off funds. In 2001-2002, $2 million in recurrent funds was provided for TAFE maintenance.\textsuperscript{99}

In relation to the Coburg campus of Kangan Batman Institute of TAFE, asbestos removal works, including the replacement of the asbestos roof and walls of Building H were due for completion by 7 August 2001. Further asbestos audits of Buildings D and E in April 2001 discovered asbestos contamination and both buildings were evacuated as a result of the findings. Building G, a disused house at the Coburg campus, also contains asbestos.

Clean up works on the roof of Building G at the Richmond Campus were completed on 20 April 2001. Asbestos has been removed from the body making and panel beating workshops with removal from the sheet metal welding bays planned for the September break.

\textsuperscript{97} Victorian Auditor-General’s Office, \textit{Report on Ministerial Portfolios}, June 2000, pp. 61
\textsuperscript{98} Ibid, pp. 61-62
\textsuperscript{99} Correspondence, received 3 October 2001, from the Minister for Post Compulsory Education, Training and Employment
The Minister also advised the Committee that relocation of Kangan Batman Institute of TAFE is still under consideration.100

8.8 Youth Affairs

8.8.1 Background

The Minister for Youth Affairs has responsibility for a number of outputs within the two output groups Tertiary Education Employment and Training and Policy, Strategy and Information Services. Outputs for which the Minister is responsible account for $26.9 million in 2001-2002 and represent 0.5 per cent of the overall Budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

Exhibit 8.9: Youth Affairs portfolio output group and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Youth Affairs</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth</td>
<td>Youth Policy Co-ordination Services to Youth</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.2</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>Policy, Strategy and Executive Services *</td>
<td>14.6</td>
</tr>
<tr>
<td></td>
<td>International Education</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Public Information and Promotion *</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>26.9</td>
</tr>
</tbody>
</table>

Note: * Responsibility for these outputs is shared with the Minister for Education and the Minister for Post Compulsory Education, Training and Employment

100 Ibid
8.8.2 2001-2002 outlook for the portfolio

Key strategies for the Office for Youth for 2001-2002 have been revised to:

- increase young people's opportunities for self-expression, participation and development;
- develop and support partnerships across Government and between Government, community and business sectors that result in quality services for young people; and
- create and improve opportunities for young people to be recognised by and to interact with Government.

The Committee was advised that the Office for Youth is seeking opportunities for greater engagement of Local Government in youth policy and service delivery. The community consultation stage to underpin the development of the Government’s Victorian Youth Strategy has commenced and the strategy is expected to be completed by August 2001.101

8.8.3 Analysis of the 2001-2002 Budget

The Budget allocation for 2001-2002 for the output group Youth has increased by 3.6 per cent to $5.7 million compared to the previous year.

8.8.4 Performance measures

The budget for 2001-2002 includes two new major outputs, namely Youth Policy Coordination and Services to Youth, replacing Youth Affairs, the major output for 2000-2001. Within the new major outputs, the Office for Youth has established the following new performance measures:

- Ministerial Youth Round Tables;
- ministerial satisfaction with policy advice;

101 Response by the Department of Education, Employment and Training to the Committee’s 2001-2002 estimates questionnaire, p. 37
new student intake to the Victorian Youth Development Program;
• event attendance at FReeZa activities; and
• hits recorded on the youth website.

The Office intends to develop appropriate indicators of youth well-being in 2001-2002 in conjunction with the Youth Strategy. The Department has indicated that it will, following the development of indicators, consider benchmarking performance against other States.

8.8.5 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 that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Victorian Youth Strategy

In February 2001, the Minister announced the release of a public discussion paper on the Victorian Youth Strategy which is to provide a focussed approach to dealing with youth issues. During July 2001, the Office for Youth was drafting the Strategy which was expected to be completed in September 2001.

The Youth Strategy will assist the Government to plan and deliver services to young people which:

• reflect their diversity of needs and interests;
• offer them an opportunity to have their say in the process;
• improve their life chances and provide opportunities for participation and development;
• reflect partnership arrangements with other levels of Government, the community and business sectors; and

102 Media Release by the Minister for Youth Affairs, dated 8 February 2001
• ensure the different parts of Government work in concert.

In relation to the Youth Strategy, an Interdepartmental Committee for Youth chaired by the Secretary of the Department of Education, Employment and Training will provide a high level forum for cooperative policy development and advice on youth related issues, and better coordination of services for young people across Victorian Government agencies.

As the Victorian Youth Strategy is a significant initiative to ensure synergy of activities by various Departments relating to youth affairs across the State, it is important that the Office for Youth finalise its completion of the strategy as soon as possible.

(b) FReeZa

FReeZa is a Victorian Government program in partnership with Local Government and local communities, for people aged 12 to 25 and targeting people in the 14 to 18 age group. The program provides the opportunity for young Victorians to enjoy live band events and dance parties in drug and alcohol-free, supervised, safe and secure venues.

The program requires each of 60 contracted providers to stage a minimum of eight events per year with FReeZa funding. On this basis, around 480 events were expected to be held in 2001-2002, although in previous years a greater number of events have been staged.103

All FReeZa providers must adhere to guidelines developed by the Office for Youth, as part of their contractual agreement to provide events. In this context, providers are required to ensure that events are safe and drug and alcohol free by:

• employing registered security providers;
• liaising with local police for attendance and support at each event;
• engaging first aid providers;

103 Correspondence, received 28 July 2001, from the Minister for Youth Affairs
• establishing linkages with local community-based health services which use the events to promote their services and provide harm minimisation and adolescent health messages; and

• event activities being supervised by youth workers and adult volunteers.

During 2000-2001, the FReeZa program received $2 million through the Office for Youth. In respect of the 2001-2002 year, funding of $1 million will be provided from the Community Support Fund for the period July to December 2001. The Minister indicated to the Committee that, for the balance of the 2001-2002 year to June 2002, the program would be funded from within the Office for Youth.

The Minister indicated that the future of the program is to be considered in the context of the development of the Victorian Youth Strategy and may involve partnerships with other organisations to reinforce the role of FReeZa.

In relation to running the program, the Minister advised the Committee that while the Office for Youth monitors FReeZa events, the ultimate responsibility for the maintenance of a safe and drug and alcohol-free environment for young people at these events rests with the FReeZa providers.

The Committee endorses the FReeZa program as a very important contribution to youth development.

The Committee believes that the issue of where responsibility rests for events run under the FReeZa program needs to be clarified.

Accordingly, the Committee recommends that:

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104 Media release from the Minister for Youth Affairs, dated 1 June 2001
105 Hon. J Madden, MLC, Minister for Youth Affairs, transcript of evidence, 8 June 2001, p. 112
106 Ibid, p. 112
107 Correspondence, received 28 July 2001, from the Minister for Youth Affairs
Recommendation 8.9:

The Office for Youth ensure:

(a) regular monitoring of FReeZa events to ensure compliance with all contractual obligations, particularly those relating to health, safety and security; and

(b) there is an appropriate accountability regime for the FReeZa program.
Key Findings:

9.1 The Department is experiencing specific shortages of expertise in key areas such as experienced social workers (particularly child protection workers), qualified juvenile justice workers, information technology professionals, finance experts and direct care workers.

9.2 A key challenge for Victoria’s public hospital system is to cater for the general growth in demand in public hospitals of between 2 and 3 per cent per year and the continued growth in emergency admissions.

9.3 There has been a significant increase in waiting times for restorative dental care and dentures since the Commonwealth Government’s decision to discontinue funding of the public dental program.

9.4 No clear set of competencies has been established for the workforce providing services to people with disabilities.

9.5 There is considerable concern about the number of different placements experienced by young people in care.

9.6 One of the major challenges in the delivery of aged care services is Victoria’s disadvantaged position compared with other States in relation to Commonwealth funding.
Key Findings (continued):

9.7 Currently, Victoria has the lowest ratio of aged residential beds in Australia with 80 beds per 1,000 people aged 70 years and above, significantly short (5,000 operational beds) of the Commonwealth benchmark of 90 beds per 1,000 people aged 70 years and above.

9.8 The Government estimates a shortfall of 10,400 aged care beds in Victoria by 2012.

9.9 The shortfall in aged care beds in Victoria will continue to place pressures on the remainder of the health and aged care system.

9.10 The inability of the Commonwealth-State Housing Agreement to keep pace with need remains a key issue with the level of funding to Victoria decreasing in real terms by approximately 30 per cent since 1989-1990 from $304 million to $214 million in 2000-2001.

9.11 Victoria receives approximately 21.5 per cent of the funding available from the Commonwealth Government’s Supported Accommodation Assistance Program, despite having 25 per cent of Australia’s population.

9.1 Departmental overview

The Department of Human Services’ principal responsibilities, mostly provided by agencies under funding and service agreements, are to provide:

- health care services through the public hospital system, community health centres and ambulatory services;
- residential, rehabilitation and home care for older and disabled persons;
• housing to low income citizens and crisis accommodation and support to the homeless;
• health, welfare and community services to vulnerable families and individuals;
• education, regulation and prevention of illness, disability and distress; and
• concessions to lower income groups in order to increase the affordability of essential services.

The Department provides services to four ministerial portfolios: Health; Community Services; Aged Care; and Housing.

9.2 Output management framework

The Department’s 2001-2002 output management framework is shown in Exhibit 9.1 below.

Exhibit 9.1: Department of Human Services - Output Management Framework

<table>
<thead>
<tr>
<th>Departmental output group</th>
<th>2000-2001 Budget ($ million)</th>
<th>2000-2001 Revised ($ million)</th>
<th>2001-2002 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Services</td>
<td>3,325.3</td>
<td>3,542.1</td>
<td>3,737.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Sub-Acute Health Services</td>
<td>299.9</td>
<td>322.5</td>
<td>345.8</td>
<td>15.3</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>220.6</td>
<td>217.4</td>
<td>225.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Aged and Home Care</td>
<td>642.9</td>
<td>660.8</td>
<td>685.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Primary Health</td>
<td>121.4</td>
<td>117.3</td>
<td>131.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Dental Health</td>
<td>78.9</td>
<td>79.4</td>
<td>83.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Mental Health</td>
<td>493.5</td>
<td>512.2</td>
<td>527.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Public Health and Drugs</td>
<td>216.6</td>
<td>226.2</td>
<td>237.3</td>
<td>9.6</td>
</tr>
<tr>
<td>Disability Services</td>
<td>668.5</td>
<td>666.1</td>
<td>713.4</td>
<td>6.7</td>
</tr>
<tr>
<td>Community Care</td>
<td>497.7</td>
<td>505.5</td>
<td>532.7</td>
<td>7.0</td>
</tr>
</tbody>
</table>
As shown in Exhibit 9.1, the Department’s budget allocation for 2001-2002 was $7,936.7 million representing a $683.3 million or 9.4 per cent increase from 2000-2001.

The Committee noted that there has been significant change to the Department’s output group structure in 2001-2002 from nine output groups to twelve. While seven output groups remain unchanged from 2000-2001, relevant structural changes in 2001-2002 include:

- the creation of a new output group Sub-Acute Health Services which was included as an output under the Acute Services output group in 2000-2001;
- a new output group Aged and Home Care has been included in the 2001-2002 Budget Papers replacing the Aged and Primary Health output group in 2000-2001, Primary Health has been made a separate output group;
- the issue of drugs has been given higher priority in 2001-2002 with the Public Health Services output group used in 2000-2001 changed to the Public Health and Drugs output group in 2001-2002; and
- dental health activities have been transferred from the Aged and Primary Health output group in 2000-2001 to a new Dental Health output group in 2001-2002.
The Department advised that during 2000-2001, as part of its response to the Committee’s inquiry into Department of Human Services service agreements, a review of the Department’s accountability structures was undertaken to promote strong connections between the budget output structure and the service agreement structure. The new structure is to support the simplification of reporting requirements in service agreements and create a link between the budget output structure and the activity and performance measures included in service agreements.108

9.3 Financial analysis

The operating statement for the Department of Human Services is shown as follows:

Exhibit 9.2: Department of Human Services - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>7,500.4</td>
<td>7,879.1</td>
<td>8,262.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>7,555.9</td>
<td>7,891.9</td>
<td>8,289.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>(55.5)</td>
<td>(12.8)</td>
<td>(26.6)</td>
<td>(77.0)</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>80.4</td>
<td>95.2</td>
<td>83.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>6.3</td>
<td>6.3</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>31.1</td>
<td>88.7</td>
<td>59.7</td>
<td>185.0</td>
</tr>
</tbody>
</table>

Source: Department of Human Services response to the Committee’s 2001-2002 estimates questionnaire, p. 44

108 Department of Human Services response to the Committee’s 2001-2002 estimates questionnaire, p. 4
The Committee's analysis of the 2000-2001 estimate compared to estimated actual operating statement shows that variations for operating revenue and operating expenses are moderate with a 5 per cent ($378.7 million) and 4.4 per cent ($336 million) increase respectively.

The Department expects a significant increase ($57.6 million) in its operating surplus in 2000-2001 from an estimated $31.1 million to an estimated actual of $88.7 million. This increase is the result of a number of factors, including:

- an estimated surplus ($38.1 million) which was not accounted for in the original 2000-2001 estimate;
- $15 million for the value of assets received free of charge not budgeted in the original 2000-2001 estimate;
- the addition of $14.8 million in revenue for increases in net assets which is primarily due to a $34.6 million equity injection to improve hospital liquidity positions, this was partly offset by changes to the cash flow forecasts for a number of asset investment projects; and
- increased usage of the previous year's surplus which was initially estimated at $60 million to an actual estimate of $70.4 million.

9.3.1 Other revenue and other expenses

The Committee's analysis of items in the 'other revenue' and 'other expenses' classifications, which contain estimated budget amounts of $873 million and $670.5 million respectively in 2001-2002, shows that significant material amounts still remain undisclosed. The Committee reiterates the views contained in Report No. 38 and again recommends that:

109 Ibid, p. 45
Recommendation 9.1:

The Secretary of the Department of Human Services ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

9.4 Management Reform Program

The Department advised that in 2000-2001 it undertook a formal assessment of the Management Reform Program (MRP) in order to identify departmental progress achieved to date and the strategies required to support continuous improvement.110

The review found that while the MRP had facilitated an improved understanding of output management, there was a need to improve the links between outputs, outcomes and the Government’s strategic priorities. Improvements are required because priorities are not being fully identified or properly communicated, and there is less than optimal alignment of outputs to Government outcomes. The Committee was advised that these weaknesses are to be addressed through the development of an outcomes framework to articulate strategic objectives and a review of outputs and performance measures.

The Committee was also advised that the Department has proposed a number of other strategies resulting from the review and previous recommendations made by the Committee. These include:111

- in consultation with the Social Development Cabinet Committee, develop whole-of-government outcome indicators;
- streamlining and continuous improvement of service agreement performance indicators;

110 Ibid, p. 64
111 Ibid, p. 65
• revamping of agency data collections through an integrated community agency data collection system which can be tailored to the mix of activities delivered by individual agencies;

• establishment of a Budget Strategy and Monitoring Committee, to be chaired by the departmental Secretary to provide a strategic focus to resource management and to streamline processes and improve outcomes; and

• establishment of a Risk Management Committee to develop a risk management framework.

The Committee is pleased to note the review of the MRP undertaken by the Department in 2000-2001, and the remedial actions proposed. However, it will be important that these strategies are coordinated to ensure that all activities produce an effective outcomes framework that allows timely, accurate and relevant performance information to be produced.

9.5 Human resources issues

The Department estimated it will have 63,039 Equivalent Full Time staff in the human services portfolio at 30 June 2001. This compares with an actual staffing level of 59,274 at 30 June 2000.
Exhibit 9.3: Department of Human Services - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th></th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
<td>9,464</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>External Agencies</strong></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>3,963</td>
<td>4,040</td>
</tr>
<tr>
<td>Nursing</td>
<td>20,023</td>
<td>22,000</td>
</tr>
<tr>
<td>Medical Support</td>
<td>8,026</td>
<td>8,380</td>
</tr>
<tr>
<td>Section 97 Staff</td>
<td>325</td>
<td>270</td>
</tr>
<tr>
<td>Other</td>
<td>13,169</td>
<td>13,700</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td><strong>45,506</strong></td>
<td><strong>48,390</strong></td>
</tr>
<tr>
<td>Community Health Program</td>
<td>803</td>
<td>803</td>
</tr>
<tr>
<td>HACC Agencies, Palliative Care etc.</td>
<td>1,591</td>
<td>1,591</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>1,690</td>
<td>1,784</td>
</tr>
<tr>
<td>Victorian Institute of Forensic Mental Health</td>
<td>220</td>
<td>271</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59,274</strong></td>
<td><strong>63,039</strong></td>
</tr>
</tbody>
</table>

Source: Response by Department of Human Services to the Committee’s 2001-2002 estimates questionnaire, p. 36

Exhibit 9.3 shows there has been an estimated 3,765 (approximately 6.4 per cent) increase in equivalent full time staff for the portfolio. The Department advised the following reasons for staff increases:\[112]\n
- the implementation of 2000-2001 budget initiatives (251.5 EFT staff) which involved the recruitment of staff directly rather than relying on the use of outsourcing, major staffing categories affected include disability workers, school nurses, child protection and juvenile justice workers;

\[112\] Ibid, pp. 36-37
• the establishment of project teams to work on the major capital redevelopment of the Austin and Repatriation Medical Centre and the relocation of the Mercy Hospital;

• insourcing of 23 Information Technology contractors in the Information Services Branch;

• appointment of 22 contract staff in the property service branch in the Office of Housing;

• establishment of a Nursing Home Accreditation Support Unit, Nursing Home Policy Review Unit and Funding Reform Program;

• increase in staffing of 2,884 in public hospitals and aged care centres has mainly resulted from the enterprise bargaining agreement with nurses. The implementation of the agreement required a range of professional development initiatives aimed at retaining and recruiting nurses into the health workforce; and

• an increase of 94 EFT staff in ambulance services due to the implementation of the Emergency Operations Plan requiring increases in the number of stations and paramedics in metropolitan Melbourne and in rural Victoria.

9.5.1 Key staffing issues

The Department advised it was experiencing specific shortages of expertise in some key areas such as experienced social workers (particularly Child Protection Workers), qualified juvenile justice workers, information technology professionals, finance experts and direct care workers.113

Strategies adopted by the Department to address these skill shortages include development of:

• resources for application in areas experiencing shortfalls as part of its organisation wide Human Resources Strategy; and

113 Ibid, p. 41
• a workforce plan for staff in direct care including strategies for the recruitment and retention of appropriately qualified staff.

The Committee notes that skill shortfalls identified by the Department in 2001-2002 are almost identical to those identified in the Committee’s report on the 2000-2001 Budget Estimates. Accordingly, the Committee supports the Department’s initiatives to promote the recruitment of skills in these areas. However, it will be important for the Department to carefully monitor the success of these initiatives, and to take appropriate remedial action where necessary.

9.5.2 Age profile of departmental staff

The Committee notes that the Department has experienced staff and skill shortages in the child protection area for a number of years. The classification within the Department attributable to child protection workers is the Child, Adolescent and Family Worker (CAFW). Given the staffing problems experienced by the Department in recent years, the Committee analysed the age profile of the CAFW classification at 30 April 2001.

Exhibit 9.4: Age profile of CAFW staff as at 30 April 2001

<table>
<thead>
<tr>
<th>Classification</th>
<th>15 - 24</th>
<th>25 - 29</th>
<th>30 - 34</th>
<th>35 - 39</th>
<th>40 - 44</th>
<th>45 - 49</th>
<th>50 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAFW1</td>
<td>22</td>
<td>60</td>
<td>75</td>
<td>66</td>
<td>67</td>
<td>57</td>
<td>66</td>
<td>413</td>
</tr>
<tr>
<td>CAFW2</td>
<td>105</td>
<td>147</td>
<td>91</td>
<td>52</td>
<td>59</td>
<td>50</td>
<td>59</td>
<td>563</td>
</tr>
<tr>
<td>CAFW3</td>
<td>2</td>
<td>90</td>
<td>60</td>
<td>44</td>
<td>49</td>
<td>45</td>
<td>64</td>
<td>354</td>
</tr>
<tr>
<td>CAFW4</td>
<td>0</td>
<td>18</td>
<td>56</td>
<td>26</td>
<td>32</td>
<td>24</td>
<td>50</td>
<td>206</td>
</tr>
<tr>
<td>CAFW5</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>18</td>
<td>22</td>
<td>13</td>
<td>25</td>
<td>91</td>
</tr>
<tr>
<td>CAFW6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>TOTAL</td>
<td>129</td>
<td>315</td>
<td>295</td>
<td>207</td>
<td>230</td>
<td>192</td>
<td>270</td>
<td>1,638</td>
</tr>
</tbody>
</table>

Source: Department of Human Services response to the Committee’s 2001-2002 estimates questionnaire, p. 38

The Committee’s analysis showed:
• the spread of ages across the CAFW classification is relatively even with the higher CAFW classifications at the higher end of the age spectrum;

• the most significant ages category for CAFW workers is 25-29 with 19.2 per cent of the population;

• 61 per cent of CAFW2 workers are under 35 years which augurs well for these workers to obtain higher levels as they gain more experience;

• there is only one CAFW6 worker under the age of 40 while only two workers are under 45 years of age; and

• 16.5 per cent of the entire CAFW workforce is over 50 years, however 45 per cent are 34 years and under.

In addition, the Committee analysed the female to male staffing ratios for CAFW workers. The Committee's analysis found:

• the overall male to female ratio for the CAFW workforce is 29:71;

• there is a greater percentage of males in the CAFW1 category (54.4 per cent). However, in all other categories, females comprise between 68 and 83 per cent; and

• males comprise between 32 and 40 per cent in all age categories except 15-24 (8.5 per cent) and 25-29 (13.3 per cent).

Accordingly, the Committee recommends that:

Recommendation 9.2:

The Department of Human Services:

(a) adopt staff retention strategies to ensure the Department retains its CAFW workforce; and

(b) develop and implement staff recruitment strategies to address the small percentage of younger males that are entering the CAFW workforce.
9.6 Health portfolio

9.6.1 Background

The Minister for Health has responsibility for six output groups that account for $4,942.6 million in 2001-2002, this represents a 10.9 per cent increase from the budgeted $4,456.3 million in 2000-2001. The Minister for Health has responsibility for the following outputs:

Exhibit 9.5: Health portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Health</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Services</td>
<td>Admitted Services</td>
<td>2,899</td>
</tr>
<tr>
<td></td>
<td>Non-Admitted Services</td>
<td>450</td>
</tr>
<tr>
<td></td>
<td>Emergency Services</td>
<td>165</td>
</tr>
<tr>
<td></td>
<td>Acute Training and Development</td>
<td>157</td>
</tr>
<tr>
<td></td>
<td>Private Hospital Regulation</td>
<td>1</td>
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<tr>
<td></td>
<td>Blood Services</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>Better Health Channel</td>
<td>2</td>
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<tr>
<td>Ambulance Services</td>
<td>Ambulance Emergency Services</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>Ambulance Non-emergency Services</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Training and Development</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Basic Life Support Program</td>
<td>2</td>
</tr>
<tr>
<td>Primary Health</td>
<td>Community Health Care</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>School Nursing</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Primary Health Service System Development and Resourcing</td>
<td>16</td>
</tr>
<tr>
<td>Dental Health</td>
<td>Dental Services</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>Dental Service System</td>
<td>2</td>
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<tr>
<td></td>
<td>Development and Resourcing</td>
<td></td>
</tr>
<tr>
<td>Mental Health</td>
<td>Clinical Inpatient Care</td>
<td>210</td>
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<tr>
<td></td>
<td>Clinical Community Care</td>
<td>240</td>
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<tr>
<td></td>
<td>Psychiatric Disability Support Services</td>
<td>59</td>
</tr>
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<td></td>
<td>Mental Health Service System Development and Resourcing</td>
<td>18</td>
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</table>
Exhibit 9.5 (continued)

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Health</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health and Drugs</td>
<td>Disease Prevention, Control and Surveillance</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>Drug Prevention and Control</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Drug Treatment and Rehabilitation</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Health and Social Development</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Environmental Health and Safety</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Food and Activity</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Biomedical Research, Ethics and Safety</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Public Health Research, Information and Training</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4,943</td>
</tr>
</tbody>
</table>

9.6.2 2001-2002 outlook for the portfolio

The Committee notes that the 2001-2002 Budget provides for further investment in human services programs to better manage the increasing demand from growth and ageing of the population. The major strategies for the portfolio include:

- implementing a Hospital Demand Strategy to address the increase in emergency admissions and elective surgery waiting lists in the major metropolitan public hospitals;
- developing a quality framework for the Department to encourage continuous service improvement;
- improving service viability and service delivery, in particular non-government placement and support services;
- upgrading information and communication technology to improve integration of the Department’s major information technology systems;
• strengthening disease control and environmental health, in particular a new regulatory framework to reduce the incidence of legionnaires disease from cooling towers, and expansion of immunisation services;
• extending access to dental services and reducing the cost of dentures for disadvantaged individuals;
• implementing the Victorian Government Drug Initiative; and
• the commencement of the redevelopment of the Austin and Repatriation Medical Centre.

9.6.3 Analysis of the 2001-2002 Budget

The Committee’s analysis of the 2001-2002 budget for the Health portfolio shows a $486.3 million or 10.9 per cent increase over 2000-2001. Key budget initiatives for 2001-2002 include:

• $96 million ($384 million over four years) for increased capacity to respond to demand growth, in particular demand for emergency services, and to reform patient care processes in hospital;
• recruitment and retention of nurses in public hospitals ($96.2 million);
• substitution of more appropriate care options for people in acute beds ($12 million);
• investment in preventative programs which improve management of chronic conditions and reduce readmissions ($17 million);
• commencement of the redevelopment of the Austin and Repatriation Medical Centre, including the move of the Mercy Hospital for Women to the Austin Hospital ($45 million);
• an increase of $4.7 million to cater for growth in demand for ambulatory services and to commence the operations of a new air ambulance helicopter to be based in rural Victoria;
an additional $11 million in Primary Health for allied health services for people with chronic and complex conditions, to implement the Government’s commitment to introduce community-based elections for the boards of community health centres and for the employment of school nurses;

• approximately $4 million to cater for the general growth in demand for community dental services, and to enable more children to receive dental care through the School Dental Program;

• $3 million for the employment of mental health workers in programs and services aimed at improving access by the Koori community to mental health services;

• the implementation of the Government’s tobacco reform, including strategies aimed at preventing the uptake of smoking by young people ($2.9 million);

• the expansion of breast screening services ($1.2 million); and

• continuation of the Government’s implementation of new drug treatment and rehabilitation services as part of the Victorian Drug Initiative launched in November 2000 ($12 million).

9.6.4 Performance measures

The Committee notes the Department undertook a review of its output structure in 2000-2001 and has subsequently adopted a new structure aimed at simplifying reporting requirements in service agreements, and creating a link between the output structure contained in the Budget Papers and performance measures included in service agreements. As a result, the number of output groups under the Health Portfolio increased from five to six with the number of outputs also increasing from 25 to 28.

The Committee’s analysis of the performance measures used in 2001-2002 shows that the number has increased from 118 in 2000-2001 to 122 in 2001-2002. The Committee believes the following improvements can be made:
an explanation of the performance measure Weighted Inlier Equivalent Separations (WEIS) (multi and same day services) (WEIS 8) as it is very difficult for an uninformed reader to understand;

a review of the target (95 per cent) for the performance measure Emergency Patients admitted within the recommended period (<12 hours) located in the admitted services output given that actual and expected results from these services are well below that mark;

inclusion of a performance measure in the Emergency Services output relating to the number of bypass hours at the same 30 hospitals analysed to present data on Emergency Department presentations;

consistent with the Committee's comment in its 2001-2001 Budget Estimates report, there is a need for a performance measure relating to the number of nurses graduating each year, given the Department's adoption of nurse recruitment strategies;

inclusion of a performance measure in the School nursing output relating to the percentage of prep aged students assessed by school nurses, as this provides a much better indication of student coverage than the existing measure which shows the number of students assessed;

inclusion of a note to the Dental Services output information on the national benchmarks on waiting times as this is a specific output group objective and is not specifically mentioned in the Budget Papers; and

inclusion of timeliness performance measures in the Mental Health output Group as a major objective relates to reducing waiting times to at or below the national benchmarks. However, there are no measures relating to this.
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 that will impact on the portfolio and the budget estimates for 2001-2002.

(a)  Victorian Public Hospital Demand Strategy

The Committee was advised that a key challenge for Victoria’s public hospital system, as with other Australian States, is to cater for the general growth in demand in public hospitals of between 2 and 3 per cent per annum and the continued growth in emergency admissions.\(^{114}\)

The Minister advised that the growth in emergency admissions was very serious and will be difficult to control over many years.\(^{115}\) This demand pressure has resulted in a growth in ambulance bypass incidents and longer waiting times in emergency departments. The percentage annual growth in emergency patients at 12 major metropolitan hospitals since June 1998 is shown in the following exhibit.

\(^{114}\) Hon. J Thwaites, MP, Minister for Health, transcript of evidence, 27 June 2001, p. 228

\(^{115}\) Ibid
The major causes for these pressures revolve around the growing and ageing population and new treatment options arising from medical technology that result in people living longer. This situation has resulted in the public hospital system experiencing a number of severe capacity constraints including shortages in the overall number of acute and aged care beds, in the number of nurses required to meet demand growth and in the level of funding required.

In order to address these significant areas of concern, the Minister advised that the Government has adopted the Victorian Public Hospital Demand Strategy. The Strategy is a five-part policy response to create the capacity required to meet growing demand, including:

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116 Ibid
creation of extra capacity through the allocation of $96 million in 2001-2002 ($384 million over four years) for growth in acute care, treatment of an additional 3 per cent of inpatients (30,000 in 2001-2002) in each of the next three years, capital funding for extra capacity ($30.5 million) and the conduct of major capital upgrades ($376.3 million);

diversion of people to alternative care options through the allocation of $48 million over four years to expand existing substitutes for acute care beds, attachment of short stay units to emergency departments and the establishment of Medical Assessment and Planning Units;

working with clinicians to achieve changed patient management practices;

a four-year $150 million program to keep people out of hospital, particularly older people and those with chronic health conditions that are constantly readmitted through emergency departments; and

improved working conditions that will attract and retain nurses.

The Committee is concerned at the extent of current and future demand pressures on Victoria’s public hospital system, and supports the Government’s initiative in developing the Strategy and addressing this problem using a multi-faceted approach.

(b) Victoria’s dental care waiting lists

The Committee notes the Government’s recognition of the importance of dental care services to the community through the creation of a separate output group Dental Health in the Department’s 2001-2002 output group structure. The Committee also noted that waiting times for restorative dental care and for dentures are currently very significant and have shown very little, if any, improvement since 1999-2000. The Committee was advised of the following waiting times:117

117 2001-2002 Budget Paper No. 3, Budget Estimates, p. 69
• for restorative dental care in 1999-2000 was 17 months while the expected outcome for 2000-2001 has increased to 20 months, the 2001-2002 target is also 20 months; and

• for dentures was 24 months in 1999-2000 and the expected outcome for 2000-2001 was 23 months which is also the 2001-2002 target.

The Minister advised that the current waiting lists are not satisfactory and are a consequence of the decision by the Commonwealth Government to discontinue funding of the public dental program. Accordingly, the Government has allocated a substantial level of funding to the provision of dental care with an additional $21.35 million allocated in 1999-2000 and $8.4 million over four years in 2001-2002. The majority of these funds have been directed towards the provision of free dental care for secondary school students whose parents are concession card holders.

While the Committee supports the initiatives taken by the Government in this area, the current waiting lists are too long and appropriate remedial action is required.

Accordingly, the Committee recommends that:

**Recommendation 9.3:**

(a) The Government has urgent discussions with the Commonwealth Government in relation to funding for public dental care; and

(b) The Department of Human Services develop an action plan aimed at reducing the substantial waiting lists for restorative dental care and for the provision of dentures.

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(c) Legionnaires’ disease

A major health concern that has developed over a number of years has been the outbreak of legionella in Victorian workplaces. The Committee was advised that a number of measures have been adopted by the Government to prevent the incidence of legionella outbreaks in future years.\footnote{Department of Human Services, information supplied on notice from estimates hearing, 27 June 2001, p. 6}

A number of regulatory requirements have been implemented by the Government including:

- a requirement for all property owners to register their cooling tower systems with the Building Control Commission prior to 1 September 2001, with Risk Management Plans to be developed before September 2002;
- compliance certificates to be issued under new regulations for all plumbing work associated with cooling towers to ensure that appropriate installations and structural works occur; and
- the commencement of Health (Legionella) Regulations in March 2001 that mandate cooling tower maintenance requirements. These regulations contain more stringent requirements on maintaining water quality than the previous Health (Infectious Diseases) Regulations 1990 and set out specific procedures if high bacterial presence, including legionella, is found in cooling towers.

The Department also advised that a Legionella Risk Management Strategy has been developed to ensure that industry has developed risk management plans (specific to each cooling tower), which are then independently audited for compliance with the regulatory framework.\footnote{Ibid} Organisations will be required to control the cooling tower system in areas such as water quality, presence of biofilm and minimising nutrient growth. The Government has allocated $700,000 in 2001-2002 to implement the new regulations.
which will be recurrently funded from revenue generated by registration fees.

In relation to the outbreak of legionella in public hospitals, the Department advised that all public hospitals and other buildings in the health portfolio were notified that compliance dates were to be brought forward. 121 This resulted in the registration of cooling tower systems with the Building Control Commission being required by 1 June 2001, a completed risk management plan by 30 September 2001 and an independent audit of risk management plans by September 2002.

In addition, $4 million has been allocated in 2001-2002 to upgrade hospital cooling towers.

The Committee has been concerned at the extent of legionella outbreaks in Victoria and supports the remedial actions taken by the Government. However, it will be important that compliance with the requirements of relevant regulations is strictly monitored.

Accordingly, the Committee recommends that:

**Recommendation 9.4:**

The Department of Human Services adopt a comprehensive and well resourced monitoring process to ensure compliance with the Health (Legionella) Regulations.

(d) Financial viability of Victorian public hospitals

The Committee noted that the Auditor-General’s Report on Ministerial Portfolios, June 2001, made comment on three public hospitals considered to be operating under financial difficulties based on the latest reported accounting data to June 2000. This situation is compared to eight hospitals identified in the Report on Ministerial Portfolios in May 1999 and 18 hospitals in the May 1998 Report.

121 Ibid
The Department advised that additional funding has been provided in recent years, including $459 million for acute and sub-acute services and an injection of $34.6 million in July 2000 to address liquidity issues of the new metropolitan health services.\textsuperscript{122} In addition, the Government has adopted a number of additional measures aimed at ensuring hospitals operate in a surplus position, namely:\textsuperscript{123}

- the Department assume the liability arising from the net increase in long service leave provisions of public hospitals;
- adjusting the casemix formula to account for extra emergency admissions;
- recognising the increase in annual leave liabilities from wage increases;
- a requirement for all Metropolitan Health Services and rural hospitals to publish annual reports with full financial statements audited by the Auditor-General, and monitored closely by the Department, by September 2001; and
- the conduct of broad ranging management reviews to assist hospitals in improving their business processes and financial position.

The Committee supports the measures adopted by the Government through the introduction of additional funding and in providing assistance to hospitals in improving business processes. However, the Committee considers it important that monitoring of each hospital’s financial position occurs on a continual basis.

\textsuperscript{122} Ibid, p. 11
\textsuperscript{123} Ibid
9.7 Community Services portfolio

9.7.1 Background

The Minister for Community Services has responsibility for three output groups that account for $1,532.4 million in 2001-2002, which represents a 5.9 per cent increase from the budgeted $1,446.9 million in 2000-2001.

The Minister for Community Services has responsibility for the following outputs:

Exhibit 9.7: Community Services portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Community Services</th>
<th>Output Cost $ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>DisAbility Services</td>
<td>Intake Assessment</td>
<td>9.8</td>
</tr>
<tr>
<td></td>
<td>Planning and Coordination</td>
<td>19.3</td>
</tr>
<tr>
<td></td>
<td>Primary Support</td>
<td>70.6</td>
</tr>
<tr>
<td></td>
<td>Community Participation</td>
<td>141.4</td>
</tr>
<tr>
<td></td>
<td>Flexible Support Packages</td>
<td>17.4</td>
</tr>
<tr>
<td></td>
<td>Community and Home Based Support</td>
<td>57.2</td>
</tr>
<tr>
<td></td>
<td>Shared Support Accommodation</td>
<td>302.2</td>
</tr>
<tr>
<td></td>
<td>Specialist Services</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>Congregate Care</td>
<td>70.1</td>
</tr>
<tr>
<td></td>
<td>Training, Development and Innovation</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>Quality and Accreditation</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>Strengthening Communities</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Information and Advocacy Services</td>
<td>5.1</td>
</tr>
<tr>
<td>Community Care</td>
<td>Early Childhood Services</td>
<td>162.6</td>
</tr>
<tr>
<td></td>
<td>Family and Community Support</td>
<td>78.2</td>
</tr>
<tr>
<td></td>
<td>Protection and Placement</td>
<td>237.5</td>
</tr>
<tr>
<td></td>
<td>Juvenile Justice Services</td>
<td>54.4</td>
</tr>
</tbody>
</table>
Exhibit 9.7 (continued)

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Community Services</th>
<th>Output Cost $ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concessions to Pensioners and Beneficiaries *</td>
<td>Energy Concessions</td>
<td>93.0</td>
</tr>
<tr>
<td></td>
<td>Water and Sewerage Concessions</td>
<td>69.5</td>
</tr>
<tr>
<td></td>
<td>Municipal Rates Concessions</td>
<td>56.8</td>
</tr>
<tr>
<td></td>
<td>Trustee Services</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,470.6</strong></td>
</tr>
</tbody>
</table>

Note: * This output group includes funding for transport concessions ($61.8 million) transferred to the Department of Infrastructure’s Regional and Rural Transport Services and Metropolitan Transport Services output groups. This accounts for the difference in output value in Exhibit 9.7 ($1,470.6 million) and the total value of the three output groups ($1,532.4 million)

9.7.2 2001-2002 outlook for the portfolio

The strategic budget priorities of the Community Services Portfolio for 2001-2002 include:

- preparation of the Metropolitan Health Plan and the Rural Human Services Strategy to better distribute services across geographical areas;
- the redevelopment of placement and support residential care facilities;
- upgrading the standard of placement and support facilities for children in need of protection;
- development of a “Best Start” early childhood strategy, continued implementation of the juvenile diversion strategy and development of a comprehensive service response for adolescents at risk;
- enhancing social inclusion for people with disabilities, focusing in particular on the State’s DisAbility Plan, additional in-home services and consolidation of rural access services for people with disabilities;
• promoting and expansion of home-based care as the placement option of choice for children and young people unable to remain living with their birth families; and

• upgrading information and communication technology including systems which support Community Care and DisAbility direct service delivery.

9.7.3 Analysis of the 2001-2002 Budget

The Committee’s analysis of the 2001-2002 Budget Papers shows the funding allocations for output groups under the Community Services portfolio have increased by $85.5 million or 5.9 per cent. Key initiatives funded by this increase include:

• $6 million for shared supported accommodation to benefit 100 people with disabilities in urgent need of accommodation services;

• $7 million to assist 900 young people with disabilities leaving school in 2001 to make a successful transition to a range of adult service options;

• $5.9 million for up to 150 individuals and families with disabilities to live in their home and community;

• $3.3 million for additional support to families through planned and emergency respite care;

• $3.1 million to assist families who are caring for a family member with high support needs;

• $7.5 million to improve service provision for young people in residential care;

• $1 million to expand after hours services in rural regions for child protection services;

• $2.6 million to implement a quality improvement strategy in the DisAbility Services area, principally in response to the Auditor-General’s Report on services for people with intellectual disability;

• $4 million to maintain preschool grants; and
• $12 million over three years to upgrade residential care facilities for children removed from their families or primary care givers.

9.7.4 Performance measures

The Department’s review of its output structure has resulted in a number of changes to output groups under the Community Services Portfolio. The impact on the relevant output groups include:

• an increase in the number of outputs within the DisAbility Services output group from nine to 13, and a subsequent increase in the number of performance measures from 34 to 50;

• a reduction in the number of outputs in the Community Care output group from five to four, and a subsequent reduction in performance measures from 30 to 27; and

• no change to the outputs or performance measures in the Concessions to Pensioners and Beneficiaries output group.

The Committee’s analysis of the performance measures used in 2001-2002 shows substantial improvement in the quality of performance information contained in the DisAbility Services output group, particularly in relation to the timeliness of service delivery. However, the Committee notes there has been very little change in the performance measures contained in the Community Care output group.

The Committee made a number of suggestions in its 2000-2001 Budget Estimates report that related particularly to the provision of child protection and placement services, and notes that no changes were implemented. The Committee still believes that improvements to performance information are warranted, and reiterates the suggestions made in the 2000-2001 estimates report.124

Accordingly, the Committee recommends that:

**Recommendation 9.5:**

The Department of Human Services review its performance measures for the Community Care output group to provide more meaningful information.

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 that will impact on the portfolio and the budget estimates for 2001-2002.

(a) DisAbility Services

The Committee was informed that a key initiative is the development of a Workforce Learning and Development Strategy to provide a proactive approach to skills development.\(^{125}\) The strategy contains the following key components:

- addressing training needs across both Government (5,000 in the disability workforce) and non-government (7,000 in the disability workforce) sectors;
- ensuring that pre-service training meets the needs of clients;
- restructuring in-service training and relating training activities to qualifications;
- providing scholarships; and
- establishing an ongoing learning and development culture in the delivery of quality disability services.

\(^{125}\) Hon. C Campbell, MP, Minister for Community Services, transcript of evidence, 22 June 2001, p. 167
(b) Victoria’s Juvenile Justice Reform Strategy

The Committee was advised that the Department has implemented a Juvenile Justice Reform Strategy to reduce the requirement for new custodial beds through significant investment in services aimed at diversion, rehabilitation and post-release support. Some of the initiatives delivered under the strategy include:

• expansion of the Adult Court Advice and Support Service for young offenders in the adult court across all metropolitan and rural courts;

• enhancement and expansion of rehabilitation programs at the three juvenile justice centres with an increased emphasis on drug treatment;

• establishment of intensive community placement houses for young women and men; and

• the appointment of additional workers in community based juvenile justice units in metropolitan and rural areas to strengthen parole and pre-release capacity.

The Minister stated that the court system has been confronted with people committing more serious crimes in the past 12 months resulting in an increase in the average length of sentence and the proportion of offenders receiving custodial sentences. However, the strategy has been successful in limiting the requirement for new custodial beds. The following exhibit illustrates the impact of the strategy in the requirement for new beds.

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126 Ibid, p. 180
127 Ibid, p. 166
The above exhibit shows that the projected average occupancy in the event that the new initiatives had not impacted on the length of stay would be 158, while the expected average occupancy for 2000-2001 was 115. The exhibit also shows that average occupancy would have been only 81 had average sentence order lengths not increased.

The Committee is pleased to note that measures adopted in the strategy have been successful in limiting the requirement for new beds in the juvenile justice system. However, the use of diversion and rehabilitation services rather than custodial services does carry a certain risk that recidivism can occur. The Committee
considers it vital for the Department to stringently monitor the activities of young offenders post-release to ensure the level of recidivism is reduced and the outcomes of the Strategy are achieved.

(c) Pre-schools

The Committee noted that in 2000-2001, the Government commissioned a review into the issues that impact on the delivery of pre-school services to children and their families.

The review found that budget reductions of up to $10 million had a profound and negative effect on programs, the level of committee work and on teachers. Accordingly, the decision to replace direct salary payments of early childhood teachers and early childhood assistants with preschool per capita funding resulted in a 20 per cent preschool funding cut, a 120 per cent increase in fees charged in preschools, additional management and administrative workloads for preschool services and undermined the pay and conditions of early childhood teachers.

The Minister emphasised that the Government recognised the need for significant reform and a major injection of funds into the kindergarten system. Accordingly, the Government has allocated an additional $4 million in recurrent funding in both 2000-2001 and 2001-2002, and a further $1 million in pre-school management and payroll support.

The Committee believes that effective preschool education is paramount to the development of Victoria's children and is therefore concerned at the severity of the issues raised by the review of the preschool system. The Committee is pleased to note the allocations of additional preschool funding in 2000-2001 and 2001-2002. However, it will be important for the issues raised in the review to be addressed in a formalised manner to ensure the effectiveness of the measures taken produce maximum outcomes.

128 Ibid, p. 173
(d) Children in care

During the 2000-2001 budget estimates process, the Committee expressed considerable concern about the number of different placements experienced by young people in care. The Minister advised that the Government shared the Committee’s concern and that, in many instances, the reasons for placement breakdown relates to mental health issues and the level of dysfunction children have experienced. Accordingly, the Government has undertaken the following initiatives:

- establishment of a partnership with the Mental Health Services for Kids and Youths (MHSKY) to conduct a study with young people in out-of-home-care to identify the precursors to placement breakdown; and
- conduct an audit on the level of support available to foster families and other people who care for young children.

The Minister also advised that the Government needed to consider whether the best qualified foster and permanent carers are being attracted, given that the needs of children are different from their needs a decade ago. The Minister also raised the possibility of employing full-time professional carers as opposed to foster carers for some of the more difficult children that need one-to-one care.

The Committee believes the issue of placement breakdown is a major community concern and has a negative developmental effect on children already subjected to various levels of dysfunction and supports the current study undertaken in partnership with the MHSKY to identify the precursors to placement breakdown. However, it will be important for the Government to formalise the process of remedial actions adopted.

\[129^{129}\text{Ibid, p. 181}\]
\[130^{130}\text{Ibid}\]
Viability of non-government agencies delivering support services to children and young people

The Committee was informed that a viability study was undertaken in November 2000 to provide advice to the Government on the sustainability of non-government sector agencies providing residential care and options for Government in responding to the identified issues.

The major findings of the study were that:\footnote{Department of Human Services, information supplied on notice from estimates hearing dated 22 June 2001, p. 9}{131}

- the community service organisations (CSO’s) experiencing the greatest stress, at the organisational or program level, were those providing residential services to high risk adolescents; and

- the change in complexity and difficulty in clients, together with the failure of the funding framework to keep pace with the additional costs of caring for high risk adolescents, appeared to be the major factor affecting viability.

In order to address these issues, the Department advised that $7.5 million has been allocated in 2001-2002 to CSO’s for the costs in operating residential care services and to improve the quality of services.\footnote{Ibid}{132} In addition, a set of minimum service standards has been developed in partnership with CSO’s and will be implemented throughout 2001-2002.

The Committee understands that CSO’s operate under enormous pressures, particularly those servicing high risk children and young people in residential care. The Committee is pleased to note that the study was undertaken and that remedial action has resulted. It will be important that the Government continue to monitor the operations of service providers to ensure that quality services are delivered by appropriately qualified staff.

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\footnote{131}{Department of Human Services, information supplied on notice from estimates hearing dated 22 June 2001, p. 9}
\footnote{132}{Ibid}
9.8  Aged Care portfolio

9.8.1  Background

The Minister for Aged Care has responsibility for two output groups that account for $1,030.8 million in 2001-2002, this represents a 9.3 percent increase from the budgeted $942.8 million in 2000-2001. The exhibit below shows the outputs under the Aged Care portfolio.

Exhibit 9.9:  Aged Care portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Aged Care</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Acute Health Service</td>
<td>Admitted Services</td>
<td>255.8</td>
</tr>
<tr>
<td></td>
<td>Non admitted Services</td>
<td>65.0</td>
</tr>
<tr>
<td></td>
<td>Post Acute Care Services</td>
<td>25.0</td>
</tr>
<tr>
<td>Aged Care and Home Care</td>
<td>Positive Ageing</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Aged Care Assessment Services (ACAS)</td>
<td>20.2</td>
</tr>
<tr>
<td></td>
<td>Aged Support Services</td>
<td>111.0</td>
</tr>
<tr>
<td></td>
<td>Aged Residential Care</td>
<td>194.4</td>
</tr>
<tr>
<td></td>
<td>Aged Care Service System</td>
<td>20.7</td>
</tr>
<tr>
<td></td>
<td>Development and Resourcing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HACC Primary Health,</td>
<td>327.8</td>
</tr>
<tr>
<td></td>
<td>Community Care and Support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development and Resourcing</td>
<td>9.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,030.8</td>
</tr>
</tbody>
</table>

9.8.2  2001-2002 outlook for the portfolio

Victoria’s population was projected to grow by approximately 1.2 per cent in 2000-2001 with the number of people aged over 70 expected to increase by 2 per cent per annum. This level of growth will have a significant impact on the demand for health and community care services.
In order to address this issue, the Government has planned a number of output and capital investment initiatives for 2001-2002. These initiatives are aimed at addressing the increase in demand for health and community care services by older Victorians and includes:

- allocation of $2 million over four years ($500,000 in 2001-2002) to encourage the use of palliative care services as a more appropriate form of acute care for long-term patients;
- expansion of Home and Community Care funding ($24 million over four years and $6 million in 2001-2002) to support individuals to live independently and actively participate in the community;
- provision of $19 million over three years ($3 million in 2001-2002) for the redevelopment of the Grace McKellar Centre;
- the expansion and redevelopment of the Angliss Health Service ($3 million in 2001-2002); and
- $2.5 million in 2001-2002 for the continuation of ongoing redevelopment and upgrade of rural health and residential aged care facilities statewide.133

9.8.3 Performance measures

In 2001-2002, the Department introduced an additional output group under the responsibility of the Minister for Aged Care, Sub-acute health services, containing three outputs and 10 performance measures.

The Committee’s analysis of the performance measures used in 2001-2002 shows they do not provide an indication of the quality of services provided in the aged care system. The following key performance measures are not included:

- bed availability rates;
- waiting times for rehabilitation beds;

133 2001-2002 Budget Paper No. 2, Budget Statement, pp. 238-239, 244-245
• waiting times for community care packages;
• the number of patients requiring nursing home care in acute care;
• average time for patients requiring nursing home care in acute care; and
• client satisfaction with aged and home care.

The Committee believes the performance measures used in the Aged Care portfolio are in need of improvement. Accordingly, the Committee encourages the Department to consider the above measures for incorporation into the 2002-2003 Budget Papers.

9.8.4 **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 that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Adequacy of Commonwealth aged care funding

The Minister advised that one of the major challenges for the delivery of aged care services is Victoria’s disadvantaged position compared with other States in relation to Commonwealth funding. The Government does not believe that Victoria receives an equitable share of Commonwealth funding in the two largest programs for older people, including the Residential Aged Care Program and the Home and Community Care Program.

The exhibit below shows the level of residential beds in each State per 1,000 people aged 70 years and above compared to the Commonwealth benchmark at June 2000.

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134 Hon. B Pike, MP, Minister for Aged Care, transcript of evidence, 8 August 2001, p. 441
Exhibit 9.10: Level of residential beds in each State per 1,000 people aged 70 years and above compared to the Commonwealth benchmark at June 2000

Source: Presentation tabled by the Minister for Aged Care at the estimates hearing on 8 August 2001, p. 4

The exhibit shows that Victoria has the lowest ratio of aged residential beds in Australia with a ratio of 80 beds per 1,000 people aged 70 years and above, this ratio falls significantly short of the Commonwealth benchmark of 90 beds per 1,000 people aged 70 years and above. The Minister advised that:

- Victoria needs an additional 5,000 operational beds in order to reach the Commonwealth benchmark;
- in the 18 months from June 2000, Victoria requires 800 beds to account for population growth while so far only 157 additional nursing home beds have become operational since that time;

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135 Ibid
• in order to reach the Commonwealth’s benchmark, an additional 1,400 beds need to be opened each year until 2012 while the current rate of increase in operational bed numbers is less than 100 per year; and

• the Government estimates a shortfall of 10,400 aged care beds by 2012.

The second area of inequity relates to the Home and Community Care Program (HACC). The Minister advised that the Commonwealth Government’s equalisation policy has resulted in a HACC funding decrease for Victoria since 1994-1995, and that funding will continue to reduce over time. For example, current HACC funding growth nationally is at 8.5 per cent while Victoria has received funding growth of only 6.5 per cent.

The Committee is concerned at the potential shortfalls in aged care services for both the residential and aged care program and the HACC program. The continued reduction in Commonwealth funding for the HACC program only strengthens the potential severity of future problems given Victoria’s significant shortfall in residential aged care beds.

Accordingly, the Committee recommends that:

Recommendation 9.6:

The Government seek agreement with the Commonwealth Government to ensure that both residential and home care funding ratios are based on demand patterns for those services.

(b) Demand pressures on the aged, acute and sub-acute service systems

A major consequence from the shortfall in residential aged care beds in Victoria is the pressures on the remainder of the health and aged care system. The Minister advised that the current shortfall

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136 Ibid, p. 442
results in aged care patients, assessed as requiring a residential care place, being forced to remain in acute hospital beds for extended waiting times.\textsuperscript{137}

The exhibit below shows the average days that aged care patients are waiting in hospitals for a residential care placement at May 2001.

**Exhibit 9.11: Average waiting days by aged care patients in hospitals for a residential care placement at May 2001**

![Average waiting days by aged care patients in hospitals for a residential care placement at May 2001](image_url)

Source: Presentation tabled by the Minister for Aged Care at the estimates hearing on 8 August 2001, p. 6

The exhibit shows the average waiting days for a number of acute and sub-acute settings, including:

- 35.5 days in metropolitan acute beds;
- 34 days in regional acute beds;
- 61.3 days in metropolitan sub-acute days; and
- 60.3 days for regional sub-acute beds.

\textsuperscript{137} Ibid
In addition, the Minister advised that the numbers of patients aged 65 years and over waiting in public hospital beds for residential placements had increased from just over 400 in January 2001 to 558 in May 2001.\(^{138}\)

The Government has introduced a number of initiatives aimed at easing demand pressures on the acute and sub-acute systems. These initiatives include:

- the implementation of the Hospital Demand Strategy ($582 million over four years);
- further expansion of the HACC program ($24 million over four years); and
- additional Palliative Care funding ($2 million over four years).

(c) Quality of aged care residential facilities and services

The Minister advised that the quality of residential facilities and services is a key issue facing the aged care portfolio.\(^{139}\) A key initiative introduced by the Commonwealth Government is the requirement for residential aged care service providers to accredit care and certify facilities with benchmarks in 2001, 2003 and 2008.

The Committee was advised that the previous policy of privatising nursing home facilities resulted in inadequate capital investment in these facilities throughout the 1990s, and that a number of public sector facilities in Victoria were on the homes-of-concern list.\(^{140}\) As a result of the Government’s capital investment program to upgrade facilities, during the 2001 accreditation program:\(^{141}\)

- 168 facilities received a three-year accreditation;
- 3 received a two-year accreditation; and
- 13 received a one-year accreditation.

\(^{138}\) Hon. B Pike, MP, Minister for Aged Care, presentation tabled at estimates hearing on 8 August 2001, p. 6

\(^{139}\) Hon. B. Pike, MP, Minister for Aged Care, transcript of evidence, 8 August 2001, p. 444

\(^{140}\) Ibid

\(^{141}\) Ibid, p. 446
While the Government was pleased with the 2001 accreditation results, the residential aged care quality improvement team is working closely with those facilities that received one-year accreditation to ensure that management and care practices achieve the required levels. In addition, the Committee was informed by the Minister that the residential aged care quality improvement team has prepared an action plan to:\footnote{142}{Ibid}

- promote best practice;
- encourage workforce development and the education of staff;
- promote information sharing and peer support;
- conduct research into improved care and policy development; and
- advocate for better care standards.

The Committee is pleased to note that a number of Victorian public aged care facilities received accreditation during the 2001 accreditation program. It will be important that the relevant facilities are supported and encouraged to lift the standard of care and improve facilities in order to receive longer term accreditation in the future. It will also be important for the Government to monitor the implementation of the action plan to ensure that planned outcomes are achieved and that emerging issues are addressed in a timely manner.

\paragraph{Framework for future planning of sub-acute services}

The Department advised that a review of sub-acute services commenced in 2000-2001 as the basis for developing a service plan strategy to provide a framework for future planning of services.\footnote{143}{Department of Human Services, information supplied on notice from estimates hearing dated 8 August 2001}

The project is scheduled for completion in September 2001.

Given the urgency of problems confronting the health system due to population growth and the aging population, the Committee believes that it will be important for the framework to be properly
structured to ensure that effective planning and implementation of short, medium and long-term initiatives within the framework occurs.

Accordingly, the Committee recommends that:

**Recommendation 9.7:**

The framework for future planning of sub-acute services include:

(a) high level objectives that are consistent with Government policy in the provision of sub-acute services in Victoria;

(b) short, medium and long-term strategies and initiatives aimed at achieving the objectives of the framework;

(c) an effective system of performance monitoring that results in complete, accurate and timely performance information which is compared with relevant performance targets; and

(d) a system of timely review to ensure that emerging issues affecting the provision of sub-acute services are identified and addressed in a timely manner.

9.9 Housing portfolio

9.9.1 Background

The Minister for Housing has responsibility for the Housing Assistance output group that accounts for $430.9 million or 5.4 per cent of the Department’s 2001-2002 budget. The Housing Assistance output group has the following outputs:
### Exhibit 9.12: Housing portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Housing</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Assistance</td>
<td>Homelessness Assistance</td>
<td>127.0</td>
</tr>
<tr>
<td></td>
<td>Long Term Housing Assistance</td>
<td>303.5</td>
</tr>
<tr>
<td></td>
<td>Home Ownership and Renovation Assistance</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>430.9</td>
</tr>
</tbody>
</table>

#### 9.9.2 2001-2002 outlook for the portfolio

The Committee notes that Budget sector funding for 2001-2002 of $430.9 million comprises an appropriation of $329 million through the Commonwealth-State Housing Agreement, $63 million from the Supported Accommodation Assistance Program (SAAP) and an additional $38 million to expand social housing and community housing for older Victorians.\(^{144}\)

Particular initiatives to be undertaken by the Housing portfolio in 2001-2002 include:\(^{145}\)

- $171 million for the acquisition and construction of public and community housing, including joint ventures and redevelopments;
- $154 million for the physical improvement of public rental and community managed properties, including Aboriginal Housing;
- $3.2 million to further expand support services and create additional crisis and transitional accommodation units; and

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\(^{144}\) Hon. B Pike, MP, Minister for Housing, presentation tabled at estimates hearing on 8 August 2001, p. 12

$8.6 million for additional support and transitional accommodation options for people with disabilities to live in the community and to assist families and carers.

9.9.3 Analysis of the 2001-2002 Budget

The budget allocation to the Housing Assistance output group has increased by $23.5 million or 5.8 per cent from the $407.4 million allocated in 2000-2001. This increase will provide for initiatives to improve crisis and transitional housing.

9.9.4 Performance measures

The Committee's review of the performance measures contained in the Housing Assistance output group shows there has been a significant modification to reflect the Government's priorities to improve homelessness assistance, expand community housing and expand partnership arrangements for supply with a diversity of providers. This modification has resulted in the number of outputs reducing from six to three and the number of performance measures decreasing from 24 to 21.

The Department advised that:

- some performance measures that appear to have been discontinued have in fact been rearranged to better reflect priorities;
- new performance measures have been introduced for stock additions and stock improvements resulting from the Committee's comment that measures should appropriately reflect the significance of the housing assistance asset base; and
- the majority of the targets for 2001-2002 reflect the maintenance or improvement of service levels with significant improvement in areas of Government priority.

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146 Department of Human Services response to the Committee’s 2001-2002 estimates questionnaire, p. 28
The Committee is pleased to note that new performance measures have been adopted, particularly in relation to the housing assistance asset base. The Committee believes that further improvement would result from the inclusion of performance measures relating to:

- waiting times for public housing based on the categories contained in the segmented waiting list;
- the level of re-admittance to crisis supported and transitional housing; and
- client satisfaction with home renovation advice and services.

Accordingly, the Committee recommends that:

**Recommendation 9.8:**

The Department of Human Services develop and publish performance information on:

(a) waiting times for public housing based on the categories contained in the segmented waiting list;

(b) the level of re-admittance to crisis supported and transitional housing; and

(c) client satisfaction with home renovation advice and services.

**9.9.5 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 that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Commonwealth-State Housing Agreement

In its report on the 2000-2001 Budget Estimates, the Committee noted the gradual decline in real terms (26 per cent or $75 million
since 1989-1990) of the level of funding available for housing assistance from the Commonwealth-State Housing Agreement.\textsuperscript{147}

The Minister confirmed that the key issue in the housing portfolio is that the level of funding provided by the Commonwealth Government had failed to keep pace with need.\textsuperscript{148} The exhibit below provides an indication of the real level of Commonwealth funding for housing and rental assistance:

**Exhibit 9.13: Commonwealth funding to Victoria for housing and rental assistance**

![Graph showing Commonwealth funding to Victoria for housing and rental assistance](image)

**Note:** In the above exhibit, the abbreviation “RA” means Rental Assistance

**Source:** Presentation tabled by the Minister for Housing at the estimates hearing on 8 August 2001, p. 3

The exhibit shows that the real level of Commonwealth/State housing funds to Victoria has fallen by approximately 30 per cent since 1989-1990 from $304 million to $214 million in 2000-2001. This represents an approximate negative impact of $10 million per annum over the 12 year period.


\textsuperscript{148} Hon. B Pike, MP, Minister for Housing, transcript of evidence, 8 August 2001, p. 456
In addition, the Minister also advised that while the level of rental assistance has increased, housing affordability has deteriorated.\textsuperscript{149} In inner Melbourne that rate of increase has been 56 per cent, while the CPI has only increased by 15 per cent, resulting in the gap between rental assistance and market cost becoming wider.

The Committee is concerned that the gap between the level of Commonwealth funding and community need in both housing and rental assistance is becoming wider. Accordingly, the Committee reiterates the comments made in its 2000-2001 Budget Estimates report.\textsuperscript{150}

The Committee recommends that:

\textbf{Recommendation 9.9:} The Victorian Government, in conjunction with other States and Territories, make representations to the Commonwealth Government on the need for an agreement on a capital program to ensure the current public housing stock can be expanded and upgraded to keep pace with current and future community needs and demands.

(b) Supported Accommodation Assistance Program (SAAP)

The Minister advised that a major issue in the delivery of SAAP services to homeless people is Victoria only receives approximately 21.5 per cent of SAAP funding despite having 25 per cent of Australia’s population.\textsuperscript{151}

The exhibit below shows the disparity in actual funds received compared to the level that should be received on a per capita basis.

\begin{itemize}
  \item \textsuperscript{149} Ibid
  \item \textsuperscript{151} Hon. B Pike, MP, Minister for Aged Care, transcript of evidence, 8 August 2001, p. 456
\end{itemize}
**Exhibit 914: Actual Commonwealth funding to Victoria compared to a per capita basis**

![Graph showing Commonwealth and per capita funding over years]

Note: In the above exhibit, the abbreviation “C/W” means Commonwealth Government.

Source: Presentation tabled by the Minister for Housing at the estimates hearing on 8 August 2001, p. 5

The Minister advised that the Government has allocated significant growth funds to addressing homelessness in the 2001-2002 budget, including:

- $14.8 million over four years for SAAP ($2.2 million per year), the Housing Establishment Fund ($1 million per year) and $500,000 per year for mental health; and
- $28 million to key client groups including domestic violence, youth, people exiting prisons, indigenous, cultural and linguistic diversity to address supply.

The Committee regards the issue of homelessness as an important issue for the community. It is disturbing to note that Victoria is not receiving the level of funds that it would receive on a per capita basis. Therefore, the Committee encourages the Government to make representations to the Commonwealth in

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152 Document tabled by the Minister for Housing at the estimates hearing on 8 August 2001, p. 14
relation to ensuring the distribution of SAAP funding is more equitable.

(c) Public Housing Advocacy Program

The Minister advised the Committee there was a need for a program that was more specific to the needs of tenants and provided tenants with a voice and a sense of pride in their environment.153 Accordingly, the Government introduced the public housing advocacy program which:

- provides a statewide network of responsive advice, referral and support services;
- has tenant involvement where a minimum 15 per cent of the tenant community is involved over a year;
- is focussed on different cultural groupings within public housing; and
- provides support to existing and on-going tenant groups.

(d) Review of public rental eligibility criteria

The implementation of the Government's Better Housing Policy has resulted in a review of the public rental eligibility criteria that was introduced in November 1997. The Department advised that the review commenced in late 2000 with the establishment of a Community Reference Group chaired by the Office of Housing and with representation for community groups, housing advocates, academic institutions and public tenancy groups.154

A consultation paper has been released on the internet for public comment, and following the consultative process a final report will be produced at the end of 2001. The consultation paper canvasses a number of options for both income and asset eligibility to replace the current eligibility limits including the need to:

153 Hon. B Pike, MP, Minister for Housing, transcript of evidence, 8 August 2001, p. 466
154 Department of Human Services, information supplied on notice from estimates hearing dated 8 August 2001, pp. 11-12
• retain eligibility limits (both income and asset) until suitable local allocations arrangements can be fully developed;

• move away from direct links to Centrelink income definitions for determining eligibility;

• establish household rather than individual based eligibility; and

• apply consistent income limits across all waiting list categories.

The Committee supports the conduct of the review which aims to identify a system of eligibility which is consistent but introduces flexibility for local area conditions and housing allocations. It will be important that the introduction of new eligibility criteria occurs using a formalised and coordinated approach.
Report on the 2001-2002 Budget Estimates
Key Findings:

10.1 There is uncertainty about the correct classification of the Pakenham bypass in terms of whether it is a metropolitan road (its present classification) or a rural road as its location encompasses aspects of both classifications.

10.2 The shortage of experienced planners remains a key problem for Local Government.

10.3 A significant challenge facing the Local Government sector is the maintenance of existing infrastructure. This challenge has arisen from many decades of Local Government focus on new capital works rather than the maintenance of existing infrastructure.

10.4 In 1999-2000, only 36 per cent of municipal councils and regional library corporations presented their annual reports within the three month statutory timeframe.

10.5 The Government needs to work in partnership with industry to ensure that transport systems and supporting infrastructure are adequate for the needs of the business and community sectors.

10.6 There are only two performance measures that relate to Best Value Principles. The Committee believes additional measures need to be developed.
10.1 Departmental overview

The Department of Infrastructure provides services to four Ministers, namely Transport; Planning; Local Government; and Ports.

10.2 Output management framework

The Department’s 2001-2002 output management framework is shown in the following exhibit.

Exhibit 10.1: Department of Infrastructure - Output Management Framework

<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>7.0</td>
<td>8.7</td>
<td>8.5</td>
<td>21.3</td>
</tr>
<tr>
<td>Balanced Planning and Environmental Systems</td>
<td>50.2</td>
<td>54.1</td>
<td>50.8</td>
<td>1.3</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>40.4</td>
<td>38.2</td>
<td>40.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>12.8</td>
<td>23.7</td>
<td>20.8</td>
<td>62.8</td>
</tr>
<tr>
<td>Regional and Rural Transport Services</td>
<td>281.8</td>
<td>278.5</td>
<td>288.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure</td>
<td>311.6</td>
<td>352.1</td>
<td>380.8</td>
<td>22.2</td>
</tr>
<tr>
<td>Metropolitan Transport Services</td>
<td>1,057.6</td>
<td>1,002.5</td>
<td>1,009.2</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure</td>
<td>369.2</td>
<td>475.2</td>
<td>424.6</td>
<td>15.0</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>268.5</td>
<td>264.7</td>
<td>298.2</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,399.0</strong></td>
<td><strong>2,497.6</strong></td>
<td><strong>2,522.2</strong></td>
<td><strong>5.1</strong></td>
</tr>
</tbody>
</table>

As shown in Exhibit 10.1, the Department’s budget allocation for 2001-2002 was $2,522.2 million representing a $123.2 million or 5.1 per cent increase from 2000-2001.

The Committee notes there has been minimal change to the Department’s output group structure with all output groups remaining consistent with the structure used in 2000-2001. The only change involves the removal of the Building Industry Policy and Regulation output from the Balanced Planning and Environmental Systems output group.

10.3 Financial analysis

The operating statement for the Department is shown as follows:

Exhibit 10.2: Department of Infrastructure - Operating Statement

<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>2,398.5</td>
<td>2,477.1</td>
<td>2,630.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>2,399.0</td>
<td>2,497.6</td>
<td>2,522.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>(0.5)</td>
<td>(20.5)</td>
<td>107.9</td>
<td>-</td>
</tr>
<tr>
<td><strong>add</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>124.3</td>
<td>133.5</td>
<td>214.6</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Section 29 Receipts - Asset Sales</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>123.9</td>
<td>113.0</td>
<td>322.5</td>
<td>(8.8)</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>317.3</td>
<td>321.9</td>
<td>333.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>317.5</td>
<td>322.3</td>
<td>333.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>(0.2)</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>-</td>
</tr>
</tbody>
</table>
In response to the Committee's questionnaire, the Department supplied estimated actual expenditure for 2000-2001.\textsuperscript{155} The Committee's analysis of the operating statement revealed that variations between the budgeted amount and the estimated actual amounts for 2000-2001 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. 4.1 per cent compared to 3.3 per cent) resulting in a $20.5 million deficit before revenue from increases in net assets.

The Committee's analysis also revealed a number of material variations within these categories, particularly in controlled revenue and expenses. These included:

- a $48.6 million or 18.4 per cent increase in ‘other revenue’ due to a revised accounting treatment of Melbourne City Link Authority concession fees ($45 million) resulting from a direction by the Auditor-General that the value of concession notes be based on the tax deductibility of concession fees payable by Transurban to the State;

- a $41.9 million or 20.2 per cent increase in Employee related expenses (operating expenses) due to increased superannuation expenditure by VicRoads resulting from a revised actuarial variation at 31 December 2000 and the establishment of a specialised unit to oversee the Government’s major infrastructure projects;

- a $24.8 million or 12.1 per cent increase in depreciation (operating expense) to reflect VicRoads revaluation of infrastructure assets at 30 June 2000; and

- a $66.5 million or 11.2 per cent increase in ‘other expenses’ (operating expenses) due to the Auditor-General’s direction relating to the treatment of Melbourne City Link Authority concession notes previously discussed.

\textsuperscript{155} Department of Infrastructure response to the Committee’s 2001-2002 estimates questionnaire, pp. 41-42
10.3.1 Other revenue and other expenses

The Committee’s analysis of items in the ‘other revenue’ and ‘other expenses’ classifications for 2001-2002, $272 million and $581.3 million for controlled items and $839.8 million and $332 million for administered items respectively, shows that significant material amounts still remain. The Committee reiterates its views as contained in Report No. 38 and again recommends that:

Recommendation 10.1:

The Secretary of the Department of Infrastructure ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

10.4 Management Reform Program

The Department advised that the Management Reform Program (MRP) has led to the following improvements:156

- all new projects put forward for funding must use accrual based costing and are evaluated on the basis of their contribution to the delivery of outputs and the achievement of the Department’s outcomes;
- service agreements and contracts include detailed output and service standards and are assessed in terms of quantity, quality and price; and
- a component of the Department’s business planning process requires detailed operational information including linking activities to outputs, setting performance standards and targets and monitoring the delivery of services against those standards.

The Committee is pleased that the MRP has assisted the Department to focus its resources more effectively.

156 Department of Infrastructure response to the Committee’s 2001-2002 estimates questionnaire, pp. 70-71
10.5 Human resources issues

The Department estimated it will have 710.1 Equivalent Full Time staff at 30 June 2001, compared with 633.4 at 30 June 2000.

Exhibit 10.3: Department of Infrastructure - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Secretary</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Organisational Development</td>
<td>96.2</td>
<td>101.4</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>36.8</td>
<td>40.6</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>72.8</td>
<td>71.7</td>
</tr>
<tr>
<td>Planning Heritage and Building</td>
<td>174.4</td>
<td>188.4</td>
</tr>
<tr>
<td>Office of the Director of Public Transport</td>
<td>176.2</td>
<td>182.2</td>
</tr>
<tr>
<td>Ports and Marine</td>
<td>19.7</td>
<td>28.5</td>
</tr>
<tr>
<td>Marine Board of Victoria</td>
<td>22.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Local Government</td>
<td>32.3</td>
<td>37.3</td>
</tr>
<tr>
<td>Rail Projects Group</td>
<td>0</td>
<td>27.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>633.4</strong></td>
<td><strong>710.1</strong></td>
</tr>
</tbody>
</table>

Source: Department of Infrastructure response to the Committee’s 2001-2002 estimates questionnaire, p. 26

The Committee’s analysis shows an estimated increase of 76.7 equivalent full time staff from 30 June 2000. The Department provided the following explanations for the increase in staffing:

- the Local Government and Ports and Marine Divisions had increases in staff to reflect the Government’s commitment to a closer relationship with Local Government and the continued building of capability to support the Government’s ports agenda;
- the Rail Projects Group was established in August 2000 to manage major infrastructure projects under the Government’s Partnerships Victoria policy including regional fast rail projects, the Spencer Street...
redevelopment and the Airport rail link. The Department estimates that the Unit will have a staff of 27 at 30 June 2001; and

- the increase in staffing at the Marine Board of Victoria is to assist with marine and boating safety initiatives, including the introduction of recreational boat operator licensing.

### 10.5.1 Key staffing issues

The Department advised that it is currently experiencing a number of recruitment challenges in information technology, business analysis, data management, commercial/financial, technical/engineering and project management.\(^{157}\)

To address this problem, the Department advised the Committee that it had undertaken a number of initiatives, including:

- recruitment campaigns for staff with project management skills for the Rail Projects Group;
- developing internal project management capabilities;
- implementing long-term strategies such as the Victorian public sector Graduate Recruitment Scheme, mentoring and coaching of high potential staff; and
- encouraging staff to undertake post-graduate studies and attend in-house and external seminars and information sessions.

The Department provided the following information on the age profile of departmental staff by classification at 1 May 2001:

\(^{157}\) Department of Infrastructure response to the Committee’s 2001-2002 estimates questionnaire, p. 37
Exhibit 10.4: Age profile of staff as at 1 May 2001

<table>
<thead>
<tr>
<th>Classification</th>
<th>15 - 24</th>
<th>25 - 29</th>
<th>30 - 34</th>
<th>35 - 39</th>
<th>40 - 44</th>
<th>45 - 49</th>
<th>50 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>EO2</td>
<td></td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>10</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO3</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td>18</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VPS5</td>
<td>2</td>
<td>8</td>
<td>15</td>
<td>33</td>
<td>38</td>
<td>48</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>VPS4</td>
<td>1</td>
<td>13</td>
<td>25</td>
<td>18</td>
<td>27</td>
<td>24</td>
<td>34</td>
<td>142</td>
</tr>
<tr>
<td>VPS3</td>
<td>11</td>
<td>36</td>
<td>24</td>
<td>24</td>
<td>30</td>
<td>30</td>
<td>37</td>
<td>192</td>
</tr>
<tr>
<td>VPS2</td>
<td>27</td>
<td>17</td>
<td>7</td>
<td>18</td>
<td>15</td>
<td>15</td>
<td>28</td>
<td>127</td>
</tr>
<tr>
<td>VPS1</td>
<td>10</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>49</td>
<td>69</td>
<td>69</td>
<td>79</td>
<td>114</td>
<td>118</td>
<td>177</td>
<td>675</td>
</tr>
</tbody>
</table>

Source: Department of Infrastructure response to the Committee’s 2001-2002 estimates questionnaire, p. 29

Analysis of the information contained in the above exhibit shows:

- 409 of the Department’s 675 staff (61 per cent) are 40 years and over;
- 26 per cent of staff are 50 years and over;
- only five (9.8 per cent) executive officers are under 40 years of age; and
- only 25 (17.4 per cent) of VPS5 offers are 40 years and under while 48 (33 per cent) are aged 50 years or more.

10.6 Transport portfolio

10.6.1 Background

The Minister for Transport has sole or joint responsibility for eight output groups within the Department. Exhibit 10.5 shows that the outputs within these output groups under the responsibility of the Transport portfolio account for $2,424.6 million, or 96.1 per cent, of the Department’s 2001-2002 budget.

The Minister for Transport has sole or joint responsibility for the following outputs:
### Exhibit 10.5: Transport portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Transport</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>Regional and Rural Strategies</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Research and Forecasting Information</td>
<td>0.5</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System</td>
<td>Environmental Strategies and Initiatives</td>
<td>5.6</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>Passenger Interchange Development</td>
<td>18.8</td>
</tr>
<tr>
<td>Regional and Rural Transport Services*</td>
<td>Country/ Interstate Rail Services</td>
<td>122.3</td>
</tr>
<tr>
<td></td>
<td>Country Bus Services</td>
<td>41.5</td>
</tr>
<tr>
<td></td>
<td>School Bus Services</td>
<td>125.0</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure*</td>
<td>Regional Public Transport</td>
<td>32.3</td>
</tr>
<tr>
<td></td>
<td>Passenger and Freight Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Major Regional Road Projects</td>
<td>65.0</td>
</tr>
<tr>
<td></td>
<td>Regional Arterial Road Links</td>
<td>132.2</td>
</tr>
<tr>
<td></td>
<td>Regional Road Network Maintenance</td>
<td>151.3</td>
</tr>
<tr>
<td>Metropolitan Transport Services*</td>
<td>Metropolitan Train Services</td>
<td>506.6</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Tram Services</td>
<td>261.4</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Bus Services</td>
<td>241.2</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure*</td>
<td>Metropolitan Public Transport Development</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td>Major Metropolitan Road Projects</td>
<td>105.9</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Arterial Road Links</td>
<td>161.9</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Road Network Maintenance</td>
<td>150.5</td>
</tr>
</tbody>
</table>

Note: * The Minister for Transport has sole responsibility for these output groups
### Exhibit 10.5 (continued)

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Transport</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport Safety and Accessibility</td>
<td>Taxi, Hire Car and Tow Truck Regulation</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Accessible Transport Initiatives</td>
<td>43.8</td>
</tr>
<tr>
<td></td>
<td>Accident Blackspots</td>
<td>91.8</td>
</tr>
<tr>
<td></td>
<td>Traffic and Road Use</td>
<td>23.0</td>
</tr>
<tr>
<td></td>
<td>Management Improvements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicle and Driver Regulation</td>
<td>77.9</td>
</tr>
<tr>
<td></td>
<td>Road Safety Initiatives and Regulation</td>
<td>46.4</td>
</tr>
<tr>
<td></td>
<td>Public Transport Safety Initiatives and Regulation</td>
<td>4.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2,424.6</strong></td>
</tr>
</tbody>
</table>

#### 10.6.2 2001-2002 outlook for the portfolio

Major initiatives in the Transport portfolio for 2001-2002 include:

**Output initiatives**

- the provision of $20.2 million to support the initial commercial and legal phase of the project activities of the Rail Projects Group such as regional fast rail links, the Spencer Street Station redevelopment and the Airport transit link;

- $23.5 million for the replacement of approximately 220 buses with new buses that are air-conditioned and meet Commonwealth Government accessibility requirements;

- $900,000 for the provision of new bus services to outer metropolitan suburbs (eg. Laverton/ Altona Meadows and Rowville/ Glen Waverley/ Ringwood) in response to population growth in those areas;
• $5.2 million for the restoration of regional train services to Mildura, Bairnsdale, Ararat and South Gippsland and improvements to the Warnambool and Shepparton services;
• $5 million to meet the short-term operating costs to establish fast rail links to Geelong, Ballarat, Bendigo and Gippsland; and
• $4.4 million to support public transport safety initiatives.

Investment initiatives

• $35 million ($71 million for 2001-2003) for the extension of the Eastern Freeway from Springvale Road to Ringwood;
• $3 million ($30 million over three years) for the Wodonga rail freight and urban redevelopment;
• $2 million to undertake preliminary planning and design works for the proposed Scoresby transport corridor development;
• $7.5 million for works complementing the Sydenham rail electrification project (upgrade of Sydenham Station, car parking and interchange works), and for property purchases to facilitate the extension of tram route 109 from Mont Albert to Box Hill;
• $2.7 million ($14.9 million over three years) for new information systems and hardware to enable management of contractual commitments under the public transport franchise agreements;
• $10 million ($96 million over five years) for the conversion of regional rail to port links from broad to standard gauge ultimately resulting in 70 per cent of the rail network being standard gauge;
• $5.7 million for improvements to the regional road network and the upgrade of four bridges across the Murray River at Corowa, Echuca, Robinvale and Cobram-Barooga; and
$9.2 million ($32.7 million over three years) to reopen country rail lines in Mildura, Bairnsdale, Ararat and South Gippsland.

10.6.3 Analysis of the 2001-2002 Budget

The Committee’s analysis of the output groups under the responsibility of the Minister for Transport shows a $122.9 million or 5.2 per cent increase in 2001-2002. The major variations to output group funding are:

- an increase of $8 million in the Ports and Intermodal Gateways output group to account for the commencement of recreational boat operator licencing ($3.7 million), completion of the upgrade to Station Pier ($800,000) and the conversion to standard gauge rail infrastructure where there are critical links to ports in regional areas;

- a $69.2 million increase in the Regional and Rural Transport Infrastructure budget to provide for fast rail links to regional centres ($5 million), Wodonga rail freight and urban development ($3 million), rail standardisation ($10 million), regional arterial roads and bridge links ($5.7 million) and the reopening of country rail lines ($9.2 million);

- an additional $55.4 million increase in the Metropolitan Transport Infrastructure budget to account for the Eastern Freeway extension ($35 million), the Scoresby transport corridor ($2 million), the Sydenham and Box Hill public transport upgrades ($2.7 million) and a component of expenditure on major rail infrastructure including the redevelopment of Spencer Street Station and the Airport Transit Link (overall budget for 2001-2002 is $20.2 million); and

- the Transport Safety and Accessibility budget increased by $29.7 million for a range of road safety initiatives including a travel behavioral change program aimed at changing driver behavior and enhancement of the rural arterial road network to address road safety concerns.
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 that many of the Committee’s comments made in its 2000-2001 estimates report are still relevant. The analysis shows:

- performance measures under the Strategic Land Use and Infrastructure output group are aligned to measure the number of strategies and reports produced. However, they are not aligned to measuring the success of the strategies in achieving intended outcomes;

- 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 Transport 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; 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 Blackspots program in reducing severe road accidents.

The Committee believes that performance measures need to link the achievement of outputs to key Government outcomes.

Accordingly, the Committee recommends that:
Recommendation 10.2:

The Department of Infrastructure:

(a) review its performance measures contained in the Budget Papers under the Transport portfolio to closely align them with Government policy objectives and expected outcomes. More specifically, the Department should also ensure that performance measures are continuously reviewed to reflect those measures contained in transport service delivery contracts after negotiated changes; and

(b) improve its information contained in the Budget Papers to better explain existing performance measures.

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 portfolio and the budget estimates for 2001-2002.

(a) Major public-private partnership arrangements

The Minister advised that a key component of the Government’s Linking Victoria program is the development and implementation of a number of significant projects to be conducted in partnership with the private sector. The projects include.  

• the upgrade of rail links between Melbourne and key regional centres such as Geelong, Ballarat, Bendigo and Traralgon. The Government has committed $550 million to improve travel times through the installation of modern signalling systems, more than 500 kilometres of track upgrades and new trains that will travel up to 160 kilometres per hour;

• the redevelopment of Spencer Street station through a major refurbishment of the rail terminal, provision of new rail infrastructure and the integration of the precinct with the west end of the CBD and the Docklands development; and

• the development of the Airport Transit Link to provide access to Melbourne Airport by rail.

The development of these projects will be undertaken in cooperation with the current rail operators, National Express and Connex.

The development of these significant projects will improve the quality of transport services provided in Victoria. However, it will be important that the Government has the expertise to conduct effectively the appointment process of the private sector partner for these projects and to manage the ongoing operation of the contract.

Accordingly, the Committee recommends that:

**Recommendation 10.3:**

**The Department of Infrastructure:**

(a) in conjunction with the Victorian Managed Insurance Authority, develop a comprehensive risk management process to ensure the partnership arrangements result in risks being carried by the party most able to manage those risks;
(b) assess the current internal contract management expertise available and ensure that appropriate measures are adopted to further develop this expertise, where required, or recruit necessary expertise externally;

(c) develop staff retention policies to ensure the loss of expertise in contract management is minimised; and

(d) initiate a process of project debriefs to ensure that lessons are learnt from experience and that emerging issues are identified and addressed.

(b) Classification of the Pakenham bypass

The Minister advised there is uncertainty about the correct classification of the Pakenham bypass in terms of whether it is a metropolitan road or a rural road.\textsuperscript{159} The physical location of the bypass encompasses aspects of both classifications and its present classification is as a metropolitan road. However, much of the usage of the bypass will come from rural based Gippsland.

The Minister also advised that it would be advantageous for the bypass project to be classified as a rural based road because, as a road of national importance, there is more flexibility in the rural category of Better Roads funding provided by the Commonwealth Government.\textsuperscript{160} This is due to the Scoresby freeway taking a large component of the metropolitan Better Roads funding for a number of years ahead.

The Committee believes the Government should review the classification of the Pakenham bypass, and other roads that have both metropolitan and rural components.

\textsuperscript{159} Hon. P Batchelor, MP, Minister for Transport, transcript of evidence, 6 September 2001, p. 512
\textsuperscript{160} Ibid, p. 515
Accordingly, the Committee recommends that:

**Recommendation 10.4:**

The Government consider making representations to the Commonwealth Government to introduce a third category for Better Roads funding that relates to roads that have significant components of both metropolitan and rural content.

(c) **Metropolitan land use and transport strategy**

The Department advised that the Metropolitan land use and transport strategy is an integrated land use and transport plan for Melbourne and the regions encompassing Geelong, Ballarat, Bendigo and the Latrobe Valley.\(^{161}\) The strategy will cover a range of issues that impact on the city and region’s sustainable development such as transport, housing, community development, economic development and environmental sustainability.

The Committee was advised that a draft of the strategy is currently being developed and will be released in late 2001 or early 2002, subject to Government approval. The Government has allocated $655,000 in 2001-2002 for the development of the strategy.

(d) **Development and implementation of Road Safety Strategies**

The Department advised that the National Road Safety Strategy 2001-2010 and the National Road Safety Action Plan 2001 and 2002 were developed by the Road Safety Strategy Panel which has membership from all State Road Authorities and other national road safety stakeholders.\(^{162}\)

\(^{161}\) Department of Infrastructure information supplied on notice from estimates hearing dated 7 September 2001, p. 2

\(^{162}\) Ibid, p. 9
Given the Government’s commitment to reduce the annual road toll and serious injury from road accidents by 20 per cent over the next five years, the draft Victorian Road Safety Strategy 2001-2006 has been developed to provide a framework to guide the development and delivery of road safety initiatives.

The Government has allocated $138.2 million to VicRoads in 2001-2002 for a number of road safety initiatives, including the rectification of accident blackspots.

The Committee notes that the Department is faced with a number of external factors that are likely to impact on road safety over the period of the strategy. These include the growth in the number of registered vehicles (more than 4.4 million by 2006), approximately 100,000 new licensed drivers each year, the increasing number of licensed drivers over 60 years of age and an increasing number of registered motorcycles. Key challenges to address these factors include:

- increased enforcement activities such as an expanded speed camera program and changes to the penalty regime to better align crash risk and penalties in the short-term;
- implementation of infrastructure improvements through the blackspot program and exact behavioral changes in relation to speeding and fatigue in the medium-term; and
- the introduction of new technology and mechanisms to facilitate further participation by the community, Local Government, schools and businesses in road safety activities and to improve vehicle standards in the long-term.

While the Committee supports the development of the draft strategy, it will be important to have appropriate governance mechanisms incorporated in it to ensure it is well directed and properly monitored to promote a national approach to road safety.

Accordingly, the Committee recommends that:
Recommendation 10.5:

The Victorian Road Safety Strategy contain:

(a) high level road safety objectives and targets that remain consistent with those contained in the National Road Safety Strategy;

(b) initiatives and measures aimed at achieving objectives and targets in the short, medium and long-term;

(c) an appropriate performance management system which allows the success of the road safety initiatives to be monitored and for emerging issues to be addressed in a timely manner; and

(d) a system of project debriefs so that at the completion of particular initiatives the Department of Infrastructure can assess the benefits of particular projects and promote more effective forward planning of road safety initiatives.

(e) Metropolitan train and tram services

The Department advised that there has been an improvement in the punctuality and reliability of metropolitan train and tram services under franchise arrangements.\(^\text{163}\) In 2000-2001, it is estimated that franchisees will receive an additional $850,000 in net incentive payments due to overall service performance improvements in excess of contract targets.\(^\text{164}\)

Two operators incurred penalties for failing to meet standards specified in their contracts.

\(^{163}\) Ibid, pp. 4-6
\(^{164}\) These incentive payments are provisional and are subject to adjustment for subsequent claims received and audits conducted in the March-June 2001 quarter
The performance of each operator in terms of punctuality, reliability and customer satisfaction in 2000-2001 compared to actual performance of the public sector operations in 1998-99, and the incentive/penalty received in 2000-2001 is shown as follows:

- Bayside Trains received a $346,000 incentive payment and improved performance from the 1998-1999 actual performance achieved by the public system in punctuality (96.6 per cent compared to 94.4 per cent), reliability (99.2 per cent compared to 98.9 per cent) and customer satisfaction (68.9 per cent compared to 67.4 per cent);
- Hillside/Connex Trains received a $1,923,000 incentive payment and improved performance in punctuality (96.5 per cent compared to 93.4 per cent), reliability (99.5 per cent compared to 99.1 per cent) while customer satisfaction has fallen (69.8 per cent compared to 69.9 per cent);
- Yarra Trams received a $2,319,000 incentive payment and improved performance in punctuality (74.9 per cent compared to 73.6 per cent), reliability (remains stable at 99.8 per cent) and customer satisfaction (70.4 per cent compared to 66.9 per cent);
- Swanston Trams incurred a $602,000 penalty and were given a more challenging target as a result of improved timetabling. Performance improvements have been made since 1998-1999 in punctuality (71.3 per cent compared to 63.5 per cent), reliability (99 per cent compared to 98 per cent) and customer satisfaction (70.6 per cent compared to 63.2 per cent); and
- V/Line Passenger incurred a $3,136,000 penalty as it failed to consistently meet service punctuality standards and was ‘called in’ by the Director of Public Transport. Performance since 1998-1999 has seen improvement in punctuality (92.7 per cent compared to 92.4 per cent), a

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165 Correspondence, received 21 September 2001, from the Minister for Transport
fall in reliability (99.7 per cent compared to 99.9 per cent) and improvement in customer satisfaction (80.2 per cent compared to 78.4 per cent).

The Committee believes it is important for the Government to continually monitor the performance of the public transport operators to ensure that punctuality, reliability and customer satisfaction standards are achieved and maintained in the delivery of an important community service.

10.7 Planning portfolio

10.7.1 Background

The Minister for Planning has sole or joint responsibility for two key output groups within the Department. Exhibit 10.6 shows that the outputs within these output groups under the responsibility of the Planning portfolio account for $57.6 million or 2.3 per cent of the Department’s 2001-2002 budget.

Exhibit 10.6: Planning portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the Minister for Planning</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning *</td>
<td>Regional and Rural Strategies, Metropolitan Development Strategies, Research and Forecasting Information</td>
<td>1.8, 4.5, 0.5</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System</td>
<td>Planning System Development, Planning Operations and Environment Assessment, Heritage Conservation, Regional and Urban Amenity Initiatives, Environmental Strategies and Initiatives</td>
<td>4.2, 15.8, 12.6, 12.6, 5.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>57.6</td>
</tr>
</tbody>
</table>

Note: * The Minister for Planning shares responsibility for this output group with the Minister for Transport.
10.7.2 2001-2002 outlook for the portfolio

The Committee notes that the Planning portfolio has a number of priorities in 2001-2002. These include the development and implementation of a new residential planning code (ResCode), the development of a metropolitan strategy to maintain Melbourne's most livable city status, support of infrastructure provision through coordination of urban development with major infrastructure projects and improvement in land-use management and urban design.

Key initiatives of the planning portfolio for 2001-2002 include:

- $2 million (over four years) for the Transit Precinct Development which involves the design and development of urban precincts around key transport nodes and for higher density housing and commercial and leisure enterprises;
- $1.05 million (over four years) for the Area Improvement Program to work with rural communities to identify key land use issues and prepare locally driven strategies for land-use change;
- $1.2 million (over four years) to assist with major private sector urban developments;
- $400,000 (over two years) to address the diverse planning infrastructure needs of rural and regional Victoria; and
- $750,000 towards the completion of the $13.5 million Camp Street project.

10.7.3 Analysis of the 2001-2002 Budget

The Committee's analysis of the two output groups under the responsibility of the Minister for Planning shows a $2.1 million or 3.7 per cent increase in 2001-2002. The major reasons for these variations are as follows:
• the Strategic Land Use and Infrastructure Planning budget increased by $1.5 million to reflect the focus on rural and regional strategies, and on the Metropolitan Strategy; and

• the Balanced Planning and Environmental System budget decreased by $600,000 to account for additional heritage certificates, permits and consents.

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:

• the Strategic Land Use and Infrastructure Planning output group contains output measures relating to the completion of strategies and reports. However, there needs to be a closer link between these outputs and the desired outcomes contained within land use strategies; and

• the Balanced Planning and Environmental System output group also contains measures relating to the production of outputs and activities. In addition, there are deficiencies in the following areas:

  – there are measures that relate to user and stakeholder satisfaction without an accompanying note to describe how satisfaction levels are measured. Satisfaction targets also need to change as an incentive to improve service provision;

  – a measure Effective training of practitioners and others in ResCode implementation has a date as a unit of measure which does not measure the effectiveness of the training provided; and

  – there are no measures showing the achievement of key targets in the effective implementation of the ResCode package.
The Committee believes that while the performance measures provide an indication on the level of activity and the outputs of the portfolio, there is a need to more closely align the performance measures with the achievement of Government policy objectives and desired outcomes.

Accordingly, the Committee recommends that:

**Recommendation 10.6:**

The Department of Infrastructure review its performance measures contained in the Budget Papers under the Planning portfolio to closely align them with Government policy objectives and expected outcomes.

### 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 portfolio and the budget estimates for 2001-2002.

(a) **Transit Orientated Precinct Developments**

The Minister advised that the Government has allocated $2 million over four years for Transit Orientated Precinct Developments (TODS) which involve the design of commercial and residential developments around key transport nodes such as train stations or bus interchanges.\(^{166}\)

The allocated funding is essentially to provide design and planning assistance to facilitate such developments, which will be largely provided by the private sector. The Minister also advised that TODS will be promoted in both metropolitan and rural areas.\(^{167}\)

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\(^{166}\) Hon. J Thwaites, MP, Minister for Planning, transcript of evidence, 27 June 2001, p. 218

\(^{167}\) Ibid, p.223
(b) Assistance to Local Government in refining planning processes

In its report on the 2000-2001 Budget Estimates, the Committee commented that the Government faced a number of key challenges in the achievement of Local Government empowerment, namely: 168

- a shortage of good experienced planners in councils; and
- the large workloads and pressures on existing council planners.

The Committee was informed by the Minister that the shortage of experienced planners remains a key problem for Local Government given that the private sector has attracted many planners out of the council planning system. 169 The Minister advised that the Government has allocated $60,000 for ten scholarships to assist employees of ten rural and regional councils to undertake a graduate diploma in town planning. 170

The Committee is pleased to note the conduct of the scholarship program. However, it will be important for the Department to identify the areas in greatest need of town planning expertise to ensure that shortages are addressed.

Accordingly, the Committee recommends that:

**Recommendation 10.7:**

**The Department of Infrastructure:**

(a) review current town planning expertise from a statewide perspective and identify the relative needs of each council with a view to offering scholarships in areas of greatest need; and

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170 Ibid
(b) review the success of the scholarship program in terms of achieving stated objectives.

(c) Educating the community on ResCode

The Committee was informed that the development of ResCode was the largest task undertaken by the Department in 2000-2001 and involved rewriting the guidelines for residential development in the State.\textsuperscript{171} ResCode aims to provide a balance between the competing needs of the environment, good social policy and economics.

The Department advised that $330,000 has been allocated in 2001-2002 for the conduct of a wide ranging training and public education program designed to reach many sectors of the community.\textsuperscript{172} A major component of the ResCode training initiative will involve allocations of funding to educational institutions and professional/industry peak bodies to provide specialist training for practitioners using the code such as building surveyors, building designers, architects, land surveyors, councilors and council staff.

The Committee believes the conduct of a training and public education campaign is an important mechanism to ensure that the implementation of the ResCode planning guideline proceeds effectively and efficiently. However, it will be important that the Department monitor the implementation of ResCode to ensure any deficiencies are addressed in a timely manner.

Accordingly, the Committee recommends that:

\textsuperscript{171} Ibid, p.217
\textsuperscript{172} Department of Infrastructure response to questions on notice from the estimates hearing dated 27 June 2001, p. 1
Chapter 10: Department of Infrastructure

Recommendation 10.8:

The Department of Infrastructure ensure regular monitoring of ResCode so that any deficiencies in the policy are identified and addressed.

10.8 Local Government portfolio

10.8.1 Background

The Minister for Local Government has sole or joint responsibility for two output groups within the Department. Exhibit 10.7 shows that the outputs within these output groups under the responsibility of the Local Government portfolio account for $47.3 million, or 1.9 per cent, of the Department's 2001-2002 budget.

Exhibit 10.7: Local Government portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Local Government</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>Regional and Rural Strategies</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Research and Forecasting Information</td>
<td>0.5</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>Local Government Sector Development</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Governance Support</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Grants Funding for Public Libraries and Other Local Government Services</td>
<td>36.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47.3</strong></td>
<td></td>
</tr>
</tbody>
</table>

10.8.2 2001-2002 outlook for the portfolio

The Committee notes the Local Government portfolio has a number of priorities in 2001-2002. These include the continued
implementation of Best Value Principles, the establishment of the Local Government consultative council, the update of the Local Government Act, the conduct of an annual summit involving rural and regional mayors and the establishment of a single municipality to cover Albury-Wodonga.

Key initiatives for the portfolio in 2001-2002 include:

- $400,000 to improve councils’ skills and capacity to maintain their infrastructure assets through the development of best practice guidelines, protocols and a $200,000 grants program;
- $800,000 (over four years) to establish the Best Value Commission which will advise on the outcome of Best Value Principles across Victoria and build governance capacity for Local Government;
- $24.6 million for the Library Grants Program for 44 public library services;
- $1.3 million for beach cleaning activities; and
- $227,000 to support councils in the provision of interpretation and translation services for non-English speaking people.

10.8.3 Analysis of the 2001-2002 Budget

The budget allocation for the Supporting Local Government output group in 2001-2002 has remained virtually unchanged with only a 0.4 per cent ($100,000) increase from 2001-2002.

The increase in funding will be used to implement the Best Value Framework.

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. In addition, other comments arising from the Committee's analysis include:

- the implementation of Best Value Principles across Local Government is a very significant initiative of the Government, yet there are only two performance measures that relate to this initiative: Best Value Principles implementation – Councils meet established requirements and Meetings held by Best Value Commission with Councils. The Committee believes that additional measures relating to the implementation of Best Value Principles should be developed; and

- the Committee questions the need for a performance measure: Councils with properly structured and functioning audit committees, given that the expected outcome for 2000-2001 is 100 per cent and that councils will not discontinue with such an important governance process once established. This could well be reported on an exception basis.

Accordingly, the Committee recommends that:

**Recommendation 10.9:**

The Department of Infrastructure review the performance measures relating to the Local Government portfolio to ensure they measure key Government outcomes, particularly in relation to the implementation of Best Value Principles.

**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 portfolio and the budget estimates for 2001-2002.
(a) Monitoring Best Value Principles

In its 2000-2001 report on the Budget Estimates, the Committee commended the Government on the development and implementation of Best Value Principles which the Committee considered to be a more flexible service delivery model than the previous model of Compulsory Competitive Tendering. However, the Committee also reinforced the importance for the Government to monitor the impact of the new model on the quality of services delivered.

Accordingly, the Committee was informed that a Best Value Commission was established in December 2000 and began operation in April 2001. The major initiatives of the Commission are:

- communicating with peak bodies and engaging in consultation with a range of pilot councils in small rural, middle rural, regional and metropolitan areas to gain an understanding of councils’ experience to date in implementing Best Value Principles; and
- to receive and analyse the reports that councils are required to provide as part of the five year best value program and the results of their best value reviews.

The Committee is pleased to note the establishment of the Commission to monitor the implementation of Best Value Principles.

(b) Local Government infrastructure maintenance

The Minister advised that a significant challenge facing the Local Government sector is the maintenance of existing Local Government infrastructure. This challenge has arisen as a result

174 Ms. P Digby, Executive Director, Local Government Division, Department of Infrastructure, transcript of evidence, 2 August 2001, p. 309
175 Hon. B Cameron, MP, Minister for Local Government, transcript of evidence, 2 August 2001, p. 309
of many decades of Local Government focussing on new capital works rather than the maintenance of existing infrastructure.

The Government has introduced a program aimed at assisting Local Government to build capacity in asset management processes. The Committee believes the maintenance of existing infrastructure is extremely important for the delivery of quality services to the community, and encourages all municipalities to place high priority on this process.

(c) Local Government annual reports

The Committee notes that the Auditor-General’s Report on Ministerial Portfolios, dated June 2001, indicated that in 1999-2000 only 36 per cent of municipal councils and regional library corporations presented their annual reports within the three month statutory timeframe. The Committee views this low level of compliance with concern.

The Department advised that the 1999-2000 financial year was unique from a reporting cycle perspective due to a requirement for councils to undertake a general revaluation of all properties within their municipal district under the Valuations Best Practice reforms to valuation methodology and practices. Many councils experienced delays in the completion of the general property valuation due to the following factors:

- a shortage of qualified valuers;
- the quality of the existing property database;
- difficulties with computer software and hardware; and
- difficulties with project management.

The delays in completing the general property revaluation also resulted in delays to the revaluation of non-current assets.

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177 Department of Infrastructure response to additional information requested from estimates hearing dated 2 August 2001, p. 1
The Local Government Regulations 2001 have removed the requirement to revalue all non-current assets at the same time that a general property revaluation is undertaken, with these revaluations to be conducted on a three-year cycle in accordance with AAS38. Therefore the delays experienced in 1999-2000 are not expected to recur.

The Committee believes the Department should carefully monitor the timeliness of Local Government annual reports to ensure, in future, total compliance with the three-month statutory requirement.

(d) Victorian Grants Commission methodology for the allocation of funds to municipalities

The Department advised that the Victorian Grants Commission has completed a $150,000 review of the methodology used to allocate the Commonwealth Government’s general purpose grants to Victorian councils.\textsuperscript{178}

The review has resulted in a number of changes to the general purpose grants methodology which will be implemented progressively by the Victoria Grants Commission from 2002-2003. These changes include:

- a reduction in the number of expenditure functions assessed from 20 to nine;
- changes to ensure that almost all recurrent expenditure is taken into account;
- the adoption of revised cost adjustors to better reflect the relative needs of councils; and
- a move away from individual council discount factors to reduce reliance on the actual expenditure and revenue data of councils.

The Committee supports the review of grant allocation methodology to produce a more efficient and effective process.

\textsuperscript{178} Ibid, p. 2
10.9 Ports portfolio

10.9.1 Background

The Minister for Ports has sole or joint responsibility for four output groups within the Department. Exhibit 10.8 shows that the outputs within these output groups under the responsibility of the Ports portfolio account for $43.2 million, or 1.7 per cent, of the Department’s 2001-2002 budget.

Exhibit 10.8: Ports portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Ports</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>Regional and Rural Strategies</td>
<td>1.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Port Development Strategies*</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Research and Forecasting Information</td>
<td>0.5</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System</td>
<td>Environmental Strategies and Initiatives</td>
<td>5.6</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>Ports and Intermodal Freight*</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>Passenger Interchange Development</td>
<td>18.8</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>Marine Safety Initiatives and Regulation*</td>
<td>8.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>43.2</td>
</tr>
</tbody>
</table>

Note: * The Minister for Ports has sole responsibility for these three outputs and joint responsibility for all other outputs

10.9.2 2001-2002 outlook for the portfolio

The Committee notes that the Ports portfolio has a number of key priorities in 2001-2002. These include:
• development of Victoria as the main national centre for freight distribution;
• development of a more efficient freight transport system to support Victorian ports;
• commencement of boat operator licensing in conjunction with additional surveying of commercial vessels; and
• completion of the upgrade of services at Station Pier.

Key initiatives in 2001-2002 include:

• $390,000 per year for a five year boating safety grants program to enable the first time replacement of large volunteer marine search and rescue vessels;
• $96 million (over five years) for rail standardisation to replace approximately 2,000 kilometres of specified broad gauge lines to standard gauge;
• $16 million (over five years) for waterways safety which will be funded from revenue raised by boat operator licensing;
• $900,000 (over four years) to increase the incidence of commercial vessel surveys to examine lifesaving and firefighting appliances and other equipment; and
• $800,000 in 2001-2002 for the refurbishment of Station Pier.

10.9.3 Analysis of the 2001-2002 Budget

The Committee’s analysis of the output groups for which the Minister for Ports has sole or joint responsibility shows a $39.8 million or 11.8 per cent increase in 2001-2002. Major reasons for this variation includes an $8 million or 62.8 per cent increase in the Ports and Intermodal Gateways output group budget to reflect increased funding ($8.3 million) provided for the Airport Transit Link.
10.9.4 Performance measures

The Committee’s analysis of the quality 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, there are no measures relating to the implementation of strategies which is a responsibility of the output;

- output measures relating to the Ports and Intermodal Freight output in the Ports and Intermodal Gateways output group have remained unchanged from 2000-2001 and 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; and

- 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.

The Committee believes the performance measures, both individually and collectively, measure activities undertaken within the output group. However, they do not measure the achievement of the objectives for each output group. The Committee believes the ongoing measurement of key Government initiatives will provide more effective performance information in the Budget Papers rather than the completion rates of particular activities.
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 portfolio and the budget estimates for 2001-2002.

(a) Rail access to Victorian ports

At the 2000-2001 estimates hearing, the Minister advised that the biggest challenge for the Ports portfolio was to work in partnership with industry to ensure that supporting transport systems and infrastructure are adequate.\textsuperscript{179} Accordingly, the Government has undertaken a number of initiatives in 2001-2002 aimed at improving access to ports from the network of land transport activities including road, rail and inter-modal operations. These initiatives include:

- preparation of a Victorian Freight and Logistics strategy to outline the direction for development of more effective freight movements;
- extending Dock Link Road to the Dynan terminal;
- developing the Dynan hub strategy to improve land use, transport and operations at the hub; and
- re-establishing on-dock rail to West Swanston Dock and potentially to Web Dock.

The Minister advised that a key target for the Government in terms of improving rail access to Victorian ports is for 30 per cent of traffic entering ports to be by rail\textsuperscript{180} Currently, the access level is at around 10 per cent and while there is no target date, the Government expects the target to be reached in the current parliamentary term.

The Committee supports the Government initiative as a means of improving land transport access to ports. However, the target

\textsuperscript{179}  Hon. C Broad, MLC, Minister for Ports, transcript of evidence, 22 August 2000, p. 473
\textsuperscript{180}  Hon. C Broad, MLC, Minister for Ports, transcript of evidence, 25 July 2001, p. 270
represents a significant increase in the current level of rail traffic entering Victorian ports and progress will need to be monitored.

Accordingly, the Committee recommends that:

**Recommendation 10.10:**

The Department of Infrastructure:

(a) establish a formalised monitoring protocol to ensure that progress in achieving the target for rail access to Victorian ports is monitored in a timely manner; and

(b) develop annual targets for access by rail to Victorian ports so that progress can be effectively monitored and the success of initiatives to achieve intended outcomes can be evaluated.

(b) Refurbishment of Station Pier

The Minister advised that Station Pier is the principal sea passenger facility in Melbourne and provides general user berths for visiting cruise ships and for navy vessels. It also provides a dedicated berth for the TT-Line ferry service to Tasmania.\(^{181}\)

The Committee was advised that recent studies have indicated that significant sections of the substructure were in need of major maintenance and rehabilitation in order to remain serviceable.\(^{182}\) In addition, the existing services infrastructure such as sewerage and water also needed upgrading given that visiting cruise vessels were unable to discharge sewerage into the main system via the pier thus creating an environmental risk and significant expense to vessel owners in finding other means of discharge.

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\(^{181}\) Ibid, p. 273

\(^{182}\) Ibid
Currently, approximately $19 million has been expended in upgrading the pier in line with the findings of the studies, and the Government has allocated $800,000 in 2001-2002 to complete the water and sewerage upgrade.

The Committee believes the completion of the upgrade activities is important in attracting tourism to Victoria and the subsequent economic benefits that flow from increased tourism.

(c) Survey of commercial vessels

The role of vessel surveying is to ensure that vessels are maintained and repaired so they comply with minimum safety standards in construction, stability, engineering, machinery and crewing. The Minister advised the Committee of the following key initiatives in vessel surveying which will be undertaken:183

- the phasing-out of the self-surveying system which applied to non-passenger carrying vessels resulting in these vessels requiring Marine Board surveys from 1 July 2001; and
- initiation of a program of random compliance audits of commercial vessels by marine board surveyors who will also assist the water police in enforcing the Marine Act and regulations under the Act.

The Committee supports the Government’s increased focus on surveying activities. However, it will be important that the Victorian Marine Board has sufficient resources to implement effectively the changes to the Act, and that data capture systems are effective to ensure that scarce resources can be properly directed to high risk areas.

(d) Channel deepening in Port Phillip Bay

The Minister advised that a long-term issue raised by representatives from a number of port interests is the deepening of the channel within Port Phillip Bay.184 Accordingly, the Minister

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183 Ibid, pp. 275-276
184 Ibid, p. 277
has requested the Victorian Channels Authority to commission studies, which are due to be finalised at the end of 2001, on both the environmental considerations and the level of investment required for channel deepening.

Presently, the Government has no indication on the level of investment required, nor the sources of investment that will be pursued.
CHAPTER 11: DEPARTMENT OF JUSTICE

Key Findings:

11.1 Recent Management Reform Program initiatives involving output evaluations and pricing reviews will provide the Department with information that will assist with decisions on appropriate pricing, price escalation factors and possible productivity dividends on an output specific basis.

11.2 The Government has conducted a significant recruitment campaign to increase police numbers by 800. By August 2001, the campaign had resulted in the recruitment of 400 additional police officers.

11.3 Employee morale, industrial relations, an ageing workforce and the management of stress are becoming increasingly costly and complex issues for Victoria Police.

11.4 The Committee is pleased that the recommendations contained in its Report on Outstanding Fines and Unexecuted Warrants have formed the basis for major improvements to the system for collecting fines.

11.5 A comprehensive cross-portfolio Road Safety Strategy with a five-year outlook is soon to be released with a focus on education, enforcement, research and roadside design issues.

11.6 Over-crowding in police cells across Victoria has resulted from an increase in the State's prison population, which has not been matched by a similar increase in prison capacity.
Key Findings (continued):

11.7 A number of police station construction projects will not be completed as projected, due to problems with site acquisition.

11.8 The ongoing matter of illegal immigrants being detained in State prisons, and compensation for providing these detention services, is the subject of negotiation with the Commonwealth Government.

11.9 The current structure of contractual arrangements with private prison operators allow an operator who has not performed to a high standard or performed badly in a number of key areas to receive the full, or a substantial proportion, of the annual performance linked payments.

11.10 The contract with the service provider of the Metropolitan Women’s Correctional Centre was settled by the Government in an arrangement which avoided protracted litigation.

11.1 There was an increase in the annual cost per prisoner in six of Victoria’s 13 prisons from 1999-2000 to 2000-2001, while seven prisons recorded decreases. Victoria’s two privately operated prisons both recorded slight cost increases of 1 per cent and 0.7 per cent.

11.12 The daytime and overnight capacity of the Melbourne Custody Centre is 95 and 67 respectively. In 2000-2001, the average daily number of prisoners was 72, while the highest daily number for the year was 104 recorded on two separate days.

11.1 Departmental overview

The Department of Justice provides support to the portfolios of Attorney-General; Police and Emergency Services; Corrections; and Consumer Affairs.
11.2 Output management framework

The Department’s 2001-2002 output management framework is shown in the following exhibit.

Exhibit 11.1: Department of Justice – Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety Policy</td>
<td>10.1</td>
<td>8.4</td>
<td>12.4</td>
<td>22.8</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td>56.7</td>
<td>89.1</td>
<td>65.6</td>
<td>15.7</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>339.0</td>
<td>337.2</td>
<td>344.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Incident, Emergency and Event Management</td>
<td>112.2</td>
<td>113.4</td>
<td>115.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Crime Identification and Investigation</td>
<td>304.6</td>
<td>302.0</td>
<td>306.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Road Safety</td>
<td>85.1</td>
<td>84.8</td>
<td>86.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>174.7</td>
<td>173.7</td>
<td>177.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Legal Support for Government</td>
<td>31.9</td>
<td>34.5</td>
<td>44.1</td>
<td>38.0</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>230.8</td>
<td>241.7</td>
<td>264.4</td>
<td>14.6</td>
</tr>
<tr>
<td>Enforcing Court Orders</td>
<td>42.1</td>
<td>45.4</td>
<td>59.6</td>
<td>41.4</td>
</tr>
<tr>
<td>Enforcing Correctional Orders</td>
<td>214.4</td>
<td>218.1</td>
<td>252.7</td>
<td>17.9</td>
</tr>
<tr>
<td>Protecting Consumers</td>
<td>38.8</td>
<td>36.0</td>
<td>40.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>8.6</td>
<td>9.1</td>
<td>9.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,649.1</td>
<td>1,693.3</td>
<td>1,778.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>


As shown in Exhibit 11.1, the Department’s budget allocation for 2001-2002 was $1,778.9 million representing a $129.8 million or 7.9 per cent increase from 2000-2001.
11.3 Financial analysis

The operating statement for the Department of Justice is as follows:

Exhibit 11.2: Department of Justice - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>1,659.2</td>
<td>1,707.9</td>
<td>1,796.8</td>
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<tr>
<td>Operating Expenses</td>
<td>1,649.1</td>
<td>1,693.3</td>
<td>1,778.9</td>
<td>7.9</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>10.1</td>
<td>14.7</td>
<td>17.8</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Add</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue for increase in net assets</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
</tr>
</tbody>
</table>

Administrated Items

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>55.1</th>
<th>135.2</th>
<th>141.0</th>
<th>155.9</th>
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<tr>
<td>Operating Expenses</td>
<td>54.5</td>
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<td>85.1</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>0.6</td>
<td>40.1</td>
<td>40.1</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, Table 2.4.2, p. 189

The response to the Committee's estimates questionnaire indicated that the increase in operating revenue of $137.6 million includes:185

- new funding initiatives of $4 million sourced from the Community Support Fund for crime prevention programs, drug initiatives and community correctional services; and

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185 Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, pp. 47

Budget policy initiatives for 2001-2002 such as Diversion Programs, Prison Accommodation and the Integrated Road Safety Initiative, contributed to the overall increase of $129.8 million in operating expenditure.

The increase in net assets relates to investment initiatives for the Justice portfolio totalling $67.6 million for 2001-2002, including new police stations and upgrades of existing stations, the Cell Safety Project, prison capacity expansion and relocatable cell blocks.

Within the estimate of administered other revenue of $317.3 million, the largest component, $285.7 million in Consolidated Fund Revenue increased by 64.7 per cent, from fees and fines, which are now accounted for on an accrual basis and include an expected increase from road safety policing activity and improved detection technology.\textsuperscript{186}

Administered other expenses are also accounted for on an accrual basis. The overall increase of $46.4 million includes an increase of 56.9 per cent for criminal injuries compensation payments and an estimate of bad and doubtful debts of $30 million for on the spot fines which, consistent with accrual accounting, has been included for the first time.

11.3.1 Other revenue and other expenses

The Committee's analysis of items in the 'other revenue' and 'other expenses' classifications controlled and administered, which contain estimated budget amounts of $371.1 million and $166.9 million respectively in 2001-2002, shows that significant material amounts still remain undisclosed. The Committee again recommends that:

\textsuperscript{186} Ibid
Recommendation 11.1:

The Secretary of the Department of Justice ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

11.4 Management Reform Program

As a result of recent initiatives involving output evaluations and pricing reviews, the Department expects to obtain valuable data which will assist with decisions on appropriate pricing, price escalation factors and possible productivity dividends on an output specific basis.

The Committee was advised that the Department has used criteria developed by the Department of Treasury and Finance for whole-of-government application to evaluate performance and identify business improvement opportunities.

This evaluation considered three key elements of the MRP: output management; best value; and financial management. This review identified various strategies for improvement including review of: output structures; strategic outcome performance indicators; and further refinement of benchmarking practices. In addition, improvements carried out and proposed include a review of budget and financial practices to ensure consistency across the Department, upgrade of the Oracle Financial System and improvement of the financial management capability of managers.\(^{187}\)

11.5 Human resources issues - Victoria Police

The Department has estimated that, at 30 June 2001, it would have 11,902 effective full time (EFT) Victoria Police sworn staff, compared with 11,540 at 30 June 2000, representing an increase of 3.1 per cent over the previous year.

\(^{187}\) Ibid, pp. 64-65
Exhibit 11.3: Victoria Police - Equivalent Full Time sworn staff

<table>
<thead>
<tr>
<th>Victoria Police Divisions</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimated)</th>
<th>Variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Management</td>
<td>196.5</td>
<td>210.6</td>
<td>7.2</td>
</tr>
<tr>
<td>Office of the Chief Commissioner</td>
<td>177.0</td>
<td>188.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Crime</td>
<td>1,057.8</td>
<td>1,071.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Ethical Standards</td>
<td>149.6</td>
<td>153.0</td>
<td>2.3</td>
</tr>
<tr>
<td>General Policing</td>
<td>7,845.7</td>
<td>8,077.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Human Resources</td>
<td>132.1</td>
<td>146.3</td>
<td>10.7</td>
</tr>
<tr>
<td>Information Management</td>
<td>262.6</td>
<td>264.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Traffic &amp; Operations Support</td>
<td>1,140.7</td>
<td>1,143.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Training</td>
<td>578.0</td>
<td>647.7</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,540.0</strong></td>
<td><strong>11,902.1</strong></td>
<td><strong>3.1</strong></td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 28

The Department advised the Committee that the increase includes additional staff for enterprise bargaining, performance improvement and occupational health and safety. The increase in training staff relates to departmental restructuring and increased resources needed for additional recruits and Protective Security Officers.

11.5.1 Ratio of males and females in the police force

Within the police force, based on full numbers (not EFT), the Department estimated that at 31 March 2001, there were 77 per cent males compared with 23 per cent females, and this remained constant compared with 30 June 2000.\(^{188}\)

The estimate by the Department at 31 March 2001 included a decrease of 20 male Chief Inspectors, a gain of 15 male Constables and 40 male recruits, compared with 30 June 2000.

\(^{188}\) Ibid, pp. 31-32
There was also an estimated reduction of 69 female Senior Constables at 31 March 2001, with the number of female Sergeants decreasing marginally by 2.7 per cent. The change within the female police workforce compared with 30 June 2000 also included an increase of 62 female Constables at 31 March 2001.

11.5.2 Police force age profile

At 31 March 2001, the Department’s estimates indicate 673 male police are over 50 years of age, with 21 female police in this age group. Male police over 50 are significantly represented in the Senior Constable up to Deputy Commissioner levels.

The Department has a recruitment campaign underway to increase police numbers by 800. By August 2001, the Minister announced that the campaign had resulted in the recruitment of 400 additional police officers.189

The Department advised the Committee that employee morale, industrial relations, an ageing workforce and the management of stress and WorkCover are becoming increasingly costly and complex issues for Victoria Police. A major issue facing the Department is pay and classification and the Department has also indicated that the current system has presented difficulties in terms of rewarding staff. In addition, a recent review of pay and classification issues commissioned by the Government has identified a number of opportunities for improvement and these are currently under consideration.190

The Department is addressing the issue of stress and morale by implementing a comprehensive Victoria Police WorkCover Improvement Plan following a review which was undertaken in 2000. In addition, the Department is addressing a joint study of stress and morale in the Victoria Police from 1997 to 1999, undertaken by Victoria Police and Melbourne University, which has just been completed following extensive consultation with the workforce and the Police Association.

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189 Media Release by the Minister for Police and Emergency Services, dated 21 August 2001
190 Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 37
The Committee was informed that action plans are in place to address the key issues of the review and study, and strategies include training for managers and supervisors in people management skills and identification of stress indicators. The Department considers that these strategies will have a positive impact on police morale, and lead to fewer and less costly claims.\footnote{Correspondence, received 17 October 2001, from the Minister for Police and Emergency Services, pp. 2-3}

11.5.3 **Staff in police administration**

Within police administration, based on full numbers (not EFT), the Department estimated that at 31 March 2001, there were 34.4 per cent males compared with 65.6 per cent females, a similar ratio to the previous year.

11.6 **Human resources issues - Department of Justice**

The Department advised that staff numbers in its workforce indicate an estimated increase at 30 June 2001 of nearly 310 employees, or 9 per cent increase, compared with 30 June 2000.\footnote{Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 28}
Exhibit 11.4: Department of Justice - Estimated full-time staff

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000 (EFT actual)</th>
<th>30 June 2001 (EFT estimated)</th>
<th>Variation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Management</td>
<td>52.4</td>
<td>56.8</td>
<td>8</td>
</tr>
<tr>
<td>Justice Operations</td>
<td>1,378.2</td>
<td>1,583.4</td>
<td>15</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>193.2</td>
<td>174.6</td>
<td>-10</td>
</tr>
<tr>
<td>Consumer Affairs &amp; Equity</td>
<td>346.8</td>
<td>392.7</td>
<td>13</td>
</tr>
<tr>
<td>Legal</td>
<td>1,495.3</td>
<td>1,568.0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Departmental Total</strong></td>
<td><strong>3,465.9</strong></td>
<td><strong>3,775.5</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 28

The major variation for the year involved the transfer of staff employed by the privately managed Metropolitan Women’s Correctional Centre to public management by CORE, and additional staff engaged by CORE for the Dame Phyllis Frost Centre, Ararat and Melbourne Assessment Prisons.

Other changes included transfer of staff between Corporate Services and Consumer Affairs and Equity.

11.7 Attorney-General portfolio

11.7.1 Background

The Attorney-General has responsibility for a number of outputs within the four output groups Legal Support for Government, Dispensing Justice, Enforcing Court Orders and Achieving Equal Opportunity. Outputs for which the Attorney-General is responsible account for $377.3 million or 21.2 per cent of the Department’s overall 2001-2002 budget.

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193 Excludes staff from Office of Public Prosecutions, Victorian Legal Aid, Victorian Electoral Commission, Legal Ombudsman, Legal Practice Board, Legal Professional Tribunal or staff in the Metropolitan Fire and Emergency Services Board and the Country Fire Authority.

194 Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 29
These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 11.5: Attorney-General portfolio output groups and output costs for 2001-2002**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Attorney-General</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Support for Government</td>
<td>Law Reform</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>Legal Advice to Government</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>Privacy Regulation</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>Native Title Framework</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>State Electoral Role and Elections</td>
<td>16.6</td>
</tr>
<tr>
<td></td>
<td>Registration of Births, Deaths and</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>Marriages</td>
<td></td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>Public Prosecutions</td>
<td>24.9</td>
</tr>
<tr>
<td></td>
<td>Forensic Evidence</td>
<td>9.2</td>
</tr>
<tr>
<td></td>
<td>Matters in the Supreme Court</td>
<td>33.6</td>
</tr>
<tr>
<td></td>
<td>Matters in the County Court</td>
<td>53.1</td>
</tr>
<tr>
<td></td>
<td>Matters in the Magistrates’ Court</td>
<td>69.6</td>
</tr>
<tr>
<td></td>
<td>Matters in the Children’s Court</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>Matters in the Coroner’s Court</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>Matters in the Civil and</td>
<td>28.6</td>
</tr>
<tr>
<td></td>
<td>Administrative Tribunal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alternative Dispute Resolution</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Legal Aid</td>
<td>29.3</td>
</tr>
<tr>
<td></td>
<td>Victims Support</td>
<td>7.6</td>
</tr>
<tr>
<td>Enforcing Court Orders</td>
<td>Enforcement of Court Orders and Warrants</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Traffic Fines Processing</td>
<td>38.7</td>
</tr>
<tr>
<td></td>
<td>Asset Confiscation Order Processing</td>
<td>1.9</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>Discrimination Prevention and Redress</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Advocacy and Guardianship</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>377.3</strong></td>
</tr>
</tbody>
</table>

11.7.2 2001-2002 outlook for the portfolio

Key initiatives for 2001-2002 include:

- reduction of time taken to dispose of matters in courts and tribunals by the appointment of two additional judges to the County Court and sessional members to the Victorian Civil and Administrative Tribunal;
- continuation of reforms to administrative processes to achieve more timely disposition of court and tribunal matters;
- implementation of a strategy for diversion of low risk offenders from custodial sentences to community supervision and treatment orders;
- improvement of access to justice services particularly to legal aid, victim support services and alternative dispute resolution;
- increase in confidence in the legal and courts system through the Law Reform Commission and the Judicial College of Victoria; and
- improvement of access to human rights protection services in targeted areas through initiatives of the Equal Opportunity Commissioner and ongoing activities of the Office of the Public Advocate.

11.7.3 Analysis of the 2001-2002 Budget

Major changes in the budget allocation for 2001-2002 for relevant outputs include:\(^{195}\)

- State Electoral Roll and Elections has been increased by $4.1 million for a major upgrade of the Roll Management System by the Victorian Electoral Commission;
Native Title Framework, now funded by the Department of Justice, has had a substantial increase in budget allocation to $2 million for the year, compared with the budget of $0.1 million in the previous year;

Privacy Regulation has increased from $1.6 million to $5.2 million to support the establishment of the Office of the Victorian Privacy Commissioner which is expected to be fully operational in 2001-2002;

Matters in the County Court has increased from $33.5 million to $53.1 million to fund the new County Court expected to be operational in the latter part of 2001-2002; and

Traffic Fines Processing has increased to $38.7 million compared with $24.2 million in the previous year to cover the cost of new road safety initiatives including enforcement of CityLink fines and additional fixed site cameras.

11.7.4 Performance measures

The Department advised that it has carried out a major review of output structures to better align with portfolio responsibilities.196

This review has resulted in a number of new outputs including Law Reform, Public Prosecutions, Matters in the Children’s and Coroner’s Courts, Forensic Evidence and Traffic Fines Processing.

The Committee believes there is scope for improvement of measures, for instance, to include measurement of progress with the implementation of the Victorian Aboriginal Justice Agreement. The Department should also reassess the qualitative measure provided in respect of Matters in the Supreme, Magistrates’, Children’s, Coroner’s Courts and the Civil and Administrative Tribunal to reflect a percentage of satisfaction rather than “high”, and presumably “medium” or “low”.

196 Ibid, p. 3
Accordingly, the Committee recommends that:

**Recommendation 11.2:**

The Department of Justice:

(a) introduce relevant performance measures relating to the progress in implementation of the Victorian Aboriginal Justice Agreement; and

(b) improve qualitative indicators for matters in the Courts and the Victorian Civil and Administrative Tribunal to reflect a percentage of user satisfaction against a benchmark.

**11.7.5 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 2001-2002.

(a) Assistance to victims of crime

In February 2001, a new Victims of Crime Assistance Scheme was launched which provides special financial assistance, additional to existing entitlements, for primary victims including victims of childhood sexual assaults.¹⁹⁷

The scheme also provides for expenses to be awarded to close family members of victims of crime, as well as introducing methods for seeking compensation from the offender. Under the new scheme, the majority of victims of crime who live in regional areas can have their applications heard locally, without having to travel to Melbourne.

¹⁹⁷ Media release by the Attorney-General, dated 23 February 2001
In March 2001, a review of services to victims of crime commenced. The review was initially to report to the Attorney-General by mid-year. However, it is now expected to report by October 2001.

(b) Pro bono work by private law firms

On 6 June 2000, the Attorney-General announced a new initiative designed to increase the level of pro bono (for the public good) work undertaken by the legal profession. Under the initiative, private firms will second one or more of their solicitors to a Community Legal Centre or Victoria Legal Aid for a period of six to 12 months.

The benefits which could accrue from such a scheme are the:

- enabling of bright aspiring lawyers to gain wider and prestigious experience with the Director of Public Prosecutions, Legal Aid and the Victorian Government Solicitor;
- expansion of available legal services to the community;
- meeting of on-costs by the private legal firms; and
- potential for regional legal firms to get involved.

A working group comprising representatives from the Law Institute, the Federation of Community Legal Centres and Victoria Legal Aid, and chaired by the Chief Justice of the Victorian Supreme Court, Justice John Phillips, was convened to develop the plan.

A pilot two-year pro bono program is to commence shortly and will provide Victoria Legal Aid with additional resources, thereby widening access to this service across the State.

(c) Victorian Law Reform Commission

In April 2001, legislation was proclaimed reinstating the Victorian Law Reform Commission. Initial priorities of the Commission will be to review and report on:
- privacy laws, including such matters as information arising from the advances in technology and surveillance in public places and workplaces;
- property law, with a view to introducing cost effective and simpler processes for resolving disputes between co-owners of property, and matters relating to joint tenancy and tenancy in common matters;
- the legislative provisions relating to sexual offences administration and procedures to ensure the criminal justice system is responsive to the needs of complainants in sexual offence cases; and
- IVF matters.

The budget allocation for the Commission is $4 million over four years.

(d) Victorian Aboriginal Justice Agreement

The Victorian Aboriginal Justice Agreement is an agreement entered into between the Victorian Government, the Aboriginal and Torres Strait Islander Commission and the Koori community in Victoria, and is designed to improve justice outcomes for the Koori community.

The agreement addresses issues of indigenous over-representation in the criminal justice system, Koori access to justice related services and awareness in the Koori community of civil and legal rights.

The funding allocation for the agreement within the 2000-2001 Budget was $6.4 million, or $1.6 million for each of the four years 2000-2001 to 2003-2004 inclusive. Additional funding was included in the Budget for 2001-2002 with an overall allocation of $4.4 million, made up of equal funding of $1.1 million for each of the years 2001-2002 to 2004-2005 inclusive.198

The Minister indicated that the Victorian Aboriginal Justice Agreement has in excess of 60 initiatives including: 199

- establishment of the Regional Aboriginal Justice Advisory Network;
- development of a Koori magistrates’ court;
- a Koori recruitment and career development strategy, including a tertiary scholarship program to enable employment in justice careers;
- funding for indigenous lawyers and law students association in partnership with the Victorian bar;
- a bridging course for Kooris to become bail justices in Victoria; and
- a community based adult diversion program.

The Committee commends the establishment of the Victorian Aboriginal Justice Agreement as a major step in addressing matters of concern in respect of representation of indigenous Victorians in the criminal justice system.

(e) Outstanding fines and unexecuted warrants

In its report on Outstanding Fines and Unexecuted Warrants, the Committee recommended that the legislation relating to the collection of fines be significantly overhauled. 200

The Department indicated that, in response to the Committee recommendations, it had made a number of improvements to the infringement notice system, including: 201

- the right for a person to appear before a Magistrate before being imprisoned. This will enable a Magistrate to release a person with a mental disorder or other impairment on special conditions;

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199 Hon. R Hulls, MP, Attorney-General, transcript of evidence, 3 August 2001, p. 364
201 Correspondence, received 21 September 2001, from the Attorney-General
• extension of the availability of instalment arrangements to agencies which issue warrants;
• changes in relation to enforcement orders and the powers of the Registrar, and to enhance the powers of Sheriff's Officers which includes the ability to obtain the name and address of defendants;
• the Registrar of the PERIN Court has been given power to refer matters to a Magistrate without the need for a formal revocation order, in cases where a person has a medical, psychiatric or other issues requiring special consideration;
• PERIN Court Orders will expire in most circumstances after five years with any unexecuted warrant; and
• an additional 33 Sheriff's Officers to be recruited to address the increasing number of warrants as a result of increased enforcement activities, Citylink infringements and the Road Safety Initiative announced in the 2001-2002 Budget.

The Attorney-General has indicated that the above initiatives have flowed from the Committee's 1997 Report and the legislative initiatives were outlined in the Magistrates' Court (Infringements) Act 2000 which came into effect in July 2001.

The Committee is pleased that its recommendations have formed the basis for major changes to the system for collecting fines.

11.8 Police and Emergency Services portfolio

11.8.1 Background

The Minister for Police and Emergency Services has responsibility for a number of outputs within seven output groups. Outputs for which the Minister is responsible account for $1,108.9 million or 62.3 per cent of the Department's 2001-2002 overall budget.

The outputs and corresponding funding allocations for 2001-2002 are shown below:
### Exhibit 11.6: Police and Emergency Services portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Police and Emergency Services</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety Policy</td>
<td>Crime and Violence Prevention</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>Emergency Readiness Support</td>
<td>5.3</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td>Metropolitan Fire and Emergency Services</td>
<td>17.8</td>
</tr>
<tr>
<td></td>
<td>Outer Metropolitan, Rural and Regional Fire Services</td>
<td>36.4</td>
</tr>
<tr>
<td></td>
<td>Statewide Emergency Services</td>
<td>11.4</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>Police Presence in the Community</td>
<td>309.8</td>
</tr>
<tr>
<td></td>
<td>Community Safety Programs</td>
<td>34.8</td>
</tr>
<tr>
<td>Incident, Emergency and Event Management</td>
<td>Response Readiness</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>Response to Incidents</td>
<td>70.2</td>
</tr>
<tr>
<td></td>
<td>Event Management</td>
<td>39.9</td>
</tr>
<tr>
<td>Crime Identification and Investigation</td>
<td>Investigation of Crimes against the Person</td>
<td>107.7</td>
</tr>
<tr>
<td></td>
<td>Investigation of Crimes against Property</td>
<td>137.4</td>
</tr>
<tr>
<td></td>
<td>Investigation of Illegal Drug Activity</td>
<td>61.7</td>
</tr>
<tr>
<td>Road Safety</td>
<td>Road Safety Strategies and Awareness</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>Road Traffic Law Enforcement</td>
<td>68.0</td>
</tr>
<tr>
<td></td>
<td>Road Traffic Incident/ Collision Management</td>
<td>15.7</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>Provision of Justice Services</td>
<td>149.9</td>
</tr>
<tr>
<td></td>
<td>Management of Persons in Police Custody</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,108.9</strong></td>
</tr>
</tbody>
</table>

11.8.2 2001-2002 outlook for the portfolio

Key initiatives for 2001-2002 include:
• reduction in the incidence of violent crime in targeted areas through the development of partnerships between the newly established Crime Prevention Victoria, the Victoria Police, and the community;

• maintenance and improvement of the confidence of Victorians in their safety by recruiting an additional 800 operational police, and development of a statewide integrated public safety communications strategy which is expected to improve the capabilities of the State’s emergency services; and

• reduction in Victoria’s road toll through a road safety campaign involving a new speed compliance regime with new speed detecting equipment and technology.

11.8.3 Analysis of the 2001-2002 Budget

Overall, the budget for Police and Emergency Services for 2001-2002 has had an increase of 2.4 per cent to $1,108.9 million.

Within the output groups, significant changes occurred in:

• the output Crime and Violence Prevention has increased from $4.9 million to $7.1 million; and

• the output Outer Metropolitan, Rural and Regional Fire Services has increased from $27 million to $36.4 million.

11.8.4 Performance measures

Following a major review of performance measurement information across the Department of Justice, key changes to relevant output groupings in this year’s Budget Papers include realignment of groups with portfolio responsibilities and budget reporting entities. In addition, the changes include a clearer distinction between public safety policy outputs delivered by the Department and emergency prevention and response services delivered by Justice agencies. There has also been some regrouping of outputs delivered by Victoria Police to improve the
focus on and distinction between preventative and response services.\textsuperscript{202}

The Department output group Crime Prevention pursues an objective of contributing to maintenance and enhancement of the confidence of Victorians in personal safety and reduction of fear of crime.

The major output under Crime Prevention is Police Presence in the Community which establishes and promotes a high level of visible police presence in the community through general and targeted police patrols, public relations events and accessible operational service locations.

Funding allocated towards this major output for 2001-2002 in the Budget is approximately $310 million and represents the single highest funding allocation against any major output within the Department of Justice.

There are three performance measures within this output, namely:\textsuperscript{203}

\begin{itemize}
  \item total number of patrol hours (target of 2.5 million hours);
  \item total hours of assistance to the community at police stations/ work areas (target of 1.25 million hours); and
  \item proportion of people who believe police are easy to get in contact with (target of 85 per cent).
\end{itemize}

At the hearing, the Committee discussed with the Minister the distinction between inputs and outcomes. The Minister advised that:

\begin{quote}
  ... they [the current output measures] have been the consistent basis for measuring police outputs for a number of years. I take the view that hours are inputs rather than outputs, and we need to look at a more effective way of measuring performance.\textsuperscript{204}
\end{quote}

\begin{footnotes}
\item[202] Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 4
\item[203] 2001-2002 Budget Paper No. 3, Budget Estimates, p. 161
\item[204] Hon. A Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 3 August 2001, p. 402
\end{footnotes}
The Committee commends the Minister for his commitment to improve performance measurement for this major output.

Accordingly, the Committee recommends that:

**Recommendation 11.3:**
The Department of Justice develop improved quantitative, qualitative and timely performance measures for the major output group Crime Prevention to enable better measurement of outcomes.

**11.8.5 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 2001-2002.

(a) Law Enforcement of Victoria’s Road Safety Strategy

The Government recently announced its Road Safety Strategy for Victoria 2000-2005 which seeks to further reduce road deaths and injuries arising from speeding and drink driving. This strategy involves the implementation of speed compliance initiatives in conjunction with extensive publicity and a program co-ordinated by the Transport Accident Commission to ensure motorists modify their driving behaviour.

In order to implement the Strategy, a funding allocation of $12.3 million has been secured to address the road toll on a number of fronts.\(^{205}\)

Initiatives under the strategy include:\(^{206}\)

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\(^{205}\) Ibid, p. 395
\(^{206}\) Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 13
• staged replacement of Booze Buses combined with Transport Accident Commission advertising to promote the drink driving program;

• introduction of new fixed site, no flash speed cameras;

• trialling of point to point speed camera technology;

• additional hand held lasers and vehicle mounted speed detection devices; and

• introduction of new improved data logging devices for drink-driving breath testing.

Based on statistics, the Department has indicated that even without the new measures, changes can be made to camera operations with the potential to reduce the number of casualty collisions by 8 per cent. A reduction of this level would reduce the annual cost of road injury accidents to the community by $220 million.\textsuperscript{207}

The Minister has advised that a comprehensive cross-portfolio Road Safety Strategy with a five-year outlook is soon to be released with a focus on education, enforcement, research and roadside design issues.\textsuperscript{208}

The strategy will highlight particular problem areas and include a major research project to investigate, using a multi-disciplinary team, approximately 500 representative crashes involving fatality or very serious injury to identify the causes and appropriately target road safety programs. It is intended that the strategy will complement existing road safety initiatives such as reduction of residential street speed to 50 kilometres per hour and tightening of drink driving enforcement legislation.

(b) CrimTrac

On 1 July 2000, CrimTrac became an executive agency under the Public Service Act 1999 following the signing of an

\textsuperscript{207} Ibid
\textsuperscript{208} Correspondence, received 17 October 2001, from the Minister for Police and Emergency Services, p. 16
intergovernmental agreement terminating the National Exchange of Police Information (NEPI) agreement. As a result, the net assets of NEPI were transferred to the CrimTrac Agency. The Commonwealth provided $50 million to enable CrimTrac to implement the following initiatives:\(^{209}\)

- a new national automated fingerprint identification system (NAFIS);
- a national DNA criminal investigation system;
- a national child sex offender system (NCSOS);
- provision of a rapid access to operational policing data (CPRS – CrimTrac Police Reference System);
- other emerging policing requirements across jurisdictions; and
- performance of administrative functions required to fulfil the terms of the CrimTrac inter-governmental agreement.

The States and Territories agreed to meet the ongoing recurrent and maintenance costs on an accrual basis.

CrimTrac is structured to provide support for, and improve, the national law enforcement and crime prevention environment through the implementation of modern electronic police information services and investigative tools.

The NAFIS became fully operational in April 2001. The DNA database has been developed by CrimTrac but is awaiting resolution of policy and legal issues relating to cross-jurisdictional DNA matching.\(^{210}\) It is anticipated that this will not occur until 2002. The NCSOS and the CPRS are still at the concept stage. The exchange of police operational information continues through pre-existing arrangements.

Expenditure on CrimTrac in 2001-2002 was $1.8 million including depreciation. In addition, $3.9 million has been set aside for acquisition of additional fingerprint (Livescan) devices. A total of

\(^{209}\) Ibid, p. 14
\(^{210}\) Ibid
$2.7 million recurrent expenditure over five years has been committed for the maintenance of the Livescan devices.

(c) Administrative review of Victoria Police

The Johnson Report, which was finalised in late 2000 and contained 109 recommendations, identified four key areas where Victoria Police policies, practices and procedures require strengthening: 211

- Governance and accountability: Current legislation affecting Victoria Police originates from 1853 and needs to be replaced by contemporary and comprehensive legislation enabling a modern police force to be responsive and accountable to the community and the Government, while guaranteeing its operational independence;

- Strategic Planning: Changes in the world of crime, public order, public safety and public administration, will continue to impact on Victoria Police. It will need to respond rapidly and effectively to new demands for services and will require a strong planning and analysis capability to manage its sworn and unsworn staff;

- Recruiting and Retaining People: Victoria Police human resource planning requires strengthening to ensure it can recruit and deploy its staff to deliver services at levels expected by the community; and

- Consultation and Communication: Consultative mechanisms and processes for dispute resolution should be strengthened, including the establishment of a Police Service Career Commission, and steps should be taken to enhance staff involvement in and commitment to organisation change initiatives.

The Government has decided to deal with the report’s recommendations on a subject-by-subject basis. An implementation working party has been created to oversee

211 Ibid, p. 9
implementation priorities with the Chief Commissioner of Victoria Police.

The Minister has indicated that Victoria Police agrees with many of the recommendations within the Johnson Review, a number of which are accommodated within current practices and many will be implemented without the need for additional resources.\textsuperscript{212} Other recommendations, such as career structure, are the subject of negotiation under the current Enterprise Bargaining negotiations with the Police Association.

(d) Prisoners held in police cells

The following exhibit reflects the number of persons held in police cells awaiting judicial process:

**Exhibit 11.7: Prisoners held in police cells awaiting trial**

<table>
<thead>
<tr>
<th></th>
<th>30 June 1999</th>
<th>30 June 2000</th>
<th>29 June 2001</th>
<th>2001 (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sentenced</td>
<td>193 (b)</td>
<td>181</td>
<td>278</td>
<td></td>
</tr>
<tr>
<td>Remanded</td>
<td>42</td>
<td>42</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>235</strong></td>
<td><strong>223</strong></td>
<td><strong>334</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Correspondence, received 17 October 2001, from the Minister for Police and Emergency Services, p. 21

Notes: (a) Records are only kept Monday to Friday, and 30 June 2001 was a Saturday; and

(b) Numbers sentenced or on remand for more than three days.

The Committee was informed that the problem with police cells overcrowding across Victoria has resulted from an increase in the State’s prison population over the last few years, and the lack of planning for an increase in prison capacity.\textsuperscript{213} There are various reasons for the increase in the prison population including a rise in drug-related crimes and changes in sentencing practices.

\textsuperscript{212} Ibid, p. 10
\textsuperscript{213} Ibid, p. 21
The Committee was informed that the Government has developed a number of initiatives to address the problem of prison overcrowding, including the State's first ever master plan for prison replacement and extension. The Department's long-term strategy includes the construction of four new prisons and setting up diversion programs which involve intensive community based assistance for selected offenders with the aim of breaking the cycle of prisoner recidivism.

Medium-term initiatives include providing additional temporary prison capacity and increasing the permanent capacity of current prisons. A major component of the medium-term strategy is the provision of 300 beds in the form of 50 bed relocatable cell blocks which are currently under construction. The Minister has indicated that it is likely that this project will start to alleviate prisoner overcrowding early to mid next year.

Accordingly, the Committee recommends that:

**Recommendation 11.4:**

The Department of Justice:

(a) establish performance measures of the average numbers of prisoners in police cells, and the average on remand by week, month and quarter, to measure progress of other factors such as diversion programs, home detention, the efficiency of the judicial process and the expansion of prison capacity; and

(b) report this performance information in the Government's Mid Year Financial Report to the Parliament.
(e) Emergency prevention and response

The output group Emergency Prevention and Response identifies services provided by the Metropolitan Fire and Emergency Services Board, Country Fire Authority and Victoria State Emergency Services.

The group has been disaggregated and now reflects the outputs and funding for each of the three emergency services agencies, whereas previously, outputs and funding were combined under the one output, Support for Emergency Readiness.

A discussion paper, A Model for Fire Cover in Victoria, sought submissions by 31 August 2001. The Department expects some recommendations to flow from the paper and the output measures will then be reviewed.

The intention is to establish a uniform standard across the three agencies for the standard of service provided and the emergency response time relative to the area and the level of hazard and risk profile.

According to the Department’s response to the Committee estimates questionnaire, funding for Emergency Prevention and Response, originally budgeted at $56.7 million for 2000-2001, was revised to $89.1 million to include $27.5 million for the first phase of funding of the Country Fire Authority Reform Package. The Budget for 2001-2002 has been established at $65.6 million, an increase of 15.7 per cent over the previous year’s target, with the increased funding also attributed to the CFA Reform Package.214

This funding is for additional operational and support staff, enhanced training programs, additional safety equipment and protective clothing, as well as capital purchases including additional fire fighting appliances, specialised fire fighting vehicles and new and upgraded fire stations.

214 Department of Justice response to the Committee’s 2001-2002 estimates questionnaire, p. 44
(f) Delays in completion of Police Station construction projects

The Department advised that a number of police station construction projects will not be completed by the originally planned dates.\textsuperscript{215}

The following exhibit outlines the revised completion dates.

\textbf{Exhibit 11.8: Police station construction projects}

<table>
<thead>
<tr>
<th>Project</th>
<th>Original completion date</th>
<th>Revised completion date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of Police Stations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bacchus Marsh</td>
<td>Late 2002</td>
<td>Early to mid 2003</td>
</tr>
<tr>
<td>Belgrave</td>
<td>Late 2002</td>
<td>Early to mid 2003</td>
</tr>
<tr>
<td>Eltham</td>
<td>Late 2001</td>
<td>Late 2002 to early 2003</td>
</tr>
<tr>
<td>Heidelberg Police Station Refurbishment and Court Expansion</td>
<td>Late 2001</td>
<td>Early 2003</td>
</tr>
<tr>
<td>Kew/ Hawthorn</td>
<td>Mid 2000</td>
<td>Late 2002</td>
</tr>
<tr>
<td>Kinglake</td>
<td>Late 2001</td>
<td>Early 2002</td>
</tr>
<tr>
<td>Mordialloc</td>
<td>Mid 2000</td>
<td>Early 2002</td>
</tr>
<tr>
<td>Northcote</td>
<td>Late 2002</td>
<td>Early to mid 2003</td>
</tr>
<tr>
<td>Preston</td>
<td>Late 2002</td>
<td>Early to mid 2002</td>
</tr>
<tr>
<td>Richmond</td>
<td>Mid 2000</td>
<td>Late 2002</td>
</tr>
<tr>
<td>Seymour</td>
<td>Mid 2002</td>
<td>Early to mid 2003</td>
</tr>
<tr>
<td>Water Police and Search and Rescue Squad</td>
<td>Mid 2002</td>
<td>Late 2002</td>
</tr>
<tr>
<td>Wodonga Police and Courts Complex</td>
<td>Early 2001</td>
<td>Early 2002</td>
</tr>
<tr>
<td>Wonthaggi</td>
<td>Mid 2001</td>
<td>Late 2001</td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee’s 2001-2002 questionnaire, p. 53

\textsuperscript{215} Ibid, p. 53
The Minister advised the Committee that the delays in construction of police stations are mainly due to problems with site acquisition and that the Department may need to consider compulsory acquisitions so as not to compromise an ideal site for an emergency service.216

11.9 Corrections portfolio

11.9.1 Background

The Minister for Corrections has responsibility for three outputs within the output group Enforcing Correctional Orders. Outputs for which the Minister is responsible account for $252.7 million in 2001-2002 and represent 14.2 per cent of the overall Budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

Exhibit 11.9: Corrections portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Corrections</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enforcing Correctional Orders</td>
<td>Correctional System Management</td>
<td>24.7</td>
</tr>
<tr>
<td></td>
<td>Prisoner Supervision and Support</td>
<td>206.6</td>
</tr>
<tr>
<td></td>
<td>Community Based Offender Supervision</td>
<td>21.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>252.7</td>
</tr>
</tbody>
</table>

11.9.2 2001-2002 outlook for the portfolio

The key strategies for the Department in relation to the output Enforcing Correctional Orders, include:

216 Hon. A Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 3 August 2001, p. 403
implementing a whole-of-government approach to early intervention and diversion strategies to minimise the penetration of offenders into the criminal justice system by implementing a corrections strategy which, through Court based initiatives:

- diverts offenders from custody including trialling a court for offenders with a drug problem and expanding use of the Court Referral for Evaluation and Drug Intervention Treatment (CREDIT) program which allows immediate drug treatment as a condition of bail, and piloting a bail support program;

- improves the capacity to assess and provide advice to the Courts on offender risk/need and development of a target to reduce the occurrence of recidivism;

- develops new sentencing options including the early introduction of a home detention program; and

- intervenes in certain targeted situations such as providing assistance to Aboriginals, young adult offenders, women and children from Indo-Chinese backgrounds and in geographic areas known to be high crime and socially disadvantaged locations;

- providing targeted correctional support, and pre and post release services that assist with the rehabilitation of offenders and their reintegration into society through:

  - behaviour programs which include providing one-on-one motivational counselling and training in problem solving, developing programs for violent offenders and expanding proven sex offender programs and more intensive case management of offenders with a high risk of recidivism;

  - adult pre and post release support programs which include a pre-release community integration program for all prisoners, piloting home detention options for low risk offenders during the last part of their sentences; and
– a major prisons infrastructure investment program to both increase total prison capacity thereby reducing overcrowding and improve overall functionality of this total capacity.

11.9.3 Analysis of the 2001-2002 Budget

The budget allocation for Enforcing Correctional Orders for 2001-2002 reflects an overall increase of $38.3 million for the year.

The increase in funding covers all outputs, as follows:

- Correctional System Management has increased from $10.9 million to $24.7 million, which includes various correctional diversion strategies to reduce the growth in prisoner population;
- Prisoner Supervision and Support has increased from $183.3 million to $206.6 million, reflecting the growth in capacity of the prison system which is expected to accommodate between 3,650 and 3,750 inmates, up from 3,100; and
- Community Based Offender Supervision, which includes a home detention pilot program, has increased from $20.2 million to $21.4 million.

11.9.4 Performance measures

The Department has increased its outputs from two to three with the inclusion of Prisoner Supervision and Support. This output incorporates from the previous year, quantitative measures for the annual daily average number of prisoners and the average daily prison capacity utilisation rate (now design capacity utilisation rate), and adds a measure for average daily utilisation rate of all permanent and temporary prison capacity.

Under its output Correctional System Management, the Department has introduced new measures for service capacity to provide advice, briefings and consultations and the percentage by which Advice meets internal quality and timeliness standards.
The Committee welcomes the introduction of the new output Prisoner Supervision and Support, and recommends that:

**Recommendation 11.5:**

The Department of Justice adopt uniform qualitative measures for all Victorian prisons, whether public or private, to measure:

(a) health and safety of prisoners;
(b) security of prison officers; and
(c) solitary confinement levels.

**11.9.5 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 2001-2002.

(a) Strategies to alleviate pressure on the State’s prison capacity

During 2000-2001, the Department undertook a number of actions to establish a long-term strategy for dealing with the over-population of prisons, and the pressure on police cell capacity.217

This strategy included development of a 10 Year Corrections Facility Master Plan, a major review of community correctional services, development of a short-term prisoner accommodation strategy and expansion of pre and post release programs. In addition, the Department’s strategies included:

- a framework for reducing offending;
- a pilot home detention scheme;

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development of a prison drug strategy; and
a building design review project.

For 2001-2002, the Department has put in place a number of initiatives for correctional services to redress the imbalance between imprisonment and diversion, including:

- establishment of various significant prisoner diversion initiatives including the Court Referral and Evaluation for Drug Intervention and Treatment (CREDIT) program, diversion coordinators, a drugs court pilot, a bail services program and home detention;
- development of a prisoner rehabilitation framework;
- redevelopment of community correctional services;
- enhancement of pre and post release programs; and
- further development of the Victorian Prison Drug Strategy, including a proposed methadone program.

(b) Prison accommodation

The Committee was informed that the prison population has grown significantly from 2,467 in 1995, to 3,391 at 30 June 2001, an overall increase over the period of 37.5 per cent.\(^\text{218}\)

In terms of infrastructure supporting prisoner detention, the Department has embarked on a substantial expansion and improvement program including:\(^\text{219}\)

- prison capacity expansion projects to achieve 357 additional permanent beds;
- three new prisons, including a 600 bed metropolitan remand facility, a 300 bed medium security metropolitan prison, and a 100 bed (near Beechworth) minimum security establishment to replace the existing Beechworth facility;

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\(^{218}\) Hon. A Haermeyer, MP, Minister for Corrections, transcript of evidence, 3 August 2001, p. 375
\(^{219}\) Ibid, p. 377
• redevelopment of Langi Kal Kal;
• temporary bed strategy of 640 current and a further 304 bed capacity by February 2002 through high quality relocatable cell accommodation;
• closure of Beechworth, Bendigo and Won Wron prisons;
• a diversion program for adult Aboriginal offenders; and
• cell safety and fire prevention programs.

The Committee notes that the completion date for the Department’s prison accommodation expansion program has been revised to late 2002, compared with mid 2002 as initially envisaged.

(c) Detention of immigration detainees

Last year, the State was asked to accept responsibility for a number of prisoners previously held by the Commonwealth in the Maribyrnong Detention Centre. At the time of this request, 26 prisoners were being detained as illegal immigrants pending resolution of a number of legal issues. These prisoners were considered by the Commonwealth to have behaviour and management problems.

The Minister informed the Committee that the ramifications of such detention have been:

• placement of the immigrants in high security prisons with hardened criminals;
• an added tax burden on the State taxpayers;
• a further cost factor in policing;
• additional pressure on an overloaded prison system; and
• imprisonment of persons who have not been sentenced to prison at the direction of a court.

The Department is currently negotiating a memorandum of understanding with the Commonwealth Government and is

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220 Ibid, pp. 382-383
seeking backpay for detention of immigrants in State prisons held under Commonwealth policy. To date, Victoria has received $2.2 million in respect of the years the State has provided detention services.221

Victoria has also indicated to the Commonwealth Government that it will not hold immigrants awaiting deportation and that the State will not hold prisoners in jail who are not there at the direction of a court.

(d) Victoria’s private prisons

In July 2000, Victoria had three prisons which were operated by private firms under contractual arrangements with the Department of Justice. These prisons were the Metropolitan Women’s Correctional Centre in Deer Park, Port Phillip Prison in Laverton and Fulham Correctional Centre in West Sale.

In October 2000, following the issue of three default notices for failure of the prison to deliver against service standards under the contract, the Government assumed management of the Metropolitan Women’s Correctional Centre.222

The Department advised that a Performance Linked Fee (PLF), which is built into the contract between the Government and each private prison operator, is intended to be the profit component and return on equity to the operator.223 The PLF is calculated as a percentage of the equity contributed by each consortium and provides an incentive for the operators to meet performance benchmarks specified in the Prison Service Agreement Service Delivery Outcomes (SDO’s). The SDO’s are measured annually and the extent of achievement determines the level of PLF payments received.

Exhibit 11.10 shows the summary of PLF payments to each private sector provider from 1996-1997 to 2000-2001:

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221 Ibid
222 Ibid, p. 378
223 Correspondence, dated 25 October 2001, from the Minister for Corrections, p. 13
Exhibit 11.10: Performance linked fees (PLF) provided to private prison operators between 1996-1997 and 2000-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractor: Excor Investments Pty Ltd - Metropolitan Women’s Correctional Centre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLF</td>
<td>$551,200</td>
<td>$620,100</td>
<td>$551,200</td>
<td>$482,300</td>
<td>$96,460</td>
</tr>
<tr>
<td>Percentage of maximum annual PLF available ($689,000)</td>
<td>80%</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
<td>14%</td>
</tr>
<tr>
<td>Contractor: Australasian Correctional Investments Ltd - Fulham Correctional Centre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLF</td>
<td>N/A</td>
<td>$1,604,170</td>
<td>$1,604,170</td>
<td>$1,604,170</td>
<td>$1,604,170</td>
</tr>
<tr>
<td>Percentage of maximum annual PLF available ($1,604,170)</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Contractor: Australian Correctional Facilities Pty Ltd - Port Phillip Prison</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLF</td>
<td>N/A</td>
<td>$613,446</td>
<td>$946,442</td>
<td>$946,442</td>
<td>TBA (Sep 01)</td>
</tr>
<tr>
<td>Percentage of maximum annual PLF available ($946,442)</td>
<td>N/A</td>
<td>64.82%</td>
<td>100%</td>
<td>100%</td>
<td>TBA (Sep 01)</td>
</tr>
</tbody>
</table>

The Committee notes that the Auditor-General’s Report on Ministerial Portfolios (June 2001) commented that the structure of the contractual arrangements allow a prison operator who has not performed to a high standard or performed badly in a number of key areas, to receive the full, or a substantial proportion, of the annual performance linked payments. The report outlined
deficiencies in the payment of performance linked fees in that they:  

- were based on outcomes achieved in outdated prisons identified for replacement with no expectation for operators to improve on minimum standards or adopt best practice;  
- were essentially quantitative in nature with no qualitative indicators established to measure the effectiveness of many prison programs such as drug treatment programs for prisoners;  
- focussed on short-term achievements; and  
- did not address some key areas of prison operations such as rehabilitation and visit arrangements and activities to strengthen family links.

The Government recognises the limitation of using SDO’s for evaluating the performance of private prison operators. The Office of the Correctional Services Commissioner has engaged a consultant to assess the adequacy of the current SDO’s in measuring the quality of service delivery for key aspects of operator performance, and to recommend relevant changes and improvements.

Accordingly, the Committee recommends that:

**Recommendation 11.6:**

The Government give priority to implementing improvements to the Prison Service Agreement Service Delivery Outcomes so that they more accurately reflect the Government’s desired outcomes from private prison operators.

The contract with the service provider of the Metropolitan Women’s Correctional Centre was settled by the Government for $20.2 million in an arrangement which avoided protracted

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litigation on the part of the provider.225 The Centre is now managed by Public Correctional Enterprise, known as CORE, within the Department of Justice.

In relation to the service agreements with the remaining private prison contractors, which are due for review in April and September 2002, the Committee recommends that:

**Recommendation 11.7:**

The Department of Justice ensure that its review of the agreements in 2002 for the management of private prisons take into account:

(a) the contractor's record for ensuring prisoner and staff safety;
(b) the adequacy of the contractor's staffing numbers and staff skills;
(c) incident management history;
(d) the completeness and accuracy of incident reporting in terms of the number of reports and content;
(e) the timeframe for correcting default orders; and
(f) the seriousness of, and/or frequency of issue of default orders.

(e) Annual costs per prisoner

The Department provided the following information on the cost per prisoner in each of Victoria's prisons (public and private) for 1999-2000 and 2000-2001.226

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225 Ibid, p. 219
226 Correspondence, dated 25 October 2001, from the Minister for Corrections, pp. 1-3
### Exhibit 11.11: Cost per prisoner in Victoria

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Prisons</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ararat</td>
<td>54,972</td>
<td>47,284</td>
<td>- (14.0)</td>
</tr>
<tr>
<td>Barwon</td>
<td>76,009</td>
<td>69,727</td>
<td>- (8.3)</td>
</tr>
<tr>
<td>Beechworth</td>
<td>56,040</td>
<td>51,000</td>
<td>- (9.0)</td>
</tr>
<tr>
<td>Bendigo</td>
<td>60,194</td>
<td>62,980</td>
<td>+ 4.6</td>
</tr>
<tr>
<td>Dame Phyllis Frost</td>
<td>73,592</td>
<td>89,960</td>
<td>+ 22.4</td>
</tr>
<tr>
<td>Centre</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loddon</td>
<td>60,267</td>
<td>58,614</td>
<td>- (2.8)</td>
</tr>
<tr>
<td>Metropolitan Assessment</td>
<td>76,324</td>
<td>76,931</td>
<td>+ 0.7</td>
</tr>
<tr>
<td>Dhurringile</td>
<td>47,154</td>
<td>48,996</td>
<td>+ 3.9</td>
</tr>
<tr>
<td>Langi Kal Kal</td>
<td>56,507</td>
<td>44,750</td>
<td>- (20.8)</td>
</tr>
<tr>
<td>Tarrengower</td>
<td>58,567</td>
<td>52,785</td>
<td>- (9.9)</td>
</tr>
<tr>
<td>Won Wron</td>
<td>45,768</td>
<td>44,070</td>
<td>- (3.7)</td>
</tr>
<tr>
<td><strong>Private Prisons</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fulham Correctional</td>
<td>46,932</td>
<td>47,401</td>
<td>+ 1.0</td>
</tr>
<tr>
<td>Centre</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Port Phillip</td>
<td>58,179</td>
<td>58,573</td>
<td>+ 0.7</td>
</tr>
</tbody>
</table>

Note: Additional information on the composition of these amounts was also supplied by the Minister for Corrections in correspondence, dated 25 October 2001

Exhibit 11.11 shows the following:

- there was an increase in the average cost per prisoner in six of Victoria’s 13 prisons (46.2 per cent);
- the two privately operated prisons both recorded very slight increases of 1 per cent and 0.7 per cent in prisoner costs;
- seven of Victoria’s 11 publicly operated prisons (63.6 per cent) recorded a reduction in the cost per prisoner with significant reductions at Ararat (14 per cent); Barwon (8.3 per cent); Langi Kal Kal (20.8 per cent); and Tarrengower (9.9 per cent); and
• the Dame Phyllis Frost Centre experienced a 22.4 per cent increase in cost per prisoner which comprises both public and private sector costs given the State acquired responsibility for the operation of the Centre in October 2000.

The Committee's analysis of cost per prisoner has been limited to comparison between years for each prison rather than comparing costs across prisons. This is due to the fact that data on prison costs is gathered according to differing methodologies, and factors such as the size of the prison, age of the infrastructure, level of security and overheads have a negative impact on comparability between prisons.

(f) Melbourne Custody Centre

The Committee was informed that Australasian Correctional Management (ACM) commenced managing the Melbourne Custody Centre on 28 March 1999 and from the onset, prisoner numbers greatly exceeded the expectations of Victoria Police and ACM.227

The current contractual arrangements show the following capacity requirements of the Centre:

• daytime capacity is 95; and
• overnight capacity is 67.

The highest daily numbers of prisoners during 2000-2001 was 104 on 13 March 2001 and 25 June 2001. The Department advised that high daytime populations are experienced on busy court days which are mainly on Mondays due to arrests occurring over the weekend. The average daily number of prisoners in 2000-2001 was 72.

The Committee believes it will be important for the Government to monitor the intake at the Custody Centre to ensure that numbers are sustained at a reasonable level.

227 Ibid, p. 8
11.10 Consumer Affairs portfolio

11.10.1 Background

The Minister for Consumer Affairs has responsibility for two outputs within the output group Protecting Consumers. Outputs for which the Minister is responsible account for $40.1 million in 2001-2002 and represent 2.3 per cent of the overall Budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

Exhibit 11.12: Consumer Affairs portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Consumer Affairs</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting Consumers</td>
<td>Consumer Awareness and Protection</td>
<td>30.7</td>
</tr>
<tr>
<td></td>
<td>Business Licensing and Registration</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>40.1</strong></td>
</tr>
</tbody>
</table>

11.10.2 2001-2002 outlook for the portfolio

A key objective in the Consumer Affairs portfolio for 2001-2002 is the continued implementation of the Consumer Justice Strategy with an emphasis on assisting those consumers least able to look after themselves due to social disadvantage, language difficulties or physical location. Key initiatives under the strategy include:

- education and information campaigns;
- vigorous enforcement campaigns to target traders who flout the law and take advantage of consumers unaware of their rights; and
- encouraging traders to operate within the law and to act responsibly in their dealings with consumers.
11.10.3 Analysis of the 2001-2002 Budget

The budget allocated to the Protecting Consumers output group has increased by $1.3 million or 3.4 per cent.

11.10.4 Performance measures

Analysis of the seven performance measures contained in the Protecting Consumers output group shows there have been substantial changes with five new performance measures included in the 2001-2002 Budget Papers while five performance measures contained in the 2000-2001 Budget Papers have been discontinued.

The performance measures contained in Budget Paper No. 3 only measure very basic processes in the operations of Consumer and Business Affairs Victoria. These measures do not provide an indication of whether departmental objectives are being achieved. For example, the performance measures for the Consumer Justice Strategy do not measure the activities undertaken such as the quality of education programs conducted.

The major output, Consumer awareness and protection, which has the objective of providing consumers with information about their rights and responsibilities and access to assistance and redress services to help them to determine and assert their rights, has a budget allocation for 2001-2002 of $30.7 million.

For this output, Budget Paper No. 3 contains four performance measures:228

- preventative and remedial advices provided and residential tenancy bond transactions completed (target number 810,000 – new measure);
- compliance monitoring and enforcement matters (target number 3,300);
- clients who are satisfied with the quality of services provided, (target 75 per cent – new measure); and

228 2001-2002 Budget Paper No. 3, Budget Estimates, p. 184
services provided within elapsed-time standards (target 85 per cent – new measure).

Given the number of services provided, including residential tenancy, consumer credit, motor car traders, estate agencies and fair trading, the Committee considers that the Department needs to improve the performance measures for this output.

11.10.5 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 2001-2002.

(a) HIH home guarantee insurance

The House Contracts Guarantee (HIH) Act 2001 was enacted to address the effect of the collapse of the HIH Insurance Group.

The Budget for 2001-2002, included a funding allocation, over seven years, of $35 million towards the scheme to support the Housing Guarantee Fund Ltd which will protect and provide the warranty to those home owners who otherwise would not have coverage. The initial allocation of $10 million for 2000-2001 was made by way of an advance from the Treasurer’s Appropriation. In addition, there will be a contribution through the increase in the levy on domestic building permits of $32 per $100,000 of building works to help contribute to the Fund over the period of operation of the scheme.  

(b) Fundraising appeals

During the year, a new regulatory regime for fundraising appeals was proposed following a review of the Fundraising Appeals Act 1998.

229 Hon. M Thomson, MLC, Minister for Consumer Affairs, transcript of evidence, 2 August 2001, p. 318
The proposed amendments to the legislation also seek to eliminate doubtful fundraising appeals by enabling Consumer and Business Affairs Victoria to issue warnings and publish information about doubtful appeals and the people and promoters associated with them.

(c) Payday lending

Recently, payday lending or payday loans have become a matter of concern as these have been exempt from the provisions of the Consumer Credit Code by virtue of the term of the loan not exceeding 62 days.

Payday lending or loans involve the practice of providing the lender with authority to automatically withdraw funds from a bank account, where the borrower is unaware of the rate of interest to be applied.

Action by the Victorian Government and other States has resulted in the closure of the loophole which exempted payday lenders from the provisions of the Code. The Committee was advised that the Department will be undertaking further work to address other avenues payday lenders may pursue.230

From 1 October 2001, amendments to the Consumer Credit Code will require people or bodies providing short-term credit such as payday loans to be registered as a credit provider with heavy penalties for provision of credit when unregistered.

The Committee supports the action taken by the Department in addressing abuse of credit lending by payday lenders.

230 Hon. M Thomson, MLC, Minister for Consumer Affairs, transcript of evidence, 2 August 2001, p. 323
CHAPTER 12: DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

Key Findings:

12.1 The Committee’s analysis of the 2000-2001 estimate compared to the estimated actual operating statement shows that there are material increases for operating revenue of 8.3 per cent ($75.4 million) and operating expenses of 10.4 per cent ($96.7 million). The Department expects an actual $8.4 million operating deficit in 2000-2001 compared to an estimated surplus of $22 million.

12.2 The Department considers that refinement of relevant structures has not yet reached the point at which the accrual output management framework will yield improvement in efficiency of service delivery.

12.3 Under the Growing Victoria infrastructure reserve, the key strategy of the Department for 2001-2002 is to build the capacity of Victoria’s science infrastructure through major new technology precincts.

12.4 The Government and the sheep industry have not yet decided on a final format for a sheep identification system under the National Livestock Identification Scheme.

12.1 Departmental overview

The Department of Natural Resources and Environment provides support to the following Ministers: Environment and Conservation; Agriculture; Aboriginal Affairs; and Energy and Resources.
12.2 Output management framework

The Department’s 2001-2002 output management framework is shown in the following exhibit.

Exhibit 12.1: Department of Natural Resources and Environment – Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>9.6</td>
<td>11.4</td>
<td>9.5</td>
<td>- 1.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>171.1</td>
<td>185.0</td>
<td>182.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>185.8</td>
<td>192.6</td>
<td>217.1</td>
<td>16.8</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>167.5</td>
<td>198.1</td>
<td>179.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Energy and Greenhouse Policy Advice</td>
<td>N/A</td>
<td>N/A</td>
<td>34.2</td>
<td>N/A</td>
</tr>
<tr>
<td>Environment Protection</td>
<td>43.5</td>
<td>48.0</td>
<td>54.3</td>
<td>24.8</td>
</tr>
<tr>
<td>Fisheries</td>
<td>29.0</td>
<td>33.7</td>
<td>37.2</td>
<td>28.3</td>
</tr>
<tr>
<td>Forests and Fire Management</td>
<td>184.3</td>
<td>204.7</td>
<td>194.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Land Management and Information</td>
<td>101.1</td>
<td>105.9</td>
<td>87.5</td>
<td>- 13.5</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>22.9</td>
<td>30.1</td>
<td>15.6</td>
<td>- 31.9</td>
</tr>
<tr>
<td>Total</td>
<td>914.8</td>
<td>1,009.5</td>
<td>1,011.5</td>
<td>10.6</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, p. 204

As shown in Exhibit 12.1, the Department’s budget allocation for 2001-2002 was $1,011.5 million representing a $96.7 million or 10.6 per cent increase from 2000-2001.

The Department’s output groups now include a new output group for Energy and Greenhouse Policy Advice and the previous output groups Forest Management and Fire Management have been combined for 2001-2002.
12.3 Financial analysis

The operating statement for the Department of Natural Resources and Environment is shown in the following exhibit:

Exhibit 12.2: Department of Natural Resources and Environment - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>904.7</td>
<td>980.1</td>
<td>990.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>914.8</td>
<td>1,009.5</td>
<td>1,011.5</td>
<td>10.4</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>-10.1</td>
<td>-29.4</td>
<td>-20.6</td>
<td>191.1</td>
</tr>
<tr>
<td></td>
<td>add</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue for increase in net assets</td>
<td>27.1</td>
<td>16.0</td>
<td>44.1</td>
<td>-41.0</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>5.0</td>
<td>5.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>22.0</td>
<td>-8.4</td>
<td>23.5</td>
<td>-138.2</td>
</tr>
</tbody>
</table>

Administered Items

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>34.8</th>
<th>18.9</th>
<th>19.4</th>
<th>-45.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>27.6</td>
<td>19.7</td>
<td>19.3</td>
<td>-28.6</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>7.2</td>
<td>-0.8</td>
<td>0.1</td>
<td>-88.9</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, Table 2.5.2, p. 240

The Committee's analysis of the 2000-2001 estimate compared to the estimated actual operating statement shows that variations for operating revenue and operating expenses are material with a 8.3 per cent ($75.4 million) and 10.4 per cent ($94.7 million) increase respectively.
The Department expects an actual $8.4 million operating deficit in 2000-2001 compared to an estimated surplus of $22 million. The weakened financial position has resulted mainly from higher than estimated operating expenses, including:

- $11 million additional funding for salary increases;
- $7.6 million in the form of a Treasurer’s Advance for fire preparation activities;
- increased revenue and carryover from 1999-2000 ($41 million) for Commonwealth programs and externally funded research and development projects; and
- $31 million representing a reclassification of items between appropriation authorities.

In addition, there have been significant changes in Administered Operating Revenue ($15.9 million decrease) and Administered Operating Expenses decreased by 28.6 per cent ($7.9 million). The Department advised that these changes are mainly reflected in the transfer of items ($14.8 million) from Payments made on behalf of the State to Payments for Outputs Authority.

12.3.1 Other revenue and other expenses

The Committee’s analysis of items in the ‘other revenue’ classification representing $128.5 million and ‘other expenses’ totalling $287.8 million in 2001-2002, shows that significant material amounts still remain undisclosed. The Committee again recommends that:

Recommendation 12.1:

The Secretary of the Department of Natural Resources and Environment ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

---

231 Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 32
232 Ibid
12.4 Management Reform Program

The Department advised the Committee that the introduction of accrual accounting has led to an improvement in accountability through the inclusion of all expenses, liabilities and assets in departmental accounts. This has been further advanced by the specification and reporting of departmental outputs in the Budget.

The Committee was interested to learn that the Department considers that refinement of relevant structures has not yet reached the point at which the accrual output management framework will yield improvement in efficiency of service delivery.\(^\text{233}\)

12.5 Human resources issues

The Department estimated it would have 4,512 staff at 30 June 2001 compared with the actual number of 4,121 staff at 30 June 2000, representing an increase of 391 staff, or 9.5 per cent over the previous year.

\(^{233}\) Ibid, p. 54
Exhibit 12.3: Department of Natural Resources and Environment - Staffing levels

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretariat 234</td>
<td>3</td>
<td>6</td>
<td>100.0</td>
</tr>
<tr>
<td>Aboriginal Affairs Victoria</td>
<td></td>
<td>52</td>
<td>N/A</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,132</td>
<td>1,205</td>
<td>6.4</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>95</td>
<td>106</td>
<td>11.6</td>
</tr>
<tr>
<td>Corporate Management</td>
<td>191</td>
<td>228</td>
<td>19.4</td>
</tr>
<tr>
<td>Energy Policy</td>
<td></td>
<td>14</td>
<td>N/A</td>
</tr>
<tr>
<td>Fisheries</td>
<td>134</td>
<td>139</td>
<td>3.7</td>
</tr>
<tr>
<td>Forestry Victoria</td>
<td>234</td>
<td>249</td>
<td>6.4</td>
</tr>
<tr>
<td>Forests Service</td>
<td>126</td>
<td>150</td>
<td>19.0</td>
</tr>
<tr>
<td>Land Victoria</td>
<td>549</td>
<td>562</td>
<td>2.4</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>120</td>
<td>130</td>
<td>8.3</td>
</tr>
<tr>
<td>Parks, Flora and Fauna</td>
<td>155</td>
<td>161</td>
<td>3.9</td>
</tr>
<tr>
<td>Portfolio Management</td>
<td>48</td>
<td>72</td>
<td>50.0</td>
</tr>
<tr>
<td>Regional Services</td>
<td>1,334</td>
<td>1,438</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,121</strong></td>
<td><strong>4,512</strong></td>
<td><strong>9.5</strong></td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 21

Equivalent Full Time staff at 30 June 2000 was 4,022 while EFT staffing was estimated at 30 June 2001 at 4,377.7.

The net increase in the workforce includes the 66 staff involved in the transfers of Aboriginal Affairs Victoria from the Department of Human Services, and Energy Policy from the Department of Treasury and Finance, with effect from 1 July 2000.

The Department advised that 170 staff have been engaged as ongoing staff under a departmental program to replace previous contractors and agency personnel.

234 Now includes Internal Audit and Risk Management Policy group
235 Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 21
The Department has also implemented a number of new programs including Growing Horizons with 80 staff, Naturally Victorian with 10 staff, Growing Victoria’s Forests involving 25 staff and a number of smaller programs requiring additional resources.

12.5.1 Key staffing issues

The Department has indicated that the number of staff in the permanent ongoing and fixed term (contract) categories at 30 June 2000 and estimated at 30 June 2001 are as follows:

Exhibit 12.4: Department of Natural Resources and Environment – Permanent and fixed term staff

<table>
<thead>
<tr>
<th></th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent ongoing staff</td>
<td>2,761</td>
<td>3,440</td>
<td>24.6</td>
</tr>
<tr>
<td>Fixed term staff</td>
<td>1,360</td>
<td>1,072</td>
<td>-21.2</td>
</tr>
<tr>
<td>Total</td>
<td>4,121</td>
<td>4,512</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 23

In line with the Government’s policy to have staff employed on an ongoing rather than on a fixed term basis, the Department commenced a program in February 2001 to review fixed term contract employment.236 At that time, the Department had 1,450 staff employed on a fixed term basis. This has been reduced to 1,072 staff according to the Department’s estimate at 30 June 2001.

12.5.2 Age profile of staff

The following exhibit shows the ratio of males to females by age profile, and the overall percentages of staff within various age groups:

236 Ibid, p. 23
### Exhibit 12.5: Age profile of staff

<table>
<thead>
<tr>
<th>Age group</th>
<th>Number of males</th>
<th>Number of females</th>
<th>Total number</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 29</td>
<td>359</td>
<td>488</td>
<td>847</td>
<td>19</td>
</tr>
<tr>
<td>30 - 39</td>
<td>673</td>
<td>545</td>
<td>1,218</td>
<td>27</td>
</tr>
<tr>
<td>40 - 49</td>
<td>1,125</td>
<td>412</td>
<td>1,537</td>
<td>34</td>
</tr>
<tr>
<td>50 - 54</td>
<td>493</td>
<td>119</td>
<td>612</td>
<td>14</td>
</tr>
<tr>
<td>55 - 59</td>
<td>187</td>
<td>44</td>
<td>231</td>
<td>5</td>
</tr>
<tr>
<td>60 +</td>
<td>60</td>
<td>7</td>
<td>67</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,897</strong></td>
<td><strong>1,615</strong></td>
<td><strong>4,512</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 25

The Committee found that, based on the above, there is an overall male to female ratio imbalance in favour of males of 64 to 36 per cent. The more significant variation in the ratio is in the 40 to 49 and 50 and above age groups where the relative proportion of males is 73 per cent and over 81 per cent respectively.

In terms of age profile, the Department has 20 per cent of its staff in the 50 and over age group.

The Department has recognised that it has an ageing workforce.\(^{237}\) It anticipates a general increase in workforce numbers through to 2002 due to a number of specific initiatives and programs including:\(^{238}\)

- participation in the Year 2000 youth employment scheme on completion of traineeship;
- increased participation in graduate recruitment programs;
- new positions to be created as a result of the national action plan for water initiatives; and

\(^{237}\) Ibid, p. 28
\(^{238}\) Ibid, p. 26
establishment of marine parks.

12.5.3 Gender balance by classification

The following exhibit shows the number of males and females estimated at 30 June 2001, by classification level.

Exhibit 12.6: Gender and classification profile of staff

<table>
<thead>
<tr>
<th>Classification</th>
<th>Males</th>
<th>Females</th>
<th>Per cent of Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td></td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>EO2</td>
<td>11</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>EO3</td>
<td>28</td>
<td>14</td>
<td>33</td>
</tr>
<tr>
<td>Principal Scientist</td>
<td>48</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>VPS5</td>
<td>284</td>
<td>68</td>
<td>19</td>
</tr>
<tr>
<td>VPS4</td>
<td>596</td>
<td>204</td>
<td>25</td>
</tr>
<tr>
<td>VPS3</td>
<td>853</td>
<td>485</td>
<td>36</td>
</tr>
<tr>
<td>VPS2</td>
<td>710</td>
<td>694</td>
<td>49</td>
</tr>
<tr>
<td>VPS1</td>
<td>82</td>
<td>131</td>
<td>62</td>
</tr>
<tr>
<td>Award</td>
<td>285</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,897</strong></td>
<td><strong>1,615</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, pp. 24-25

The Department has indicated that a significant issue is the increase in females in the lower staff levels and the ongoing need to have increased female representation at senior management level (VPS5 and above).239

239 Ibid, p. 28
12.5.4 Shortages in expertise

The Department advised the Committee that it has experienced difficulty in recruiting and retaining employees with the following expertise:240

- highly technical or scientific areas including agricultural science, forestry and water engineering;
- corporate skills;
- information technology, financial management, project management, risk management, staff management, accountancy and business skills; and
- specific expert fields in some geographic locations, particularly in rural areas.

The Department has adopted a number of strategies to address shortfalls in expertise, including:

- introduction of a leadership program;
- promotions such as NRE - A Great Place to Work;
- formal succession planning which will be expanded;
- internal professional staff development; and
- participation in graduate recruitment programs.

12.6 Environment and Conservation portfolio

12.6.1 Background

The Minister for Environment and Conservation has responsibility for outputs within five output groups, Forests and Fire Management; Environment Protection; Land Management and Information; Conservation and Recreation; and Catchment and Water. Outputs for which the Minister is responsible account for $732.8 million in 2001-2002 and represent 72.4 per cent of the overall budget for the Department.

240 Ibid, p. 27
These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 12.7: Environment and Conservation portfolio output groups and output costs for 2001-2002**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Environment and Conservation</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forests and Fire Management</strong></td>
<td>Fire Prevention and Planning</td>
<td>19.9</td>
</tr>
<tr>
<td></td>
<td>Fire Operations</td>
<td>37.3</td>
</tr>
<tr>
<td></td>
<td>Sustainable Forest Management Services</td>
<td>71.2</td>
</tr>
<tr>
<td></td>
<td>Sustainable Forest Production and Industry Development</td>
<td>66.0</td>
</tr>
<tr>
<td><strong>Environment Protection</strong></td>
<td>Policy Frameworks, Regulations and Services to Enhance Air Quality</td>
<td>10.5</td>
</tr>
<tr>
<td></td>
<td>Policy Frameworks, Regulations and Services to Enhance Water Quality</td>
<td>15.5</td>
</tr>
<tr>
<td></td>
<td>Policy Frameworks, Regulations and Services to Protect Groundwater and the Land Environment from Pollution</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>Services to control noise in the community</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Policies, Regulations and Services to Reduce and Manage Waste</td>
<td>23.1</td>
</tr>
<tr>
<td></td>
<td>Neighbourhood environment improvement</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Land Management and Information</strong></td>
<td>Public Land Management</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td>Land Information Services</td>
<td>47.3</td>
</tr>
<tr>
<td></td>
<td>Land Definition</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Conservation and Recreation</strong></td>
<td>Park Management Services</td>
<td>147.6</td>
</tr>
<tr>
<td></td>
<td>Biodiversity Conservation Management Services</td>
<td>15.9</td>
</tr>
<tr>
<td></td>
<td>Coastal Planning and Management Services</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Catchment and Water</strong></td>
<td>Catchment and Information Services</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>Community Land and Water Management</td>
<td>140.3</td>
</tr>
<tr>
<td></td>
<td>Catchment and Water Resource Allocation and Access</td>
<td>65.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>732.8</strong></td>
</tr>
</tbody>
</table>
12.6.2 2001-2002 outlook for the portfolio

Key initiatives planned for 2001-2002 in the Environment and Conservation portfolio include:

- implementation of the Victorian components of the National Action Plan for Salinity and Water Quality to prevent, stabilise and reverse trends in salinity affecting the sustainability of production, conservation of biological diversity and the viability of infrastructure. Implementation of the Plan will also improve water quality and secure reliable water for human uses, industry and the environment. A nationally agreed program will be targeted toward 20 priority catchments across Australia (six in Victoria) to develop and implement salinity and water quality plans with matching Commonwealth and State funding;

- provision for the Government’s response to the Environment Conservation Council’s Marine Coastal and Estuarine Investigation Final Report. This will include establishing a network of marine national parks and reserves, monitoring and enforcement and park management; and

- the Victorian component of the joint Victoria/ New South Wales/ Commonwealth package to restore 21 per cent of annual average natural flow to the Snowy River within ten years, as part of a long-term objective of restoring 28 per cent of average annual natural flow, primarily through an investment in water savings projects in northern Victoria and southern New South Wales, and related environmental, monitoring and riverine works.

12.6.3 Analysis of the 2001-2002 Budget

The budget allocations to output groups under the responsibility of the Minister for Environment and Conservation have increased by $50.6 million or 7.4 per cent to $732.8 million in 2001-2002 compared with the previous year. Key reasons for the additional funding include:
an increase of $10.8 million for Environment Protection, with the greater part of this additional funding directed towards policy frameworks and regulations to enhance air and water quality and to reduce and manage waste;

• a decrease of $13.6 million in the budget for Land Management and Information, mainly in public land management;

• an increase of $31.3 million in Catchment and Water, mainly represented by an additional $44.5 million in Catchment and Water Resource Allocation and Access, and a decrease of $18.8 million in Catchment and Information Services.

The Budget framework for 2001-2002 included the following major initiatives:

• $20 million (within a program totalling $117 million to June 2005) for restoration of environmental flows to the Snowy River;

• $10 million out of $77.5 million to June 2005 earmarked for the National Action Plan for Salinity and Water Quality;

• $9.4 million for marine national parks and sanctuaries out of a total of $37.5 million to June 2005; and

• $18.2 million with a further $4 million to June 2004 in new asset investment towards the land title automation project.

12.6.4 Performance measures

The number of output groups for 2001-2002 has decreased from six to five with major outputs within those groups decreasing from 21 to 19. The major changes have been as follows:

• the amalgamation of the former Forests Service and Fire Management output groups into a new Forests and Fire Management output group to reflect changed accountabilities within the area;
Forests and Fire Management Group now contains four outputs. Fire Prevention and Planning and Fire Operations are essentially unchanged from previous years and still contain Statewide fire prevention and suppression operations. Two new outputs, Sustainable Forest Management Services and Sustainable Forest Production and Industry Development replace the four contained in the former Forest Management output group; and

within the Environment Protection output group, the former Commercial Services output has been absorbed into the remaining outputs. However, a new output, Neighbourhood Environment Improvement, has been created to reflect the revised priorities of the Environment Protection Authority and related Government funding initiatives.

12.6.5 Key issues impacting on the Environment and Conservation portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Environment and Conservation identified the following key issues that will impact on the budget estimates and the portfolio for 2001-2002.

(a) National Action Plan for Salinity

In its Report on the 2000-2001 Budget Estimates, the Committee acknowledged that salinity is one of the most significant problems facing Victoria and Australia presently, and emphasised the importance of Commonwealth, State and Local Governments ensuring that remedial activities were well coordinated and directed to areas of high priority.241

While salinity is not a new problem, a recent audit on salinity undertaken by the Murray-Darling Basin Commission concluded that salinity is a far more significant problem than previously realised. The audit revealed that 140,000 hectares of irrigated land

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and 120,000 hectares of dry land were presently impacted by salinity, and also predicted that the presence of salinity would increase tenfold over the next 50 years.\textsuperscript{242}

The Minister advised that negotiations were progressing with the Commonwealth Government on a seven year joint program as part of a national action plan to address salinity, particularly dry land salinity, and deteriorating water quality.\textsuperscript{243} The program will involve an allocation of $157 million over seven years by the State Government to match the funding allocated by the Commonwealth. In 2001-2002, the Government has allocated $10 million for the national action plan with a further $67.5 million in the following three years.

The Department is currently undertaking initiatives aimed at addressing salinity, including:\textsuperscript{244}

\begin{itemize}
  \item revision of existing salinity management plans and completion of nutrient and other water quality plans;
  \item improvements to existing data capture systems; and
  \item evaluation of salinity management and prevention initiatives to measure progress against targets.
\end{itemize}

A governance framework has been prepared to oversee and coordinate salinity related activities across the Department.

The Committee is concerned at the magnitude of the salinity problem. It will be important that attention is directed to high priority areas within the State and that the effectiveness of salinity management and prevention initiatives is monitored.

Accordingly, the Committee recommends that:

\textsuperscript{242} Hon. S Garbut, MP, Minister for Environment and Conservation, transcript of evidence, 26 June 2001, p. 213
\textsuperscript{243} Ibid
\textsuperscript{244} Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, p. 13
Recommendation 12.2:

The Department of Natural Resources and Environment closely monitor initiatives in salinity management and prevention to ensure they are consistent with priorities outlined in the national action plan and that emerging issues are identified and addressed.

(b) Land clearing

A draft Native Vegetation Framework and ten draft native vegetation plans were released in August 2000 to improve native vegetation management across Victoria. Public submissions are currently being considered with a view to finalising the policy and a strategy.

Annual rates of clearing in Victoria have been estimated, from satellite imagery, to be reduced from approximately 10,000 hectares to about 2,000 hectares following the introduction of controls in 1989.245

Six Local Governments are currently testing an on-line permit tracking system. When fully operational in 2002-2003, it will be used to generate information on annual rates of clearing across the State.246

The Government has allocated $700,000 for native vegetation officers to assist in the statutory planning process. This program is continuing in 2001-2002 with a further allocation of $1 million over two years to implement the Native Vegetation Strategy and Regional Vegetation Plans.

Accordingly, the Committee recommends that:

245 Correspondence, received 4 September 2001, from the Minister for Environment and Conservation, p. 2
246 Ibid
Recommendation 12.3:

The Department of Natural Resources and Environment give a high priority to the finalisation of the on-line permit system to improve information publicly available on the rate of land clearing in Victoria.

(c) Victoria’s air quality

The Minister advised that the air quality standards used in Victoria, and incorporated into the State Environment Protection Policy, are national standards determined by the National Environment Protection Council and similar to those used in Europe and the USA. Few breaches of these standards have been recorded in recent years and Melbourne compares favourably with major cities around the world.247

The Committee was informed that the Government has allocated $9.3 million in 2001-2002 for the following air quality initiatives to be undertaken by the Environment Protection Authority (EPA):248

- implementation of the State environment protection policy (Air Quality Management) and the Air quality Improvement Plan as a basis for achieving air quality goals and for driving continuous improvement in processes which affect air quality;
- reviewing the Environment Protection (Motor Vehicle) Regulations 1992 to reflect current priorities and to utilise a range of flexible approaches to achieving improved environmental outcomes;
- expanding the use of the EPA’s Mobile Laboratory to monitor neighbourhood air quality, particularly air toxins;
- develop a protocol for auditing neighbourhood air quality against intervention levels; and

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247 Ibid, p. 4
248 Ibid, p. 5
• trialling innovative measures at neighbourhood level to address complex air quality issues.

(d) Marine parks

Following the tabling of the Environment Conservation Council's Marine Coastal and Estuarine Investigation Final Report in October 2000, the Government released its full response in May 2001 and introduced legislation to establish 12 marine national parks and 10 smaller marine sanctuaries, comprising about 5.2 per cent of Victorian waters.

The Government withdrew the National Parks (Marine National Parks and Marine Sanctuaries) Bill from Parliament in June 2001, after it was unable to secure support for key provisions of the legislation.

The Minister has indicated that the Government maintains its commitment to marine national parks and sanctuaries and is presently examining options for their establishment.249

The Government has committed $39 million over four years and $8.6 million ongoing thereafter to implement marine national parks. The funding package includes funding for park management, establishment of marine aquaculture zones, upgrade of marine fisheries coastal enforcement and industry assistance.250

The assistance to industry is in two forms:251

• transitional assistance of $1.2 million for 2001-2002 to the finfish and rock lobster fishers whose net income from fishing is directly affected by the creation of marine national parks and sanctuaries; and

• specific funding of $3.1 million over four years to the rock lobster industry to assist in implementation of a quota management system in late 2001.

249 Ibid, p. 8
250 Ibid
251 Ibid
12.7 Energy and Resources portfolio

12.7.1 Background

The Minister for Energy and Resources has responsibility for three output groups within the Department that account for $87 million or 8.6 per cent of the Department’s 2001-2002 budget.

The Minister for Energy and Resources has responsibility for the following outputs:

Exhibit 12.8: Energy and Resources portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Energy and Resources</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and Greenhouse Policy Advice</td>
<td>Energy Policy Services</td>
<td>7.4</td>
</tr>
<tr>
<td></td>
<td>Greenhouse Policy Services</td>
<td>26.8</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Sustainable Fisheries Utilisation Services</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>Industry and Community Compliance Services</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td>Aquaculture and Fishing Industry Development</td>
<td>3.7</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>Minerals and Petroleum Industry Regulation Services</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Minerals and Petroleum Industry Development and Information</td>
<td>8.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>87.0</td>
</tr>
</tbody>
</table>

12.7.2 2001-2002 outlook for the portfolio

Key initiatives planned for the Energy and Resources portfolio in 2001-2002 are to:

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252 Department of Natural Resources and Environment response to the Committee’s 2001-2002 estimates questionnaire, pp. 13-14
establish an environment in which commercially feasible electricity demand and embedded generation options can be sustained and can contribute to system reliability;

improve the existing planning arrangements within the Victorian Energy Networks Corporation;

define the responsibility for, and authority over, the reliability of power supplies;

reform planning arrangements in the National Electricity Market to secure new and augmented interconnections with other regions in the market;

improve capacity for Government to monitor the reliability of power supplies;

introduce retail competition for all gas and electricity users in Victoria;

develop comprehensive management plans for Victorian fisheries to enable ecologically sustainable development;

launch the Victorian Greenhouse Strategy to provide a strategic framework for the whole-of-government; and

continue negotiations with other jurisdictions for the restoration of 21 per cent flows to the Snowy River over the next ten years.

12.7.3 Analysis of the 2001-2002 Budget

The Committee notes that the budget allocations to output groups under the responsibility of the Minister for Energy and Resources have increased by $35.1 million (67.6 per cent) to $87 million in 2001-2002. Major changes in budget allocations include:

the creation of a new output group Energy and Greenhouse Policy Advice which has a budget allocation of $34.2 million;

an increase in the Fisheries output group of $8.2 million (28.3 per cent) to $37.2 million; and

a reduction in the Minerals and Petroleum output group of $7.3 million (31.9 per cent) to $15.6 million.
12.7.4 Performance measures

The Committee notes that there have been substantial changes to the performance measures used in the output groups under the responsibility of the Energy and Resources portfolio. In 2001-2002, there were 69 performance measures including 35 new measures and ten measures discontinued from 2000-2001.

The Committee’s analysis of the performance measures used in 2001-2002 shows there has been improvement in linking measures to the outputs. However, there are a number of areas where further improvements could be made:

- one of the key roles of the Energy and Greenhouse Policy Advice output group is the delivery of a secure and cost effective energy supply. However, there are no performance measures relating to the achievement of that key role;

- a performance measure within the Energy and Greenhouse Policy output group Responses to Ministerial correspondence delivered within agreed timelines has a target of 80 per cent for 2001-2002 which is considered low;

- two identical performance measures in the Greenhouse Policy Services output and the Energy Policy Services output Ad hoc policy advice delivered as required with initial advice and estimated date of completion within two working days have different targets for 2001-2002 of 95 per cent and 100 per cent respectively. The Committee considers that identical services should have consistent targets of 100 per cent;

- a performance measure in the Fisheries output group Proportion of major fisheries with mechanisms in place to monitor and report on performance against sustainability indicators has a target of 70 per cent in 2001-2002 which was the same target for 2000-2001 and the expected outcome for 2000-2001. The Committee believes that continuous improvement should be encouraged through setting higher targets in the event that prior year targets are achieved;
• the three quality performance measures in the Industry and Community Compliance Services output have 2001-2002 targets of >65 per cent or >60 per cent, in addition the actual results from previous years are reported in the same manner. The Committee believes that reporting actual results in this way does not provide the best indication of performance and should reflect the actual percentage achieved;

• a major activity in the Aquaculture and Fishing Industry Development output is the provision of information and advisory services. However, there is no performance measure relating to the satisfaction of users with the quality and timeliness of these services; and

• a performance measure in the Minerals and Petroleum output group Additional area of the State covered by semi regional gravity surveys has a 2001-2002 target of 4 per cent. The Committee believes that this measure would be more effective if it showed the total area of the State covered by semi regional gravity surveys with the additional area each year being the difference between the previous year actual and the current year target.

Accordingly, the Committee recommends that:

Recommendation 12.4:

The Department of Natural Resources and Environment review the performance measures contained in the Budget Papers to ensure continued improvement.

12.7.5 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 2001-2002.
(a) Victoria’s electricity supply

The Committee was informed that during the summer period of 2000-2001, Victoria experienced 10 days where peak demand exceeded 90 per cent of maximum demand and four days where peak demand exceeded 95 per cent of maximum demand.\(^{253}\) The issue of reliability and security of Victoria’s electricity supply is extremely important given the increased reliance on electricity reserves by industry and the community, particularly in summer, and the impending implementation of full competition in Victoria’s electricity market.

The Minister advised the Committee that adequate priority has not been placed on the security of supply in relation to the operation of the national electricity market.\(^{254}\) Accordingly, the Government has placed great importance on implementing a coordinated plan to ensure supply is maintained in Victoria through the summer of 2001-2002 and beyond.

In addition, the Government sponsored a major study by VENCorp into the feasibility of augmenting the transmission interconnector between NSW and Victoria via the Snowy River. The study concluded that the investment would be economic, and the Government has since instructed VENCorp to act as a proponent for the investment and ensure the regulatory processes are established.

(b) Sustainable Energy Authority of Victoria

The Government has allocated $10.9 million to the Sustainable Energy Authority of Victoria (SEAV) in 2001-2002 for the implementation of a number of programs, including:

- the Energy Smart Business program which involves Government/industry partnerships to save energy and reduce greenhouse gas emissions in business;

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\(^{253}\) Department of Natural Resources and Environment response to additional information requested from estimates hearing dated 25 July 2001, p. 5

• the Energy Smart Government program involving State and Local Government agencies reducing emissions from their operations; and

• promotional campaigns such as Live Energy Smart and Work Energy Smart.

The Committee was informed that the activities of the SEAV are estimated to result in greenhouse gas emission reductions of approximately 4.4 million tonnes of carbon dioxide over the next 10 years, with associated energy cost savings of around $409 million.255

(c) Mineral and petroleum exploration and development

The Committee notes that the promotion of more effective mineral and petroleum exploration and development in Victoria is important to the future of Victorian industry. Accordingly, the Minister advised that the Government has committed an additional $7.5 million over the next four years to promote and develop mineral and petroleum exploration.256

Major initiatives funded include:257

• better offshore petroleum, environmental and safety regulation;
• more up-to-date and frequent extractive industry rehabilitation bond assessment;
• safer work sites through the development of best-practice environmental and safety codes and guidelines;
• marketing of Victoria’s mineral potential in Australia and internationally through base geological and geophysical mapping that meets industry expectations;
• expansion of joint industry and Victorian universities cooperation on issues relating to:
  – intellectual capital and expertise;

255 Ibid, p. 285
256 Ibid, p. 290
257 Ibid
Chapter 12: Department of Natural Resources and Environment

- a strategic analysis of technology options; and
- development of pathways to ensure Victoria’s realisation of its considerable brown coal reserves, while meeting current and future greenhouse gas emission challenges; and
- the acquisition of new geophysical and geological data and the preservation of older more fragile data.

While the Committee welcomes these initiatives, it believes a comprehensive performance measurement framework should be implemented so the success of the initiatives can be monitored.

Accordingly, the Committee recommends that:

Recommendation 12.5:

The Department of Natural Resources and Environment develop a strategy relating to mineral and petroleum exploration and development in Victoria to ensure that initiatives are properly focussed and monitored. The strategy contain:

(a) high level Government objectives, measures and actions required to achieve those objectives and appropriate performance measures that will allow an assessment of the strategy’s success;

(b) a comprehensive monitoring and reporting process to ensure the success of the strategy can be determined; and

(c) an effective process of management reporting so that emerging issues can be identified and addressed.

(d) Status of Coastal Action Plans

The Department advised that Coastal Action Plans (CAP’s) are being developed by Regional Coastal Boards in accordance with
the requirements of the Coastal Management Act 1995. The status of CAP’s development is shown in the following exhibit:

**Exhibit 12.9: Status of the development of Coastal Action Plans**

<table>
<thead>
<tr>
<th>CAP Name</th>
<th>Status</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglesea</td>
<td>Approved</td>
<td>Currently being implemented</td>
</tr>
<tr>
<td>Corio Bay</td>
<td>Preliminary</td>
<td>Drafting to commence shortly</td>
</tr>
<tr>
<td>Far South West Integrated CAP</td>
<td>Draft</td>
<td>Recently released for public comment</td>
</tr>
<tr>
<td>Geelong</td>
<td>Approved</td>
<td>Implemented</td>
</tr>
<tr>
<td>Gippsland Boating</td>
<td>Final Draft</td>
<td>Awaiting approval by Victorian Coastal Council</td>
</tr>
<tr>
<td>Gippsland Integrated Regional CAP</td>
<td>Draft</td>
<td>Released for public comment. Yet to be considered by the Victorian Coastal Council</td>
</tr>
<tr>
<td>Gippsland Lakes</td>
<td>Approved</td>
<td>Currently being implemented</td>
</tr>
<tr>
<td>Gippsland Water Quality</td>
<td>Final Draft</td>
<td>Awaiting final endorsement</td>
</tr>
<tr>
<td>Glenelg</td>
<td>Preliminary</td>
<td>Draft has commenced but not yet released for public comment</td>
</tr>
<tr>
<td>Lorne</td>
<td>Approved</td>
<td>Being progressively implemented</td>
</tr>
<tr>
<td>Mornington Peninsula</td>
<td>Preliminary</td>
<td>Drafting to commence shortly</td>
</tr>
<tr>
<td>Moyne</td>
<td>Approved</td>
<td>Currently being implemented</td>
</tr>
<tr>
<td>Skenes Creek to Marengo</td>
<td>Approved</td>
<td>Currently being implemented</td>
</tr>
<tr>
<td>South West Estuaries</td>
<td>Final Draft</td>
<td>Awaiting final endorsement</td>
</tr>
<tr>
<td>Warrnambool</td>
<td>Approved</td>
<td>Being progressively implemented</td>
</tr>
</tbody>
</table>

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258 Department of Natural Resources and Environment response to additional information requested from estimates hearing dated 25 July 2001, pp. 5-6
The Committee believes that the implementation of the Plans in a timely manner should be a priority for the Government in 2001-2002.

Accordingly, the Committee recommends that:

**Recommendation 12.6:**

The Department of Natural Resources and Environment assign a high priority to the development and implementation of all Coastal Action Plans.

### 12.8 Agriculture portfolio

#### 12.8.1 Background

The Minister for Agriculture has sole responsibility for the Agriculture output group within the Department of Natural Resources and Environment. This output group accounts for $182.2 million or 18 per cent of the Department’s 2001-2002 budget.

Exhibit 12.10 shows the key outputs delivered under the Agriculture portfolio.
Exhibit 12.10: Agriculture portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the 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>43.7</td>
</tr>
<tr>
<td></td>
<td>Development of next generation technologies for sustainable agriculture</td>
<td>117.0</td>
</tr>
<tr>
<td></td>
<td>Community, farm and industry development services</td>
<td>21.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>182.2</strong></td>
</tr>
</tbody>
</table>

The following exhibit shows that the 2001-2002 budget allocation for the relevant output group represents a funding increase of $11.1 million, or 6.5 per cent, compared with the allocation for 2000-2001.

Exhibit 12.11: Agriculture portfolio budget allocation

<table>
<thead>
<tr>
<th>Departmental output group</th>
<th>2000-2001 Budget ($ million)</th>
<th>2000-2001 Revised ($ million)</th>
<th>2001-2002 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>171.1</td>
<td>185.0</td>
<td>182.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>

This increase reflects:

- a decrease of 1 per cent to $43.7 million in services to improve market access, market development and consumer confidence in food and agricultural products;
- an increase of 6.5 per cent to $117 million in development of next generation technologies for sustainable agriculture; and
an increase of 27 per cent to $21.5 million for community, farm and industry development services.

12.8.2 2001-2002 outlook for the portfolio

(a) Science Innovation and Education initiative

Under the Growing Victoria infrastructure reserve, the key strategy of the Department for 2001-2002 is to build the capacity of Victoria’s science infrastructure through major new technology precincts. A total of $50 million has been allocated through the Science Innovation and Education initiative, of which $10 million has been allocated through the 2001-2002 budget.²⁵⁹ Some of the key initiatives include:

- development of four key regional centres as science, innovation and education precincts combining public and private sector research and development and education co-located with university education programs at Horsham, Mildura, Ellinbank and Tatura;

- modernisation of other regional research institutes as local development and delivery points of knowledge, information and technologies to specific industries and communities. In addition, to develop a cluster of key regional research institutes at Rutherglen, Tatura and Bendigo with a focus on protection and management of the environment in dry land and irrigated regions; and

- an enhanced strategic science capability in metropolitan Victoria, particularly in biotechnology and genomics linked to regional industry-specific centres focussing on technology application and delivery.

The Department has advised the Committee that the impact of the $50 million upgrade of the regional institutes will ultimately generate around 300 jobs and add approximately $100 million to regional economic activity.²⁶⁰

²⁵⁹ Budget Paper No. 2, 2001-2002 Budget Statement, Table B11, p. 261
²⁶⁰ Correspondence, dated 3 October 2001, from the Minister for Agriculture, p. 3
The Committee understands that the Victorian Industry Participation Policy (VIPP) will be applied to all short-listed bidders for public sector projects, events and activities associated with this initiative.

(b) Farm Bis

The Farm Bis program, which is a joint Commonwealth-State program, is designed to assist farmers to improve their business practices and has been allocated $0.5 million in 2001-2002. The program will provide assistance for farming and farming extension projects.

(c) Community Capacity Building

The Community Capacity Building initiative is a $3 million, three year program that is designed to help small rural communities. The Minister advised the Committee:

... we want the community to identify its strengths and weaknesses, its needs and how those needs may be addressed ...

The Departments of Natural Resources and Environment and State and Rural Development will each be contributing $1.5 million over three years to this program. The resources provided will include the services of a locally based community facilitator, office space, training in leadership and human resources development, and provision of human resource manuals and information.

12.8.3 Performance measures

There were no changes in outputs within the output group Agriculture in 2001-2002. For 2001-2002, six performance measures were discontinued, four were amended and five new measures were introduced, resulting in 24 performance measures.

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261 Ibid
262 Hon. K Hamilton, MP, Minister for Agriculture, transcript of evidence, 12 September 2001, p. 508
The main changes in performance measures were in the output Services to improve market access, market development and consumer confidence in food and agricultural products.

12.8.4 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 2001-2002.

(a) National Livestock Identification Scheme

The National Livestock Identification Scheme (NLIS) is a system for identification and tracing of cattle, developed by the cattle industry. The new scheme improves the current system of transaction tags by introducing permanent identification ear tags that can be read electronically. The NLIS was launched in Victoria in early 1999 with the issuing of 1 million electronic cattle identification tags to Victorian beef producers and dairy farmers to encourage cattle producers to permanently identify their cattle.

The Department expects all beef and dairy cattle to be “tagged” within five years.263

The NLIS is being introduced to satisfy consumer demand for clean healthy beef and to gain a competitive advantage in domestic and international markets.

The Government has identified the following benefits that it expects will be associated with the NLIS:264

- breeders who use machine-readable Breeder Tags will be able to obtain information on the carcass yield and meat quality of the cattle they breed or sell. This information will assist producers with on-farm management and identify and record animal specific information electronically;

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263 Ibid, p. 506
264 Department of Natural Resources and Environment website
• it will give an assurance as to the quality of Victorian meat;
• it will enable accurate and prompt control of livestock and meat products if disease, contamination or quality defects are discovered, which should minimise the impact of these incidents on the Victorian cattle industry; and
• give a significant competitive advantage for Victoria in both domestic and export markets.

The Committee was advised that the Government and the sheep industry have not yet decided on a final format for a sheep identification system under NLIS.265

Accordingly the Committee recommends that:

Recommendation 12.7:

The Department of Natural Resources and Environment:

(a) in consultation with the sheep industry, urgently reach agreement on a format for the sheep identification system or process under the National Livestock Identification Scheme; and

(b) publicly report on annual performance measures related to the progressive “tagging” of cattle and sheep against established targets.

(b) Strategy for the control of foot and mouth disease

In response to a question from the Committee about the level of funding directed at the prevention of, and preparedness for, an

265 Correspondence, dated 3 October 2001, from the Minister for Agriculture, p. 4
outbreak of foot and mouth disease, the Department advised that the current cost is $1,970,500.266

The Department also informed the Committee that the value of exports from Australia of foot and mouth sensitive export commodities is approximately $5.9 billion per year.

The Minister informed the Committee that a significant foot and mouth outbreak would have severe consequences for the Victorian economy.267

It has recently been estimated by Animal Health Australia the cost impact on Australia of a significant outbreak of foot and mouth disease is likely to be in the order of $8.9 billion in the first year, including the direct costs of eradication activities and from lost export income; downstream losses of up to $25 billion in the first year, with an associated 3.5 per cent reduction in GDP and a 1 per cent increase in unemployment.268

The Department advised that as a result of recent overseas experiences with foot and mouth disease, they have undertaken a review of the State’s capability to act in such circumstances.269

(c) Naturally Victorian program

The Committee noted that the Government has allocated $8.7 million over four years for the Naturally Victorian program with $2.7 million allocated in 2001-2002.

This program has been designed to assist Victorian farmers in winning new export markets for food products. These funds will be applied to marketing and research activities. The Naturally Victorian program will build on Victoria’s reputation as a clean

266 Department of Natural Resources and Environment response to questions on notice, p. 4
268 Department of Natural Resources and Environment response to questions on notice, p. 4
and green producer of agricultural goods and contribute to the Government’s food and fibre exports.

The Committee stated in its Report on the 2000-2001 Budget Estimates that the major challenge confronting the Naturally Victorian program is the development of markets for agriculture and food products.\textsuperscript{270} In this context, the Minister advised the Committee:\textsuperscript{271}

\begin{quote}
We have employed more marketing officers based in overseas countries where we have growth markets, to link them way back to the producer who may be on the Mornington Peninsula or at Werribee or so on. It is no good saying you can sell your turnips in Thailand if you cannot ensure a guaranteed supply chain and can supply them when and where they want them, and at the right time. Those things are very much part of the marketing strategy - that is, not just growing and marketing but having the transport links and the logistics in between. That is what Naturally Victorian is all about.
\end{quote}

The Committee commends the Department on this significant agricultural marketing initiative.

Accordingly, the Committee recommends that:

\textbf{Recommendation 12.8:}

The Department of Natural Resources and Environment develop and report on performance measures regarding the effectiveness of the Naturally Victorian program to identify:

\begin{itemize}
\item[(a)] the number of producers assisted through the initiative;
\item[(b)] the number of new markets accessed through this initiative; and
\end{itemize}

\begin{footnotes}
\item[271] Hon. K Hamilton, MP, Minister for Agriculture, transcript of evidence, 12 September 2001, p. 505
\end{footnotes}
12.9 Aboriginal Affairs portfolio

12.9.1 Background

The Minister for Aboriginal Affairs has responsibility for the Aboriginal Reconciliation and Respect output group that accounts for $9.5 million in 2001-2002, which represents a 1 per cent decrease from the budgeted $9.6 million in 2000-2001.

The Minister for Aboriginal Affairs has responsibility for the following outputs:

Exhibit 12.12: Aboriginal Affairs portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the 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 Administration of Legislation Provision of Services</td>
<td>1.4 0.3 7.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>9.5</td>
</tr>
</tbody>
</table>

12.9.2 2001-2002 outlook for the portfolio

The major activities planned in the Aboriginal Affairs portfolio for 2001-2002 include:

- development of a public sector employment strategy for indigenous Victorians;
- development of a cultural heritage strategy for the public sector;
- completion of a review of the Aboriginal Land Act 1970;

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• development of a Victorian Government response to "Reconciliation" and "Bringing Them Home";
• continued investigation and addition of sites to the Victorian Aboriginal Site Register;
• conduct archaeological surveys under Aboriginal cultural heritage legislation;
• undertake feasibility studies on community infrastructure to ensure protection of Aboriginal heritage; and
• approval of Koori community fund grants.

12.9.3 Performance measures

The Committee notes the Aboriginal Reconciliation and Respect output group has undergone a substantial amount of change in 2001-2002 with nine new performance measures while ten measures have been discontinued from 2000-2001.

The Minister advised that the Government’s greatest focus has been on the development and implementation of programs for the protection, management and awareness of Aboriginal cultural heritage.273 The Committee’s analysis shows that the performance measures within the Aboriginal Reconciliation and Respect output group reflect this focus.

The Minister also advised that the Government is committed to producing a whole-of-government report on Aboriginal Affairs to be presented to the Parliament that will provide a comprehensive overview of initiatives relating to indigenous Australians in Victoria.274

In its Report on the 2000-2001 Budget Estimates, the Committee expressed concern that the performance measures did not measure the quality and outcomes of vital services and programs in health,
education and justice.275 Accordingly, the Committee remains concerned about the lack of performance measures in these important areas.

The Committee again recommends that:

**Recommendation 12.9:**

The Department of Natural Resources and Environment urgently develop and report on performance information that indicates the quality and outcomes of Government services and programs in the important areas of Aboriginal health, education and justice.

12.9.4 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 2001-2002.

(a) Whole-of-government framework for Aboriginal affairs

The Committee believes that a key component of Australia’s reconciliation with its indigenous people is to raise the social, economic and cultural standing of Aborigines in the community. Accordingly, the Department advised that Aboriginal Affairs Victoria is currently developing a whole-of-government monitoring and reporting framework for Aboriginal Affairs.276 This framework will establish performance indicators and benchmarks to measure progress in achieving outcomes through the Government’s policy objectives, and through national indicator frameworks developed by the Ministerial Council on Aboriginal and Torres Strait Islander Affairs (MCATSIA).

276 Correspondence, dated 3 October 2001, from the Minister for Aboriginal Affairs, p. 3
The framework is being developed through the following:

- the Victorian Aboriginal Affairs Coordination Committee – Data and Monitoring Working Group, which is responsible for designing and coordinating whole-of-government reports to Parliament, and promoting and supporting improved monitoring of Aboriginal people's access to and use of government services;

- MCATSIA has identified the need to develop and expand indigenous data within the Productivity Commission’s annual review of Commonwealth-State Service provision, and accordingly has endorsed proposals to establish a working group to advise the Productivity Commission on the inclusion of such data in the ‘Review of Government Services’ report and to report to the MCATSIA on areas not covered by the review; and

- Ministerial Council Action Plans through the Council of Australian Governments (COAG) to develop a framework to advance reconciliation by promoting economic independence and addressing indigenous disadvantage.

The Committee acknowledges that there are a number of different initiatives being developed both federally and by the State Government to address performance reporting on indigenous Australians. The Committee believes it will be important for the State Government to ensure that all initiatives are complementary and all data is consistent.

(b) Cultural heritage management skills

The Department advised that $204,000 has been allocated in 2001-2002 for various training projects to assist in developing cultural heritage management skills in Aboriginal communities. This funding has been allocated as follows:\footnote{Ibid, p. 4}

- $50,000 for site monitor workshops;

\footnote{Ibid, p. 4}
• $100,000 for community surveys; and
• $54,000 for the inspector training course and community meetings required under Section 21W of the Commonwealth Aboriginal and Torres Strait Islander Heritage Protection Act 1984.

This funding is in addition to staff salary and operating costs associated with developing cultural heritage management skills.
CHAPTER 13: DEPARTMENT OF PREMIER AND CABINET

Key Findings:

13.1 The issue of drug prevention will not be addressed through the implementation of a programmatic response by Government Departments, but will require a whole-of-government strategy combining the human services, education, justice, corrections and employment systems into one integrated approach.

13.2 As the Government has made a substantial investment in film and television through the establishment of the Australian Centre of the Moving Image (ACMI), an effective system of governance should be implemented so that corporate directions are focussed on achieving objectives and delivering a high level of service to the community.

13.3 The major findings of the review of the Queen Victoria Women’s Centre were that the Centre had failed to achieve a self-funding level and had reached a critical point in terms of its financial survival. The Ministerial Advisory Committee which conducted the review believed the Centre should be retained with a new focus of operation but would require continued Government support as its commercial activities were unlikely to result in self-funding status.

13.1 Departmental overview

The Department provides services to four ministerial portfolios including the Premier; Multicultural Affairs; Women’s Affairs; and Arts.
13.2 Output management framework

The Department’s output management framework for 2001-2002 is shown in the exhibit below.

Exhibit 13.1: Department of Premier and Cabinet - Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Advice and Support</td>
<td>30.0</td>
<td>37.2</td>
<td>38.6</td>
<td>28.7</td>
</tr>
<tr>
<td>Government Information and Support</td>
<td>24.9</td>
<td>25.7</td>
<td>23.0</td>
<td>(7.6)</td>
</tr>
<tr>
<td>Multicultural Affairs</td>
<td>4.9</td>
<td>4.5</td>
<td>3.9</td>
<td>(20.4)</td>
</tr>
<tr>
<td>Arts and Cultural Development</td>
<td>292.2</td>
<td>275.9</td>
<td>302.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Governor and State Administration</td>
<td>12.5</td>
<td>12.2</td>
<td>12.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Public Sector Employment and Conduct Principles</td>
<td>3.4</td>
<td>3.5</td>
<td>3.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Women’s Policy</td>
<td>1.7</td>
<td>1.7</td>
<td>1.6</td>
<td>(5.9)</td>
</tr>
<tr>
<td>Total</td>
<td>369.5</td>
<td>360.7</td>
<td>385.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>


As shown in Exhibit 13.1, the Department’s budget allocation for 2001-2002 was $385.6 million representing a $16.1 million or 4.4 per cent increase from 2000-2001.

The Committee notes there has been a substantial change to the Department’s output group structure in 2001-2002 with a reduction of output groups used in 2000-2001 from eleven to seven. The reduction has been achieved by the following:
• the Community Support Fund (CSF) output group has been replaced with a CSF output under the Policy Advice and Support output group;

• the Government Information and Communications output group and the Protocol and Events Management output group have been combined to form a new output group called Government Information and Support; and

• a new output group Governor and State Administration has been formed from the amalgamation of the previous Ombudsman, Legislative Drafting and Publishing Services, and the Support to the Governor output groups.

The changes to the output group structure have resulted from internal departmental changes aimed at improving accountability and reporting rather than from the introduction of any new strategies. 278

13.3 Financial analysis

The Committee reviewed the Department’s Operating Statement in order to gain an understanding of the Department’s revenue and expenses, which reflect the cost of providing its outputs. The Committee also sought explanations for major variations to revenue and expense items based on 2000-2001 estimates and estimated actual figures for 2000-2001 as supplied by the Department.

The following exhibit outlines the operating statement for the Department of Premier and Cabinet:

278 Response by Department of Premier and Cabinet to the Committee’s 2001-2002 estimates questionnaire, p. 2
### Exhibit 13.2: Department of Premier and Cabinet - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>479.7</td>
<td>503.6</td>
<td>522.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>470.1</td>
<td>494.1</td>
<td>495.0</td>
<td>5.1</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>9.6</td>
<td>9.5</td>
<td>27.2</td>
<td>(1.0)</td>
</tr>
</tbody>
</table>

**add**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue for increase in net assets</td>
<td>123.3</td>
<td>96.4</td>
<td>125.0</td>
<td>(21.8)</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>132.9</td>
<td>105.9</td>
<td>152.2</td>
<td>(20.3)</td>
</tr>
</tbody>
</table>

**Administered Items**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


The operating statement shows similar moderate variations between the estimated and estimated actual amounts for both operating revenue and operating expense categories in 2000-2001. This resulted in the operating deficit before revenue for increases in net assets reducing from $9.6 million to $9.5 million.
13.3.1 **Operating revenue**

Operating revenue was expected to increase by 5 per cent or $23.9 million from original estimates due to:279

- an unbudgeted grant of $39 million representing the Commonwealth Government’s contribution to the establishment of the Australian Centre for the Moving Image at Federation Square; and
- lower than expected revenue from the State Government representing an amount of $9.5 million.

13.3.2 **Operating expenses**

Operating expenses were expected to increase by 5.1 per cent or $24 million due to:280

- a $3.2 million reduction in the level of depreciation expense as a result of delays in the construction of various Arts capital projects, in particular the Museum; and
- the receipt by the Department of Treasury and Finance of the Commonwealth grant referred to above. As the Federation Square asset is held by the Department of Treasury and Finance, this creates an expense for the Department of $17.9 million.

In addition, the expected revenue from increases in net assets was $26.9 million (21.8 per cent) less than estimated due to delays with major construction/development projects such as the National Gallery redevelopment and Cinemedia at Federation Square reducing the capital funding requirements for 2000-2001.281

13.3.3 **Other revenue and other expenses**

The Committee’s analysis of items in the ‘other revenue’ and ‘other expenses’ classifications, which contain 2001-2002 budget amounts

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279 Ibid, pp. 2-3
280 Ibid
281 Ibid
of $60.3 million and $169.6 million respectively, shows that significant material amounts are not fully disclosed in the Budget Papers. The Committee reiterates its recommendation as contained in Report No. 38 and again recommends that:

**Recommendation 13.1:**

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

### 13.4 Management Reform Program

The Management Reform Program (MRP) is designed to be a framework to support the achievement of the Government's key budgetary, economic, financial and management reform objectives. As the MRP has now been in operation since 1997, the Committee sought information on the impact of the MRP on departmental operations and any scope for improvement.

The Committee was advised that in 2000-2001 the Department reviewed its achievements and progress against the MRP's objectives. The review found the Department:

- showed significant achievement in output management;
- had strengthened its ability to monitor output performance;
- had perceived weaknesses in performance reporting for policy areas;
- had robust financial management controls in place;
- needed to improve financial reports available with a more integrated online output and financial management system; and
- demonstrated superior risk and asset management.

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282 Ibid, p. 59
As a result of the MRP review, the following improvement strategies are being implemented across the Department:

- enhancing its policy capacity to focus on outcomes;
- developing the planning and reporting regime to increase accountability for output delivery and management;
- developing an integrated performance reporting mechanism;
- promoting systematic performance improvement through proposed benchmarking programs;
- ensuring the full implementation of financial information systems and reporting tools; and
- integrating asset investment planning with the corporate and business planning processes.

The Committee commends the Department for its initiative in undertaking the review and implementing a number of strategies to improve these reforms. The Committee believes it will be important that the identified deficiencies and necessary improvements are addressed in a timely manner, and that the implementation of the Management Reform Program be subjected to further periodic review.

13.5 Human resources issues

The Department estimated that at 30 June 2001 it will have 630.7 full time equivalent staff working in 12 divisions. As shown in the exhibit below, this compares with 576.9 in 2000-2001.
Exhibit 13.3:  Department of Premier and Cabinet - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic, Economic and Social Policy (a)</td>
<td>73.4</td>
<td>47.2</td>
</tr>
<tr>
<td>Governance, Resources and Infrastructure</td>
<td>90.9</td>
<td>124.8</td>
</tr>
<tr>
<td>DPC Executive</td>
<td>2.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Office of the Premier</td>
<td>46.0</td>
<td>47.1</td>
</tr>
<tr>
<td>Office of Women’s Policy</td>
<td>8.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Arts Victoria</td>
<td>113.6</td>
<td>121.5</td>
</tr>
<tr>
<td>Multicultural Affairs</td>
<td>14.8</td>
<td>18.2</td>
</tr>
<tr>
<td>Ministerial and Parliamentary</td>
<td>138.2</td>
<td>153.9</td>
</tr>
<tr>
<td>Office of Public Employment</td>
<td>16.4</td>
<td>19.2</td>
</tr>
<tr>
<td>Office of Chief Parliamentary Counsel</td>
<td>29.4</td>
<td>30.4</td>
</tr>
<tr>
<td>Office of the Governor</td>
<td>24.5</td>
<td>25.4</td>
</tr>
<tr>
<td>Office of the Ombudsman</td>
<td>19.1</td>
<td>26.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>576.9</strong></td>
<td><strong>630.7</strong></td>
</tr>
</tbody>
</table>

Source:  Department of Premier and Cabinet response to the Committee’s 2001-2002 estimates questionnaire, pp. 36-37

Note:  (a) Includes two EFT for Special Projects as at 30 June 2000

Exhibit 13.3 shows a moderate increase (i.e. 9.3 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 reasons for the appointment of additional staff:

- a restructure of the Department’s operations resulted in the abolition of the Cabinet Office and Office of State Administration Divisions and creation of the Strategic, Economic and Social Policy and the Governance, Resources and Infrastructure Divisions. The subsequent transfer of staff between divisions has resulted in variations, however the overall number of staff has only increased by approximately 6 per cent;
• the DPC Executive Division increased from two to five as a result of the restructure;
• staff numbers in the Ministerial and Parliamentary Staff Division increased by 11 per cent as a result of a central recruitment exercise conducted in 1999-2000;
• the Office of Public Employment experienced a 17 per cent increase in staff due to the commencement of new projects which involve statistical research/survey/analysis and vocational education and training;
• a revision of statistics to include casual and part-time staff has resulted in a 22 per cent increase in staff in the Office of the Ombudsman;
• the Multicultural Affairs Division had a 23 per cent increase in staff following a review of policy capacity in the portfolio; and
• a 34 per cent increase in staffing in the Office of Women’s Policy to reflect the commencement of new programs involving the Women’s Safety Strategy in addition to the employment of a Koori Policy Officer and youth trainee.

13.5.1 Key staffing issues

The ability of the Government to effectively implement its policies is dependent on an adequately 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 achievement of its business objectives.

The Committee’s previous Estimates Report noted a shortage of required expertise in a number of important areas of the Department’s operations such as long term policy development in the Cabinet Office and policy implementation and research in the Victorian Office of Multicultural Affairs.283 However, the Committee was advised that the Department is not currently

experiencing a shortage of expertise in any areas of its operations. Accordingly, the Committee is pleased to note that previously identified shortages have now been addressed.

The Committee was also advised that a key human resource issue facing the Department is the need to develop and implement recruitment and development strategies that improve the Department’s capability in providing leading policy advice. The Committee considers that proactive human resource planning processes are the most effective means for identifying and addressing present and future skill requirements.

### 13.5.2 Age profile of departmental staff

The Committee notes that a key component in the direction of recruitment and development strategies, in addition to succession planning in general, is the age profile of departmental staff. Accordingly, the Committee requested information on the age profile of departmental staff by classification to identify the current profile and the future staffing requirements that will arise. The Department provided the following information:

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284 Response by Department of Premier and Cabinet to the Committee’s 2001-2002 estimates questionnaire, p. 41
285 Ibid, p. 42
Exhibit 13.4: Age and classification profile of staff

<table>
<thead>
<tr>
<th>Classification</th>
<th>15 - 29</th>
<th>30 - 49</th>
<th>50 +</th>
<th>Total</th>
<th>15 - 29</th>
<th>30 - 49</th>
<th>50 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO2</td>
<td>7</td>
<td>1</td>
<td>8</td>
<td>11</td>
<td>9</td>
<td>2</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>EO3</td>
<td>14</td>
<td>5</td>
<td>19</td>
<td>34</td>
<td>12</td>
<td>4</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td>VPS5</td>
<td>56</td>
<td>16</td>
<td>72</td>
<td>84</td>
<td>2</td>
<td>56</td>
<td>16</td>
<td>74</td>
</tr>
<tr>
<td>VPS4</td>
<td>13</td>
<td>64</td>
<td>13</td>
<td>90</td>
<td>14</td>
<td>74</td>
<td>15</td>
<td>103</td>
</tr>
<tr>
<td>VPS3</td>
<td>23</td>
<td>68</td>
<td>29</td>
<td>120</td>
<td>20</td>
<td>78</td>
<td>30</td>
<td>128</td>
</tr>
<tr>
<td>VPS2</td>
<td>29</td>
<td>47</td>
<td>20</td>
<td>96</td>
<td>27</td>
<td>43</td>
<td>20</td>
<td>90</td>
</tr>
<tr>
<td>VPS1</td>
<td>7</td>
<td>11</td>
<td>5</td>
<td>23</td>
<td>6</td>
<td>8</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>PO</td>
<td>42</td>
<td>94</td>
<td>12</td>
<td>148</td>
<td>46</td>
<td>103</td>
<td>12</td>
<td>161</td>
</tr>
<tr>
<td>CAS</td>
<td>8</td>
<td>15</td>
<td>15</td>
<td>38</td>
<td>16</td>
<td>16</td>
<td>13</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>122</td>
<td>376</td>
<td>118</td>
<td>616</td>
<td>131</td>
<td>399</td>
<td>117</td>
<td>647</td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet response to the Committee’s 2001-2002 estimates questionnaire, pp. 39-40

Analysis of the information contained in Exhibit 13.4 shows:

- an increase of 33 (5 per cent) in actual staff numbers from 616 to 647 in the nine months ended 31 March 2001;
- the level of employees 50 years and over at 31 March 2001 accounted for 18.1 per cent of departmental staff which was reduced from 19.2 per cent at 30 June 2000. The most common age range in the Department was between 30-49 which accounted for 61.7 per cent (399 employees) at 31 March 2001;
- executive officers represented 4.6 per cent of departmental employees at 31 March 2001 (this is consistent with the level of representation at 30 June 2000). Approximately 30 per cent of executive officers were aged 50 years and over with the remaining 70 per cent in the 30-49 aged category;
at 30 June 2000 there were no employees in the 15-29 years category that were classified higher than a VPS4. However, there were two appointments at VPS5 level in the period up to 31 March 2001. At 31 March 2001 there were only 16 full-time employees aged between 15-29 (2.5 per cent of all employees) that were classified at VPS4 and above even though 20 percent of all employees fall into that age group;

there is a very high percentage of part-time employees in the Department (161 or 25 per cent at 31 March 2001) while casual employees accounted for 7 per cent. The age profile of these employees is dominated by the 30-49 category with 64 per cent and 35.6 per cent respectively; and

the major changes in staff for the nine-month period have occurred in VPS4 (90 to 103 with 10 staff additions in the 30-49 age group), VPS3 (120 to 128 with 10 staff additions in the 30-49 age group), the number of part-time officers (148 to 161 with nine staff additions in the 30-49 age group) and the number of casuals (38 to 45 with eight staff additions in the 15-29 age group).

13.6 Premier’s portfolio

13.6.1 Background

The Premier has responsibility for four output groups that account for $77.6 million in 2001-2002, which represents a 9.6 per cent increase from the budgeted $70.8 million in 2000-2001.
Exhibit 13.5: Premier’s portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Advice and Support</td>
<td>30.0</td>
<td>37.2</td>
<td>38.6</td>
<td>28.7</td>
</tr>
<tr>
<td>Government Information and Support</td>
<td>24.9</td>
<td>25.7</td>
<td>23.0</td>
<td>-7.6</td>
</tr>
<tr>
<td>Public Sector Employment and Conduct Principles</td>
<td>3.4</td>
<td>3.5</td>
<td>3.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Governor and State Administration</td>
<td>12.5</td>
<td>12.2</td>
<td>12.5</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70.8</strong></td>
<td><strong>78.6</strong></td>
<td><strong>77.6</strong></td>
<td><strong>9.6</strong></td>
</tr>
</tbody>
</table>


The major variations to output group funding from 2000-2001 are:

- $8.6 million or 28.7 per cent increase in Policy Advice and Support to reflect changes to the output group’s structure and to account for increases in Expenditure Review Committee initiatives such as additional funding for the support of the Premier, Ministers and the National Party ($1.9 million) and funding provided to the Constitutional Commission ($1.6 million); and
- $1.9 million or 7.6 per cent decrease in funding for Government Information and Support.

13.6.2 2001-2002 outlook for the portfolio

The Premier’s portfolio has a number of key tasks in the 2001-2002 financial year. These include:

- consolidation of the social, economic and environmental outcomes frameworks;
• implementation of the whole-of-government community building strategy to promote integrated services in local communities;

• co-ordination of the release for public discussion of the Infrastructure Planning Council’s interim report in August 2001;

• provision of policy advice and co-ordination of advice from relevant Departments regarding the corporatisation of the Snowy Mountains Hydro-Electricity Authority and the establishment of the Joint Government Enterprise, which is a key feature of the Snowy agreement; and

• re-design and development of the core business software applications that support the business systems for the development and management of Cabinet papers (CABNET) and the drafting and publication of legislation (LDMS).

13.6.3 Performance measures

In line with its review of outputs, the Department introduced a number of new measures for 2001-2002 while discontinuing a number of performance measures from 2000-2001. For those output groups under the responsibility of the Premier, the following has occurred:

• Policy Advice and Support has been subjected to major change from 2000-2001 with outputs (and associated performance measures) relating to Freedom of Information Services and Long-term policy development and research discontinued. There were three new performance measures added to the Advice output while performance measures relating to the Community Support Fund output have reduced from 15 to seven;

• Government Information and Support contains four new performance measures with 11 performance measures discontinued from 2000-2001;
• Support for the Public Sector Employment and Conduct Principles has remained substantially unchanged with the addition of two performance measures and the discontinuance of one performance measure from 2000-2001; and

• Governor and State Administration does not contain any new performance measures while there has been a substantial number of performance measures discontinued (ie. 26) as a result of the amalgamation of three output groups from 2000-2001.

The Committee’s analysis of performance measures used in 2001-2002 has shown a substantial decrease in the number of outputs and performance measures in the 2001-2002 Budget Papers. The Committee encourages the review and enhancement of performance information in the Budget Papers. However, it is concerned that the changes made in 2001-2002 reduce the ability to compare performance between financial years.

In its 2000-2001 Estimates Report, the Committee stated that the performance information contained in the Budget Papers was inadequate and that there was a significant gap between the level of information contained in the performance measures and that required to measure the achievement of key Government outcomes. Subsequent to its review of the 2001-2002 Budget Papers, the Committee believes there still remains a significant gap between the level of information required and that actually presented by the Department of Premier and Cabinet.

Accordingly, the Committee recommends that:

Recommendation 13.2: The Department of Premier and Cabinet review the information contained in the Budget Papers with a view to creating a continual link between the performance measures in each output and output group, and information in the corporate and business plans, with the achievement of 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 hearing with the Premier identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Community building strategy

The Committee was advised that one of the key aims of the Department in 2001-2002 is the implementation of the Government’s community building strategy. Accordingly, ministerial responsibility for community building has been allocated to the Minister for Housing and Aged Care who will report directly to the Premier as part of a whole-of-government community building approach.

The Premier stated that the 2001-2002 Budget allocated up to $7 million over three years for the community building strategy which has three major elements, including:

- the implementation of up to 10 pilot projects across the State in areas of high disadvantage, low socio-economic income levels and high gaming levels;
- a whole-of-government approach to reform existing community building program arrangements to deliver more integrated services to the community; and

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287 Hon. S Bracks, MP, Premier, transcript of evidence, 25 May 2001, p. 4
288 Ibid, p. 15
• funding from the Community Support Fund for community building projects initiated by local communities.

While the Committee supports this initiative, it believes it will be important that appropriate governance mechanisms are incorporated into the strategy to ensure the Government can monitor its implementation.

Accordingly, the Committee recommends that:

**Recommendation 13.3:**

The Department of Premier and Cabinet:

(a) adopt formal reporting protocols with the Minister responsible for community building; and

(b) establish formal monitoring processes for the 10 pilot projects across the State to allow the Government to assess and report on their success or otherwise.

(b) Whole-of-government Drug Prevention Strategy

One of the key objectives of the Department of Premier and Cabinet, as stated in the 2001-2002 Budget Papers, is to lead selected whole-of-government initiatives across Departments and coordinate with other sectors to achieve integrated policy and service delivery responses to key issues.²⁸⁹

The Committee considers the issue of drug abuse to be one of the most important and difficult issues currently facing the Government. Accordingly, the Premier stated that the issue of drug prevention will not be addressed through a programmatic response but will require a whole-of-government approach that

combines the human services, education, justice, corrections and employment systems into one integrated approach.\(^{290}\)

The Premier also advised of the following initiatives aimed at addressing the issue of drug prevention:

- the allocation of an additional $77 million for the prevention of drug abuse, saving lives, rehabilitation and treatment programs and the effective policing of the drug trade; and

- the establishment of the Premier's Drug Prevention Council, which resulted from a joint sitting of Parliament in March 2001, to advise the Government on prevention strategies and options for reform.

The Committee believes that it will be important to monitor the progress made by the Drug Prevention Council and the success of the drug prevention strategy.

Accordingly, the Committee recommends that:

**Recommendation 13.4:**

(a) The Drug Prevention Council be governed by a comprehensive and coordinated monitoring framework comprising key Government objectives, underlying actions and initiatives, performance measures and targeted milestones; and

(b) The annual report of the Department of Premier and Cabinet report on the performance of whole-of-government drug prevention strategies in achieving objectives, as the Budget Papers do not clearly address the performance of inter-departmental activities.

\(^{290}\) Hon. S Bracks, MP, Premier, transcript of evidence, 25 May 2001, p. 30
Environmental flows to the Snowy River

The Premier advised that the Government was elected with a policy commitment to restore a 28 per cent flow to the Snowy River and has actively pursued this policy objective through the following initiatives:291

- allocation of $150 million and securing agreement with the New South Wales (NSW) Government ($150 million) and the Commonwealth Government ($75 million) for contributions to restore the environmental flows;
- the implementation of three water savings projects in northern Victoria which are estimated to generate 25,000 megalitres of water savings at a cost of $23 million;
- planning for the conduct of three water saving projects in the Goulburn Murray water scheme; and
- the establishment of a joint enterprise between the Victorian, NSW and Commonwealth Governments to administer the funds and the programs.

The Committee welcomes the establishment of the joint enterprise to administer the funds and the programs. However, it will be important that a comprehensive management framework is developed to direct the activities of the enterprise and monitor the achievement of its objectives.

Accordingly, the Committee recommends that:

**Recommendation 13.5:**

The Government develop a management framework to govern the activities of the joint enterprise relating to the Snowy River to ensure effective monitoring and reporting of performance information.

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(d) The Victorian Economic and Social Advisory Council

The Committee was advised that, following a recommendation from the Growing Victoria Summit, the Victorian Economic and Social Advisory Council was established to contribute to the development of economic, social and environmental policy in Victoria within the framework of a triple bottom line approach. 292

The Council, which is chaired by the Premier, comprises representatives from business and employer organisations, unions, State and Local Governments, the community and environmental groups. The Council meets quarterly and:

- provides advice on options and strategies to achieve economic growth, environmental sustainability and social development within a triple bottom line framework;
- shares information about the economic, social and environmental outlook for Victoria;
- strengthens the dialogue to identify and better understand the challenges confronting Victoria;
- identifies emerging issues and initiatives in policy areas developed at the Growing Victoria Summit and provides advice on key policy priorities for Victoria; and
- monitors the implementation of recommendations contained in the Summit communique.

The Committee believes the establishment of the Council to be a significant initiative by the Government. The aim of the Council is to be a forum to identify, discuss and address issues and concerns raised by key groups in the Victorian economy. In addition, the Council’s involvement in promoting discussion in relation to triple bottom line issues is a welcome initiative. The Committee believes that the role of the Council should be reviewed following 18 months of operation to ensure it is meeting its objectives effectively and is covering all relevant issues relating to triple bottom line reporting.

292 Department of Premier and Cabinet response to questions resulting from the estimates hearing for the Premier’s portfolio, 25 May 2001
13.7 Multicultural Affairs portfolio

13.7.1 Background

The Minister for Multicultural Affairs is responsible for the Multicultural Affairs output group which incurred a budget reduction of $1 million (20.4 per cent) in 2001-2002 from $4.9 million in 2000-2001 to $3.9 million. The Multicultural Affairs output group has the following outputs:

Exhibit 13.6: Multicultural Affairs portfolio output group and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Multicultural Affairs</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multicultural Affairs</td>
<td>Advice Community Consultation and Grants</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3.9</td>
</tr>
</tbody>
</table>

13.7.2 Major initiatives of the Multicultural Affairs portfolio

The portfolio has introduced a number of major initiatives including:

- supporting Victoria’s diversity and encouraging ethnic communities to continue their contribution to Victoria’s development as a harmonious and culturally rich State; and
- the conduct of an audit of each Government department’s performance in meeting their community obligations to Victoria’s ethnic communities.

13.7.3 Analysis of the 2001-2002 Budget

The Multicultural Affairs output group budget for 2001-2002 has decreased by $1 million or 20.4 per cent from 2000-2001. This decrease relates solely to the $1 million provided in the 2000-2001 budget for the preparation of the Racial and Religious Tolerance
legislation, and the public education and awareness campaigns relating to the proposed legislation.

13.7.4 Performance measures

In 2001-2002, the Multicultural Affairs output group was reduced from four output areas to two. This resulted in the addition of one new performance measure and the discontinuance of eight.

The Committee notes there has been a substantial decrease in performance information presented in the 2001-2002 Budget Papers for the Multicultural Affairs output group. The Committee’s analysis shows the following:

- while an important element of the community consultation and grants output is the provision of independent advice through the Victorian Multicultural Commission, there is no measure to assess the quality and timeliness of this advice;
- an important mechanism used by the Government to encourage the participation of ethnic communities is the establishment of consultations and forums with community groups. However, there is no measure for the satisfaction of these communities with this process; 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, in addition to the timeliness associated with the monitoring and allocation of grants against targets. 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 13.6:**

(a) The Department of Premier and Cabinet review the performance measures contained in the Multicultural Affairs output group to ensure that key objectives are appropriately measured; and

(b) The annual report of the Department of Premier and Cabinet report on the performance of whole-of-government multicultural strategies in achieving objectives.

### 13.7.5 Key issues impacting on the Multicultural Affairs portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Multicultural Affairs identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Racial and Religious Tolerance legislation

A key component of the Government’s whole-of-government approach to multiculturalism was the introduction of the Racial and Religious Tolerance Bill. The Committee was advised that this Bill is one of the key instruments in achieving legislative change to complement the community’s reception and adoption of multiculturalism in Victoria.²⁹³

In 2000-2001, the Government allocated $1 million for the preparation of the legislation and a subsequent public education campaign. The Committee was advised that approximately $310,000 of the allocation was expended in 2000-2001 and that the balance was carried over until 2001-2002 because the public

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education campaign could not commence until the legislation was passed by Parliament. The Department advised the Committee:

... the funding that was initially committed to this campaign, an amount of $700,000, was carried over into FY 2001-2002.294

(b) Allocation of language allowance funds

The Committee noted that for the last four years (1998-1999 to 2001-2002) the Budget Papers have included a performance measure target for Language Allowance Funds of 70 per cent while the actual performance for 1998-1999 and 1999-2000 was 21 per cent and 30 per cent respectively. The expected outcome for 2000-2001 was also at 30 per cent.

The Department advised that the difference between the target and outcome for the Language Allowance is the low take-up of the allowance by State Government employees, compared to expectations.295 During 2000-2001, the Victorian Office of Multicultural Affairs reviewed the scheme and identified a number of areas that need to be addressed in order to improve the take-up rate. These actions will be implemented during 2001-2002 and are expected to improve the scheme.

13.8 Arts portfolio

13.8.1 Background

The Minister for the Arts has responsibility for the Arts and Cultural Development output group that accounts for $302.5 million or 78.4 per cent of the Department’s 2001-2002 budget. The Arts and Cultural Development output group has the following outputs:

294 Department of Premier and Cabinet response to questions on notice from the estimates hearing, dated 25 May 2001
295 Department of Premier and Cabinet response to questions resulting from the estimates hearing for the Premier’s portfolio, 25 May 2001
Exhibit 13.7: Arts portfolio output group and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for the Arts</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Cultural Development</td>
<td>Arts product and development</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Audiences and access</td>
<td>9.7</td>
</tr>
<tr>
<td></td>
<td>Infrastructure and cultural facilities</td>
<td>92.6</td>
</tr>
<tr>
<td></td>
<td>Portfolio services and policy</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Arts portfolio agencies</td>
<td>180.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>302.5</strong></td>
</tr>
</tbody>
</table>

13.8.2 Major initiatives of the Arts portfolio

The Arts portfolio will undertake a number of new initiatives in 2001-2002. These initiatives include:

- the development of a 10 year plan for the Arts;
- allocation of $10.9 million to revitalise and reinvigorate the Victorian film and television industry including $6 million to increase the cash flow facility, $3.9 million to increase the level of funding for film and production and $1 million to the Melbourne Film Office;
- the operation of the Australian Centre for Moving Image through a recurrent allocation of $3.5 million;
- $1 million for regional community building initiatives;
- $2.5 million to secure the long-term artistic and financial viability of the State’s major performing arts companies as a result of the Nugent Inquiry;
- $2.3 million for legislative compliance, particularly for State-owned assets such as the North Melbourne Meat Market and Victorian Arts Centre;
- $13.8 million for the provision of information technology for the Australian Centre for Moving Image; and

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• $800,000 to preserve additional space and ensure the heritage significance of the Royal Exhibition Building.

13.8.3 Analysis of the 2001-2002 Budget

The Committee’s analysis of the Arts and Cultural Development output group shows a $10.3 million or 3.5 per cent increase to $302.5 million from 2000-2001. The major increases occurred in the Audience and Access output ($4.1 million) and the Infrastructure and Cultural Affairs output ($7.3 million).

13.8.4 Performance measures

The Committee was advised that the overall output group description, and particularly the outputs relating to the activities of Arts Victoria (i.e. Arts Product and Development, Audiences and Access), have been amended to more accurately reflect the achievements of Arts Victoria. Accordingly, four new performance measures were included in the 2001-2002 Budget Papers while three measures were discontinued from 2000-2001.

The Committee’s analysis of the performance information presented under the Arts and Cultural Development output group shows that the performance measures reflect the objectives of each output and the output group. The Committee believes that information could be further improved through:

• the discontinuance of a performance measure under the Portfolio services and policy output Arts Agencies Administered, as it only provides obvious information to the reader and is not considered necessary; and

• the inclusion of all relevant output information given there are a number of examples where performance information (e.g. Regional Touring destinations) on actual 1999-2000 results was not included in the 2001-2002 Budget Papers when an expected outcome for 1999-2000 was included in the 2000-2001 Budget Papers.

297 Department of Premier and Cabinet response to the Committee’s 2001-2002 estimates questionnaire, p. 33
Accordingly, the Committee recommends that:

Recommendation 13.7:

The Department of Premier and Cabinet:

(a) discontinue the performance measure Arts Agencies Administered, in the 2002-2003 Budget Papers; and

(b) ensure that all relevant performance information relating to this measure for the previous year's actual performance is included in the 2002-2003 Budget Papers.

13.8.5 Key issues impacting on the Arts portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for the Arts identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Establishment of the Australian Centre of the Moving Image

The Committee was advised that a significant part of the 2001-2002 initiatives in the Arts portfolio involves investment in film and television. Accordingly, a substantial level of funding ($3.5 million and $13.8 million for asset investment) has been allocated to the Australian Centre of the Moving Image (ACMI).

The ACMI, which will be located at Federation Square, will not only cater for film archives but also accommodate the latest developments in moving images and allow companies in Victoria and beyond to showcase their services. In addition, the state of the art technology will allow visitors to examine a film or several films at the same time in the one location using multiple screens.

The Committee believes that it will be important that the ACMI is subjected to an effective system of governance to ensure that

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298 Hon. M Delahunty, MP, Minister for the Arts, transcript of evidence, 22 June 2001, p. 131
corporate directions and operations are focussed on achieving objectives and delivering a high level of service to the community.

Accordingly, the Committee recommends that:

**Recommendation 13.8:**

The Australian Centre of the Moving Image develop:

(a) corporate and business plans containing objectives that are directly linked to key initiatives over the short, medium and long-term;

(b) performance measures which enable an adequate assessment of initiatives in achieving objectives and outcomes; and

(c) an effective management reporting and monitoring system to ensure that accurate performance information is reported to all relevant levels within the organisation, and to ensure that problems and deficiencies in service delivery are identified and addressed.

(b) Attendance at Victorian arts agencies

In its response to the Committee’s 2001-2002 estimates questionnaire, the Department advised there was a decline in the number of visitors to Victorian arts agencies in 2000-2001 of 19 per cent to 6.4 million visitors.299 This decline, primarily concerned

299 Department of Premier and Cabinet response to the Committee’s 2001-2002 estimates questionnaire, p. 21
with the Victorian Arts Centre and the State Library of Victoria, was due to:

- the target at the Victorian Arts Centre included expected visitation at the Sydney Myer Music Bowl which did not eventuate due to industrial action and the subsequent cancellation of the summer season programs at the Bowl. In addition, casual visitation (i.e. non-paying attendances) were also below expectation; and
- the changing manner in which library resources are accessed with the decline in visitation offset with an increase in usage via the internet.

The Committee was informed that the Victorian Arts Centre and the State Library of Victoria are developing plans within their marketing strategies to address the current decline in visitor numbers.

Accordingly, the Committee recommends that:

**Recommendation 13.9:**

> The marketing plans developed by the Victorian Arts Centre and the State Library of Victoria be reviewed after 12 months to determine their effectiveness in increasing visitor numbers.

(c) Corporate governance arrangements for all arts agencies

The Committee was advised that a review of corporate governance of the portfolio arts agencies was undertaken in 1999 to examine:

- the relationship of the statutory authorities to the Government and Arts Victoria; and
- the relationship between boards of management and the portfolio agencies.

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300 Department of Premier and Cabinet response to questions resulting from the estimates hearing for the Arts portfolio, 22 June 2001
301 Ibid
302 Ibid
The review involved extensive consultation with the agencies and has resulted in the development of a corporate governance handbook. The Department also stated that further work on governance issues will continue.\textsuperscript{303}

The Committee believes that good governance processes are an essential component to Government accountability and transparency. Governance also contributes to improved organisational performance by reducing risk through ensuring that all management levels are aware of their roles, responsibilities and accountabilities.

While the Committee supports the Department’s action, it believes it will be important that the recommendations of the review are addressed and incorporated into the organisational and operational processes of Victoria’s arts agencies.

Accordingly, the Committee recommends that:

\textbf{Recommendation 13.10:}

\textit{The Department of Premier and Cabinet incorporate the relevant recommendations of the corporate governance review into the organisational processes of the State’s arts agencies.}

\textbf{13.9 Women’s Affairs portfolio}

\textbf{13.9.1 Background}

The Minister for Women’s Affairs has responsibility for the Women’s Policy output group, which includes the following output:

\textsuperscript{303} Ibid
Exhibit 13.8: Women’s Affairs portfolio output group and output cost for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Women’s Affairs</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women’s Policy</td>
<td>Advice</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1.6</strong></td>
</tr>
</tbody>
</table>

13.9.2 Major initiatives of the Women’s Affairs portfolio

The priorities of the Women’s Affairs portfolio in 2001-2002 are to:

- finalise the Women’s Safety Strategy which is a whole-of-government approach to violence against women;
- complete the Men’s Behaviour Change Programs implementation plan;
- release the Forward Plan Second Update Report;
- conduct the second annual women’s summit;
- develop a leadership strategy workplan as a follow-up to the second annual women’s summit;
- continue the Women’s Consultative Forum Program;
- follow up outcomes to the annual women’s summit and other consultative forums;
- establish a mechanism for consultation with Koori women to consider issues of importance to them;
- monitor targets set for each Department to increase the number of women appointed to boards and committees; and
- complete the Media Portrayal of Women in Outdoor Advertising Project.
13.9.3 Analysis of the 2001-2002 Budget

The Committee notes the budget allocation to the Women’s Policy output group for 2001-2002 has remained virtually unchanged from 2000-2001 with a $100,000 reduction to $1.6 million.

13.9.4 Performance measures

The performance measures within the Women’s Policy output group have been substantially changed in 2001-2002 with seven performance measures discontinued from 2000-2001 and the addition of three new measures in 2001-2002. The Committee notes that the output group was subjected to a similar level of change in 2000-2001.

In its 2000-2001 estimates report, the Committee made a number of observations in relation to performance measures in the Women’s Policy output group, including:304

- 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 either satisfaction levels or the assumptions behind acceptance of the 2000-2001 targets.

The Committee is disappointed to note that similar deficiencies exist in 2001-2002. In addition, a key Government objective which relates to monitoring and evaluation of Government initiatives which impact on women is not measured by the performance information contained in the 2001-2002 Budget Papers.

Accordingly, the Committee recommends that:

Recommendation 13.11:

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 expected outcomes; and

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

13.9.5 Key issues impacting on the Women’s Affairs portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Women’s Affairs identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Development of the Women’s safety strategy

The Committee was advised that a Women’s Safety Coordinating Committee was established in October 2000 to develop a whole-of-government women’s safety strategy in order to have a consistent and coordinated response across Government agencies.305

The Office of Women’s Policy has allocated $130,000 in 2001-2002 for the development of the safety strategy framework, while the implementation of programs within the strategy will be the responsibility of relevant Departments. In 2001-2002, the strategy will concentrate on family violence and sexual assault.

The Committee supports the development of the strategy as it considers the issue of women’s safety to be an extremely important

305 Hon. S Garbutt, MP, Minister for Women’s Affairs, transcript of evidence, 26 June 2001, p. 197
issue that requires a coordinated whole-of-government response. The Office of Women’s Policy will have an important role in ensuring that the strategy is effective. The development of a strong and robust framework to ensure that priorities are identified, issues addressed and successes monitored will be essential.

Accordingly, the Committee recommends that:

Recommendation 13.12:  
The Office of Women’s Policy ensure that the framework for the development of the Women’s safety strategy is properly structured with whole-of-government objectives and appropriate performance measures to enable the strategy’s success to be measured.

(b) Portrayal of women in outdoor advertising

The Committee notes that one of the major programs to be completed by the Office of Women’s Policy in 2001-2002 relates to the Media Portrayal of Women in Outdoor Advertising Project. The Department advised that a steering committee for the project was established in March 2001 comprising media and advertising professionals and a government representative. The steering committee is chaired by Mrs Judy Maddigan, MP.

Under the steering committee’s terms of reference, the committee is required to provide advice and recommendations on the following:

- the impact of outdoor advertising on community perceptions of women; and
- strategies to achieve improved presentation of women on outdoor advertising.

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306 Department of Premier and Cabinet response to questions resulting from the estimates hearing for the Women’s Affairs portfolio, 26 June 2001
In 2001-2002, the Government allocated $86,000 to the project, which follows the $18,646 spent in 2000-2001.

(c) Queen Victoria Women’s Centre

In its report on the 2000-2001 Budget Estimates, the Committee advised of the major problems confronting the operation of the Queen Victoria Women’s Centre. The Committee notes that the Government has undertaken a Ministerial review of the future of the Centre. The Ministerial Advisory Committee (MAC) made a series of recommendations in relation to both the short and long-term future of the Centre which are contained in the final report released by the MAC in October 2000. The major findings of the review were that the Centre had failed to achieve a self-funding level and had reached a critical point in terms of its financial survival. The MAC believed the Centre should be retained with a new focus of operation but would require continued Government support as its commercial activities were unlikely to result in self-funding status.

In addition, the Department advised that no funding has been allocated to the operation of the Centre for 2001-2002 given the site surrounding the Centre is being subjected to significant redevelopment at this time. The Centre remains at the site offering services such as showers and locker facilities, a lounge, meeting space for hire and the use of photocopier and fax facilities.

The Committee believes that it will be important that the Government implement the Committee’s recommendation as stated in its 2000-2001 estimates report relating to the development of a strategy for the ongoing operation of the Centre in the medium and long-term.

Accordingly, the Committee recommends that:

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307 Department of Premier and Cabinet response to questions resulting from the estimates hearing for the Women’s Affairs portfolio, 26 June 2001
Recommendation 13.13: 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.
### Key Findings:

14.1 Initiatives have been taken under the Connecting Victoria program to improve access to internet and communications facilities for communities in metropolitan, regional and rural Victoria.

14.2 Strategic industry audits provide a valuable source of information that will assist with the future direction of the manufacturing industry in Victoria.

14.3 The Victorian Rail Manufacturing Strategy has the potential to improve export potential and the extent of local industry involvement.

14.4 The Department of State and Regional Development and other stakeholders, including the insurance industry, need to work together to alleviate the financial pressure on tourism operators who are obliged to pay high public liability premiums at a time when they are experiencing difficulties associated with adverse global events.

14.5 There has been a delay in finalising the discussion paper on child employment.

14.6 The Commonwealth Government is yet to respond to a letter from the Minister for Sport and Recreation which expressed Victoria’s disappointment at the change of direction of Commonwealth funding for sport and recreation in Victoria.

14.7 Submissions for Community Sport and Recreation Facility projects far exceed the budget funding allocation for this program.
Key Findings (continued):

14.8 A number of significant initiatives have been taken by the Government to assist the bookmaking industry.

14.9 The new Docklands Precinct will have a significant impact on the overall profile of Melbourne.

14.10 Given the downturn in major global economies, the provision of a tourism portal for Victorian tourism operators to advertise within Australia and overseas is a promising initiative to assist the State’s tourism industry.

14.1 Departmental overview

The Department of State and Regional Development provides services to seven ministers, namely: State and Regional Development; Manufacturing Industry; Racing; Small Business; Major Projects and Tourism; Sport and Recreation; and Industrial Relations.

14.2 Output management framework

The Department’s 2001-2002 output management framework is shown in the following exhibit:
### Exhibit 14.1: Department of State and Regional Development
- Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>65.4</td>
<td>58.2</td>
<td>94.7</td>
<td>44.8</td>
</tr>
<tr>
<td>Business</td>
<td>144.5</td>
<td>106.8</td>
<td>190.5</td>
<td>31.8</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>9.4</td>
<td>8.5</td>
<td>12.1</td>
<td>28.7</td>
</tr>
<tr>
<td>Sport Recreation and Racing</td>
<td>60.9</td>
<td>64.2</td>
<td>70.6</td>
<td>15.9</td>
</tr>
<tr>
<td>Tourism</td>
<td>43.2</td>
<td>42.2</td>
<td>39.7</td>
<td>-8.1</td>
</tr>
<tr>
<td>Major Projects</td>
<td>4.8</td>
<td>3.4</td>
<td>6.0</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>328.2</strong></td>
<td><strong>283.3</strong></td>
<td><strong>413.6</strong></td>
<td><strong>26.0</strong></td>
</tr>
</tbody>
</table>


Note: The output group amounts in the Budget for 2000-2001 may vary due to restructuring of output groups, however the total budget is unchanged. The Tourism output group includes Grand Prix funding within the Sport and Major Event Facilitation Output

As shown in Exhibit 14.1, the Department’s budget allocation for 2001-2002 was $413.6 million representing a $85.4 million or 26 per cent increase from 2000-2001.

### 14.3 Financial analysis

The operating statement for the Department of State and Regional Development is as follows:
### Exhibit 14.2: Department of State and Regional Development - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>328.2</td>
<td>283.3</td>
<td>413.6</td>
<td>26.0</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>328.2</td>
<td>283.3</td>
<td>413.6</td>
<td>26.0</td>
</tr>
<tr>
<td>Operating Surplus/Deficit 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>-</td>
<td>3.0</td>
<td>4.2</td>
<td>-</td>
</tr>
<tr>
<td>Section 29 Receipts – Asset Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>-</td>
<td>3.0</td>
<td>4.2</td>
<td>-</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>0.4</td>
<td>0.4</td>
<td>4.4</td>
<td>-</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>0.4</td>
<td>0.4</td>
<td>4.4</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, p. 315 and Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, p. 56

The increase of $85.4 million in Operating Revenue has resulted mainly from an increase of $84.6 million which has been provided for budget initiatives for 2001-2002, funding increases for initiatives announced in previous years and for amounts authorised for carry forward.\(^{308}\) This also includes net adjustments resulting from cessation of programs, machinery of Government changes and annual budget adjustments.

\(^{308}\) Document tabled by the Minister for State and Regional Development at the estimates hearing on 1 June 2001
The main elements of the increase of $85.4 million in Operating Expenses include $7.1 million in employee related expenses and other expenses and a decrease of $15 million in purchases of supplies and services. In addition, “other expenses” have increased by $90.9 million as a result of new initiatives, pay increases, discontinued programs and machinery of Government changes.309

The increase in the 2001-2002 estimate for Revenue includes net assets of $4.2 million and increased funding for the vic.gov.au portal, Bonegilla Migrant Settlement Centre, budget initiatives and sporting camps.

The increase of $4 million in Administered Revenue relates to the health benefit levy compensation to racing clubs.

14.3.1 Other revenue and other expenses

The Committee’s analysis of the item ‘other expenses’, which contains the estimated budget amount of $268.1 million in 2001-2002, shows that significant material amounts still remain unexplained in the Budget Papers.

Accordingly, the Committee recommends that:

Recommendation 14.1: The Secretary of the Department of State and Regional Development ensure that all material revenue and expense items are fully disclosed in the Budget Papers each year.

309 Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, pp. 56-57
14.4 **Management Reform Program**

The Department has indicated that its strategic planning process ensures that there is close alignment between the priorities and objectives of Government and the activities of the Department.\(^{310}\)

In terms of improving fiscal control, the Department has developed an integrated financial and budgetary management system which meets all financial requirements under the Management Reform Program (MRP). In addition, the Department’s reporting systems enable up to date and accurate reporting of all financial information.

The Department advised the Committee that, as a result of the MRP, it has improved its control over expenditure and revenue.\(^{311}\)

14.5 **Human resources issues**

The Department has estimated it will have 817.5 Equivalent Full Time (EFT) staff at 30 June 2001, compared with actual EFT staffing of 715.1 at 30 June 2000, an increase of 102.4 EFT staff.\(^{312}\)

The following exhibit outlines staffing at 30 June 2001 by classification level.

\(^{310}\) Ibid, p. 68  
\(^{311}\) Ibid, p. 69  
\(^{312}\) Ibid, p. 46
Exhibit 14.3: Department of State and Regional Development - Estimated Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Classification</th>
<th>EFT Males</th>
<th>EFT Females</th>
<th>EFT Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>EO2</td>
<td>14.0</td>
<td>2.0</td>
<td>16.0</td>
</tr>
<tr>
<td>EO3</td>
<td>34.0</td>
<td>11.0</td>
<td>45.0</td>
</tr>
<tr>
<td>VPS5</td>
<td>149.2</td>
<td>53.2</td>
<td>202.4</td>
</tr>
<tr>
<td>VPS4</td>
<td>112.0</td>
<td>93.7</td>
<td>205.7</td>
</tr>
<tr>
<td>VPS3</td>
<td>67.7</td>
<td>111.6</td>
<td>179.3</td>
</tr>
<tr>
<td>VPS2</td>
<td>34.7</td>
<td>107.2</td>
<td>141.9</td>
</tr>
<tr>
<td>VPS1</td>
<td>7.0</td>
<td>16.2</td>
<td>23.2</td>
</tr>
<tr>
<td>Other</td>
<td>3.0</td>
<td></td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>422.6</strong></td>
<td><strong>394.9</strong></td>
<td><strong>817.5</strong></td>
</tr>
</tbody>
</table>

Source: Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, p. 49

Exhibit 14.3 shows that the ratio of males to females in the VPS5 and above level reflects a significant imbalance in favour of males.

The following exhibit shows the ratio of permanent and contract staff engaged by the Department.

Exhibit 14.4: Department of State and Regional Development - Permanent and contract staffing levels

<table>
<thead>
<tr>
<th></th>
<th>30 June 2000 EFT Total</th>
<th>Ratio per cent</th>
<th>30 June 2001 (estimated) EFT Total</th>
<th>Ratio per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>486.9</td>
<td>68.1</td>
<td>681.5</td>
<td>83.4</td>
</tr>
<tr>
<td>Contract (a)</td>
<td>228.2</td>
<td>31.9</td>
<td>136.0</td>
<td>16.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>715.1</strong></td>
<td></td>
<td><strong>817.5</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, pp. 48-49

Note: (a) Contract staff include executive officers and fixed term employees
Exhibit 14.4 indicates that the Department has reduced the number of its contract staff by a significant margin.

### 14.5.1 Age profile of departmental staff

The following exhibit shows the age profile of departmental staff by classification, estimated at 30 June 2001:

**Exhibit 14.5:** Department of State and Regional Development – Age and classification profile of staff

<table>
<thead>
<tr>
<th>Classification</th>
<th>20 - 29</th>
<th>30 - 49</th>
<th>50 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td>1.0</td>
<td></td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>EO2</td>
<td>8.0</td>
<td>8.0</td>
<td>16.0</td>
<td>45.0</td>
</tr>
<tr>
<td>EO3</td>
<td>27.0</td>
<td>18.0</td>
<td>50.0</td>
<td>45.0</td>
</tr>
<tr>
<td>VPS5</td>
<td>2.0</td>
<td>136.0</td>
<td>64.4</td>
<td>202.4</td>
</tr>
<tr>
<td>VPS4</td>
<td>27.0</td>
<td>143.1</td>
<td>35.6</td>
<td>205.7</td>
</tr>
<tr>
<td>VPS3</td>
<td>46.6</td>
<td>102.7</td>
<td>30.0</td>
<td>179.3</td>
</tr>
<tr>
<td>VPS2</td>
<td>36.0</td>
<td>77.2</td>
<td>28.7</td>
<td>141.9</td>
</tr>
<tr>
<td>VPS1</td>
<td>7.4</td>
<td>9.8</td>
<td>6.0</td>
<td>23.2</td>
</tr>
<tr>
<td>Other</td>
<td>3.0</td>
<td></td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>119.0</strong></td>
<td><strong>504.8</strong></td>
<td><strong>193.7</strong></td>
<td><strong>817.5</strong></td>
</tr>
</tbody>
</table>

Source: Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, pp. 48-49

Exhibit 14.5 shows that in excess of 23 per cent of staff are in the 50 and above age group.

### 14.6 State and Regional Development portfolio

#### 14.6.1 Background

The Minister for State and Regional Development has joint responsibility for the output group Innovation and Policy and the Business output group. Outputs for which the Minister is responsible account for $272.2 million in 2001-2002 and represent 65.8 per cent of the overall Budget for the Department.
These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 14.6: State and Regional Development portfolio output groups and output costs for 2001-2002**

<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>Innovation and Policy</td>
<td>Strategic policy *</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Science, Technology and Innovation (STI) Policy, advice and awareness</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>STI initiative</td>
<td>48.1</td>
</tr>
<tr>
<td></td>
<td>Technology commercialisation program</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>Information and Communication Technologies (ICT) industry development and e-commerce</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>E-Government and ICT policy</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>ICT community development</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>ICT infrastructure and services</td>
<td>8.9</td>
</tr>
<tr>
<td>Business #</td>
<td>Investment facilitation and attraction</td>
<td>41.2</td>
</tr>
<tr>
<td></td>
<td>Business development</td>
<td>24.9</td>
</tr>
<tr>
<td></td>
<td>Regional strategic leadership</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Rural community development</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Regional infrastructure development</td>
<td>91.2</td>
</tr>
<tr>
<td></td>
<td>Regional economic development</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>272.2</strong></td>
</tr>
</tbody>
</table>

Notes:  
* Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development  
# Responsibility for these outputs is shared between the Minister for State and Regional Development, the Minister for Manufacturing Industry and the Minister for Small Business
14.6.2 2001-2002 outlook for the portfolio

Specific initiatives for the Minister for State and Regional Development during 2001-2002 include:

- development of information, education and advisory services, promotion of high performance organisational change strategies in the public and private sectors and further enhancement of investment attraction in industrially sensitive areas;
- implementation of the improved business access model for small and medium-sized businesses particularly in rural and regional Victoria;
- pursuing science and innovation opportunities in line with the Science Technology and Innovation Initiative and the implementation of the Government’s Biotechnology Strategy Plan;
- through the Regional Infrastructure Development Fund, pursue key infrastructure projects in rural and regional Victoria; and
- development of the ICT Sector Plan, implementation of the e-commerce strategy and completion of the Rural Communications Infrastructure Strategy.

14.6.3 Analysis of the 2001-2002 Budget

The overall funding allocation for outputs under the responsibility of the Minister for State and Regional Development has increased by 38 per cent to $272.2 million compared with the allocation of $197.3 million in 2000-2001.

Within this budget allocation, major changes have been in the output Science, Technology and Innovation, which received increased funding of $31.3 million for 2001-2002. New initiatives will include $10 million in seed funding to the Victorian Endowment for Science, Knowledge and Innovation (VESKI), a joint Government and industry endowment, to establish initiatives for an innovative economy.
In addition, the Budget provided $7 million for Information and Communication Technology (ICT) scholarships, traineeships and apprenticeships and a further $3.5 million has been allocated to prominent Victorian scientists awarded Federation Fellowships in science and engineering disciplines by the Australian Research Council.313

An allocation of $2 million was made towards an application to the Commonwealth Government to construct a national synchrotron (a large scientific imaging facility) in Victoria. Subsequently, the Premier announced in June 2001, that it would establish a national synchrotron facility at Monash University.314 A further $4 million was allocated for 2001-2002 to redevelop the Victorian Government’s website (the vic.gov.au portal).

Significant increases in funding also occurred within the Business output group, with the allocation of $41.2 million for investment facilitation and attraction and $91.2 million for regional infrastructure development.

14.6.4 Performance measures

The Department has revised its output structure and performance measures substantially for 2001-2002.

In the Innovation and Policy output group, 15 new measures, and in the Business output group an additional 16 new performance measures have been developed. In aggregate, for these two output groups, 38 performance measures were discontinued in 2001-2002.

The Committee noted that a significant majority of performance measures relate to quantity, timeliness or cost, with very few performance measures developed to measure the quality of the outputs produced. All the indicators used have been oriented to inputs rather than outputs and the impact of objectives and strategies implemented remain largely unmeasured.

313 Media Release issued by the Minister for State and Regional Development, dated 15 May 2001
314 Media Release issued by the Premier, dated 21 June 2001
Accordingly, the Committee recommends that:

**Recommendation 14.2:**

The Department of State and Regional Development develop relevant qualitative performance indicators clearly linked to objectives and expected outcomes to enhance its performance measurement reporting framework.

### 14.6.5 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 2001-2002.

(a) **Regional Infrastructure Development Fund**

The Regional Infrastructure Development Fund (RIDF) has an allocation over three years of $180.8 million and is designed to support new industry development, improve critical transport linkages, link tourism infrastructure and connect regional Victoria to new opportunities in education and technology.

Annual funding available under the RIDF program for the triennium 2000-2001 to 2002-2003 has been established at $54.4 million, $53.4 million and $73 million.315

The Committee was advised that, as at 24 May 2001, a total of 183 applications were received during the first three rounds of RIDF funding. These applications sought funding totalling more than $247 million.316 At 30 June 2001, 26 projects had been approved for grants totalling $49.6 million with a total project value of $115.6 million.317

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315 Department of State and Regional Development website
316 Document tabled by the Minister for State and Regional Development at the estimates hearing on 1 June 2001
317 Correspondence, dated 20 August 2001, from the Minister for State and Regional Development
Chapter 14: Department of State and Regional Development

The Committee understands that in September 2001, $10 million was provided from the RIDF to the Rural Community Infrastructure Allocation (RCIA) to provide grants via 47 regional councils over two years for future social and economic growth and activity.\textsuperscript{318}

The Committee endorses the RIDF as an important element of providing financial support for regional Victoria. The Fund leverages Government funds and enables projects which would otherwise not proceed to be developed.

(b) Connecting Victoria

Connecting Victoria is a Government strategy for information and communication technologies that contains initiatives for building a learning society, growing industries of the future, boosting e-commerce and connecting communities.

The budget for the Department includes $15.4 million of direct funding in support of the Connecting Victoria strategy, in addition to support provided by Multimedia Victoria. Forward estimates for this project include funding of $13 million per year for the next two years. There is also additional funding of $268.6 million for new information technology initiatives across the State.\textsuperscript{319}

The strategy involves development of Government on-line services covering Government transactions, publications, tenders, public forms, purchasing and information. It includes payment of vehicle registration, booking a learner’s test, enrolling to vote online, payment of civic compliance fines, drafting and payment of wills, purchasing fishing licences, payment of rates and utility bills, payment of ambulance membership and train trip planning.

Further, a Victorian Regional Communications Infrastructure strategy (RCIS) is being developed, which aims to promote

\textsuperscript{318} Department of State and Regional Development website
\textsuperscript{319} Information supplied by the Minister for State and Regional Development, dated 20 August 2001, in response to the Committee’s request for additional information, p. 6
economic and industry development through access to ICT infrastructure at internationally competitive rates and reduce disparities in access and costs between metropolitan and non-metropolitan areas to promote equitable access to communications services to all households.

Major elements of this strategy include:\textsuperscript{320}

- a network of Community Enterprise Centres providing ICT training and awareness and public access to the internet in western Victoria;
- funding a $1 million program for 146 schools to provide 12,000 Victorians living in rural and remote areas with five hours of free or affordable internet access over 12 months;
- providing support to the City of Ballarat and the Shire of Glenelg to establish televillages in Ballarat and Portland; and
- funding skills net projects where 80 per cent of centres are located in regional Victoria.

The Committee supports the initiatives taken under the Connecting Victoria program. It is important that this program, which spans many Departments, is adequately coordinated, governed, promoted and measured.

Given the significant investment of funds and resources in infrastructure and services and the considerable number of ICT strategies being pursued by Departments including education across the State, the Committee recommends that:

\textbf{Recommendation 14.3:}

\begin{quote}
The Department of State and Regional Development ensure that Information, Communication and Technology (ICT) services provided by various Departments:
\end{quote}

\textsuperscript{320} Ibid
(a) are coordinated through a central agency to minimise duplication or inefficiency;

(b) have a transparent accountability framework with appropriate lines of responsibility;

(c) receive adequate promotion; and

(d) have relevant performance measurement.

14.7 Manufacturing Industry portfolio

14.7.1 Background

The Minister for Manufacturing Industry has joint responsibility for a number of outputs falling within the output groups Innovation and Policy and Business. Outputs for which the Minister is jointly responsible account for $184.8 million in 2001-2002 and represent 44.7 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 14.7: Manufacturing Industry portfolio output groups and output costs for 2001-2002**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Manufacturing Industry</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Business #</td>
<td>Investment Facilitation and Attraction</td>
<td>41.2</td>
</tr>
<tr>
<td></td>
<td>Business Development</td>
<td>24.9</td>
</tr>
<tr>
<td></td>
<td>Regional Strategic Leadership</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Rural Community Development</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development</td>
<td>91.2</td>
</tr>
<tr>
<td></td>
<td>Regional Economic Development</td>
<td>6.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>184.8</strong></td>
</tr>
</tbody>
</table>
14.7.2 2001-2002 outlook for the portfolio

The Committee was advised that during 2001-2002, the Department will strengthen its emphasis on regional business support, innovation and in developing an innovative and creative economy. The Department will also reinforce its commitment to industry and community development. Specifically, this will be achieved by:

- developing information, education and advisory services;
- promoting high performance organisational change strategies in the public and private sectors;
- implementing an enhanced business access model for small and medium-sized businesses, particularly in rural and regional Victoria;
- actively pursuing science and innovation opportunities and implementing the Government’s Biotechnology Strategic Plan; and
- pursuing key infrastructure projects in rural and regional Victoria, via the Regional Infrastructure Development Fund, to create sustainable jobs, generate new investment and grow export and import replacement markets.

14.7.3 Analysis of the 2001-2002 Budget

The funding allocation for outputs within the Manufacturing Industry portfolio increased by 31.8 per cent to $184.8 million compared with the allocation in 2000-2001.

Major changes in the budget for the year include increases in Investment Facilitation and Attraction, from $27.2 million to $41.2 million, or 51.5 per cent; and in Regional Infrastructure
Development, an increase from $58.2 million to $91.2 million, or 56.7 per cent.

14.7.4 Performance measures

The Department advised that it has recently adopted a revised corporate and business planning approach to align departmental objectives, departmental outputs and performance measures with Government outcomes. The revised approach is being progressively implemented with full implementation expected in time for the 2002-2003 budget planning cycle.

Accordingly, the Department’s output structure and performance measures will be further refined to ensure they reflect the objectives of Government and the priorities of the Department. The Committee believes that the Department needs to ensure that it implements relevant qualitative performance indicators to improve its performance reporting information.

14.7.5 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 2001-2002.

(a) Strategic audits of industry

Industry audits of the textiles, clothing, footwear and leather (TCFL) and automotive industries were completed during the year and released in October 2001.

Major issues identified in the audits common to these industries include:

- the need for improvement of the image of industry;

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321 Correspondence, received 18 September 2001, from the Minister for Manufacturing Industry, pp. 4-5
ensuring access to an adequate supply of skilled managers and workers; and

the need for industry stakeholders to work together to develop a shared vision of the future.

The audits also indicated the importance of developing industry-Government partnerships, improving the competitiveness of local firms and working towards improving access by TCFL industries to the Federal Strategic Investment Program.

Flowing from the industry audits, the Office of Manufacturing is facilitating the development of the TCFL plan in partnership with key industry stakeholders. The Minister indicated that the Industry Plan will include both generic and specific sector business development programs and guide future dealings with each particular industry sector.322

Other audits which have been announced include the Environmental Management and Renewable Energy, Precision Engineering, Professional and Technical Services, Transport Distribution and Logistics and Sport and Recreation industries.

The Committee considers that strategic industry audits are a valuable source of information and direction for development of manufacturing industry in Victoria. It will be important that the Department complete the strategic plans and address the recommendations of industry audits as soon as practicable.

(b) Victorian Rail Manufacturing Industry Strategy

The Rail Manufacturing Industry Strategy aims to attract overseas investment to Victoria in manufacturing rail components and systems. Initiatives under the strategy include a national database of suppliers, attendance at overseas trade fairs, a commitment to exporting, and provision of assistance to qualifying companies. In addition, the strategy includes trade missions to attract overseas representatives to visit Victoria, establish business and Government networks and visit rail manufacturing companies.

322 Ibid, p. 5
The Minister indicated that the strategy had resulted in $47 million in orders with Siemens for National Express trains, and $25 million in additional exports had been achieved as a direct result of the trade mission to Europe in July 2000.\(^\text{323}\) The National Express contract contains at least 30 per cent local content and it is expected that this will increase in future contracts.\(^\text{324}\)

(c) Interstate bidding

In March 2001, the New South Wales and Victorian Governments agreed to address interstate bidding through the formation of a joint working party on investment.

Following a meeting of the working party, protocols were negotiated between the two States to ensure communication of respective State involvement in relevant investment cases to avoid the States being played off against each other in negotiations with companies. The Minister advised that this arrangement has worked to mutual advantage.\(^\text{325}\)

Victoria and New South Wales are now seeking the participation of all State Governments in the protocol. The Committee supports this initiative.

14.8 Small Business portfolio

14.8.1 Background

The Minister for Small Business has sole or joint responsibility for a number of outputs falling within the output groups Innovation and Policy and Business. Outputs for which the Minister is solely or jointly responsible account for $197.8 million in 2001-2002 and represent 47.8 per cent of the overall budget for the Department.

\(^\text{323}\) Hon. R Hulls, MP, Minister for Manufacturing Industry, transcript of evidence, 3 August 2001, p. 349
\(^\text{324}\) Ibid
\(^\text{325}\) Correspondence, received 18 September 2001, from the Minister for Manufacturing Industry, p. 4
These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 14.8: Small Business portfolio output groups and output costs for 2001-2002**

<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>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Business</td>
<td>Investment Facilitation and Attraction #</td>
<td>41.2</td>
</tr>
<tr>
<td></td>
<td>Business Development #</td>
<td>24.9</td>
</tr>
<tr>
<td></td>
<td>Regional Strategic Leadership #</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Rural Community Development #</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development #</td>
<td>91.2</td>
</tr>
<tr>
<td></td>
<td>Regional Economic Development #</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>Regulation Reform</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Small Business Support and Online Business Services</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>Trade Measurement Development and Services</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>Effective Management of the Sale of Liquor</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>197.8</strong></td>
</tr>
</tbody>
</table>

Notes:  
* Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

# Responsibility for these outputs is shared with the Minister for State and Regional Development and the Minister for Manufacturing Industry

**14.8.2 2001-2002 outlook for the portfolio**

Key changes impacting on the Small Business portfolio revolve around complementing the Government’s policy objectives for small business through:
• promoting the adoption of e-commerce;
• dealing with increasing globalisation and change in the business environment, including the increasing knowledge required for successful competition;
• encouraging the development of smarter, better prepared and more focussed companies; and
• adopting a strategy allowing small business seamless access to an integrated range of business programs through the implementation of an improved business access model for small and medium-sized businesses, particularly in regional and rural Victoria.

14.8.3 Analysis of the 2001-2002 Budget

The funding allocation for 2001-2002 for outputs under the responsibility of the Minister for Small Business has increased by 29.5 per cent to $197.8 million, compared with the allocation of $152.8 million in 2000-2001.

The contribution of each output group to the funding increase is as follows:

• the output Strategic Policy within the Innovation and Policy output group has decreased by $1 million to a budget allocation of $7.3 million for 2001-2002; and
• the Business output group has increased by $46 million to provide for additional investment attraction funding for programs aimed at building Victoria's industry base and to improve the capacity of Victorian companies to compete internationally.

14.8.4 Performance measures

The Department has revised its corporate and business planning approach to improve the alignment of Government outcomes, departmental objectives, departmental outputs and performance indicators.
Given that a major objective of the Small Business portfolio is to improve the access of small business operators to information and services provided by Government, it is pleasing to note significant improvements in the performance measures for the output Small Business Support and Online Business Services. However, in terms of qualitative measures, the Committee considers there is still considerable scope for improvement.

14.8.5 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 2001-2002.

(a) Women in small business

The Department acknowledges that the production of generic information on business needed to be widened to include the special needs of women in business such as accessing finance to extend their business, which is difficult. The Department advised the Committee that it will be announcing a range of initiatives to assist businesswomen in dealing with financial institutions.

The Minister advised that, in the previous year, the trend was for an increasing number of women in business, whereas the current situation seems to be that there is a decline in the number of women setting up their own businesses.326

Another strategy proposed is that the Department will highlight the successes of women in business to encourage new entrants.

(b) Initiatives in liquor licensing

The Department introduced amendments to existing legislation to cap at 8 per cent holdings of packaged liquor licences to protect

326 Hon. M Thomson, MLC, Minister for Small Business, transcript of evidence, 2 August 2001, p. 335
small independent businesses from larger ones which may purchase a number of liquor businesses. The cap operates on the basis of obliging holders of larger licences to move or divest of licences over the 8 per cent cap within 12 months or face revocation of the licences in excess of the cap.327

Education programs on dealing with difficult customers and responsible serving has been improved with a considerable number of workshops and seminars held in metropolitan and regional Victoria. Extensive promotional material has been issued on under age drinking, excessive drinking and liquor licence obligations. In addition, a facility on the internet now allows a refresher course for self testing on responsible serving and other licence responsibilities.328

The Department is also intending to develop Licence Online which will provide information on liquor licenses, and enable prospective entrants into the liquor business to establish the viability of locations for new or relocated businesses.

The Committee believes that another key issue is safety. There is a need for ongoing measures which reflect the extent and effectiveness of policing businesses which serve liquor, while providing entertainment, to ensure the venues and their environs are safe.

In this context, the Committee notes that the Department has discontinued targets for complaints against licensees processed and complaints resolved.329

(c) Promoting Business Services

The Department has a number of services which it has integrated under Business Online, the Business Channel, Vic Export and the Victorian Business Centres.

327 Ibid, p. 329
328 Ibid, p. 333
329 Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, p. 38
Media campaigns have been conducted to promote the availability of services to small business and there has been a 2 per cent increase in awareness. The Minister advised that there had been difficulty in reaching small businesses to advise of the services provided.\textsuperscript{330}

The Committee supports the actions taken to widen awareness by small business in the Department’s business services. Consideration could be given to promoting its services to business as part of the annual licensing renewal process.

(d) Public liability insurance for tourism operators

An issue of growing concern is the significant financial burden on tourism operators caused by increases which have occurred in public liability insurance following the requirement for the operators to take up to $10 million in insurance coverage. In addition, there has been a requirement by the Department of Natural Resources and Environment for operators to show their certificate when applying for their licences for use in national parks. In some cases, the insurance premiums have increased by 10 times the original premium.\textsuperscript{331}

The Minister has written to the Commonwealth Minister for Financial Services Regulation seeking assistance in a negotiated phasing-in of increases and a review of premium setting, and to the Australian Competition and Consumer Commission on the issue. There is an inquiry currently under way to establish whether the insurance industry is taking advantage of the HIH collapse.\textsuperscript{332}

The Committee considers that it is important that the Departments and other stakeholders, including the insurance industry, work together to alleviate the financial pressure on tourism operators who are obliged to pay high public liability premiums at a time

\begin{footnotesize}
\begin{enumerate}
\item Hon. M Thomson, MLC, Minister for Small Business, transcript of evidence, 2 August 2001, p. 337
\item Ibid, p. 334
\item Ibid
\end{enumerate}
\end{footnotesize}
when they are experiencing difficulties associated with adverse global events.

14.9 Industrial Relations portfolio

14.9.1 Background

The Minister for Industrial Relations has sole responsibility for the output group Industrial Relations and joint responsibility for the Innovation and Policy output group. Outputs for which the Minister is responsible represent 4.6 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

Exhibit 14.9: Industrial Relations portfolio output groups and output costs for 2001-2002

<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>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>Industrial Relations Services</td>
<td>6.7</td>
</tr>
<tr>
<td></td>
<td>Industrial Relations Policy</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>19.4</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

14.9.2 2001-2002 outlook for the portfolio

For 2001-2002, Industrial Relations Victoria (IRV) will focus on developing an industrial relations environment that is based on cooperation and the achievement of common goals by all stakeholders. This will be achieved through the:

- establishment of two new units within IRV, Business Development; and Effective Organisation;
• the Strategic Advice Unit which will continue to provide services to Government and industry for process management and mediation in complex and strategically important industrial issues. It will also monitor the industrial relations environment within Victoria and provide advice to Government on potential and actual industrial disputes; and

• the Policy and Legislative Services Unit will also continue to develop policy and legislation to reflect the Government’s industrial relations agenda, formulate public sector policies and manage employment relations for the Victorian public sector and support the operation of industrial tribunals and provide information on a range of industrial relations matters.

14.9.3 Analysis of the 2001-2002 Budget

The overall funding allocation for outputs under the responsibility of the Minister for Industrial Affairs has increased by 9.6 per cent to $19.4 million, compared with the allocation of $17.7 million in 2000-2001.

The Portfolio’s share of the expenditure from the Strategic Policy output, which forms part of the Innovation and Policy output group, has remained substantially unchanged. Expenditure from the Industrial Relations output group has increased by around $2.7 million, or 28.7 per cent. This increase is mainly due to:

• $1.2 million of expenditure carried forward into 2001-2002, due to delays in finalising the new structure of IRV and its accommodation costs;

• an additional $1 million provided for the dissemination of information, advice and support services to employers and employees; and

• improved allocation of corporate costs across all portfolios within the Department.
14.9.4 Performance measures

For 2001-2002, changes to output groups and outputs within the Industrial Relations portfolio have been minimal. However, the number of performance measures within the Industrial Relations output group has been increased from eight in 2000-2001 to 20 in 2001-2002, to cater for:

- restoration of employment advice services;
- provision of information to workers and employers about minimum employment conditions; and
- provision of assistance to ensure compliance with those standards.

As reported in the Committee's Report on the 2000-2001 Budget Estimates, the performance measures for this portfolio continue to be far too broad to adequately measure the level of activity and where this activity has been directed. In effect, the performance measures do not give an indication as to whether the Department is achieving its objective to create a fair and effective system of industrial relations for Victoria.

The Committee considers that there is still considerable scope for improvement in the performance measures adopted by the Department.

14.9.5 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 2001-2002.

(a) Industrial Relations challenges

The Industrial Relations Taskforce which was established in April 2000, identified the following challenges for 2001-2002:

- alteration of the legal framework for regulating minimum wages and conditions;
- enhancement of compliance and education;
- development of employment standards, including better protection of outworkers; and
- maintenance of an ongoing focus on industrial agreements in the private and public sector.

The Minister advised the Committee that as the Legislative Council had not passed the Fair Employment Bill, alternative strategies had been developed to address the purpose of the intended legislation. These strategies include:

- proposing to refer additional powers and matters relating to outworker employees to the Federal jurisdiction to enable amendment to the Workplace Relations Act and provide more comprehensive entitlements to Victorian workers; and
- providing an information and advisory service to improve advice and education on industrial entitlements with support from an additional $1 million to establish this function.

(b) Child labour laws

At last year's estimates hearing, the Minister advised the Committee that the Government intended to review Victoria's child labour laws, which are considered weak and are rarely enforced.

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334 Correspondence, dated 19 September 2001, from the Minister for Industrial Relations, p. 2
335 Hon. M Gould, MLC, Minister for Industrial Relations, transcript of evidence, 19 July 2001, p. 416
At that hearing, the Minister indicated that an issues paper would be prepared so all stakeholders could have input into the identification of major issues requiring attention.

The Minister advised the Committee that processes to review child employment laws had been instituted and a discussions paper is being developed with anticipated release in the coming months, and comprehensive public consultation is proposed.\textsuperscript{336}

Given the importance of regulating child employment, the Committee suggests that this matter should be given a higher priority.

14.10 Sport and Recreation portfolio

14.10.1 Background

The Minister for Sport and Recreation has sole or joint responsibility for a number of outputs within the output groups Innovation and Policy and Sport, Recreation and Racing. Outputs for which the Minister is responsible account for $77.9 million in 2001-2002 and represent 18.8 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

\textsuperscript{336} Corespondence, dated 18 September 2001, from the Minister for Industrial Relations, p. 3
Exhibit 14.10: Sport and Recreation portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the Minister for Sport and Recreation</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Major Event Facilitation</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Industry Development #</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Facility Development</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td>Melbourne 2006 Commonwealth Games</td>
<td>13.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77.9</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
* Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

# Responsibility for this output is shared with the Minister for Racing

14.10.2 2001-2002 outlook for the portfolio

Key initiatives impacting on the Sport and Recreation portfolio in 2001-2002 include:

- the continued upgrading of community level sport and recreation facilities and providing financial support for peak sporting bodies, regional sport assemblies and organisations promoting sport and recreation access and opportunities for people with disabilities;
- further progression of planning and facility provision for the 2006 Commonwealth Games, including:
  - clarification of the exact scope of the Games’ program;
  - undertaking a risk mapping exercise to determine the Government’s financial, legal and public interest risks associated with the Games;

478
clarifying the various roles and responsibilities for the Games by Government and others in the delivery of each element of the Games; and

determining the additional infrastructure requirements relating to the Games;

• expansion of the Government’s safer and improved aquatic recreation initiatives; and

• utilising funding from the Community Support Fund to assist in the development of community sport and recreation facilities.

14.10.3 Analysis of the 2001-2002 Budget

The budget allocation to outputs under the responsibility of the Minister for Sport and Recreation has increased overall by 12.6 per cent to $77.9 million 2001-2002 compared with the previous year. Significant changes in funding are:\n\n• a decrease from $25.2 million to $19.0 million, or 24.6 per cent, in Sport and Major Event Facilitation;

• an increase from $17.5 million to $19.5 million, or 11.4 per cent, in Sport and Recreation Industry Development which is a shared responsibility with the Minister for Racing; and

• new funding of $13.2 million for the Melbourne 2006 Commonwealth Games.

The increased funding is due to:

• carry over funds from the previous year’s unspent budget allocation. A large part of this reflects revised timing of the commencement of projects committed under the Regional Infrastructure Development Fund; and

329 Document tabled by the Minister for Sport and Recreation at the estimates hearing on 8 June 2001, p. 6
• new initiatives outlined in the 2001-2002 Budget such as the preparation for the 2006 Commonwealth Games, preparation of a master plan for the Melbourne and Olympic Park Trust and construction of a cycling training velodrome.

14.10.4 Performance measures

Following a review of the Department’s output structure and performance indicators, the output groups for 2001-2002 have been realigned and reduced from five to four. Within this framework, one output group and a suite of performance measures are dedicated to the 2006 Commonwealth Games.

A number of performance measures have been replaced by new measures to reflect the Department’s outputs. For instance, the Sport and Recreation Facility Development output includes new performance measures on new facilities and deadlines with the removal of measures relating to completed facilities. On the other hand, the performance measures for the Sport and Recreation Industry Development output do not adequately reflect strategic leadership and facilitation of the development of sport and recreation.

The Committee considers that the performance measures for Sport and Recreation still need significant improvement to better reflect the Government’s and the Department’s objectives.

14.10.5 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 2001-2002.
(a) Commonwealth funding of Sport and Recreation Development Grants Program

In April 2001, the Commonwealth Government’s new policy “Backing Australia’s Sporting Ability” resulted in the Australian Sports Commission (Commission) terminating its three-year agreement with Sport and Recreation Victoria under the Sport and Recreation Development Grants Program, one year into the agreement.338

Under the new policy, the funding agreement, which was for $750,000 per year with additional matching funding of $40,000 will cease and this has left a number of key agencies which have worked in good faith with the Commission in the past, under significant pressure. The programs run by these agencies include the regional sports assembly program, the older adult recreation network program and the sport and development management scheme.339

The new Commonwealth funding arrangements will be directed at organised sport rather than recreation, leisure and other strategic avenues which have been previously funded. The Minister advised the Committee that this process will undermine the ability to establish strategic relationships in sport across Australia.

The Commonwealth Government is yet to respond to a letter from the Minister which expressed Victoria’s disappointment at this change of direction and sought agreement to a transition period of six months. At 10 August 2001 there had not been a formal response,340 but the Minister indicated that informal advice to SRV indicates the Commission’s position will not change.341

338 Correspondence, received 10 August 2001, from the Minister for Sport and Recreation, p. 2
339 Hon. J Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 8 June 2001, pp. 124-125
340 Correspondence, received 10 August 2001, from the Minister for Sport and Recreation, p. 2
341 Hon. J Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 8 June 2001, p. 124
(b) Community sport and recreation facility funding

Annually, Sport and Recreation Victoria provides funding of $4 million towards major facilities and $5 million to minor facilities through Local Government.

For 2001-2002, local councils have submitted 106 major projects totalling $9.2 million and 326 minor projects totalling approximately $9 million. Both categories have been oversubscribed.342

With submissions for Community Sport and Recreation Facility projects exceeding the budget funding allocation for this program at two to one, the Department will need to ensure it has relevant criteria for assessing the eligibility and suitability of applications.

Accordingly, the Committee recommends that:

**Recommendation 14.4:**

The Department of State and Regional Development ensure that:

(a) it has a comprehensive and transparent governance process supporting the approval of community sport and recreation facility projects; and

(b) adequate performance measurement relating to agreed outputs and outcomes is in place for these projects.

(c) Better Pools funding

The purpose of the Better Pools program is to provide funding assistance through Local Government agencies to increase the quality and range of sport and recreation opportunities through the development of aquatic leisure facilities across the State.

342 Correspondence, received 10 August 2001, from the Minister for Sport and Recreation, p. 4
The Minister provided the following exhibit showing the distribution of funding of the Better Pools Program across Victoria:343

Exhibit 14.11: Distribution of Better Pools program funding across Victoria

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan</td>
<td>2</td>
<td>5,000</td>
<td>3</td>
</tr>
<tr>
<td>Northern</td>
<td>1</td>
<td>777</td>
<td>5</td>
</tr>
<tr>
<td>North Eastern</td>
<td>6</td>
<td>3,273</td>
<td>4</td>
</tr>
<tr>
<td>Western</td>
<td>5</td>
<td>326</td>
<td>4</td>
</tr>
<tr>
<td>Gippsland</td>
<td>3</td>
<td>359</td>
<td>1</td>
</tr>
<tr>
<td>South West</td>
<td>1</td>
<td>2,500</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>5,777</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

14.11 Racing portfolio

14.11.1 Background

The Minister for Racing has joint responsibility for two outputs falling within the output groups Innovation and Policy and Sport, Recreation and Racing. Outputs for which the Minister is responsible account for $26.8 million in 2001-2002 and represent 6.5 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

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343 Correspondence, received 10 August 2001, from the Minister for Sport and Recreation, p. 6
Exhibit 14.12: Racing portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output groups</th>
<th>Outputs under the Minister for Racing</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Recreation Industry Development #</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>26.8</strong></td>
</tr>
</tbody>
</table>

Notes: * Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

# Responsibility for this output is shared with the Minister for Sport and Recreation

14.11.2 2001-2002 outlook for the portfolio

Key priorities for the racing industry for 2001-2002 include:

- establishing Racing Victoria Ltd as the new governance body for the thoroughbred racing code;
- examining further reforms to bookmaking operations including the possibility of:
  - allowing partnerships or incorporation;
  - approving internet betting; and
  - taking further measures against offshore operators;
- advancing further initiatives for country racing, including securing Crown land tenancy and assisting implementation of country racing business plans;
- reviewing arrangements for the conduct of metropolitan harness racing; and
- facilitating preparation of a strategic plan for the thoroughbred breeding industry.
14.11.3 Analysis of the 2001-2002 Budget

Funding for the Sport and Recreation Industry Development output increased by $2 million to $19.5 million. The Budget for 2001-2002 provides $4 million in compensation for the racing industry following the introduction of the health benefit levy on gaming machines.

In April 2001, a fund was established to assist with capital works projects at country thoroughbred harness and greyhound racing venues. The funding allocation for this purpose, under the Living Regions, Living Suburbs program, will be $0.5 million per year for three years commencing in 2001-2002.344

14.11.4 Performance measures

In its report on the 2000-2001 Budget Estimates, the Committee found that the Racing portfolio had only one performance measure for Racing and Bookmakers licences, permits appeal and registrations processed. In this context, the Committee indicated that this level of performance information is inadequate.345

Examination of the 2001-2002 Budget Paper No. 3, indicates that no change has been made to performance measures in respect of racing.

Other than sharing in the strategic policy with all other Ministers under the Department of State and Regional Development, the above measure for Racing is under the output Sport and Recreation Industry Development. There is no indication in the performance measures as to the key focus on probity in horse racing. Indeed, why this reference excludes harness racing and greyhound racing is unclear. As a result, the measures utilised by the Department fall significantly short of reflecting its performance to support probity and governance in racing.

344 Hon. R Hulls, MP, Minister for Racing, transcript of evidence, 8 June 2001, p. 345
Accordingly, the Committee reiterates Recommendation 14.9 contained in its Report on the 2000-2001 Budget Estimates.\textsuperscript{346}

Accordingly, the Committee recommends that:

**Recommendation 14.5:**

The Department of State and Regional Development:

(a) develop performance measures based on key racing portfolio strategies; and

(b) ensure performance measures are aligned with the key corporate strategies, objectives and expected outcomes of the Office of Racing.

14.11.5 **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 2001-2002.

(a) Bookmaking reforms

The Government has undertaken a number of significant initiatives to assist the bookmaking industry, namely:

- abolition of bookmakers’ turnover tax;
- re-introduction of a revenue return to racing;
- establishment of a bookmaking development fund;
- introduction of a bookmakers’ levy to support the racing clubs and bookmaking development fund; and
- a phased reduction of minimum telephone betting limits.

\textsuperscript{346} Ibid
As a result of the reforms, bookmakers have increased their share of the wagering market, with turnover for thoroughbred racing totalling $334 million for 2000-2001, a 36.4 per cent improvement in bookmaking business over the previous year.\textsuperscript{347} A key factor in this improvement was the introduction of decimal odds on bookmakers' tote boards.

The Government is also considering the recommendations of the national competition policy review which include permitting bookmakers to accept bets on a 24 hour basis via the internet or telephone subject to proper monitoring and possible approval of internet betting from sports bookmakers.\textsuperscript{348}

The Committee considers that the reforms of the bookmaking industry are long overdue, and it is pleasing to see the improvements which have been achieved. The bookmaking industry makes a significant contribution to the economy and tourism and to the overall colour and character of racing in Victoria.

(b) Compensation to the racing industry

During the year, $4 million compensation to the racing industry was negotiated with the Department of Treasury and Finance to address the impact of the additional tax on gaming machines of $1,200. The Minister advised that the compensation was transitional funding.\textsuperscript{349}

However, the Minister told the Committee he was having discussions with the Treasurer with a view to providing the $4 million compensation as ongoing funding assistance, in line with the wishes of the racing industry.\textsuperscript{350}

Given that the economic impact of the racing industry is nearly $2 billion per year, with half of this figure generated in rural and regional Victoria, and direct employment of 40,000 people, two-
thirds of which are in rural and regional Victoria, a submission for annual compensation to mitigate the effect of the tax on gaming machines on the industry should be considered by the Government.\(^3\)

(c) Racing Victoria Ltd

Following the enactment of the Racing (Racing Victoria Ltd) Act 2001, a new body, Racing Victoria Ltd (RVL), is to be established to take over the statutory powers of the Victoria Racing Club. RVL will be an independent body with its own Board of Directors and funded by wagering and gaming revenues arising from the racing industry’s joint venture with TABCORP.\(^2\)

RVL will operate according to the Racing Act and the Corporations Act, and once operational, the Government’s only role will be to nominate a member of the appointment panel for future selections of directors and to facilitate the submission of any further change to RVL’s constitution for tabling in the Parliament. By virtue of a new section in the Racing Act, any such change may only be made with the agreement of both Houses of Parliament.\(^1\)

(d) Country Victoria racing

Under the Living Country Racing program, a fund of $1.5 million has been set aside to provide for capital works funding projects over three years and 80 applications have been received for funding of a total $5.5 million in projects.\(^3\)

Country Victoria Racing is also to be given an improved voice in the racing industry with an increase in its representation compared with that which existed under the Victoria Racing Club and metropolitan racing.

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\(^1\) Document tabled by the Minister for Racing at the estimates hearing dated 3 August 2001
\(^2\) Correspondence, dated 7 September 2001, from the Minister for Racing, pp. 1-2
\(^3\) Ibid, p. 2
\(^4\) Hon. R Hulls, MP, Minister for Racing, transcript of evidence, 3 August 2001, p. 345
A further issue which is under review is security of tenure, as country racing clubs are located on Crown land and this causes difficulties with funding capital works.

### 14.12 Major Projects portfolio

#### 14.12.1 Background

The Minister for Major Projects has responsibility for two outputs within the output groups Innovation and Policy, and Major Projects. Outputs for which the Minister is responsible account for $13.3 million in 2001-2002 and represent 3.2 per cent of the overall Budget for the Department. The funding allocation for these outputs has increased by 1.5 per cent compared with the allocation of $13.1 million in 2000-2001.

These outputs and corresponding funding allocations for 2001-2002 are shown below:

### Exhibit 14.13: Major Projects portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Major Projects</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Major Projects</td>
<td>Major Public Construction and Land Development</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>13.3</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

#### 14.12.2 2001-2002 outlook for the portfolio

The management of large and complex projects is an important component of the State’s economic activity with capital expenditure on public construction estimated at $598 million in the 12 months to 30 April 2001.\(^{355}\) Current projects include the

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\(^{355}\) Document tabled by the Minister for Major Projects at the estimates hearing on 1 June 2001

In addition, the Major Projects portfolio includes responsibility for the development of:\textsuperscript{356}

- Melbourne's Docklands Precinct comprising 200 hectares of land and water, a development period of 10 to 15 years, a projected development value of over $6 billion with $1.25 billion works completed or in construction; and

- Federation Square with a total end value of $369 million made up of contributions of $224 million by the State Government, $64 million by the Melbourne City Council, $50 million by the Commonwealth Government and $31 million from Federation Square Management commercial activities.

14.12.3 Analysis of the 2001-2002 Budget

The budget allocation for the output Major Public Construction and Land Development has increased from $4.8 million to $6 million, or 25 per cent, in 2001-2002.

14.12.4 Performance measures

In its Report on the 2000-2001 Budget Estimates, the Committee commented that all performance measures in the Major Projects output group were based in terms of completion of projects. There were no performance measures based on completion of major projects within costing constraints and in accordance with quality standards.\textsuperscript{357}

\textsuperscript{356} Hon. J Pandazopoulos, MP, Minister for Major Projects, transcript of evidence, 1 June 2001, pp. 85-86

For 2001-2002, performance measures within the Major Projects output group now include, in addition to timeliness measures, quantitative measures for project management, for example, Beacon Cove—the number of feasibility studies for this project; public consultation; and establishment of soil recycling facility in respect of hazardous waste siting.

The Committee considers the performance measures do not show the extent to which the Department is encouraging and supporting the development of a robust, internationally competitive and diverse economic base for Victoria. Predominantly, the measures continue to be timeliness targets for various projects. The Committee believes there is still considerable scope to improve performance measures in line with its recommendation 14.14 of the Report on the 2000-2001 Budget Estimates.

14.12.5 Key issues impacting on the Major Projects portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Major Projects identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Docklands development

The redevelopment of the Docklands is a major project with over $4.7 billion in capital value of committed contracts and $1.2 billion of works completed or in construction. The development is also expected to employ an average of 3,000 new construction jobs each year over the next 10 to 15 years.358

Major projects within the Docklands precinct include:359

- development of Victoria Harbour, a $1.8 billion project over 20 years;

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358 Document tabled by the Minister for Major Projects at the estimates hearing dated 1 June 2001
• $43 million Collins Street bridge extension linking the CBD to Victoria Harbour;
• development of a 4.4 hectare Commonwealth Technology Port, with assistance from the Commonwealth Government;
• construction of a significant number of residential apartments, with 1,100 sold off the plan;
• remediation of the Melbourne Gasworks site as open space area;
• oversight of construction of all infrastructure including Stadium Drive, Lorimer, Dudley and Flinders Streets; and
• tram facilities to connect Latrobe Street, Harbour Esplanade and Flinders Street.

The Committee considers that the new Docklands Precinct will have a significant impact on the overall profile of Melbourne. As a result, the Department of State and Regional Development will need to ensure that any potential adverse impacts on the unique charm and character of Melbourne are fully considered and moderated.

(b) Federation Square

In 2000, following a period of difficulties in management and cost escalation of the Federation Square Project, the Government appointed Federation Square Management Pty Ltd, a State owned company, as project managers. The Minister for Major Projects advised the Committee that the project has been restructured with clearer responsibility lines. He further advised that previously there had been a number of interests at play, and the focus of the Department has been to bring structure and tighter control into the project. 360

The Minister indicated that considerable effort has been directed to containment of costs and that the potential overall cost of the

360 Ibid, pp. 88-89
project had been reduced by $35 million. Areas where savings have been achieved are:\textsuperscript{361}

- re-negotiation of arrangements to moderate contributions to architects;
- reworking of tenders to reduce costs;
- $1 million on paving;
- $2 million on the north west building and visitor information centre;
- $2 million on the commercial buildings; and
- improvement of leasing arrangements.

The Committee notes the actions taken by the Government to bring the Federation Square project under improved management and budgetary control.

(c) 2006 Commonwealth Games

A comprehensive review of the Melbourne Commonwealth Games business plan and budget and the Government’s involvement in the Games is being undertaken. The review draws on the experience in the 2000 Sydney Olympic Games, discussions with the New South Wales agencies involved in the coordination and organisation of the Olympic Games.

As part of the review to finalise the Government’s involvement in the 2006 Games, the following issues are being addressed:\textsuperscript{362}

- clarification of the Games program;
- risk mapping to determine the Government’s financial, legal and public interest risks associated with the Games;
- clarification of the roles of all agencies and entities involved in delivery of each element of the Games;

\textsuperscript{361} Ibid, p. 89
\textsuperscript{362} Department of State and Regional Development response to the Committee’s 2001-2002 estimates questionnaire, pp. 29-30

493
• establishment of communication structures between all interested parties; and
• determination of additional infrastructure requirements relating to the Games.

The Department has established a major output with performance measures relating to the 2006 Games and funding of $13.2 million has been allocated in the Budget for 2001-2002.

(d) Hazardous waste

The Hazardous Waste Consultative Committee, established to advise on new policies for management of waste, in its report in April 2000 recommended a move to more sustainable hazardous waste management processes.363 These recommendations were accepted in December 2000 and a Hazardous Waste Siting Advisory Committee was formed to advise on possible sites for new hazardous waste facilities with the EPA and other regulatory bodies to ensure safe technologies for disposal.

The recommendations of the Consultative Committee included phasing out of landfill of hazardous waste in three to five years, amended classification of waste, soil remediation, waste avoidance and recycling, and location of new hazardous waste facilities, buffer zones to protect safety and amenity and a national approach to hazardous waste management.364

14.13 Tourism portfolio

14.13.1 Background

The Minister for Tourism has responsibility for three outputs within the output groups Innovation and Policy, and Tourism. Outputs for which the Minister is responsible represent 11.4 per cent of the overall budget for the Department.

363 Department of State and Regional Development website
These outputs and corresponding funding allocations for 2001-2002 are shown below:

**Exhibit 14.14: Tourism portfolio output groups and output costs for 2001-2002**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Tourism</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>7.3</td>
</tr>
<tr>
<td>Tourism</td>
<td>Tourism Marketing and Event Facilitation</td>
<td>36.7</td>
</tr>
<tr>
<td></td>
<td>Tourism Industry and Infrastructure Development</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>47.0</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within the Department of State and Regional Development

### 14.13.2 2001-2002 outlook for the portfolio

Key priorities of the portfolio are to:

- build a world class Melbourne Victoria website at a budget cost of $7.4 million enabling marketing opportunities;
- promote the latest phase of the Jigsaw marketing campaign;
- expend $4 million on an international focus on regional campaigns;
- contribute $0.5 million for regional events;
- undertake the Gold 150th celebrations at a cost of $1 million; and
- adopt nature-based and adventure tourism strategies.

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365 Hon. J Pandazopoulos, MP, Minister for Tourism, transcript of evidence, 1 June 2001, pp. 73-74
14.13.3 Analysis of the 2001-2002 Budget

The overall budget funding allocation for outputs under the Tourism portfolio decreased by $4.5 million to $47 million in 2001-2002, or 8.7 per cent compared with the previous year.

The decrease was substantially within the output Tourism Industry and Infrastructure Development which decreased from $7.7 million in 2000-2001 to $3 million in 2001-2002.

14.13.4 Performance measures

Within the Tourism output group, three outputs for 2000-2001 have been reduced to two, with Tourism Marketing and Event Facilitation combined into the output of Tourism Marketing and Event Facilitation.

The Committee's review of the performance measures revealed that:

- the measure of the number of enquiries and phone responses handled by the Victorian Tourism Information Service has been discontinued for 2001-2002; and
- no measures have been introduced to reflect performance of the new visitvictoria.com initiative, for which the Budget allocation for 2001-2002 is $7.4 million.

Accordingly, the Committee recommends that:

Recommendation 14.6:

The Department of State and Regional Development:

(a) review the performance measures for the Tourism output group to reflect Government policy objectives and expected outcomes; and
(b) introduce performance measures to reflect the use of, and satisfaction with the internet site, visitvictoria.com.

14.13.5 Key issues impacting on the Tourism portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Tourism identified the following key issues that will impact on the portfolio and the budget estimates for 2001-2002.

(a) Major overseas tourism campaigns

A budget allocation of $4 million has been earmarked for advertising campaigns overseas to attract more international visitors. The key campaigns are:

- "Great Ocean Road Backpackers" - UK/ Europe;
- "Experience Nature Down Under" - UK/ Europe;
- "Phillip Island - Little Penguin" - Japan;
- "Melbourne - the Events Capital" - Singapore; and
- "Goldfields" - Hong Kong, Taiwan and China.

(b) Tourism Online

Tourism Victoria has developed a website www.visitvictoria.com which is now available to consumers. This strategy included funding of $7.4 million to give tourism operators including hotels, restaurants and cafes their own webpage with online booking facility. The facility enables regional operators to market themselves throughout Australia and the world.

The Minister advised the Committee that the facility had over 3,000 operators and the introductory offer of $110 represented an

366 Media Release issued by the Minister for Tourism, dated 1 August 2001
367 Hon. J Pandazopoulos, MP. Minister for Tourism, transcript of evidence, 1 June 2001, p. 74
economic entry into marketing tourism products. However, the Committee noted with interest that, as from 1 October 2001, the standard annual subscription had increased to $330.

Given the downturn in major global economies, the provision of a tourism portal for Victorian tourism operators to advertise within Australia and overseas is a promising initiative to assist the State's tourism industry.

(c) Major Events

This year represents the tenth anniversary of the operation of the Victorian Major Events Company (VMEC). The budget allocation for major events has been capped at $35 million which together with tourism and major events totals $74.7 million towards marketing the image of Victoria.

In total, nine events have been secured for Victoria including the:

- 2000-2004 FINA World Cup Series;
- 2002-2005 Heineken Golf Classic;
- 2004 Hot Air Ballooning Championships, to be held in Mildura; and
- 2002 World Junior Track Cycling Championships.

The Minister advised that the estimated economic benefits to Victoria from these events will be around $522 million. The Committee was also advised that the Melbourne Exhibition and Convention Centre held 656 events in 2000, with 2.1 million visitors and attendees, and these activities had an economic impact to Victoria of $240 million.
CHAPTER 15:  DEPARTMENT OF TREASURY AND FINANCE

Key Findings:

15.1 There has been a very high level of growth in gaming revenue from 1991-1992, particularly during the period when the 27,500 gaming machines were introduced. The rate of growth in gaming revenue is forecast to slowly decline from 2002-2003 to 2004-2005.

15.2 Other Australian States, notably NSW and Western Australia, are examining Victoria’s Partnerships Victoria documentation with a view to producing policies to allow Australian or overseas companies interested in partnership infrastructure arrangements to be subjected to consistent rules across Australia.

15.3 The Beneficiary Choice Program (BCP) is a voluntary system which allows State Superannuation Fund pensioners and deferred beneficiaries more options in arranging their finances for retirement. Details of the impact of the BCP on the State’s unfunded superannuation liability cannot yet be estimated given that around 7,500 pensioners were still considering their options under the second round of the program.

15.4 The level of unfunded liability of Victoria’s WorkCover scheme increased by $269 million over 2000-2001. However, for the period 31 December 2000 to 30 June 2001, the unfunded liability of the scheme fell by $382 million from $1,074 million to $692 million, which the Victorian WorkCover Authority attributed to better management practices.
15.1  Departmental overview

The Department of Treasury and Finance (the Department) provides services to four Ministerial portfolios, namely: Treasury; Finance; WorkCover; and Gaming. In servicing these portfolios, the Department has a number of core business objectives as shown in the exhibit below.

Exhibit 15.1:  Department of Treasury and Finance - Key policy objectives

<table>
<thead>
<tr>
<th>Government Policy</th>
<th>Outcome required from the Department</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 advised that in addition to the delivery of its core business objectives, the Department’s focus in 2001-2002 would be on:372

372  Response by the Department of Treasury and Finance to the Committee’s 2001-2002 estimates questionnaire. p. 4
• development of innovative policy options for the delivery of the Government’s economic, environmental and social frameworks;
• project management of key Partnerships Victoria and other major projects;
• enhancing the capability of the Department and the Victorian Public Sector; and
• the mitigation of identified risks.

15.2 Output management framework

The Department’s 2000-2001 output management framework is shown in the exhibit below.

Exhibit 15.2: Department of Treasury and Finance – Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>19.9</td>
<td>19.5</td>
<td>25.3</td>
<td>27.4</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>25.3</td>
<td>18.3</td>
<td>21.7</td>
<td>(14.2)</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>12.0</td>
<td>16.4</td>
<td>10.0</td>
<td>(16.5)</td>
</tr>
<tr>
<td>Reform Services</td>
<td>39.3</td>
<td>29.2</td>
<td>1.9</td>
<td>(95.1)</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>94.8</td>
<td>185.2</td>
<td>78.9</td>
<td>(16.8)</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>28.3</td>
<td>31.6</td>
<td>37.9</td>
<td>34.2</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>55.6</td>
<td>55.3</td>
<td>63.3</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>275.1</strong></td>
<td><strong>355.5</strong></td>
<td><strong>239.1</strong></td>
<td><strong>(13.1)</strong></td>
</tr>
</tbody>
</table>


As shown in Exhibit 15.2, the Department’s budget allocation for 2001-2002 was $239.1 million representing a $36 million or 13.1 per cent decrease from 2000-2001.
The Committee notes there have been changes to the Department’s output group structure from 2000-2001. These changes include:

- **Financial Management Services** outputs Financial Reporting and Control, Cash Management Services and Unclaimed Moneys Administration have been merged into the output Financial Reporting and Control;

- **Reform Services** activities relating to Superannuation Reform have been largely completed with residual services incorporated into the Financial Assets and Liabilities Management Services output. The National Competition Policy and Related Reforms output has been discontinued with remaining activities transferred to the Economic, Regulatory, Environmental and Social Policy Advice output;

- **Resource Management Services** output relating to Management of Building Finance Leases has ceased due to the reclassification of leases to operating leases;

- **Strategic Policy Advice** outputs Economic and Financial Analysis and Economic and Social Policy Advice have been merged to form the Economic, Regulatory, Environmental and Social Policy Advice output. The Research Strategies output has been renamed Strategic Policy and Research and the WorkCover Policy Advice output has been changed to Statutory Insurance Advice; and

- **Taxation Management Services** has been renamed Revenue Management Services.

### 15.3 Financial analysis

The operating statement for the Department is shown as follows:
Exhibit 15.3: Department of Treasury and Finance – Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>234.0</td>
<td>256.9</td>
<td>211.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>296.1</td>
<td>388.1</td>
<td>232.1</td>
<td>35.7</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>(52.1)</td>
<td>(131.2)</td>
<td>(20.6)</td>
<td>151.8</td>
</tr>
</tbody>
</table>

**Add**

<table>
<thead>
<tr>
<th>Revenue for increase in net assets</th>
<th>42.1</th>
<th>19.0</th>
<th>105.8</th>
<th>(54.3)</th>
</tr>
</thead>
</table>

| Section 29 Receipts - Asset Sales | 1.0  | 1.0  | -     | -      |

| Operating Surplus/Deficit         | (9.0) | (111.2) | (85.2) | 1135.6 |

**Administered Items**

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>2,067.3</th>
<th>1,838.4</th>
<th>2,048.3</th>
<th>(11.1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>2,372.3</td>
<td>2,103.3</td>
<td>2,185.3</td>
<td>(11.3)</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>(305.0)</td>
<td>(264.9)</td>
<td>(137.0)</td>
<td>(13.1)</td>
</tr>
</tbody>
</table>

Source: Department of Treasury and Finance response to the Committee’s 2001-2002 estimates questionnaire, p. 18

The Committee notes that the variations for operating revenue and expenditure (controlled and administered) in 2000-2001 are material. The impact of these variations on the controlled operating deficit is very significant with a $102.2 million or 1,135.6 per cent increase from the estimated deficit position of $9 million.

For the Department’s administered items there has been a 11.1 per cent decrease in operating revenue coupled with an 11.3 per cent...
reduction in operating expenses resulting in an actual estimated administered deficit of $264.9 million, compared to the estimated deficit of $305 million in 2000-2001.

In response to the Committee's questionnaire, the Department provided the following reasons for major variations to revenue and expense items:

- controlled operating revenue is expected to increase by $22.9 million due mainly to a $27.1 million increase in Notional Vehicle Finance Lease revenue resulting from a reduction in motor vehicle residuals and the increasing cost of fuel;
- controlled operating expenditure is expected to increase by $102 million from the 2000-2001 estimate due to the establishment of a provision in the Department's 2000-2001 balance sheet of an estimated liability ($105.2 million) in the motor vehicle lease facility, this relates to the under-recovery of lease costs from user Departments due to lower than anticipated residual sales values;
- revenue from increases in net assets is expected to decrease by $23.1 million or 54.9 per cent due to delays in the State Revenue Office receiving municipal valuations from councils and delays in the construction in the EPA Laboratory;
- administered operating revenue is expected to decrease by $228.9 million or 11.1 per cent mainly as the result of a reduction of Appropriation Act Treasury Advances used by Departments to fund pay increases for MX and enterprise bargaining agreement rulings; and
- administered operating expenses are expected to decrease by $269 million or 11.3 per cent as per the previous point where the Treasury Advances are not recorded in the Department's ledger but are recognised by the Department receiving the advances.

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374 Response by the Department of Treasury and Finance to the Committee's 2001-2002 estimates questionnaire, p. 19
15.3.1 Other revenue and other expenses

The Committee’s analysis of items in the ‘other revenue’ and ‘other expenses’ classifications, particularly in the administered section of the operating statement, shows estimated budget amounts for 2001-2002 of $9,695 million in ‘other revenue’ and $829.4 million in ‘other expenses’. The Committee continues to support the view that all material and expense items need to be fully disclosed in the Budget Papers.

15.4 Management Reform Program

The Department advised that the implementation of the Management Reform Program (MRP) has resulted in an improved alignment of the Department’s outputs with the Government’s outcomes. The implementation of an output management regime, including financial and output delivery performance reporting by output managers, has brought about much of this improvement in addition to other improvements in fiscal control, accountability and the efficiency of output delivery to Government.

The Department did not provide details of the improvements considered necessary in the implementation of the MRP. However, the Department did advise that a number of improvement strategies have been developed to address areas considered in need of further attention. These strategies include the development of better financial management tools and encouraging greater accountability and responsibility for output delivery.

The Committee encourages the Department to continually review the role of the MRP in providing better performance information and in linking the Department’s outputs to key Government outcomes.

375 Response by the Department of Treasury and Finance to the Committee’s 2001-2002 estimates questionnaire, p. 46
376 Ibid
15.5 Human resources issues

The Department estimated it will have 450 Equivalent Full Time staff at 30 June 2001. This compares with an actual 439.12 at 30 June 2000.

Exhibit 15.4: Department of Treasury and Finance - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000 (actual)</th>
<th>30 June 2001 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget and Financial Management</td>
<td>109.49</td>
<td>115.5</td>
</tr>
<tr>
<td>Economic and Financial Policy</td>
<td>71.06</td>
<td>73.0</td>
</tr>
<tr>
<td>Commercial Division</td>
<td>132.57</td>
<td>134.5</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>39.40</td>
<td>39.0</td>
</tr>
<tr>
<td>Corporate Services Centre</td>
<td>86.60</td>
<td>88.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>439.12</strong></td>
<td><strong>450.0</strong></td>
</tr>
</tbody>
</table>

Source: Department of Treasury and Finance response to the Committee’s 2001-2002 estimates questionnaire, p. 10

Exhibit 15.4 shows there has been an estimated increase of 10.88 equivalent full time staff or 2.48 per cent over the actual level at 30 June 2000. The Committee notes there have been no material variations in EFT staff numbers for any of the Department’s five divisions in 2000-2001.

15.5.1 Key staffing issues

The Department advised that it has experienced shortages of staff with expertise in economics and accountancy.377 The Department has addressed these shortages over the past two years by:

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377 Response by the Department of Treasury and Finance to the Committee’s 2001-2002 estimates questionnaire, p. 14
significantly increasing the recruitment of graduates from these two disciplines; and

• entering into an arrangement with a specialist recruitment firm to maintain a ‘watching brief’ for high quality economists/accountants to supplement departmental resources.

15.5.2 Age profile of departmental staff

As the age profile of departmental staff is a key element in the development and implementation of recruitment and retention strategies, and in succession planning, the Committee sought information on the estimated age profile of departmental staff by classification at 30 June 2001. The Department provided the following information:

Exhibit 15.5: Age and classification profile of staff at 30 June 2001

<table>
<thead>
<tr>
<th>Classification</th>
<th>15 - 24</th>
<th>25 - 29</th>
<th>30 - 34</th>
<th>35 - 39</th>
<th>40 - 44</th>
<th>45 - 49</th>
<th>50 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td></td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>EO2</td>
<td></td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>4</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>EO3</td>
<td></td>
<td>8</td>
<td>7</td>
<td>16</td>
<td>17</td>
<td>8</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>VPS5</td>
<td>9</td>
<td>14</td>
<td>18</td>
<td>27</td>
<td>23</td>
<td>9</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>VPS4</td>
<td>1</td>
<td>9</td>
<td>18</td>
<td>15</td>
<td>12</td>
<td>8</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>VPS3</td>
<td>10</td>
<td>23</td>
<td>13.5</td>
<td>16</td>
<td>9</td>
<td>11</td>
<td>91.5</td>
<td></td>
</tr>
<tr>
<td>VPS2</td>
<td>32</td>
<td>8</td>
<td>11</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>VPS1</td>
<td>7</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>56</td>
<td>57.5</td>
<td>69</td>
<td>84</td>
<td>80</td>
<td>53</td>
<td>449.5</td>
</tr>
</tbody>
</table>

Source: Department of Treasury and Finance response to the Committee’s 2001-2002 estimates questionnaire, pp. 12-13

Analysis of the information contained in the table shows:

• the age profile of the Department is a relatively even spread across the selected age categories with the most evident category being between 40-44 years (84 staff or 18.7 per cent);
• 40 per cent (81 staff) of Departmental staff are classified at VPS5 or above with 18 per cent of the staff classified as executive officers;
• all four of the Department's EO1's are in the 40-44 age category;
• there is a relatively even spread of age categories for the other EO classifications with 38 per cent of EO2's and 55 per cent of EO3's under 45 years respectively;
• 59 per cent of VPS5's are over 40 years; and
• there is a relatively even spread across the VPS4 and VPS3 classifications while approximately 50 per cent of VPS2's are under 30.

15.6 Treasury portfolio

15.6.1 Background

The Committee noted that the Treasurer has responsibility for four output groups that account for $94.1 million in 2001-2002, this represents a 9.2 per cent increase from the budgeted $86.2 million in 2000-2001. The Treasurer has responsibility for the following outputs:

Exhibit 15.6: Treasury portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the Treasurer</th>
<th>Output cost $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Budget Formulation Advice*</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>Economic, Regulatory, Environmental and Social Policy Advice*</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>Financial and Risk Management Policy Advice</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>Inter Government Financial Relations Policy Advice</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Strategic Policy &amp; Research</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Policy Advice</td>
<td>1.3</td>
</tr>
</tbody>
</table>
### Exhibit 15.6 (continued)

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the Treasurer</th>
<th>Output cost $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management Services</td>
<td>Budget Development and Production*</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Financial Assets and Liabilities Management Services</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>GBE Performance Monitoring Services</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Monitoring and Forecasting Services</td>
<td>0.7</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>Infrastructure Project Management</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>Commercial Project Management</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>Prudential Supervision</td>
<td>0.8</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>Revenue Management Services to Government</td>
<td>63.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>94.1</strong></td>
</tr>
</tbody>
</table>

* Note: The Treasurer has shared responsibility with the Minister for Finance

#### 15.6.2 2001-2002 outlook for the portfolio

Throughout 2001-2002, the portfolio will play a lead role, sometimes in conjunction with other ministerial portfolios, in the delivery of major projects including:

- regional fast rail and other Partnerships Victoria projects;
- implementation of full retail competition in the gas and electricity industries;
- the possible relocation of the State Revenue Office to regional Victoria based on the results of a feasibility study;
- establishment of the Essential Services Commission and Essential Services Ombudsman; and
• implementation of the Government’s business tax package, Better Business Taxes.

15.6.3 Analysis of the 2001-2002 Budget

The Committee's analysis of the 2001-2002 budget for the Treasury portfolio shows a $7.9 million or 9.2 per cent increase over 2000-2001. The Department provided the following reasons for the variations: 378

• the Financial Management Services output group decreased by $1.4 million (14 per cent) to $8.6 million in 2001-2002 due to GST implementation funding ceasing in 2000-2001;
• the Risk Management output group decreased by $2 million (16.5 per cent) in 2001-2002 to $10 million as a result of a one-off addition in 2000-2001 of the 1999-2000 carryover for the corporatisation of the Snowy Mountains Hydro-Electric Authority; and
• the Revenue Management output group increased by $7.7 million (13.9 per cent) to $63.3 million to account for additional funding provided for the relocation of the State Revenue Office functions to regional Victoria.

15.6.4 Performance measures

The Committee's review of performance measures contained in the outputs under the responsibility of the Treasurer shows there have been 50 additional measures in 2001-2002. However, the Committee's review also showed the following:

• many instances of performance measures relating to the production of annual, bi-annual, monthly, weekly and daily reports with targets that are implied by the timing of the reports. The Committee questions the need for such performance measures;

378 Response by the Department of Treasury and Finance to the Committee’s 2001-2002 estimates questionnaire, pp. 21-22
instances where the production of monthly reports has a target of only 10 without any explanation as to the reason the target is not 12;

a performance measure Production of inputs to meet Government's financial reporting requirements, is unclear as the most important element of the measure (ie. the inputs) are not explained, thus providing no indication what the measure is related to;

frequent reference to a service provision rating based on ministerial survey data with no explanation of what this rating refers to and how ministerial survey data is collected;

a measure Provision of commercial and risk management advice on public private partnership (and other) projects to facilitate new infrastructure and minimise Government's exposure to risk, has a unit of measure relating to the number of milestones met. However, it is difficult to relate the provision of advice to meeting milestones;

a measure Maintenance of accounting policy and compliance function has a 2001-2002 target of 100 per cent. The Committee is unsure of the purpose of this measure, and what it is trying to measure;

a measure Development and implementation of a program of long-term strategic research and policy advice, with a 2001-2002 target of one is far too general to be of use and should be dissected into program components to allow the reader an assessment of implementation phases;

an example of where a target of 100 per cent was achieved in 2000-2001 (Key initiatives managed within planned timeframes as agreed with Treasurer and relevant Ministers) and the target for 2001-2002 has been lowered to 90 per cent; and

the measure Implementation of Better Business Taxes: Lower, Fewer, Simpler has a 2001-2002 target of one where the measure should be dissected into the particular package components to provide more meaningful performance information on the package's implementation.
Accordingly, the Committee recommends that:

**Recommendation 15.1:**

The Department of Treasury and Finance review its performance measures in order to provide more adequate and meaningful information in the Budget Papers.

### 15.6.5 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 2001-2002.

(a) Impact of gaming on the State’s revenue

The Treasurer advised that in 2001-2002 the Government is expecting $1.374 billion from gaming or 5.9 per cent of general Government revenue.\(^{379}\) This compares to the 2000-2001 revised amount for gaming revenue of $1.256 billion, representing 5.4 per cent of general Government revenue.

The Committee was advised that the following factors were driving the growth in gaming tax revenue:\(^{380}\)

- gaming companies paying a gaming machine levy of $36 million per annum from 1 July 2001 which will flow entirely into the health system; and
- the general growth in gaming.

Exhibit 15.7 provides an indication of the growth in gaming revenue over the last decade and the expected growth over the forward estimates period:

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\(^{379}\) Hon. J Brumby, MP, Treasurer, transcript of evidence, 1 June 2001, p. 53

\(^{380}\) Ibid
Exhibit 15.7: Annual rate of growth in gaming revenue

Source: Hon. J Brumby, MP, Treasurer, tabled at the estimates hearing on 1 June 2001

The Committee’s analysis of the above exhibit shows:

- there has been a very high level of growth in gaming revenue from 1991-1992, particularly during the period when the 27,500 gaming machines were introduced; and
- the rate of growth in gaming revenue is forecast to slowly decline from 2002-2003 to 2004-2005.

The Treasurer advised that the reduction in growth is a consequence of the Government’s initiatives in promoting a more responsible gaming industry and the implementation of regional caps on the number of gaming machines.\(^\text{381}\)

The Committee notes that the rate of growth in gaming revenue is decreasing. It will be important that the Government monitor the effectiveness of measures introduced to promote responsible gaming and minimise the impact of problem gambling in the community.

\(^{381}\) Ibid
(b) Development and implementation of Partnerships Victoria

The Treasurer advised that the development and implementation of Partnerships Victoria has been a major project for the Government and the Department. In addition to producing a Partnerships Victoria document, the Department has produced three subsequent documents including a practitioners guide which describes how the policy operates, a risk allocation and contractual issues document and a technical note dealing with the construction of the public sector comparator.

The Committee was informed that other Australian States, notably New South Wales and Western Australia, are examining Victoria’s documentation with a view to producing policies which will allow Australian or overseas companies interested in partnership infrastructure arrangements to be subject to consistent rules across Australia.

Currently, approximately $4 billion of projects are under consideration or at various stages of development under Partnerships Victoria. Some examples include:

- construction of the Victorian County Court;
- the $12.5 million Wodonga waste water treatment upgrade;
- the $25 million Echuca-Rochester waste water project;
- development of fast rail links to Ballarat, Geelong, Bendigo and Traralgon ($382 million to 2004-2005);
- the development of a mobile data network at the Department of Justice;
- the introduction of a third competitor at the Port of Melbourne by the Melbourne Ports Corporation; and
- the upgrade of the Spencer St. station into a world class intermodal transport hub.

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382 Ibid, p. 57
383 Ibid
The Committee believes that it will be important that the effectiveness of the policy is monitored to ensure that the expected outcomes for Victoria are derived.

Accordingly, the Committee recommends:

**Recommendation 15.2:**

The Government review the operation of the Partnerships Victoria policy at the completion of the initial projects to ensure the operational effectiveness of the arrangements are maximised, and that emerging issues are addressed.

(c) Longford gas disaster

The Committee was informed that the Longford civil litigation is one of the largest civil litigation matters in Australian history. On 12 April 2001, the matter was transferred from the Federal Court to the Supreme Court where a trial is likely to commence in 2002.

The Department stated that the trial will be split into two components. Firstly, to determine whether Esso is liable (estimated to take four months). Secondly, on the premise that Esso is found liable, a trial to determine if other parties, including the State, are liable (estimated to take one year).

The Government has applied considerable resources to the litigation for the following purposes:

- meeting the document discovery requirements of the case;
- responding to the broad allegations against the State;

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384 Department of Treasury and Finance, information supplied on notice from estimates hearing dated 1 June 2001, p. 9
385 Ibid
• preparing statements from experts and witnesses covering the development by the State of the gas industry over the past 30 years and the manner by which the State responded to the emergency; and
• responding to 321 Freedom of Information requests made by Esso.

The Committee was advised that the Government has adopted a number of strategies aimed at minimising the risk of re-occurrence by diversifying the supply sources available to Victorian gas consumers. These include the construction of an underground gas storage facility near Port Campbell and the construction of a pipeline from the underground gas storage facility to the principle gas system which supplies gas throughout Victoria. In addition, diversity of gas supply is also available from the interconnect pipeline connecting the Victorian gas system to the NSW gas system.

(d) Relocation of certain functions of the State Revenue Office to Ballarat

The Committee notes that the Government intends to move certain functions of the State Revenue Office to the Ballarat Technology Park. The Department advised that all staff affected by the move have been sent an options letter requesting them to choose one of the following four options: 386

• move to Ballarat;
• Voluntary Departure Package;
• redeployment; or
• re-training and redeployment.

Relevant staff had until 31 October 2001 to advise the State Revenue Office of their choice. As the Government does not know the take-up rates for each option, the financial implications have yet to be calculated.

386 Ibid, p.11
15.7 Finance portfolio

15.7.1 Background

The Minister for Finance has sole or joint responsibility for five output groups within the Department. Exhibit 15.8 shows the outputs within these output groups under the responsibility of the Finance portfolio account for $128.9 million, or 53.9 per cent, of the Department’s 2001-2002 budget.

Exhibit 15.8: Finance portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Finance</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Budget Formulation Advice*</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>Economic, Regulatory, Environmental and Social Policy Advice*</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>Financial Management, Regulation and Compliance</td>
<td>2.9</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>Budget Development and Production*</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Financial Reporting and Control Portfolio Performance Review</td>
<td>7.0</td>
</tr>
<tr>
<td></td>
<td>Taxation compliance Services</td>
<td>3.5</td>
</tr>
<tr>
<td>Reform Services</td>
<td>Resource Management Reform</td>
<td>1.9</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>Economic Regulatory Services</td>
<td>20.6</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>Government Accommodation Services</td>
<td>38.7</td>
</tr>
<tr>
<td></td>
<td>Government Land and Property Services</td>
<td>5.8</td>
</tr>
<tr>
<td></td>
<td>Management of Motor Vehicle Leases</td>
<td>30.0</td>
</tr>
<tr>
<td></td>
<td>Procurement Services</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>128.9</strong></td>
</tr>
</tbody>
</table>

* Note: The Minister for Finance shares joint responsibility for these outputs with the Treasurer.
15.7.2 2001-2002 outlook for the portfolio

The key initiatives of the Finance portfolio in 2001-2002 include:

- $1 million for the implementation of a five year cyclical output review program to improve the alignment of departmental outputs with Government outcomes;
- $400,000 to investigate the possibility of a shared services model across the budget sector;
- $3 million for the refurbishment of 3 Treasury Place;
- $1 million for slate roof, stonework facade and plaster ceiling repairs to the Old Treasury Building; and
- $1.5 million for the implementation of a web-enabled integrated budget management system.

15.7.3 Analysis of the 2001-2002 Budget

The Committee's analysis of the Finance portfolio's 2001-2002 budget shows a $41.9 million or 20.2 per cent decrease over 2000-2001. The Department provided the following reasons for material variations:387

- the Reform Services output group decreased by $37.4 million (95.1 per cent) to $1.9 million in 2001-2002 due to the completion of the Superannuation Reform output, the transfer of funds associated with the Industry Branch to the Department of Natural Resources and Environment and the transfer of the Commercial Project Management output to the Strategic Policy Advice output group;
- the Regulatory Service output group increased by $9.6 million (34.2 per cent) to $37.9 million to provide for the establishment of the Essential Services Commission and full retail contestability in the electricity and gas industries; and

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387 Response by the Department of Treasury and Finance to the Committee’s 2001-2002 estimates questionnaire, pp. 21-22
• the Resource Management Services output group decreased by $15.9 million (16.8 per cent) due to the termination of the Victorian Accelerated Infrastructure Program building finance lease, with a new commercial operating lease negotiated for the Departments of Human Services and Justice.

15.7.4 Performance measures

The Committee's review of performance measures under the responsibility of the Finance portfolio shows they are adequate. However, the following issues were noted:

• a timeliness measure within the Regulatory Services output group Deadlines met for major projects, has a 2001-2002 target of 95 per cent, this is despite the fact that the 2000-2001 target and expected outcome was 99 per cent. The Committee believes that targets should provide incentives to improve service delivery or, in this instance, at least for the same level of service as previously; and

• a performance measure Increase use of whole-of-government Common Use Arrangements through wider application across public sector from base of $599 million in 1999-2000, under the Resource Management Services output group is confusing. The Committee believes this measure should be simplified with a corresponding note explaining the measure.

Accordingly, the Committee recommends that:

Recommendation 15.3:

The Department of Treasury and Finance review the performance measures relating to the Finance portfolio to ensure that current year targets provide for continued improvement in service delivery, where possible.
15.7.5 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 2001-2002.

(a) Implementation of Electronic Commerce for Procurement

In its 2000-2001 Budget Estimates Report, the Committee commented that the establishment of e-commerce was critical to the Government’s intention for procurement activities to occur via the internet, and ensure that isolation or the size of a business would not impede regional firms from tendering for contracts with Government. 388

The Government has adopted a number of measures aimed at the introduction of electronic commerce for procurement (EC4P), including: 389

- 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 regional 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 Minister stated that the pilot project conducted by the Department of Natural Resources and Environment has been completed and that the remaining Departments will be required to complete a similar project prior to the implementation of the EC4P process across departmental operations. 390 Currently, all Departments have submitted preliminary cases, with the

389 Ibid, p. 512
390 Hon. L. Kosky, MP, Minister for Finance, transcript of evidence, 7 August 2001, p. 421
Department of Infrastructure and Victoria Police commencing their pilot projects.

The Committee supports the EC4P initiative as a means of generating cost savings to the Government, and in providing improved access for regional businesses in tendering for Government contracts. However, it will be important that the implementation of the initiative is adequately promoted and monitored to ensure it is successful.

Accordingly, the Committee recommends that:

**Recommendation 15.4:**

> The Government promote regular consultation with business in regional areas to ensure that e-commerce infrastructure is appropriate and to identify areas where the Electronic Commerce for Procurement strategy can be improved.

(b) Essential Services Commission

The Essential Services Commission (ESC) will be established as an independent regulator of key Victorian utility services in order to provide better consumer protection and ensure the long-term viability of Victoria's utilities sector. Key services to be regulated include:

- electricity and gas distribution;
- certain ports and grain handling functions; and
- water and sewerage services.

The Minister advised that the responsibility for overseeing the operations of the ESC falls within the Finance portfolio subsequent to the legislation establishing the ESC passing through Parliament, which is the responsibility of the Treasurer.\(^391\)

\(^391\) Ibid, p. 407
(c) Five-year cyclical output review program

The Minister advised that one of the key initiatives of the Finance portfolio in 2001-2002 is the establishment of a five-year cyclical output review program. This program aims to enhance the alignment of departmental outputs with Government outcomes and to ensure the Government is obtaining value for money through its investment in programs.

In the first year of the program, the Government has commissioned 11 output evaluation and price reviews to assess:

- the effectiveness of the services provided in line with the Government’s objectives; and
- the appropriateness of the price paid for the outputs.

The Committee inquired as to whether the output reviews would also assess the adequacy of output performance information used to measure the effectiveness of service delivery. The Minister advised that the output reviews would not focus on that aspect. The Committee believes that the development of a comprehensive output based framework will not be complete until an assessment on the effectiveness of each output in delivering targeted outcomes can be made, in addition to the manner in which services are delivered.

The Committee supports the Government’s initiative in implementing the cyclical output review program. However, it will be important that high priority outputs are reviewed initially and that the adequacy of performance information forms an integral part of the review process.

Accordingly, the Committee recommends that:

**Recommendation 15.5:**

The Department of Treasury and Finance ensure:

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392 Ibid, p. 408
393 Ibid, p. 418
(a) output evaluations are commissioned using a set of pre-determined criteria to establish those outputs of highest priority; and

(b) the output evaluations be extended to assess the adequacy of performance information used to measure the effectiveness of the output in delivering outcomes to the community.

(d) Implementation of the Beneficiary Choice Program

The Minister advised that the Beneficiary Choice Program (BCP) was a large project undertaken by the Government Superannuation Office involving the mailing of information and offer kits to approximately 50,000 State Superannuation Fund (SSF) pensioners in February 2001 and 28,000 deferred beneficiaries in late March 2001.394

The BCP is designed to give SSF pensioners and deferred beneficiaries more options in arranging their finances for retirement by providing an opportunity for:

- SSF pensioners to convert their pensions into a lump sum; and
- deferred beneficiaries to convert their deferred benefit entitlement into an immediate lump sum to be rolled over into a complying fund of their choice.

The BCP is an entirely voluntary system with Victoria the first jurisdiction in Australia to allow former employees, who are yet to reach retirement age, the flexibility to transfer their defined benefit superannuation entitlements. However, the Minister was unable to provide details on the impact of the BCP on the State's unfunded superannuation liability given that around

394 Ibid, p. 408
7,500 pensioners were still considering their options under the second round of the program.

Presently there is confusion as to the standing of all university staff and their access to the BCP. The Minister stated the problem relates to the transfer of university staff who were previously under the Superannuation Scheme to the Commonwealth Government, and therefore superannuation is shared depending on the number of years of participation in the State scheme.395

The Committee believes it is important that the Government continue to make representations to the Commonwealth Government in order to form a joint position on the eligibility of staff at universities to access the BCP.

Accordingly the Committee recommends that:

**Recommendation 15.6:**

The Government hold discussions with the Commonwealth Government in order to form a joint position on the eligibility of staff at universities to access the Beneficiary Choice Program.

(e) Tabling of annual reports

A major issue with the application of the Financial Management Act 1994 (the Act) is the requirement for, and the ability of, Government Departments and agencies to present their annual reports to the Parliament within four months of the reporting date.

The Committee was informed that the Minister for Finance is responsible for the administration of the Act. Accordingly, the Minister has written to all portfolio Ministers reminding them:

- of their responsibility for timely tabling to Parliament of their portfolio entities’ annual reports; and

395 Ibid, p.410
396 Department of Treasury and Finance, information supplied on notice from estimates hearing dated 7 August 2001, p. 2
that it is essential that reporting entities comply with the reporting accountabilities set out in the Act.

The Department advised that portfolio Ministers have responded to these concerns and stated that the resolution of this issue is of the highest priority, and that Departments have developed procedures to minimise non-compliance of tabling requirements.397

The Committee is pleased to note the Minister’s actions in this matter. However, it will be important that compliance levels are monitored to ensure the issues have been addressed.

15.8 WorkCover portfolio

15.8.1 Background

The Minister for WorkCover has responsibility for the output Statutory Insurance Advice within the Strategic Policy Advice output group. This output accounts for $8.6 million (3.6 per cent) of the Department’s 2001-2002 budget.

15.8.2 2001-2002 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.

Accordingly, the Committee noted the following key objectives for 2001-2002:398

- the achievement of a fully funded position for WorkCover within an early timeframe;
- retention of WorkCover premiums below the national average;

397 Ibid
398 Presentation tabled by the Hon. B Cameron, MP, Minister for WorkCover, at the hearing on 2 August 2001
• reduction of workplace injuries and the cost impact to Victoria;
• responding to the National Competition Policy review of Victoria's workplace accident and transport accident compensation legislation; and
• reducing Victoria's road toll and road accident prevention.

15.8.3 Performance measures

The Committee's review of the performance measures in the Statutory Insurance Advice output shows the addition of four new measures in 2001-2002. However, the Committee believes the performance measures have a number of inadequacies, namely:

• there are high level measures relating to the conduct of reviews into major hazard regulation and the quarterly review of the VWA and the TAC with very basic and obvious numeric targets. There is no mention of any information contained within those reports such as the level of achievement of key performance targets;
• performance measures relating to a Service Provision Rating and reported satisfaction levels of trustee companies and cooperatives are not accompanied by a note explaining their meaning, or the methods used to measure performance; and
• a performance measure relating to key deliverables managed on time provides no indication of these key deliverables.

The Committee acknowledges that the output is related to the activities of the Department as distinct from the VWA and the TAC. However, measuring the achievement of Government objectives in these areas is paramount to a comprehensive output management framework.

Accordingly, the Committee recommends:
Recommendation 15.7:

The Department of Treasury and Finance undertake a review of the performance measures reported under the Statutory Insurance Advice output contained in the Budget Papers to ensure that they:

(a) align or reproduce key targets in the corporate and business plans of the Victorian WorkCover Authority and the Transport Accident Commission, consistent with information contained in their quarterly reports provided to the Department; and

(b) measure the financial position of the WorkCover and Transport Accident Commission schemes.

15.8.4 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 2001-2002.

(a) Funding position of the Victorian WorkCover Authority scheme

The Minister advised that the unfunded liability position of the Victorian WorkCover scheme had improved substantially in the six month period 31 December 2000 to 30 June 2001.399 Exhibit 15.9 shows the change in the unfunded liability position.

399 Hon. B. Cameron, MP, Minister for WorkCover, transcript of evidence, 2 August 2001, p. 294
Exhibit 15.9: Unfunded liability position of the Victorian WorkCover scheme to 30 June 2001

<table>
<thead>
<tr>
<th></th>
<th>30 June 2000 (a) ($ million)</th>
<th>31 December 2000 (b) ($ million)</th>
<th>30 June 2001 (b) ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Assets</td>
<td>4,411</td>
<td>4,458</td>
<td>4,824</td>
</tr>
<tr>
<td>Outstanding Claims</td>
<td>4,834</td>
<td>5,532</td>
<td>5,516</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported unfunded liability</td>
<td>423</td>
<td>1,074</td>
<td>692</td>
</tr>
</tbody>
</table>

Notes: 
(a) Sourced from the Victorian Auditor-General’s Report on Ministerial Portfolios, June 2001, p. 388;

(b) Compiled from correspondence, dated 5 September 2001, received from the Minister for WorkCover, p. 1

The Minister for WorkCover advised the Committee that there has been a $382 million reduction in the level of unfunded liability in the scheme in the second half of the year, which the Victorian WorkCover Authority attributed to improved management practices. The improved position has resulted from:

- the total net assets in the scheme increasing by $366 million over the six month period; and
- in the six month period (31 December 2000 to 30 June 2001), the outstanding claims liability position reducing by $16 million due to the implementation of more effective claims management practices such as the establishment of a common law unit and a more flexible approach to common law claims management.

The Minister informed the Committee that, for the first time in the history of the scheme, the financial position of the scheme has been improved through changes to management practices rather than through legislative change or a reduction of benefits.
(b) Claims management practices

The Committee was informed that the Victorian WorkCover Authority (VWA) released a strategy in 2000 which focussed on three areas including improved prevention, improved claims management and the revitalisation of the VWA.402

To implement the strategy, the VWA has taken the following action:

- established a separate health and safety business unit;
- implemented a Focus 100 program which targets organisations that represent the biggest risk to the VWA in terms of claims;
- established a $5 million safety development fund where the VWA co-invests with employers and unions to develop best practice in innovation and prevention;
- implemented more stringent compliance efforts where VWA inspectors have doubled the number of improvement notices issued to industry and in the number of prosecutions; and
- reviewed claims management practices to provide a stronger focus on more difficult claims.

(c) Dangerous goods in Victorian workplaces

The Committee was advised that any incident (including those involving dangerous goods) where there has been a workplace injury, an exposure to a hazard or a risk to public safety is required to be notified to the VWA.403 Accordingly, in 2000-2001, there were 3,170 project and response visits (costing $1,876,000) that specifically dealt with dangerous goods and resulted in the issue of 226 notices and directions.

402 Mr W Mountford, Chief Executive, Victorian WorkCover Authority, transcript of evidence, 2 August 2001, p. 299
403 Department of Treasury and Finance, information supplied on notice from estimates hearing dated 2 August 2001, p. 5
In 2001-2002, the Government has committed eight full-time specialist staff to the inspection of dangerous goods, with a budget of $1,707,000.

The Committee believes that the role of the VWA in the conduct of dangerous goods inspections is fundamental to public safety for workers, and for the community.

15.9 Gaming portfolio

15.9.1 Background

The Minister for Gaming has joint responsibility for two output groups within the Department. Exhibit 15.10 shows that the outputs within these output groups under the responsibility of the Gaming portfolio account for $18.9 million, or 7.9 per cent, of the Department’s 2001-2002 budget.

Exhibit 15.10: Gaming portfolio output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Minister for Gaming</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Gaming Policy Advice</td>
<td>1.6</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>Regulation of Gaming</td>
<td>17.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>18.9</td>
</tr>
</tbody>
</table>

The budget for the particular outputs under the responsibility of the Minister for Gaming has increased by 5 per cent from the $18 million budget in 2000-2001.

15.9.2 2001-2002 outlook for the portfolio

The Gaming portfolio has key responsibilities for the regulation of a major source of Government revenue, with gambling taxes expected to generate $1,374.1 million in 2001-2002. This represents 17.2 per cent of Victoria’s total taxation revenue.
A major activity of the Gaming Portfolio in 2001-2002 is the continued implementation of the Government’s Responsible Gambling Act 2000, in addition to:

- undertaking community and industry consultation, and conducting public hearings; and
- ongoing regulation of the gaming machine, casino, and minor gaming sectors and supervision of lottery draws.

### 15.9.3 Performance measures

The Committee’s analysis of the performance measures in Budget Paper No. 3 assessing the performance of the Gaming portfolio, reveals that two measures have been discontinued and one new measure introduced in the Gaming Policy Advice output.

In its report on the 2000-2001 Budget Estimates, the Committee stated that the performance measures used for activities in the Gaming portfolio were inadequate, particularly given the Government’s introduction of the responsible gambling legislation and its emphasis on problem gambling and fairness to players.404

The Committee remains of the view that performance measures should also reflect the achievement of key principles within the responsible gambling legislation, and the Government’s success in minimising problem gambling.

Accordingly, the Committee recommends that:

**Recommendation 15.8:**

The Department of Treasury and Finance:

(a) review current performance measures in terms of assessing the achievement of key principles within the Responsible Gambling legislation;

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(b) ensure performance measures are developed to determine the Government's success in minimising problem gambling; and

(c) ensure measures are developed that assess the achievement of objectives in research into the impact of gambling.

15.9.4 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 2001-2002.

(a) Public access to license application and variation hearings

One of the requirements of the Responsible Gambling Act 2000 is that decisions relating to license applications and applications for variations to existing licenses should be heard in public.

The Minister advised that a key objective of the legislation was to release more information into the public arena and that the holding of open hearings was a part of that process. Public hearings are to be held for all applications unless there are particular reasons of concern such as probity issues.

The Committee notes the initiative of allowing public access to these hearings as it results in increased transparency of the process.

(b) Independent Gambling Research Panel

The Minister advised that the funding for the Gambling Research Panel is allocated from the Community Support Fund, and

405 Hon. J Pandazopolous, MP, Minister for Gaming, transcript of evidence, 1 June 2001, p. 101
provides the research for all Government agencies involved in gambling policy issues.\footnote{406} The Panel's research also:

- contributes to regulation and policy aspects of the Government's responsible gambling policy agenda; and
- ensures there is a shift of research from the impact of gambling on the State's economic development towards the social impacts of gambling generally.

As a result of organisational changes within the VCGA, it no longer services the gambling research panel as the Department has now assumed this administrative responsibility. The Government believes that the separation of the policy advice and research function will enhance the independence of the bodies providing advice to the Minister.

The Committee notes the establishment of the Panel as a means of researching the social impacts of gambling on the community.

(c) National strategic framework on gambling

At its meeting on 3 November 2000, the Council of Australian Governments agreed to the establishment of the Ministerial Council on Gambling (MINCO) to assist with the development of a national strategic framework around prevention, early intervention and continuing support, building effective partnerships and national research and evaluation.

The Minister advised that MINCO also agreed to the development of a research program into the causes and prevention of problem gambling, in particular:\footnote{407}

- the feasibility and consequences of changes to gaming machine operation (loss limits, note acceptors, breaks in play, linked jackpots);
- a national approach to definitions of problem gambling and consistent data collection; and

\footnote{406}{Ibid, p. 96}
\footnote{407}{Ibid, p. 98}
• the best approaches to early intervention and prevention to avoid problem gambling.

The Committee notes the establishment of MINCO to adopt a national framework on problem gambling in addition to conducting research into causes and prevention of problem gambling.

(d) Gambling advertising regulations

The Minister advised the Committee that advertising regulations were introduced in April 2001 in order to encourage responsible gambling, and to impose restrictions on the content of advertising in relation to playing gaming machines.\textsuperscript{408}

The regulations impose the following:

• restrictions on the content of advertising such as showing minors playing machines or encouraging minors to play machines;

• advertising cannot be factually incorrect, misleading, deceptive or give false impressions about playing gaming machines; and

• advertising cannot suggest that winning a prize is a probable outcome or that it is likely to improve a person’s social status, attractiveness to others or financial position.

The VCGA, as the regulator of Gaming in the State, has responsibility to monitor advertising in accordance with the regulations.

The Committee supports the regulations as a mechanism to reduce the incidence of problem gambling. The Committee believes that the Victorian Casino and Gaming Authority should review the adequacy and success of the regulations after 12 months operation to ensure they are effective in minimising the incidence of false advertising.

\textsuperscript{408} Ibid, p. 102
Key Findings:

16.1 There has been no improvement in the performance measures used in the Budget Papers to indicate Members' satisfaction with the quality of services provided by the Parliamentary Departments.

16.2 Other revenue (administered) amounted to $14.4 million for 2001-2002. However, the Parliamentary Departments provided no explanation of its composition.

16.3 Late sittings of Parliament made it difficult to ensure that the workloads of all parliamentary staff were maintained at a manageable level.

16.4 Although the Department of the Legislative Assembly skills audit and training needs analysis was completed in May 2000, a professional development strategy has not yet been developed.

16.5 The Parliamentary Departments failed to secure funding in the 2001-2002 Budget to further develop their preferred electronic news service for Members.

16.6 As part of the restructure of the Joint Services Department, it is proposed to establish an electorate office unit, which will have the sole responsibility for providing services to the 132 electorate offices, including the handling of the leasing arrangements.

16.7 The present funding arrangements for parliamentary committees are unsatisfactory particularly in that they provide no certainty of funding for long-term inquiries.
16.1 Departmental overview

The Parliament consists of five Parliamentary Departments with each categorised as an output group in the 2001-2002 Budget Papers. The Presiding Officers have joint responsibility for the operations of the Parliament, 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 and Electorate Support Services output groups.

16.2 Output management framework

The Parliament’s output management framework is shown below:

Exhibit 16.1: Parliamentary Departments - Output Management Framework

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>13.3</td>
<td>11.8</td>
<td>11.9</td>
<td>- 10.9</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>23.1</td>
<td>20.2</td>
<td>21.1</td>
<td>- 8.4</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>1.7</td>
<td>1.7</td>
<td>1.8</td>
<td>5.3</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Parliamentary and</td>
<td>36.8</td>
<td>35.4</td>
<td>38.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Electorate Support Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>77.0</td>
<td>71.4</td>
<td>76.0</td>
<td>- 1.3</td>
</tr>
</tbody>
</table>

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, Table 2.9.1, p. 368

409 This exhibit does not include the budget allocation for the Victorian Auditor-General’s Office
As shown in Exhibit 16.1, the Department’s budget allocation for 2001-2002 was $76 million representing a $1 million or 1.3 per cent decrease from 2000-2001.

The Committee notes there have been no changes to the output management framework from 2000-2001, and the 2001-2002 budget of $76 million represents only a marginal reduction of funding allocated in 2000-2001. The Committee’s analysis of the budget allocation shows the Legislative Council and Legislative Assembly output groups decreased by 10.9 and 8.4 per cent respectively due to a reduction in Members’ superannuation payments as a result of actuarial variation of their contributions.410

16.3 Outlook for 2001-2002

The following outputs fall under the responsibility of the five parliamentary output groups in 2001-2002:

Exhibit 16.2: Parliamentary Departments output groups and output costs for 2001-2002

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Presiding Officers</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>Procedural support, document preparation and provision of information</td>
<td>11.9</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>Procedural support, document preparation and provision of information</td>
<td>21.1</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>Information Provision, Information Access, Research, Public Relations and Education</td>
<td>0.3</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>Hansard, Sessional Indexes and Committee transcripts</td>
<td>2.3</td>
</tr>
</tbody>
</table>

410 Parliamentary Departments response to the Committee’s 2001-2002 estimates questionnaire, p. 27
Exhibit 16.2 (continued)

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the Presiding Officers</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary and Electorate Support Services</td>
<td>Financial Management</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>Property Management</td>
<td>11.7</td>
</tr>
<tr>
<td></td>
<td>Ground and Facilities</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Personnel Services</td>
<td>5.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>76.0</strong></td>
</tr>
</tbody>
</table>

The major output and asset investment initiatives for 2001-2002 include the following:411

**Initiatives**

- Parliament information technology strategy ($500,000);
- Electorate office budgets and allowances ($400,000);
- additional accommodation for the Parliament of Victoria ($1,700,000);
- ongoing tenancy costs ($600,000); and
- motor vehicle lease costs ($400,000).

**Asset investment initiatives**

- improved Legislative Council office space ($300,000);
- Legislative Assembly chamber renovations ($800,000); and
- Parliament information technology strategy ($600,000).

**16.4 Performance measures**

The Committee was advised that the performance measures of the Parliamentary Departments are reviewed annually, and all measures have been retained for the 2001-2002 financial year.412

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412 Parliamentary Departments response to the Committee’s 2001-2002 estimates questionnaire, p. 11
In response to the Committee's recommendation that the Parliamentary Library review its performance measures as a result of new technology and information systems, the Committee was advised that a new performance measure relating to the timeliness of services delivered under the Parliamentary Debates output group has been introduced. The issue raised by the Committee about the Parliamentary Library has only partly been addressed.

The new measure has been included to better reflect the shift from paper based to electronic service delivery and to monitor the take-up rate (effectiveness) of those electronic services.

In its report on the 2000-2001 Budget Estimates, the Committee stated that the Parliamentary Department's key performance measures were primarily quantitative in nature with few qualitative measures developed to assess the quality of service delivery. The Committee also recommended that in view of the significant role played by Parliamentary Departments in servicing the needs of Members of Parliament, the Parliamentary Departments should:

- identify mechanisms that determine Members' satisfaction with the quality of services produced; and
- incorporate these measures into the Budget Papers for 2001-2002.

The Committee notes that there has been no change in the performance measures used in the Budget Papers to indicate Members' satisfaction with the quality of services provided by the Parliamentary Departments. Currently, the level of information is vague in that the indicator target is 'high'. However, this measure does not provide any indication of what is actually being measured or the proportion of Members it relates to.

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414 Parliamentary Departments response to the Committee's 2001-2002 estimates questionnaire, p. 11
415 Ibid
At the Committee hearing with the Parliamentary Departments, the Speaker of the Legislative Assembly stated: 417

... we are not happy with some of the key performance measures that are in place ... I am hoping that in this year we will critically self-examine some of the criteria against which we measure our performance within the department ... so that we are in a position to assess whether you, our customers, are satisfied...

In relation to the Legislative Council and Legislative Assembly output groups, and the need to develop more relevant performance measures of the quality of service delivery, the Committee suggests that the Parliamentary Departments:

- identify the key needs of Members of Parliament;
- identify the services currently provided by the Legislative Council and Legislative Assembly;
- in conjunction with Members, and other key users if relevant, identify the levels of service required, with particular reference to the quality of service provision;
- develop qualitative performance measures, expressed as targets, that reflect the quality of performance relative to the key services provided to Members (for example, a potential measure could relate the proportion of Members deriving benefit from accessing the Joint Services Department website); and
- ensure that data relating to these measures is reported in their annual reports.

Accordingly, the Committee reiterates the recommendation in its previous estimates report that:

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417 Hon. A Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 24 August 2001, p. 479
Recommendation 16.1:

The Parliamentary Departments:

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

(b) incorporate these measures into the Budget Papers for 2002-2003.

16.5 Financial analysis

The operating statement for the Parliament is shown as follows:

Exhibit 16.3: Parliamentary Departments - Operating Statement

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>97.9</td>
<td>93.7</td>
<td>98.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>99.1</td>
<td>93.7</td>
<td>98.5</td>
<td>-0.7</td>
</tr>
<tr>
<td>Operating Surplus/Deficit before revenue for increase in net assets</td>
<td>-1.2</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>3.9</td>
<td>1.5</td>
<td>4.6</td>
<td>16.8</td>
</tr>
<tr>
<td>Section 29 Receipts - Asset Sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating Surplus/Deficit</td>
<td>2.7</td>
<td>1.5</td>
<td>4.6</td>
<td>68.3</td>
</tr>
</tbody>
</table>

Administered Items

| Operating Revenue | - | - | - | - | - |
| Operating Expenses | - | - | - | - | - |
| Operating Surplus/Deficit | - | - | - | - | - |

Source: 2001-2002 Budget Paper No. 3, Budget Estimates, Table 2.9.2, p. 381
The Committee understands that the only material variation is expected to be revenue from net assets increasing by $0.7 million to $4.6 million.

The Committee’s analysis of ‘other revenue’ and ‘other expenses’ shows the following:

- financial performance is estimated to show an improvement from a deficit of $1.2 million in 2000-2001 to a balanced budget in 2001-2002. This is the result of a slight increase in operating revenue of $0.6 million in combination with a decrease in operating expenses of $0.6 million;
- there is no operating revenue classified as other revenue in the operating statement; and
- other revenue (administered) amounted to $14.4 million for 2001-2002. However, this is shown as a zero balance as this revenue is transferred to the Consolidated Fund. The Committee notes that the Parliamentary Departments provided no explanation of its composition.

Consistent with its finding in the report on the 2000-2001 Budget Estimates, the Committee again noted that operating revenue (administered) is made up entirely of the balance contained in the other revenue category.

Accordingly, the Committee reiterates its previous recommendation regarding administered revenues and expenses:

**Recommendation 16.2:**

The Parliamentary Departments review their current disclosures in the 2001-2002 Budget Papers with a view to improving information in the operating statement and the 2002-2003 Budget Papers.

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16.6 Human resources issues

The Parliament estimated it would have 429.82 Equivalent Full Time staff at 30 June 2001. This compares with 435.47 at 30 June 2000.

Exhibit 16.4: Parliamentary Departments - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2000</th>
<th>30 June 2001 (estimated)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electorate Officers</td>
<td>243.0</td>
<td>247.52</td>
<td>1.9</td>
</tr>
<tr>
<td>Legislative Council</td>
<td>20.6</td>
<td>19.0</td>
<td>-0.8</td>
</tr>
<tr>
<td>Council Committees</td>
<td>12.3</td>
<td>12.37</td>
<td>0.1</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>37.53</td>
<td>33.73</td>
<td>-10.1</td>
</tr>
<tr>
<td>Assembly Committees</td>
<td>20.2</td>
<td>18.4</td>
<td>-8.9</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>23.3</td>
<td>21.8</td>
<td>-6.4</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>23.8</td>
<td>21.0</td>
<td>-11.8</td>
</tr>
<tr>
<td>Parliamentary Services</td>
<td>54.74</td>
<td>56.0</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>435.47</strong></td>
<td><strong>429.82</strong></td>
<td><strong>-1.3</strong></td>
</tr>
</tbody>
</table>

Source: Parliamentary Departments response to the Committee’s 2001-2002 estimates questionnaire, p. 15

Exhibit 16.4 shows that overall there have not been any significant staffing variations.

16.6.1 Key staffing issues

The Parliamentary Departments stated that late sittings of Parliament made it difficult to ensure that the workloads of all staff are maintained at a manageable level.419 Accordingly, the Committee asked the Parliamentary Departments what strategies had been developed and implemented to address this problem.

The Committee was advised that to compensate for long sitting periods, management allows for the use of flexible rostering and time off in lieu. However, until Members adopt guidelines that do

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419 Ibid, p. 21
not allow for extended sitting hours or their expectations of services at those times are lowered, management cannot ensure the maintenance of manageable workloads.\textsuperscript{420}

The existence of an adequately resourced and skilled workforce within the Parliament is fundamental to the effective conduct of its legislative, financial and representational responsibilities.

The Committee also inquired about the shortage of any specific staff expertise currently faced by the Parliamentary Departments, 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 in information technology, particularly in experienced Lotus Notes and Oracle administration staff, and in upskilling electronic publishers in each Parliamentary Department.\textsuperscript{421}

The Committee was informed that in order to cover these shortfalls in skills and experience, each Parliamentary Department has implemented a number of measures including:\textsuperscript{422}

- participation in the graduate recruitment scheme, which provides the opportunity to recruit suitably qualified graduates;
- a formal study leave program whereby existing staff can gain tertiary qualifications or specialist credentials;
- a formal staff development program that draws on internal expertise and outside providers to extend the existing capabilities of staff; and
- a range of internal programs to enhance staff expertise.

In its report on the 2000-2001 Budget Estimates, the Committee recommended that the Parliamentary Departments incorporate the findings of the Legislative Assembly’s staff skills audit and

\textsuperscript{420} Ibid, pp. 21-22
\textsuperscript{421} Ibid, p. 22
\textsuperscript{422} Ibid
training needs analysis into a professional development strategy, and that similar reviews be considered for the other Parliamentary Departments.\textsuperscript{423}

The Committee was advised that the Legislative Assembly’s staff skills audit and training needs analysis was completed in May 2000. The main findings of the analysis included:

- the need to address the skill development of parliamentary staff through training courses, internal coaching, job rotation and more debriefing and communication sessions;
- the need for parliamentary staff to develop a customer service focus;
- the review of identified training needs to be included as part of their annual performance review process; and
- the need for job descriptions to include a stronger customer focus within all roles.\textsuperscript{424}

The Committee notes that the Parliament’s intranet site includes training options and courses for parliamentary staff to consider. However, at the time of preparing this report, the Legislative Assembly was yet to develop a professional development strategy.

Accordingly the Committee reiterates its recommendation from its Report on the 2000-2001 Budget Estimates that:

**Recommendation 16.3:**

\begin{itemize}
  \item[(a)] The Department of the Legislative Assembly incorporate the findings of the skills audit and training needs analysis into a professional development strategy;
\end{itemize}


\textsuperscript{424} Morgan Management Services, Training Needs Analysis and Skills Review, May 2000
(b) A skills audit and training needs analysis be considered by the other Parliamentary Departments; and

(c) The Parliamentary Departments develop a professional development strategy with high level objectives for their staff and the professional development activities necessary to achieve these objectives.

16.7 Key issues impacting on the Parliamentary Departments

Through the Parliamentary Departments’ response to the Committee’s questionnaire and the estimates hearing, the Committee was advised that the key issue with parliamentary departmental budgets for 2001-2002 is that there is no nexus between strategic issues and the funding of outputs.

16.7.1 Electronic news service

In its report on the 2000-2001 Budget Estimates, the Committee reported that the Parliamentary Library was allocated $100,000 during 1999-2000 to initiate an electronic news distribution service to Members. This service had been developed to a concept stage. However, there was no allocation in the 2000-2001 budget for Information Technology and, as a result, the service could not be further developed.425

The Speaker of the Legislative Assembly advised the Committee that the Department of Treasury and Finance rejected the Parliamentary Departments’ $7 million information technology submission, which incorporated funding for the electronic news service, as part of its consideration of the 2001-2002 budget. The Speaker advised that Treasury did not consider that the

425 Ibid, p. 569
Parliamentary Departments’ information technology submission represented a coherent strategy.426

As an interim arrangement, pending the completion of the Information Technology Strategy Review, the Parliamentary Librarian advised the Committee that a service will be purchased from AAP, which will give Members access to the daily media. This is considerably less than the full electronic media coverage that is envisaged under the electronic news service proposal.427

16.7.2 Lease agreements for electorate offices

During the 2000-2001 estimates hearing, the Committee was informed that Members of Parliament did 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 occupants and the landlord.428

As part of the 2000-2001 review, the Committee recommended that the Department of Parliamentary Services develop a policy relating to information to be released to Members on leasing arrangements. The Committee has previously recommended that this information should at least include:429

- commencement and termination dates of the relevant lease;
- a summary of the general terms and conditions of the relevant lease;
- respective responsibilities of the landlord and the tenant; and
- an outline of any issues or restrictions which impact on the Member’s occupation of the premises.

426 Hon. A Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 24 August 2001, p. 478
427 Mr B Davidson, Parliamentary Librarian, transcript of evidence, 24 August 2001, p. 478
429 Ibid, p. 574
Mr Speaker advised the Committee that each Member will be provided with information about their leasing arrangements. However, the cost of the lease would not be included. In addition, and as part of the restructure of the Joint Services Department, an electorate office unit would be established that will have sole responsibility for providing services to the 132 electorate offices, including the handling of the leasing arrangements.430

16.7.3 Carry over of funding for parliamentary committee inquiries

In its report on the 2000-2001 Budget Estimates, the Committee stated 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 finalise inquiries commenced the previous financial year. During the 2000-2001 estimates hearing, 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.431

As this arrangement creates some uncertainty about the funding to undertake long-term inquiries, in its previous budget estimates report, the Committee recommended that the Presiding Officers pursue the adoption of a similar process to that applied to performance audits undertaken by the Auditor-General, which are funded from annual appropriations.432

At this year’s estimates hearing, the Speaker of the Legislative Assembly advised the Committee that no progress had been made on this matter.433

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430 Hon. A Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 24 August 2001, p. 475
432 Ibid, p. 572
433 Hon. A Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 24 August 2001, p. 485
The Committee notes that special appropriations are described as a standing authority for specific once-off or ongoing payments that need to be made independently of the Government’s annual budget priorities, which remain in force until amended or repealed by Parliament. The Budget Papers do not provide any detail as to the rationale for the funding of the operations of Parliamentary Committees by way of special appropriation.

The Committee is aware that the provisions of section 4T of the Parliamentary Committees Act 1968, which relate to the expenditure of Committees, state that any authorised expenditure incurred by or on behalf of a joint investigatory committee shall be payable directly from the Consolidated Fund.

Given that the operations of the statutory Parliamentary Committees are ongoing from Parliament to Parliament and form integral components of the Legislative Council and Legislative Assembly output groups, it appears contradictory to continue to fund these operations from special appropriations with no certainty of funding from year to year. The annual budget submissions from the Parliamentary Committees are consistent with Department of Treasury and Finance guidelines and are no different from other sub-output groups in the Parliamentary Departments, which are funded by way of annual appropriations.

Further, the conduct of Committee inquiries are similar to the conduct of performance audits undertaken by the Victorian Auditor-General’s Office and can cross over different budget periods. The funding arrangements for the Victorian Auditor-General’s Office, in relation to performance audits is agreed in terms of estimated cost of the audits irrespective of timeframes. 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 funding arrangements by way of annual appropriation would be appropriate and 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 a long-term outcome.

Accordingly, the Committee recommends that:

Recommendation 16.4:

The Presiding Officers submit a proposal to the Treasurer for the annual funding arrangements for the operations of Parliamentary Committees to be provided by annual appropriation, rather than by special appropriation.

16.7.4 Information Technology Strategy Review

PricewaterhouseCoopers has been commissioned to prepare an information management and information technology strategic plan. The principal purpose of this plan will be to develop information systems that will assist the Parliamentary Departments to achieve their strategic and operational objectives over the next three to five years.

The consultant’s report is expected in November 2001 and will be used to determine the basis of Parliament’s information technology funding submission to the Department of Treasury and Finance for inclusion in next year’s budget.

The Committee welcomes this development.
APPENDIX 1: 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:

Tuesday 13 November 2001

Chapter 4, page 98

Motion: That the first and second paragraphs be omitted.

Moved: Mr R Clark, MP Seconded: Hon. D Davis, MLC

The Committee divided on the motion.

Ayes: 3  Noes: 7

Mr R Clark  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.

Chapter 4, page 98

Amendments: (1) Page 98, first paragraph, fourth line, omit: (a) “essentially”; (b) “It is reasonable to expect” and substitute “It is expected”; and

(2) first paragraph, fifth line, omit “should”.

APPENDIX 1: EXTRACTS FROM THE MINUTES OF PROCEEDINGS

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Tuesday 13 November 2001

Chapter 4, page 98

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Mr R Clark  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.

Chapter 4, page 98

Amendments: (1) Page 98, first paragraph, fourth line, omit: (a) “essentially”; (b) “It is reasonable to expect” and substitute “It is expected”; and

(2) first paragraph, fifth line, omit “should”.

551
Moved: Hon. R Hallam, MLC  Seconded: Hon. T Theophanous, MLC

The Committee divided on the motion.

Ayes: 7  Noes: 3

Ms A Barker  Mr R Clark
Ms S Davies  Hon. D Davis
Hon. R Hallam  Hon. G Rich-Phillips
Mr T Holding
Mr P Loney
Mrs J Maddigan
Hon. T Theophanous

Motion agreed to.

Chapter 8, Recommendation 8.9

Amendment: Omit paragraph (b) and substitute:
(b) there is an appropriate accountability regime to support the continuation of the FReeZa program, including clarification of funding sources.

Moved: Hon. D Davis, MLC  Seconded: Mr R Clark, MP

The Committee divided on the motion.

Ayes: 3  Noes: 7

Mr R Clark  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.
Chapter 9, Key Finding 9.9, page 190

Amendment: First line, omit “current”.

Moved: Mrs J Maddigan, MP  Seconded: Ms A Barker, MP

The Committee divided on the motion.

Ayes: 7  Noes: 2

Ms A Barker  Mr R Clark
Ms S Davies  Hon. D Davis
Hon. R Hallam
Mr T Holding
Mr P Loney
Mrs J Maddigan
Hon. T Theophanous

Motion agreed to.

Wednesday, 14 November 2001

Chapter 14, page 455

Amendment: First paragraph, omit “commends” and substitute “notes”.

Moved: Hon. R Hallam, MLC  Seconded: Mr T Holding, MP

The Committee divided on the motion.

Ayes: 5  Noes: 3

Ms A Barker  Mr R Clark
Hon. R Hallam  Hon. D Davis
Mr T Holding  Hon. G Rich-Phillips
Mr P Loney
Mrs J Maddigan
Motion agreed to.

Chapter 15, page 475

Amendment: Fourth dot point, after “the”, insert “rate of” and omit “expected” and substitute “forecast”.

Moved: Hon. R Hallam, MLC  Seconded: Hon. T Theophanous, MLC

The Committee divided on the motion.

Ayes: 6  Noes: 3

Ms A Barker  Mr R Clark
Hon. R Hallam  Hon. D Davis
Mr T Holding  Hon. G Rich-Phillips
Mr P Loney
Mrs J Maddigan
Hon. T Theophanous

Motion agreed to.

Chapter 10, Department of Infrastructure, Local Government portfolio

Proposed new recommendation 10.9 (a):
The following new recommendation be inserted:
“The Minister for Local Government should more closely monitor the scale of rate increases and require greater explanation from those municipalities that set annual rates at a level significantly higher than the CPI.”

Moved: Hon. D Davis, MLC  Seconded: Mr R Clark, MP

Discussion ensued.

The Committee divided on the motion.
Ayes: 3
Mr R Clark
Hon. D Davis
Hon. G Rich-Phillips

Noes: 5
Ms A Barker
Hon. R Hallam
Mr T Holding
Mr P Loney
Mrs J Maddigan

Motion negatived.
# Appendix 2: Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABN</td>
<td>Australian Business Number</td>
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<tr>
<td>ACMI</td>
<td>Australian Centre of the Moving Image</td>
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<tr>
<td>AHCA</td>
<td>Australian Health Care Agreement</td>
</tr>
<tr>
<td>AMES</td>
<td>Adult Multicultural Education Services</td>
</tr>
<tr>
<td>ANTA</td>
<td>Australian National Training Authority Agreement</td>
</tr>
<tr>
<td>BCP</td>
<td>Beneficiary Choice Program</td>
</tr>
<tr>
<td>CAC</td>
<td>Capital Assets Charge</td>
</tr>
<tr>
<td>CAE</td>
<td>Centre for Adult Education</td>
</tr>
<tr>
<td>CAFW</td>
<td>Child, Adolescent and Family Worker</td>
</tr>
<tr>
<td>CAP</td>
<td>Coastal Action Plan</td>
</tr>
<tr>
<td>CFA</td>
<td>Country Fire Authority</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>CORE</td>
<td>Public Correctional Enterprise</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>CREDIT</td>
<td>Court Referral for Education and Drug Intervention Treatment</td>
</tr>
<tr>
<td>CSF</td>
<td>Community Support Fund</td>
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<tr>
<td>CSO</td>
<td>Community service organisation</td>
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<tr>
<td>EEVA</td>
<td>Energy Efficiency Victoria Authority</td>
</tr>
<tr>
<td>EC4P</td>
<td>Electronic Commerce for Procurement</td>
</tr>
<tr>
<td>EFT</td>
<td>Equivalent Full Time</td>
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</tbody>
</table>
### Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>EPA</td>
<td>Environment Protection Authority</td>
</tr>
<tr>
<td>ERC</td>
<td>Expenditure Review Committee</td>
</tr>
<tr>
<td>ESC</td>
<td>Essential Services Commission</td>
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<tr>
<td>ESD</td>
<td>Ecologically Sustainable Development</td>
</tr>
<tr>
<td>ETS</td>
<td>Embedded tax savings</td>
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<tr>
<td>GBEs</td>
<td>Government Business Enterprises</td>
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<tr>
<td>GFC</td>
<td>Government Finance Charge</td>
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<tr>
<td>GFS</td>
<td>Government Financial Statistics</td>
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<tr>
<td>GSP</td>
<td>Gross State Product</td>
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<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>HACC</td>
<td>Home and Community Care</td>
</tr>
<tr>
<td>ICC</td>
<td>Interim Capital Charge</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
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<td>IMC</td>
<td>Integrated Management Cycle</td>
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<td>IRV</td>
<td>Industrial Relations Victoria</td>
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<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LLEN</td>
<td>Local Learning and Employment Networks</td>
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<tr>
<td>MAC</td>
<td>Ministerial Advisory Committee</td>
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<tr>
<td>MCATSIA</td>
<td>Ministerial Council on Aboriginal and Torres Strait Islander Affairs</td>
</tr>
<tr>
<td>MDBC</td>
<td>Murray-Darling Basin Commission</td>
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<tr>
<td>MFESB</td>
<td>Melbourne Fire and Emergency Services Board</td>
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<tr>
<td>MHF</td>
<td>Major Hazard Facilities</td>
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<tr>
<td>MHSKY</td>
<td>Mental Health Services for Kids and Youth</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<td>MINCO</td>
<td>Ministerial Council on Gambling</td>
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<td>MRP</td>
<td>Management Reform Program</td>
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<td>NLIS</td>
<td>National Livestock Identification Scheme</td>
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<tr>
<td>OHS</td>
<td>Occupational Health and Safety</td>
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<tr>
<td>RIDF</td>
<td>Regional Infrastructure Development Fund</td>
</tr>
<tr>
<td>RVL</td>
<td>Racing Victoria Ltd.</td>
</tr>
<tr>
<td>SAAP</td>
<td>Supported Accommodation Assistance Program</td>
</tr>
<tr>
<td>SAC</td>
<td>Statement of Accounting Concepts</td>
</tr>
<tr>
<td>SDO</td>
<td>Service Delivery Outcome</td>
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<tr>
<td>SEAV</td>
<td>Sustainable Energy Authority Victoria</td>
</tr>
<tr>
<td>SET</td>
<td>Science Engineering and Technology</td>
</tr>
<tr>
<td>SSSF</td>
<td>State Superannuation Fund</td>
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<tr>
<td>STI</td>
<td>Science, Technology and Innovation</td>
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<tr>
<td>TAC</td>
<td>Transport Accident Commission</td>
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<tr>
<td>TAFE</td>
<td>Technical and Further Education</td>
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<tr>
<td>VCGA</td>
<td>Victorian Casino and Gaming Authority</td>
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<tr>
<td>VIPP</td>
<td>Victorian Industry Participation Policy</td>
</tr>
<tr>
<td>VMEC</td>
<td>Victorian Major Events Company</td>
</tr>
<tr>
<td>VWA</td>
<td>Victorian WorkCover Authority</td>
</tr>
</tbody>
</table>
APPENDIX 3: ESTIMATES QUESTIONNAIRE
2001-2002

1. Departmental Strategies

1.1 Please provide information on which Minister is responsible for each output within the Department.

1.2 Please provide details of what changes have occurred to the Department’s output group structure, and the outputs within, since the 2000-2001 Budget Papers.

1.3 Have these changes resulted from:
- changes in Government policy;
- internal departmental changes;
- other.

Please provide specific details of strategies introduced to accommodate these changes.

1.4 What progress was made in implementing the major initiatives identified in the 2000-2001 Budget Papers Nos. 2 and 3? Please provide your response in the following form:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Activities Undertaken</th>
<th>Progress against pre-determined performance indicators</th>
</tr>
</thead>
</table>

1.5 What contributions have these initiatives made in achieving Government and organisational outcomes for 2000-2001? When do you anticipate that such outcomes would be reported as part of the Budget Papers and/or annual reports?
2. **Departmental Output Performance**

2.1 Please provide details of the expected achievements against each performance measure/indicator for the 2000-2001 financial year, in comparison to the targets established for the year, and relating to each output/deliverable (as per Budget Paper No. 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>
<tbody>
<tr>
<td>Financial Management Services</td>
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<tr>
<td>Risk Management Services</td>
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<tr>
<td>Resource Management Services</td>
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<tr>
<td>Strategic Policy Advice</td>
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<tr>
<td>Regulatory Services</td>
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<tr>
<td>Taxation Management Services</td>
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<td>Privatisation Services</td>
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<tr>
<td>Reform Services</td>
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</tbody>
</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 the major (but not more than 7) strategic issues that have influenced the Department’s estimates for the 2001-2002 financial year. Please describe how the Department will address these issues in 2001-2002.
Appendices

(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 strategies have been adopted to ensure that departmental goals and objectives, contained in corporate and business plans, are linked to government objectives?

4.3 What arrangements are in place to ensure the performance measures established for the Department's outputs are clearly linked to the Key Government Objectives?

4.4 What new performance measures has the Department introduced to evaluate the efficiency and effectiveness of the delivery of outputs for the 2001-2002 financial year?

4.5 What performance measures have been discontinued or changed from 2000-2001 and why?

4.6 How is the Department developing and improving its capacity to collect, collate and use output and performance measurement information?

4.7 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.
4.8 How often is the Department measuring performance against established performance measures? Please provide details of the reporting process at the Deputy Secretary, Secretary and Ministerial level, including the regularity of performance reporting, the structure of performance reports and the latest available performance report showing year to date departmental performance against established performance targets.

4.9 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.

4.10 How useful have these benchmarks been in effecting internal change and improving outcomes?

4.11 Where benchmarks have not been developed, please outline the progress in identifying benchmarks and indicate when they will be available.

4.12 (a) What internal/external reviews were undertaken in 2000-2001 of departmental output groups?

(b) What action was taken as a result of these reviews?
5. Human Resources

5.1 Please provide details of Equivalent Full Time (EFT) staffing levels at 30 June 2000 (actual) and 30 June 2001 (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;
      (ii) 2000-2001; and
      (iii) estimated 2001-2002
   (d) breakdown by age and gender of the number of persons within each classification level, including trainees, for:
      (i) 1999-2000; and
      (ii) 2000-2001

Please use the following age categories:
* 15 - 19
* 20 - 24
* 25 - 29
* 30 - 34
* 35 - 39
* 40 - 44
* 45 - 49
* 50 - 54
* 55 - 59
* 60 - 64
* 65 +
5.4 What policies have been adopted by the department in relation to the use of contract staff and consultants as distinct from employing permanent staff? Please provide specific details.

5.5 Please provide a breakdown by output group or division of funds allocated for the employment of contract staff in 1999-2000 (actual), 2000-2001 (actual) and 2001-2002 (estimate) together with the number of contract staff used by output group/ division for these periods. Please provide reasons for the use of contract staff for each output group/ division.

5.6 Why has the Department used the current balance of contract / permanent staff? What have been the advantages and disadvantages?

5.7 What strategies have been developed by the Department to ensure the workloads of all staff are maintained at a manageable level?

5.8 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.

5.9 What strategies have been adopted by the department to overcome any shortfall in staff expertise?

5.10 What other significant human resource issues are impacting on the Department’s achievement of its business objectives?

6. Embedded Tax Savings

6.1 Please provide details of the analysis undertaken on the Department’s transactions to estimate embedded tax savings from 2000-2001.
6.2 What were the estimated embedded tax savings calculated from this analysis for 2000-2001, and was this level of savings achieved? Please provide details of the actual level of savings achieved.

6.3 In the event that the required level of embedded tax savings were not achieved, please provide details of the actual shortfall, the composition of the shortfall in terms of the exact areas where targets were not achieved and the reasons for the shortfall. Which areas of the Department's operations was funding reduced to compensate for the savings shortfall?

6.4 What were the major reasons for the shortfall in embedded tax savings in 2000-2001, where relevant, and has the Government reviewed the Department’s 2000-2001 experience? If so, what were the outcomes of this review?

6.5 What are the additional levels of savings required to be achieved by your Department in 2001-2002 over 2000-2001 and the forward estimates period? Please provide information for each year.

6.6 What are the major challenges to successfully meeting embedded tax savings targets in 2001-2002 and the forward estimates period?

7. Departmental Financial Performance

7.1 What is the estimated actual operating revenue and expenses for the 2000-2001 financial year in comparison to the amounts budgeted for the year (as per the Departmental operating statement of Budget Paper No. 3)?
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
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<tr>
<td>Revenue from State Government</td>
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<tr>
<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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<tr>
<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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<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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<tr>
<td><strong>Operating Surplus/Deficit before revenue for increase in net assets</strong></td>
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<tr>
<td>Revenue for increase in net assets</td>
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<tr>
<td>Section 29 Receipts - Asset Sales</td>
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<tr>
<td><strong>Operating Surplus/Deficit</strong></td>
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<tr>
<td>Administered Items</td>
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<tr>
<td><strong>Operating Revenue</strong></td>
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<tr>
<td>Revenue from State</td>
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<td>Government</td>
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<tr>
<td>Other Commonwealth Grants</td>
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<td>Other Revenue</td>
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<td><strong>Total</strong></td>
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<tr>
<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</td>
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<td>and services</td>
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<td>Depreciation</td>
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<td>Other expenses</td>
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<td><strong>Operating Surplus/Deficit</strong></td>
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- please provide a succinct explanation for each expected variation in excess of 10 per cent from the original budgeted amount;
### 7.2 Departmental Revenue

Please provide the following information:

<table>
<thead>
<tr>
<th>Revenue Item ($ million)</th>
<th>2000-2001 Estimate ($ million)</th>
<th>2001-2002 Estimate ($ million)</th>
<th>Variance (%)</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
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<td>Taxation</td>
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<td>Regulatory fees and fines</td>
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<td>Public authority income</td>
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<td>Grants</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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<tr>
<td>Fair value of assets received free of charge</td>
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<td>Other revenue</td>
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<tr>
<td><strong>Total Revenue</strong></td>
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</table>

(a) succinct explanations for all variances greater than 10 per cent between the 2000-2001 and 2001-2002 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.
7.3 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;

7.4 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;

7.5 Please provide an itemised breakdown of the balance contained in “Purchases of Supplies and Services” in the operating expenses category of the operating statement.

7.6 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.

7.7 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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<td><strong>Current assets</strong></td>
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<td>Cash and deposits</td>
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<td>Physical assets and other</td>
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<tr>
<td>Net assets</td>
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</tbody>
</table>

7.8 Please provide a succinct explanation for each expected variation between budget and estimated actual expenditure in excess of 10 per cent.

7.9 (a) Please provide a detailed breakup of the level of investments held by the department at 30 June 2000 and 30 April 2001;
(b) What are the Department’s investment policies and how have investment returns compared to targeted performance in 1999-2000 and 2000-2001 to date? Please provide detailed comparisons.

8. Departmental Asset Investment

Please provide a list of the asset investment projects identified in the 2000-2001 and 2001-2002 Budget Papers including:

8.1 details of the expected capital expenditure to 30 June 2001 in comparison with the amounts budgeted for each project;

8.2 a succinct explanation for each expected variation in excess of 10 per cent;

8.3 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 cost;

8.4 details of projects where the expected completion date has changed from the initial completion date. Please include the revised completion date;

8.5 (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.
8.6 Please provide the following information:

- details of the expected actual 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 2001 due to the Department recognising previously owned assets in the balance sheet for the first time (e.g. 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, sales or disposal) to asset balances during 2000-2001; and
- the Department’s policy for managing its capital assets charge?

8.7 Please outline the financial incentive for the Department to minimise its capital assets charge?

9. Departmental Strategies

Please provide the following information:

9.1 a copy of the Department’s corporate and business plans (draft copies where available) covering the 2001-2002 financial year

9.2 if these plans are not available, when will they be?

9.3 an overview of the key strategies to be used by the Department to achieve the major outputs/deliverables detailed in the 2001-2002 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.

9.4 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).

10. **Productivity Dividend**

10.1 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?

10.2 Please provide details on the impact of the Government’s annual 1.5 per cent imposed productivity charge for 2000-2001 and 2001-2002 in terms of:

• a breakdown by output group, if possible, or division where savings were identified to fund the charge; and
• the estimated dollar amount for each output group of such savings.

11. **Efficiency Dividend**

11.1 What process did the Department use to identify where budget savings will occur in 2001-2002 as a result of the efficiency dividend, and that there would be no adverse impact on service delivery?
11.2 Please provide details on the impact of the Government’s 1 per cent imposed efficiency dividend on supplies and consumables for 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 dollar amount for each output group.

12. Productivity Achievements

12.1 Please provide details of expected productivity gains (financial and operational), irrespective of the source, to be achieved during 2000-2001 and 2001-2002, and the expected impact on service delivery.

12.2 How have the productivity gains been reflected in the 2001-2002 Budget Estimates?


13.1 What services were delivered in partnership with the private and not-for-profit sectors for the first time in 2000-2001?

13.2 Please provide a list of projects in progress and/or planned to be delivered in partnership with the private sector including the cost of the project and the role to be played by the private sector?

13.3 What processes or controls have been established by the Department to ensure that there is an appropriate risk allocation in these arrangements?

13.4 Please provide details of the processes adopted by the Department (i.e. structural and operational changes) to implement the Partnerships Victoria Policy?
13.5 What level of funding has been allocated by the Department in 2000-2001 and 2001-2002 to implement this policy?

13.6 What have been/will be the major benefits to the Department from the implementation of this policy?

13.7 What are the key challenges facing the Department in the implementation of the Partnerships Victoria Policy?

14. Implementation of the Management Reform Program

14.1 The Management Reform Program’s initial objectives included:
   • to improve strategic alignment between Government outcomes and departmental activities (output);
   • to improve fiscal control;
   • to improve transparency and accountability;
   • to enhance efficiency.

   From your Department’s perspective, please detail the impacts, both positive and negative, that the MRP has made in each of these areas.

14.2 What improvements are considered necessary in the implementation of the management reform program?

15. E-Commerce

15.1 Please provide details on the use of E-Commerce in the Department’s operations, including the type of services using E-Commerce presently and services planned for the use of E-Commerce in the future.
15.2 What level of funding was/has been allocated to the development of systems etc. to facilitate the use of E-Commerce within the Department in 2000-2001 and 2001-2002?

15.3 What have been the benefits to the Department in utilising E-Commerce (both financial and operational) and what problems have been encountered?

15.4 What are the short/medium and long-term challenges facing the Department in effectively implementing E-Commerce into the Department’s operations and service delivery?

16. Asset Management

16.1 Please provide details of the Department’s asset management policies.

Contact Details

Department:...........................................................................................................

Contact Officer:......................................................................................................

Position:..................................................................................................................

Contact Numbers:  Telephone:..............................................

Fax:........................................................

Email:........................................................
APPENDIX 4: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE/SUBMISSIONS

Evidence

Portfolios: Premier and Multicultural Affairs
Department of Premier and Cabinet
25 May 2001

Hon. S Bracks, Premier; Mr T Moran, Secretary; and
Mr Y Blacher, Deputy Secretary, Governance, Resources and
Infrastructure, Department of Premier and Cabinet.

Hon. S Bracks, Minister for Multicultural Affairs; and
Mr T Moran, Secretary, Department of Premier and Cabinet.

Portfolio: Treasury and State and Regional Development
Department of Treasury and Finance and
Department of State and Regional Development
1 June 2001

Hon. J Brumby, Treasurer; Mr I Little, Secretary; Mr G Hehir,
Deputy Secretary, Budget and Financial Management; and
Mr P Goddard, Chief Financial Officer, Department of Treasury
and Finance.

Hon. J Brumby, Minister for State and Regional Development;
Ms D Goodin, Executive Director, Corporate Services; and
Mr D Hanna, Acting Head, Innovation and Policy Group,
Department of State and Regional Development.
Portfolio: Tourism, Major Projects and Gaming
Department of Treasury and Finance and
Department of State and Regional Development
1 June 2001

Hon. J Pandazopoulos, Minister for Tourism; Mr D Riley, Acting Chief Executive Officer, Tourism Victoria; and Ms D Goodin, Executive Director, Corporate Services, Department of State and Regional Development.

Hon. J Pandazopoulos, Minister for Major Projects; Mr I Hatfield, Acting Executive Director, Major Projects; and Ms D Goodin, Executive Director, Corporate Services, Department of State and Regional Development.

Hon. J Pandazopoulos, Minister for Gaming; Mr W Lahey, Director, Gaming and Betting and Director, Casino Surveillance, Victorian Casino and Gaming Authority; Mr R Geddes, Manager, Gaming Policy; and Mr D Bloomfield, Assistant Director, Economic Regulatory and Social Policy, Department of Treasury and Finance.

Portfolios: Youth Affairs and Sport and Recreation
Department of Education, Employment and Training and
Department of State and Regional Development
8 June 2001

Hon. J Madden, Minister for Youth Affairs; Ms J Fraser, Director of Youth Affairs, Office for Youth; and Ms K Cleave, Director, Office of Departmental Services, Department of Education, Employment and Training.

Hon. J Madden, Minister for Sport and Recreation; Mr N Edwards, Secretary, Department of State and Regional Development; and Mr R Kennedy, Executive Director, Sport and Recreation Victoria.

Portfolios: Arts and Education
Department of Premier and Cabinet and
Department of Education, Employment and Training
22 June 2001
Appendices

Hon. M Delahunty, Minister for the Arts; Mr T Moran, Secretary, Department of Premier and Cabinet; Mr D Carmody, Acting Director, Arts Victoria; and Ms M Katsonis, General Manager, Policy and Industry Development, Arts Victoria.

Hon. M Delahunty, Minister for Education; Mr S Hamilton, Secretary; and Mr M White, Director of Schools, Department of Education, Employment and Training.

**Portfolio: Community Services**
**Department of Human Services**
**22 June 2001**

Hon. C Campbell, Minister for Community Services; Ms P Faulkner, Secretary; Ms P White, Director, Community Care; Mr R Solly, Director, DisAbility Services; and Mr L Wallace, Director, Resources, Department of Human Services.

**Portfolios: Women’s Affairs and Environment and Conservation**
**Department of Premier and Cabinet and Department of Natural Resources and Environment**
**26 June 2001**

Hon. S Garbutt, Minister for Women’s Affairs; Mr T Moran, Secretary; Ms J Watt, Acting Director, Office of Women’s Policy, Department of Premier and Cabinet; and Ms R Barker, Chief of Staff to the Minister for Women’s Affairs.

Hon. S Garbutt, Minister for Environment and Conservation; Ms R Barker, Chief of Staff to the Minister for Environment and Conservation; Mr R Rawson, Acting Secretary; Mr T Healy, Deputy Secretary, Policy; 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; and Dr B Robinson, Chairman, Environment Protection Authority.
Portfolios: Planning and Health
Department of Infrastructure and
Department of Human Services
27 June 2001

Hon. J Thwaites, Minister for Planning; Mr R McDonald, Chief Financial Officer; Mr P Jerome, Executive Director, Planning, Heritage and Building Division; and Mr J Collins, Executive Director, Strategic Planning Division, Department of Infrastructure.

Hon. J Thwaites, Minister for Health; Ms P Faulkner, Secretary; Mr S Solomon, Director, Policy and Strategic Projects; Dr C Brook, Director, Acute Health; Ms A Jurjevic, Director, Aged Community and Mental Health; and Mr L Wallace, Director, Resources, Department of Human Services.

Portfolio: Industrial Relations
Department of State and Regional Development
19 July 2001

Hon. M Gould, Minister for Industrial Relations; Mr N Edwards, Secretary, Department of State and Regional Development; and Mr G Fary, Executive Director, Industrial Relations Victoria.

Portfolios: Ports and Energy and Resources
Department of Infrastructure and
Department of Natural Resources and Environment
25 July 2001

Hon. C Broad, Minister for Ports; Professor L Neilson, Secretary; and Mr R McDonald, Chief Financial Officer, Department of Infrastructure.

Hon. C Broad, Minister for Energy and Resources; Ms C Munro, Secretary; Mr T Healy, Deputy Secretary, Policy; and Mr R McLoughlin, Executive Director, Fisheries Division, Department of Natural Resources and Environment.
Portfolios: WorkCover and Local Government
Department of Treasury and Finance and
Department of Infrastructure
2 August 2001

Hon. R Cameron, Minister for Workcover; Mr G Hehir, Acting Secretary; and Mr B Rowse, Deputy Secretary, Economic and Financial Policy, Department of Treasury and Finance; Mr J MacKenzie, Chairman, Victorian WorkCover Authority and Transport Accident Commission; Mr W Mountford, Chief Executive, Victorian WorkCover Authority; and Mr S Grant, Managing Director, Transport Accident Commission.

Hon. R Cameron, Minister for Local Government; Mr R McDonald, Chief Financial Officer; and Ms P Digby, Executive Director, Local Government Division, Department of Infrastructure.

Portfolios: Consumer Affairs and Small Business
Department of Justice and
Department of State and Regional Development
2 August 2001

Hon. M Thomson, Minister for Consumer Affairs; Mr P Harmsworth, Secretary, Department of Justice; Ms B Steele, Director, Consumer and Business Affairs Victoria; and Mr D Fitzgerald, Assistant Director, Policy and Information, Department of Justice.

Hon. M Thomson, Minister for Small Business; Mr N Edwards, Secretary, and Mr D Seymour, Executive Director, Business Access, Department of State and Regional Development.

Portfolios: Racing, Manufacturing Industry and Attorney-General
Department of State and Regional Development and
Department of Justice
3 August 2001
Report on the 2001-2002 Budget Estimates

Hon. R Hulls, Minister for Racing; and Mr R Kennedy, Executive Director, Sport, Recreation and Racing, Department of State and Regional Development.

Hon. R Hulls, Minister for Manufacturing Industry; Mr D Seymour, Acting Head, Business Group; and Ms N Watkinson, Director, Office of Manufacturing, Department of State and Regional Development.

Hon. R Hulls, Attorney–General; Mr P Harmsworth, Secretary; and Ms E Eldridge, Deputy Secretary, Legal and Equity, Department of Justice.

Portfolios: Corrections and Police and Emergency Services
Department of Justice
3 August 2001

Hon. A Haermeyer, Minister for Corrections; Mr P Harmsworth, Secretary; Mr A Clayton, Deputy Secretary, Justice Operations, Department of Justice; and Ms P Armytage, Correctional Services Commissioner.

Hon. A Haermeyer, Minister for Police and Emergency Services; Mr P Harmsworth, Secretary; Mr A Clayton, Deputy Secretary, Justice Operations, Department of Justice; and Chief Commissioner C Nixon, Victoria Police.

Portfolios: Finance and Post Compulsory Education, Training and Employment
Department of Treasury and Finance and Department of Education, Employment and Training
7 August 2001

Hon. L Kosky, Minister for Finance; Mr G Hehir, Acting Secretary; Mr W Hodgson, Deputy Secretary, Commercial Policy and Projects Division; Mr B Rowse, Deputy Secretary, Economic and Financial Policy 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 S Hamilton, Secretary; and Ms M Sussex, Director, Office of Employment, Training and Tertiary Education, Department of Education, Employment and Training.

**Portfolios: Aged Care and Housing**
Department of Human Services
8 August 2001

Hon. B Pike, Minister for Aged Care; Ms P Faulkner, Secretary; Ms A Jurjevic, Director, Aged, Community and Mental Health; Dr C Brook, Director, Acute Health; Mr A Nippard, Assistant Director, Planning and Budget; and Ms J Herington, Assistant Director, Aged Care, Department of Human Services.

Hon. B Pike, Minister for Housing; Ms P. Faulkner, Secretary; Mr L Wallace, Director, Resources Division; and Ms J Westacott, Director, Office of Housing, Department of Human Services.

**Parliamentary Departments**
24 August 2001

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 Williams, Editor of Debates; Mr S Aird, Director, Corporate Services; and Mr G Spurr, Director, Infrastructure Services, Parliament of Victoria.

**Portfolio: Transport**
Department of Infrastructure
6 September 2001

Hon. P Batchelor, Minister for Transport; Mr J Collins, Executive Director, Strategic Planning; Mr R McDonald, Chief Finance Officer; Mr J Taylor, Director of Public Transport; and Ms G Moody, Deputy Executive Director, Rail Projects Group; Department of Infrastructure; Mr P Balfe, Acting Chief Executive,
VicRoads; and Mr A Smith, Acting Chief Executive, Melbourne City Link Authority.

**Portfolios: Aboriginal Affairs and Agriculture**  
**Department of Natural Resources and Environment**  
**12 September 2001**

Hon. K Hamilton, Minister for Aboriginal Affairs; Mr T Cahir, Executive Director, Aboriginal Affairs Victoria; and Mr D Seymour, Deputy Secretary, Services, Department of Natural Resources and Environment.

Hon. K Hamilton, Minister for Agriculture; Mr B Kefford, Executive Director, Agriculture Division; and Mr D Seymour, Deputy Secretary, Services, Department of Natural Resources and Environment.

**Submissions**

The following Departments and Agencies responded to the Committee’s annual estimates questionnaire:

- Department of Education, Employment and Training;
- Department of Human Services;
- Department of Infrastructure;
- Department of Justice;
- Department of Natural Resources and Environment;
- Department of Premier and Cabinet;
- Department of State and Regional Development;
- Department of Treasury and Finance;
- Environment Protection Authority; and
- Parliamentary Departments.

In addition, all Departments and the Presiding Officers of the Parliament subsequently provided further information at the request of the Committee.
APPENDIX 5: GOVERNMENT RESPONSE TO PAEC REPORT NO. 38 ON THE 2000-2001 BUDGET ESTIMATES

Response to Committee’s previous recommendations is attached.