PUBLIC ACCOUNTS
AND ESTIMATES COMMITTEE

FIFTY SECOND REPORT TO PARLIAMENT

REPORT ON THE 2002–03
BUDGET ESTIMATES

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
MEMBERSHIP1 - 55TH PARLIAMENT

Hon. C Campbell, MP (Chair) *
Hon. B Forwood, MLC (Deputy Chair) *
Hon. B Baxter, MLC *
Mr R Clark, MP
Mr L Donnellan, MP *
Ms D Green, MP *
Mr J Merlino, MP *
Hon. G Rich-Phillips, MLC
Ms G Romanes, MLC *

* These Members were appointed to the Public Accounts and Estimates Committee on 27 March 2003 and took no active part in the Inquiry, which was conducted during the 54th Parliament.

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1 During March 2003, the Parliamentary Committees Act 1968 was amended to provide for the Public Accounts and Estimates Committee to have 9 members
Public Accounts and Estimates Committee
Membership - 54th Parliament

The Members of the Public Accounts and Estimates Committee during the term of this Inquiry were:

Mr P Loney, MP (Chairman)
Hon. R Hallam, MLC (Deputy Chairman)
Ms A Barker, MP
Mr R Clark, MP
Ms S Davies, MP
Hon. D Davis, MLC
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 C Theodoratos
Dr C Williams
Consultant: Mr T Wood
Office Manager: Mrs J Bayley
**DUTIES OF THE COMMITTEE**

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

As a result of recent amendments to the Parliamentary Committees Act the Committee now comprises nine Members of Parliament drawn from both Houses of Parliament and all political parties.

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; and

(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.

---

2 During the 54th Parliament the Committee comprised 10 members of Parliament drawn from both Houses of Parliament and all political parties and included an Independent Member.
| **Glossary** |
|------------------|-----------------------------------------------|
| **Accrual Accounting** | Recognition of revenue, expenses, assets, liabilities and equity when a transaction occurs, irrespective of the timing of the related cash flow. |
| **Accrual output-based budgeting** | 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. The total amount of appropriations authorised by Parliament is determined on an accrual basis to meet the cost of the outputs required by the Government to achieve its desired outcomes. |
| **Additions to the net asset base** | An appropriation which provides authority to increase the net capital base of a Department’s statement of financial position. |
| **Annual appropriation** | 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. |
| **Annual financial statements** | Comprises operating statement, statement of financial position and statement of cash flows for a given financial year. |
| **Assets** | Service potential or future economic benefits controlled by an entity (eg. a Department) as a result of past transactions or other past events. |
Assets may be physical (eg. plant, equipment or buildings) or non-physical (eg. financial investments). Assets may also be current (having a store of service potential which is consumed in one year or less) or non-current (having a store of service potential that is consumed over a period of more than one year).

**Budget sector**

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

**Budget sector debt portfolio**

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

**Capital asset charge**

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

**Capitalisation**

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

**Cash-based budgeting**

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

**Cash flow statement**

A statement that provides information on the cash inflows and outflows as they relate to operating, investing and financing activities.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth grants</td>
<td>Includes general revenue from the Commonwealth Government for the purpose of aiding in the financing of the current operations of the recipient; in addition to monies received for specific purposes (when the Commonwealth wishes to have some involvement in the direction of the expenditure). Grants are also received for on-passing to third parties (eg. to non-government schools), where the State has no discretion as to their allocation.</td>
</tr>
<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>
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<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 particular goods or services to a particular market for a defined period. Franchising is often seen as a way of introducing competition into an industry that may otherwise be seen as a monopoly.</td>
</tr>
<tr>
<td>General purpose payments</td>
<td>Grants made by the Commonwealth Government to State Governments to be passed to third parties, such as non-government schools.</td>
</tr>
<tr>
<td>Goods and services tax (GST) grant</td>
<td>GST revenue collected by the Commonwealth and distributed to the States and Territories on the basis of horizontal fiscal equalisation principles.</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 has provided GST transitional payments to the States and Territories. This is 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><strong>Government finance statistics</strong></td>
<td>The economic framework implemented by the Australian Bureau of Statistics for the presentation of public sector financial statements. As from 1999-2000, these are on an accruals basis, similar in presentation to the accounting statements although the underlying concepts are different.</td>
</tr>
<tr>
<td><strong>Gross state product</strong></td>
<td>The total market value of goods and services produced in a State after deducting the cost of goods and services used in the production process, but before deducting the consumption of fixed capital.</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>Liabilities comprise future payments that an entity is currently obliged to make to other entities as a result of past transactions or other past events. Liabilities are thus a broader concept than debt. They also include obligations which do not have a predetermined repayment schedule, and those which do not require payments of interest - such as unfunded liabilities of superannuation funds, liabilities in respect of other employee entitlements (long-service and annual leave), trade creditors, and provisions for deferred maintenance.</td>
</tr>
<tr>
<td><strong>Management Reform Program</strong></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>Term</td>
<td>Definition</td>
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<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 user's 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’ (e.g., the water and ports authorities).</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>All liabilities other than current liabilities. They are usually obligations that do not require payment within one year of the reporting date.</td>
</tr>
<tr>
<td>Non-current physical assets</td>
<td>Durable goods intended to be employed in the production process for longer than a year. Excluded are current assets and non-reproducible tangible assets.</td>
</tr>
<tr>
<td>Outcomes</td>
<td>The Government’s intended impact on the community as a result of the funding of services. Outcomes establish both the rationale and foundation for the budget.</td>
</tr>
<tr>
<td>Output-based management</td>
<td>The process of planning for, and providing, products or services on behalf of Government, in return for the allocation of budgeted resources. Under output management, the Government sets its strategic priorities or intended outcomes, and then commissions Departments to deliver outputs that the Department determines will best achieve these outcomes.</td>
</tr>
<tr>
<td>Output costing</td>
<td>The process of determining on a full accrual basis all direct and indirect costs of producing an output in a period.</td>
</tr>
<tr>
<td>Glossary Term</td>
<td>Definition</td>
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</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>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><strong>Public sector</strong></td>
<td>Comprises general government sector entities, non-financial public corporations and public financial corporations that have government ownership and control.</td>
</tr>
<tr>
<td><strong>Sale of goods and services</strong></td>
<td>This represents revenue earned from the sale of goods or provision of services to external parties in the current period, whether received or receivable (e.g. supply of water, gas distribution, and public transport services).</td>
</tr>
<tr>
<td><strong>Service obligation</strong></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><strong>Special appropriation</strong></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><strong>Specific purpose payments</strong></td>
<td>Grants made by the Commonwealth to State and Territory governments subject to terms and conditions specified by the Commonwealth, generally to ensure that Commonwealth policy objectives (or national objectives agreed between the Commonwealth and the States) are met.</td>
</tr>
<tr>
<td><strong>Statement of cash flows</strong></td>
<td>A statement that provides information on the cash inflows and outflows as they relate to operating, investing and financing activities of an entity. The net cash flow is added to the opening balance to report the cash on hand at the end of the reporting period.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Supplies and consumables</td>
<td>This encompasses the day-to-day running costs incurred in the normal operations of government entities, but specifically excluding costs specified under separate headings included in the Statement of Financial Performance, viz. employee entitlements, superannuation, depreciation, amortisation, interest and other finance costs, grants and transfer payments and ‘other expenses’.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Unfunded liabilities</td>
<td>Liabilities that are accruing but for which no explicit provision has been made for payment.</td>
</tr>
<tr>
<td>Unfunded superannuation liabilities</td>
<td>The present value of future benefits, determined by actuarial assessment, that superannuation scheme’s members have accrued during past service which are not covered by fund assets. Unfunded superannuation liabilities arise when superannuation costs are not contributed as the members’ benefits accrue.</td>
</tr>
</tbody>
</table>
Chair’s Introduction

Information in this report is based on a review of the budget estimates for 2002-03 which was undertaken by the Public Accounts and Estimates Committee of the 54th Parliament.

The delay in presenting the report is due to the State election in November 2002 and the new Committee not being appointed until 27 March 2003. While some of the material in this report has been overtaken by policy developments, the incoming Committee is of the view that there are still a number of substantial issues raised in the report that warrant consideration by Government. Many of the Committee’s recommendations are intended to assist with improving:

- annual reporting;
- financial and performance information;
- governance processes; and
- monitoring of some key departmental activities.

As Chair of the Committee, I wish to pay tribute to the commitment and effectiveness of the former Public Accounts and Estimates Committee and, in particular, the previous Chairman Mr Peter Loney, MP for the work that they had undertaken in relation to this Inquiry. Many of the recommendations contained in this report are intended to add momentum to reforms previously promoted by that Committee.

On behalf of the Committee, I would like to express appreciation to Ministers and departmental officials for their attendance and co-operation in providing detailed written responses to the Committee’s questionnaire and supplementary questions. The Committee also wishes to record its appreciation for the work of the PAEC secretariat in assisting with the preparation of this report.

Hon. Christine Campbell, MP
Chair
EXECUTIVE SUMMARY

Chapter 1: Introduction

The Public Accounts and Estimates 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.

The Committee spent 54 hours in public hearings scrutinising the Budget Estimates for 2002-03. Public hearings were held with the Premier, each Minister and the Speaker of the Legislative Assembly between May and July 2002.

Since the conclusion of formally taking evidence for this Inquiry and the preparation of the draft report, there has been an election and amendments to the Parliamentary Committees Act and this has contributed to the delay in presenting this report to the Parliament. Although the draft report was prepared by September 2002, the dissolution of the Parliament on 5 November 2002 prevented the Public Accounts and Estimates Committee of the 54th Parliament from formally considering the report.

The recently appointed Public Accounts and Estimates Committee of the 55th Parliament has considered the draft report and notes that several policy changes have occurred that will impact on some of the information contained in this report.
However, as this report is an analysis of the Budget Estimates for 2002-03 and reflects the information provided in responses to the Committee’s questionnaire and evidence presented to the former Public Accounts and Estimates Committee during the period of May to September 2002, this Committee has not made substantial changes to the report.

The Committee has confined its comments to a comparison of the 2002-03 Budget Estimates with the initial and revised Budget Estimates for 2001-02.

**Chapter 2: Government response to Public Accounts and Estimates Committee Report No. 43**

Of the 95 recommendations contained in the Committee's report on the 2001-02 Budget Estimates, the Government's response indicated that 42 were accepted; nine were accepted in part; seventeen were accepted/agreed to in principle; nine were rejected; seventeen were a combination of responses; and one was considered not to be applicable.

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, annual reports and corporate and business plans of Departments. The Government’s response indicates that these matters are the responsibility of the Department of Treasury and Finance.

Of the Committee's 20 recommendations relating to these matters, the Government accepted nine in part/ in principle and rejected four. Four of the six accepted recommendations related to the Budget Papers but only one of these resulted in a change to the 2002-03 Budget Papers. One recommendation was considered not to be applicable.
The Government rejected the Committee's recommendations that:

- actual data be included in the Budget Papers for a set of consistent output and outcome information and performance indicators over two years;

- the Budget Papers include actual financial data for the two most recent periods for which actual data is available;

- officers of Department of Treasury and Finance appearing before the Committee, report on the appropriateness and application of key performance indicators across the Victorian Public Sector;

- the Government report on the level of embedded tax savings achieved by individual Departments against published estimates and provide explanations for any variations;

- the new annual reporting framework include a provision for information on the management of human resources; and a requirement to table in Parliament an explanation for any material errors in the prior year's annual report;

- Department of Treasury and Finance allocate resources to undertake a review of Agencies' annual reports (focusing on both legislative compliance and quality of the performance information disclosed) and issue a bulletin after each year's review giving feedback to Agencies on the problems and issues identified as well as providing guidance on best practice; and

- unnecessary duplication be avoided in preparing corporate and business plans of Agencies.

The Committee continues to be concerned that the Government's performance management and reporting framework is still not completed and, as a result, performance measures published in the Budget Papers are not to the required standard and capable of being audited.
Chapter 3: Review of the Budget Papers

The Government’s budget strategy and financial objectives have not changed since the previous budget. The Committee notes that the Government is continuing with medium-term to long-term strategies to improve quality and access particularly in education, health and community services, and in community safety and transport.

The 2001-02 Budget Papers initially forecast an operating surplus of $508 million. This estimate was subsequently upgraded to $765 million in May 2002 and then downgraded to $250 million in October 2002. The final result for 2001-02 was a surplus of $273 million. The downgrading of the surplus was attributed to a readjustment of State superannuation expenses due to the significant fall in Australian and international share markets in 2002.

Although the surplus for 2001-02 was substantially less than anticipated, the Government’s objective of maintaining an operating surplus of at least $100 million each financial year has still been achieved and the State’s triple-A long-term currency rating has been re-affirmed.

Despite an operating surplus in 2001-02, the meeting of emerging large commitments such as the unfunded superannuation liability, pensions for retiring public servants and the 2006 Commonwealth Games will have significant implications for future State Budgets.

The Committee noted that the largest liability of the Government, namely the unfunded superannuation liability, was projected to increase by at least $542 million at 30 June 2002 to $12.8 billion in 2002-03. The impact of the downturn in investment activities by the State Superannuation Fund was underestimated. As a result, the unfunded superannuation liability increased to $13.4 billion at 30 June 2002. The increase in the liability can largely be attributed to the very significant falls that have occurred in both domestic and international equity markets over recent years leading to substantial operating losses by the State Superannuation Fund.
Despite the downgrade of the operating surplus in 2001-02, the Government anticipates a surplus of $522 million in 2002-03. This surplus reflects a moderate increase of $275 million in estimated revenue, offset by an increase of $519 million in estimated operating expenses due largely to funding of new output initiatives.

At the time of the release of the 2002-03 Budget, Victorian economic growth for 2001-02 was estimated at 3.75 per cent, higher than the projected growth for that year of 2.75 per cent. Strong economic growth of 3.5 per cent has been forecast by the Government for 2002-03.

The net equity of the Budget Sector is further projected to increase by $1 billion in 2002-03. However, of this anticipated increase in net equity, approximately $738 million will be brought about by a re-valuation of assets during 2002-03.

As a result of the Government’s policy of investing cash surpluses from operations in financial assets, net debt is projected to fall from $4.9 billion (or 3.3 per cent of gross State product) in 1998-99 to $2.3 billion (or 1.0 per cent of gross State product) in 2005-06, provided no large Government borrowings are undertaken in forthcoming years.

The Committee noted that the value of assets under the control of the Government was expected to increase from the budget estimates of $43.8 billion at 30 June 2002 to $44.9 billion in 2002-03. The actual result for 2001-02 reflected total assets of $46.5 billion at 30 June 2002, predominately resulting from asset revaluations. The anticipated increase in total assets is mainly a reflection of the major infrastructure projects to be undertaken in the transport, health, education and justice sectors. A number of these projects will be undertaken under the Partnerships Victoria policy involving private sector investment in public infrastructure.

The Committee believes that accountability would be enhanced if the Budget Papers contained a reconciliation between the aggregate value of budget sector expenditure and net asset acquisitions detailed in the Estimated Financial Statements, with
the total financial resources appropriated to the Government under the authority of Parliament.

**Chapter 4: Implementation of Accrual Output Based Budgeting**

The adoption of accrual, output based budgeting was a key focus of the Management Reform Program introduced in Victoria in 1997. The Management Reform Program is a decision making framework designed to support the achievement of the Government’s key budgetary, economic, financial and management reform objectives.

The budgeting process relies on the Government defining what are the desired key outcomes to be achieved in fulfilling its policy objectives. In turn, outputs are identified within all Departments which collectively are intended to satisfy the outcomes identified by the Government.

The Committee endorses the concept of accrual, output based budgeting because, if properly implemented, it would bring about greater transparency and accountability, improve resource management and produce better budget information for decision making purposes by Parliament.

Progress within Victoria in effectively implementing accrual output based budgeting has been slow, notwithstanding several major achievements. The Committee is concerned that there is still a way to go before the output based budgeting framework is functioning as was intended.

The major area of concern to the Committee is the weaknesses in the accountability arrangements which were meant to focus on measuring and reporting the outcomes achieved by the Government.

Over the past few years the Committee has consistently provided many recommendations for improving performance management, annual reporting and the implementation of the accrual output based budgeting reforms. Although many of these recommendations were accepted by Government, there still
remains a need to better specify Government outcomes, identify appropriate outputs to achieve those outcomes and to develop appropriate performance measures and performance reporting standards in order that Parliament and the public can determine the achievements of Government.

The need for ongoing improvements to the performance reporting framework has been highlighted by the Auditor-General who has had the legislative power to audit performance measures since 1997, but has been unable to do so. The Auditor-General advised in November 2001 that although considerable progress had been made by the Government in implementing a revised performance reporting framework, the framework had not been sufficiently developed to the stage where the performance measures were suitable for auditing.

The Committee has since been advised by the Auditor-General that a methodology has been developed for auditing performance measures and it will be trialled in 2003-04 on several government Agencies.

The Committee considered that the Auditor-General, in conjunction with the Department of Treasury and Finance and the Australian Accounting Profession, needed to reach agreement on a best practice guide for output specification and performance measurement in the public sector, in order to set the standards against which outputs and performance measures can be developed and audited in future.

**Chapter 5: Department of Education and Training**

The Department of Education and Training has undergone significant changes in the last year with the employment function being transferred to the Department of Innovation, Industry and Regional Development and the Youth Services Program being transferred from the Department of Human Services.

The Department's budget allocation for 2002-03 was $5,861 million, an overall increase of $133.7 million from 2001-02. The main reasons for the increase were:
• growth in funding for the School Education output group of $133.7 million, which is mainly for primary, junior and senior secondary education;

• the receipt of FReeZA funding and the transfer of Youth Services Program to the Youth output group; and

• the allocation of costs to the Policy, Strategy, and Information Services output group that were previously allocated to other outputs.

The differences in the 2001-02 estimate ($6,107.6 million) and estimated actual revenues ($6,244.8 million) were mainly due to the finalisation of the 2001-04 Commonwealth/State government schools agreement and a reclassification of revenue raised by schools and TAFE institutes.

Some of the major issues that will impact on the Department’s Budget Estimates in 2002-03 include:

• an allocation of $10.8 million for additional teachers in years Prep-2 to meet enrolment growth pressures and ensure the Government meets its target of an average Prep-2 class size of 21 students per teacher;

• $9.2 million for the continued implementation of a literacy intervention program and a pilot for the Victorian Certificate of Applied Learning and $10.8 million to enable state-wide implementation of the Victorian Certificate of Applied Learning to all Victorian schools in 2003;

• $7.9 million for middle years reform and innovation (years 5-9) including the provision of grants to 250 educational clusters of primary and secondary schools across Victoria to reform middle school curriculum and education structures;

• the appointment of 300 additional teachers, at a cost of $11.4 million, to facilitate teacher release and flexibility in order to improve student literacy and numeracy,
participation and retention, and improved VCE performance in targeted schools; and

- $61 million for the modernisation of 98 schools across Victoria, which includes $52.1 million from the Growing Victoria Infrastructure Reserve.

The Department indicated that primary and secondary schools are experiencing difficulties in recruiting teachers in several subject areas including languages other than English and physical education. The Minister for Education Services confirmed that there were also some difficulties in recruiting teachers in areas such as western Victoria, parts of Gippsland and Melbourne’s urban fringe.

The Committee found the Department’s performance measures to be comprehensive. However, it is difficult to follow the performance measures and targets of the employment portfolio that has been transferred between Departments.

The Government has a target of reducing the average class size in years Prep to Year 2 to 21 students. The Committee was advised that some schools do not have the physical capacity on their sites for extra classrooms or portables to allow the target to be met.

The 2002-03 Budget provides funding of $3.6 million, over four years, for the appointment of 15 additional Koori educators and six Koori home school liaison officers. The Minister for Education and Training advised that many parents of Koori students in schools did not have positive experiences of school. The Committee welcomes the initiative to improve the education outcomes of Koori students.

The Committee was concerned to learn that only 80 per cent of non-government schools have introduced drug strategy programs and that 136 non-government schools have not participated in the Government’s drug prevention education initiative. The Minister for Education and Training advised that non-government schools are autonomous and therefore make decisions independently about their teaching programs.
The Committee was advised that the FReeZA program aims to provide opportunities for young people to develop skills and training, and create employment opportunities in music and entertainment related industries. The Committee endorses the program as an important contribution to youth development and welcomes the $8 million allocated to the program over four years.

Chapter 6: Department of Human Services

The Department of Human Services’ budget allocation in 2002-03 was $8,538 million, a $604 million increase from its 2001-02 allocation. The increased allocation is attributed to cost increases, particularly salaries and wages, and the implementation of new initiatives for health services, including those arising from an ageing population.

The most significant increase to the Department’s output funding is in Acute Health Services, by $337 million (8.2 per cent). Other significant increases include the:

- Mental Health output, by $61.2 million (11.6 per cent);
- DisAbility Services output by $55.9 million (7.9 per cent);
- Community Care output allocation, which will grow by $43.5 million (8.2 per cent);
- Aged and Home Care output allocation, by $42.9 million (6.7 per cent); and
- Ambulance Services output, by $23.6 million (10.5 per cent).

The 2002-03 Budget also provides additional funding to meet the increasing demand for health and social support services as a result of population growth, ageing and other factors.

Under the Health portfolio, $79.8 million has been allocated for asset investment initiatives and $319.1 million to implement new
service initiatives. Some of the key service delivery initiatives for 2002-03 include:

- continuation of the Hospital Demand Strategy through the creation of extra capacity to treat more emergency and elective patients, improve patient management processes and prevent the avoidable use of hospital beds through the provision of more community and home-based services;

- addressing pressure on ambulance response times by allocating additional resources to areas of high demand;

- redeveloping ageing and outdated facilities, such as rural health and residential aged care facilities, and undertaking a number of hospital redevelopments to expand services;

- expanding opportunities for people with disabilities to remain living in the local community or in a family environment;

- reducing the demand for statutory child protection and placement services by improving the availability and capacity of prevention, diversion and support services;

- acquiring and constructing public and community housing, including acquisition of 1,300 long-term housing properties ($210 million);

- improving public rental and community managed properties ($170 million); and

- expanding support for services that assist senior Victorians to maintain active lives, such as home help, delivered meals and respite for carers.

At the estimates hearing, the Committee was advised that the Department of Human Services periodically experiences difficulties in attracting experienced child protection workers, nurses and experienced direct care workers. It has undertaken a range of strategies, including developing a departmental Human Resource Plan, to assist in identifying staffing levels, competencies and recruitment and retention strategies needed for the future.
The Department of Human Services introduced a range of new performance measures during the year. The Committee's review of the performance information contained in the Budget Papers highlighted that there were a number of key areas within the Health portfolio that still do not have adequate performance measures.

The Hospital Demand Management Strategy, which seeks to divert demand from public hospitals as well as increasing the capacity of public hospital emergency departments, is achieving some success. However, there are a range of factors, including Victoria's shortage of around 5,000 residential aged care beds, which are severely restricting the success of the program and are contributing to the increasing demand for public hospital services.

The Committee was informed that the incidence of ambulances needing to bypass the nearest available hospitals has decreased, but further improvements are largely dependent on the ongoing effectiveness of the Hospital Demand Strategy.

The Committee is pleased that the Government has committed a further $60 million over four years in order to improve child protection and placement services. The Committee believes this additional funding is critical, given that notifications of suspected child abuse, especially in rural regions, have risen by 17 per cent over the 5-year period to June 2002. A major concern is that 61 per cent of notifications of suspected child abuse are re-notifications, thereby placing pressure on the Department of Human Services to implement strategies, including better access to family support services, to reverse this trend.

Although there has been a substantial increase in funding of $195 million to DisAbility Services over the past three years, demand for shared supported accommodation and other programs has continued to increase beyond the capacity of the Department of Human Services to fully satisfy all needs. In response, a new demand strategy is under development.

The Committee was informed that the demand for juvenile justice beds continues to rise as a result of the increased length of custodial sentences and an increased incidence of serious offences.
Strong emphasis is being placed by the Department of Human Services on diversion, rehabilitation and post-release programs to reduce the incidence of re-offending by juvenile justice clients.

The Minister for Community Services acknowledged there are problems associated with the recruitment and retention of foster carers for children needing out of home care. The Government has given a commitment to examine the levels of reimbursement available to foster carers and the support services they require.

In February 2002 the Government released its Victorian Homelessness Strategy Report and during 2002-03 intends to commence implementing the major recommendations arising from the report, including increasing the number of crisis and transitional housing properties to at least 3,500 units, which will assist an estimated 16,500 households.

The Committee noted that although there was a strong emphasis in the 2002-03 Budget on improving and upgrading existing amenities for public housing tenants, there still remained a large backlog of $129 million in accrued maintenance.

Although the Senior Victorians ministerial portfolio was only established in February 2002, a range of initiatives to assist Senior Victorians have been identified for implementation in 2002-03.

Chapter 7: Department of Infrastructure

The Department’s budget allocation for 2002-03 was $2,678.8 million, an increase of $156.7 million in comparison with the budget allocation for 2001-02. The increase in funding is attributed to:

- $36 million associated with the Supporting Local Government output group;
- the Regional and Rural and Transport Services output group receiving an additional $6.7 million for country bus services output and $11.1 million for school bus services output;
- $14 million increase in the Regional and Rural Transport Infrastructure output;
• an increase of $96.9 million in the Metropolitan Transport Services output group, consisting of additional funding provided under the public transport franchise agreements for metropolitan train services, an additional $13.8 million and $28 million for metropolitan tram and bus services; and

• the Transport Safety and Accessibility output group increased by $31.3 million.

Funding provided in the 2002-03 Budget for the output groups under sole or joint responsibility of the Minister for Ports was $43.2 million, an increase of $6.6 million (or 15.3 per cent) from the 2001-02 allocation.

The Department’s estimated actual revenue for 2001-02 was $2,741.3 million, $111.1 million above the 2001-02 estimate. This variation was due to an increase in output appropriations of $280.4 million, which reflected the revised treatment of Commonwealth revenue raised by the Department then appropriated. However Commonwealth grants were reduced by $245 million to reflect this revised treatment. The Department’s estimate of expenses from ordinary activities for 2001-02 was $2,522.2 million and estimated actual expenses for 2001-02 was $2,672.0 million. The main variation was a $42.7 million increase in employee entitlements, which was attributable to a revision of VicRoads’ superannuation liability.

Some of the major issues that will impact on the budget estimates and the Department in 2002-03 include:

• a $700 million public/private partnership to redevelop the Spencer Street Station precinct;

• the extension of the electrified metropolitan rail service from Broadmeadows to Craigieburn;

• implementation of Scoresby Integrated Transport Corridor initiatives, which has $73.4 million allocated to it in the 2002-03 Budget;
funding of $21.5 million provided to commence construction of a 21-kilometre divided highway on the Calder Highway upgrade between Kyneton and Faraday;

- the ongoing implementation of Best-Value Principles;
- economic and technical aspects of deepening shipping channels into the Port of Melbourne;
- project planning for the Melbourne 2006 Commonwealth Games Athletes’ Village;
- undertaking a second stage refurbishment of the Melbourne Sports and Aquatic Centre. This $53 million refurbishment is currently in the design process; and
- the Royal Melbourne Agricultural Showgrounds redevelopment at an estimated cost of $101 million.

The Department estimated it will have 710.1 Equivalent Full Time staff at 30 June 2001, compared with 633.4 at 30 June 2000. This reduction in staffing is mainly in the organisational development, planning heritage and building divisions and the Office of the Director of Public Transport.

The Minister for Transport advised the Committee that a settlement was negotiated between the Government and Onelink, with Onelink receiving up to $65 million in settlement of its claims, payable in three stages, subject to achieving certain performance milestones. Under the new arrangements, Onelink will receive payments for assuming the responsibility for the management of vandalism of machines and may receive bonuses for higher levels of operational performance, and incur penalties for under performance.

In July 2002, the Premier announced a $700 million public/private partnership to redevelop the Spencer Street Station precinct. The developer will construct a new transport interchange and associated track and signalling works, worth $350 million. The consortium will also maintain and operate the new railway station for the next 30 years at a total cost of approximately $100 million. The transport interchange will be paid for by the financing
arrangement over 30 years at around $34 million per annum, which equates to a net present value cost to the State of $300 million.

In February 2002, the Government and the transport franchise operators reached an interim agreement regarding the delivery of services under Victoria's privatised public transport system. Contractual claims and disputes were settled and a one-off payment of $27 million was made that was tied to future agreement with the operators on business recovery proposals.

The road safety strategy "arrive alive!" is the Government's five-year plan to reduce deaths and injuries on Victoria's roads by 20 per cent. The strategy addresses 17 key road safety issues, including road design, speeding, drink driving, fatigue and vehicle safety. The Committee was concerned to learn that statistics indicate that the metropolitan and country road tolls have both increased in total, as have the number of road fatalities where the blood alcohol concentration has been over 0.05.

At the estimates hearing the Committee raised with the Minister for Transport various traffic and roads issues related to the Calder-Tullamarine freeway interchange and the implications of Commonwealth funding of the Calder Highway upgrade between Kyneton and Faraday.

The Government has recently released its Metropolitan Strategy, which is a 30-year plan to manage urban growth.

The Minister advised the Committee that under its continuous improvement program, which was established as a joint initiative between the Department and the Municipal Association of Victoria, three projects have been implemented to improve the performance of the planning system. These projects relate to improving the timeliness, cost-effectiveness and quality of decision making in relation to permit planning applications and the provision of education and training for municipal planners. The Committee found that the pre-application certification pilot undertaken at the councils of Glen Eira and the City of Greater Bendigo improved the timeliness of decision making about
applications, and contributed to better outcomes and was cost effective.

In relation to library funding, the Committee noted that the State provides significant funding for libraries, including recurrent and capital funding, through the Living Libraries program. The Committee found that this information is fragmented and difficult to obtain.

In relation to the Committee’s previous recommendations that local government performance measures be reviewed, the Committee considers it unacceptable that the Department of Infrastructure would put off the task of reviewing its performance measures for another two years until measures are developed by the Local Government Best Value Commission.

The Committee found that council annual reports were again an issue and encourages the synchronisation of local government planning and budget documents by formalising the linkages between councils’ corporate plans, annual plans, budget documents and annual reports. The Committee also found that the qualification of local government financial and performance statements is an ongoing issue for the Department, as was the compliance by councils with the tabling of annual reports with the three-month statutory tabling requirement.

In the Ports portfolio, the channel deepening proposal for the Port of Melbourne has a long lead time that could be from two to three and half years. This significant piece of infrastructure planning raised a number of issues for the Department as it involved complex commercial, technical and management considerations.

The Federation Square project was again an issue and the Committee sought clarification regarding the Auditor-General’s estimated completion cost for the project and the inclusion of fit-out costs in the construction cost.

In relation to the redevelopment of the Royal Melbourne Showgrounds, the Committee examined various financing issues and also noted the Department’s efforts to attract private investment for the redevelopment.
Chapter 8: Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development was established in March 2002, to reflect the increasing emphasis that the Government places on innovation as a key driver of future economic success for Victoria.

The Department’s budget allocation for 2002-03 was $431.9 million, representing a $128.3 million or 42.3 per cent increase from 2001-02. The main areas of change include:

- the Innovation and Policy output group was increased by $29.9 million mainly for the Science, Technology and Innovation Initiative Management output of $18.6 million;
- the Business output group has increased by $58.4 million mainly as a result of the Business Development and Regional Infrastructure Development outputs of $12.1 million and $40.9 million respectively; and
- $46.3 million was added to the 2002-03 Budget following the transfer of Employment Services from the former Department of Education, Employment and Training.

The Department’s estimated actual revenue and expenses for 2001-02 were $273 million compared to the 2001-02 budget estimate of $303.5 million. In relation to estimated actual departmental revenues, output appropriations were $260.8 million, some $42.5 million below the 2001-02 estimate due to unspent funds, of which the largest component related to the Regional Infrastructure Development Fund (RIDF). In regard to estimated actual departmental expenses, grants and other payments were $171.8 million, or $35.8 million below the 2001-02 estimate, which was largely due to the carry forward of RIDF funding.

Some of the major issues for the Department in 2002-03 include the Australian synchrotron project, the technology commercialisation program and the biotechnology strategic development plan. The Government has committed $100 million in capital funding.
towards the establishment of Australia’s first synchrotron at Monash University. Major construction works are scheduled to begin in 2003, and the project is due to be completed in 2007.

The Committee was advised that the Technology Commercialisation Program aims to reduce barriers to commercialisation, develop innovative intellectual property management strategies, increase support for innovative enterprises and expand the availability of venture capital. However, the Committee reviewed the program’s performance measures and found that they did not provide any meaningful information about the achievements/outputs of the program.

The 2002-03 Budget provided $27 million over 4 years to implement the Department’s Biotechnology Strategic Development Plan. The Committee sought information regarding this initiative and, in particular, details of the aims and objectives of the strategy, the application of funding and the assessment of the effectiveness of the strategy. The Committee believes the Department needs to develop sophisticated qualitative performance measures to assess the effectiveness of the strategy in achieving its broader objectives.

One of the key issues that the Committee was interested in concerned the Regional Infrastructure Development Fund. The Committee found that $95.4 million, or 52.8 per cent of total funding available under the Fund, had been allocated as at August 2002, but was disappointed to learn that the Department’s performance measures and targets are mainly quantitative, with little information provided on the achievements of outputs and the objectives of the fund.

The Committee noted that some of the challenges ahead of the Department included changing the perceptions of the manufacturing sector and promoting greater co-operation between firms and between employers and employees. The Committee acknowledges the extensive investment and work that the Department and industry stakeholders have put into undertaking strategic audits of industry and the subsequent development of a policy framework to promote growth and employment in the manufacturing industry.
The Committee was again interested to learn about the Department’s initiatives to promote small business and particularly the involvement of women in small business. The Committee believes the Department needs to improve its qualitative performance measures to identify the impact that the Department’s assistance/information services are having in promoting the growth of small businesses and the small business sector. Of particular interest to the Committee was the Department’s Showcasing Women in Small Business Strategy, which aims to provide Victorian women in small business with access to practical business support, and the manual Show Me The Money which provides practical advice to assist Victorian women to access finance.

The Partners at Work program, which is being implemented through the Industrial relations portfolio, was examined by the Committee. The Committee encourages the Department to articulate relevant performance measures and targets so the outcomes of the programs can be assessed.

Youth unemployment is an important issue and the Committee was interested to learn what initiatives were to be funded to tackle this problem. The Committee examined a number of employment programs aimed at stimulating employment opportunities for young people.

Chapter 9: Department of Justice

The Department of Justice’s budget allocation for 2002-03 was $2,040.6 million, representing an increase in funding of $261.4 million, or a 14.7 per cent increase from the 2001-02 budget allocation. This increased funding allocation for the Attorney-General’s portfolio consists of:

- $43.5 million in 2002-03 for the State Electoral Roll and Elections output;
- $25 million for the Dispensing Justice output group, which covers a wide range of outputs including courts, public prosecutions, legal aid and victims support services; and
• $28.7 million for the Enforcing Court Orders output group reflecting an increase in enforcement activities expected in 2002-03 as the Government’s road safety initiatives are progressively implemented.

The budget allocation for Enforcing Correctional Orders output group for 2002-03 reflects an overall increase of $35.6 million or 14.1 per cent from the 2001-02 budget allocation.

The budget for Police and Emergency Services for 2001-02 has increased by 12.5 per cent to $1,247.7 million. This funding has been provided for wage increases of $122 million for Victoria Police. Funding for the Emergency Prevention and Response output group has increased by $17.4 million or 26.5 per cent to reflect a number of initiatives including a publicly owned call-taking and dispatch service previously operated by Intergraph and key communications projects under the Statewide Personal Alerting Strategy.

The Department’s estimated actual revenue from ordinary activities for 2001-02 exceeded the estimate by $86.3 million. This variance reflects an increase in output appropriations of $154.8 million, partly offset by a reduction in revenue from the sale of goods and services of $76.8 million due to the reclassification of administered and controlled funds. The Department’s estimated actual expenses for 2001-02 of $1,871.7 million, exceeded the budget estimate by $92.5 million. The majority of this variance refers to the increase in employee entitlements costs of $74.8 million as a result of various Enterprise Bargaining Agreements.

Some of the major issues that will impact on the Budget Estimates and the Department in 2002-03 include:

• the implementation of administrative reforms and new technology to reduce the time taken to dispose of matters in courts and tribunals;

• initiatives to improve access to justice services and human rights protection services;
• the expansion of existing prison facilities to meet projected growth in prisoner numbers;

• partnerships between Crime Prevention Victoria, Victoria Police, and the community to build customised crime reduction strategies around specific target zones and targeted groups;

• implementation of a recruitment strategy to achieve the Government’s target of 800 additional operational police; and

• measures to improve access to consumer protection services, particularly for vulnerable groups, through the implementation of the Consumer Justice Strategy.

Victoria Police reached its target of employing 800 additional police officers in April 2002. In previous years, Victoria Police had annual attrition rates of 7.9 per cent. This rate declined to 1.8 per cent in 2001-02 as a result of the recruitment drive, more police stations, better equipment and clothing and a new Certified Agreement. Department of Justice staff numbers are expected to increase in 2002-03 due to further demands arising from an increasing prison population, expansion of diversion programs and projected increases in traffic infringements requiring additional administration.

The Department is planning to develop a Justice Statement in 2002-03 to outline the key principles and objectives needed to maintain a fair and accessible justice system.

The Committee acknowledges the work currently being undertaken by the Department of Justice, the Children’s Court and Department of Human Services in improving the quality of information provided to the Children’s Court and timeliness of decision making by the Court.

The Minister for Police and Emergency Services advised the Committee that between July 2001 and 2002, Victoria Police recorded 2.8 per cent fewer criminal offences and that Victoria has the lowest crime rate of all States and Territories in Australia. The Committee noted that crime statistics, which are extracted from
the Victorian Law Enforcement Assistance Program database are at best, a very broad indication of crime trends.

In August 2001, the Chief Commissioner of Police initiated a review of the way police respond to violence against women. The report of the review, containing 25 recommendations, was finalised in March 2002. Funding has been allocated in the 2002-03 Budget to address family violence. Initiatives include specific training courses for family violence liaison officers and improved education for police recruits and lower ranked police officers.

Short-term pressures remain an issue for prison accommodation in Victoria. A target of 117 per cent has been set in 2002-03 for the expected capacity utilisation rate for all prisons. The Committee notes that a number of strategies and programs have been put in place to contain the need to imprison offenders. In addition, the Government has embarked on a major infrastructure program involving the building of new prisons and expanding accommodation at existing prisons.

The Committee was advised that the implementation of the Estate Agents Strategy is a key priority of the Consumer Affairs Portfolio in 2002-03. A system of random inspections by officers from Consumer Affairs at weekend auctions has also been taking place to monitor dummy bidding and other unethical practices.

Chapter 10: Department of Natural Resources and Environment

The Department of Natural Resources and Environment’s budget allocation for 2002-03 was $1,119.4 million, which represents a $107.9 million or 10.7 per cent increase from the 2001-02 budget allocation. The Committee noted that:

- the Environment and Conservation portfolio has increased by $70.4 million;
- the Energy and Resources portfolio had a $10 million increase in budget allocation;
• the Agriculture portfolio had a $23.4 million increase in its budget; and

• the budget allocation for the Aboriginal Affairs portfolio rose by $4.1 million.

The Department’s estimate from revenue from ordinary activities for 2001-02 was $990.9 million and the estimated actual revenue for 2001-02 was $1,051.8 million. A significant proportion of this increase, $110 million, reflects the reclassification of Section 29 receipts from controlled to administered funds, under output appropriations. Offsetting this, the reclassification of revenue from sales of goods and services decreased by $30.1 million.

Key initiatives and issues affecting the Department’s budget estimates in 2002-03 included:

• implementing the Government’s policy on Our Forests, Our Future which aims to ensure the long-term protection of forests, the timber industry and their communities;

• supporting the development of technologies that reduce greenhouse gas emissions by promoting the efficient and sustainable supply and use of energy;

• continuing the introduction of retail competition for the Victorian gas industry;

• focusing on the viability of farmers and fostering innovative rural and farming communities and sustainable food and fibre industries; and

• implementing a range of measures to assist disadvantaged indigenous members of the community.

The Committee was advised the Department had 4,463 equivalent full time (EFT) staff (permanent, fixed term and temporary) as at 28 February 2002, and this would increase by approximately 1.5 per cent to 4,530 EFT staff in 2002-03. The Department indicated that it was difficult to secure and retain employees in specialised areas such as science, forestry, information technology,
financial management and water engineering. The Department had 69 vacancies at its regional offices as at mid-July 2002.

In its examination of issues surrounding the Wimmera-Mallee pipeline, the Committee was advised that the construction of the pipeline will provide a more secure and higher quality water supply for domestic and stock use. The Government will contribute $7.8 million in 2002-03 ($76.8 million over 10 years) for the construction of the pipeline, subject to matching Commonwealth funding and the feasibility of the package. The Committee also enquired about measures taken by the Department to improve the quality of Victoria’s rivers.

The introduction of full retail competition in the electricity industry was a key issue in the Energy and Resources portfolio, and this was achieved in January 2002. While this enables consumers a choice between packages offered by different electricity retailers, the Committee believes that it will be important for Government to monitor this development to ensure that identified benefits flow through to consumers.

In 2002-03 the budget for the Greenhouse Policy Services output increased by $5.5 million to $32.3 million to provide funding for initiatives under Victoria’s Greenhouse strategy and assist with the development of Victoria’s greenhouse response.

The Committee noted that the Government has allocated an additional $8 million (over 2 years) for the continuation of the Farmbis program. This program provides assistance to the farming community to improve the financial self-reliance and competitiveness of the farming sector by providing grants to individual farmers or group of farmers undertaking training in farm business management skills.

The Committee was advised that the Department’s services in Bendigo and Bairnsdale are delivered from a number of different (6) sites. The Committee was informed that the disaggregation of services had resulted in significant deficiencies in the Department’s regional coordinated service delivery approach, and contributed to inefficiencies in infrastructure provision and usage, including duplication of information technology. The Committee
notes that in 2002-03, the Government has allocated $10.8 million (over three years) to consolidate the sites at Bairnsdale and Bendigo.

Key issues examined by the Committee in relation to the Aboriginal Affairs portfolio included the measures taken by the Department to progress the reconciliation between indigenous and non-indigenous Victorians and the review of the Aboriginal Lands Act.

Chapter 11: Department of Premier and Cabinet

The Department of Premier and Cabinet received a budget allocation for 2002-03 of $397 million, representing an $11.4 million increase from 2001-02, of which the main variance was in the budget allocation to the Arts portfolio which increased by $8.4 million.

There has been a significant change to the output group structure for the Department with a reduction in the number of output groups from seven to four. The Committee was advised that certain outputs used in 2001-02 had no direct linkage to the objectives or the role of the Department.

The Committee has previously expressed concern about the inadequate disclosure of material amounts in the ‘other revenue’ and ‘other expense’ categories of the Department’s budget. The Committee is pleased to report that this matter has been addressed in the 2002-03 Budget Papers.

The Department of Premier and Cabinet has identified a number of key issues that will impact on its budget estimates during 2002-03. These include:

- developing the economic aspects of the Growing Victoria Together initiative and accounting for social and environmental considerations;

- assessing potential social capital trends and providing policy choices that integrate economic, social and environmental directions;
• funding to support and enhance the role of the Victorian Multicultural Commission through the continuation and expansion of the Community Grants Program;

• $17.2 million (over 4 years) to the Melbourne Museum to promote visitor experience, improve research and maintain new exhibitions and collections;

• $54 million (over 5 years) for the $61 million Yarra Precinct Integration Project to build the Dame Elizabeth Murdoch Recital Hall and a home for the Melbourne Theatre Company in Southbank; and

• monitoring the implementation of Government initiatives and programs for women, and co-ordinating a whole-of-government approach to women’s issues.

The number of staff at the Department declined by nine per cent between June 2001 and 2002 due in part to the relocation of ministerial staff to their relevant Agency and the conclusion of the Centenary of Federation initiatives and the Metropolitan Ambulance Service Royal Commission.

The Department has introduced 37 new performance measures as a result of an internal review of performance measurement information. The Committee believes that the new performance measures should be reviewed to ensure they focus on the achievement of outcomes rather than processes.

The Premier advised that the Growing Victoria Together strategy aims to balance economic, environmental and social responsibilities as a basis for improving the quality of life for all Victorians. In 2002-03 Departments will assess their contribution to the outcomes of the strategy so that progress can be measured and reported on a whole-of-government basis. The Committee welcomes this development.

The Committee commends the allocation of funding for the establishment of the Victorian Electronic Records Strategy – Centre of Excellence. This is an important initiative given the heavy reliance now placed on electronic records by Departments and Agencies.
The Committee was interested to learn that there had been a significant increase in the number of grant applications for assistance from the Community Grants Program. Grants are allocated in several categories such as organisational support, multicultural festivals and ethnic schools programs.

The Minister informed the Committee that arts and culture play a pivotal role in the fabric of the State and that the Government had commenced the development of a 10-year arts policy plan for Victoria. The Department advised that a policy framework had been developed and that consultation with other Departments on the framework had occurred.

A Women’s Safety Coordinating Committee was established in October 2000 to develop a strategy aimed at providing a coordinated response to violence against women. The Government has subsequently released two papers on women’s safety and allocated funding to increase the housing options available for women experiencing family violence.

Chapter 12: Tourism, Sport and the Commonwealth Games

Machinery of government changes resulted in the creation of the Department of Tourism, Sport and the Commonwealth Games in March 2002.

The Department’s budget allocation for 2002-03 was $100.6 million, which represented a $9.6 million or 8.7 per cent decrease from the 2001-02 allocation. The main area of change was in the Sport, Recreation and Racing portfolio where the budget allocation for 2002-03 was reduced by $19 million or 15.7 per cent from the allocation for 2001-02.

The key issues likely to impact on the Department’s budget estimates include:

- implementing strategies outlined in the Victoria’s Tourism Industry Strategic Plan 2002-2006 particularly the hosting of international conventions, conferences and major events;
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- staging of the World Masters Games;
- upgrading of community level sport and recreation facilities and financial support for peak sporting bodies, regional sports assemblies and organisations promoting sport and recreation access and opportunities for people with a disability;
- redeveloping the MCG;
- ongoing promotion of specific target areas within the racing industry including country racing, thoroughbred breeding, equine disease management, welfare of jockeys and participation by women and young people; and
- progressing activities or projects already accepted as necessary for the successful staging of the 2006 Commonwealth Games.

The Department has estimated it will have 179.7 permanent Equivalent Full Time (EFT) staff at 30 June 2003, compared with estimated permanent EFT staffing of 163.7 at 30 June 2002, an overall increase of 16 permanent EFT staff. The Committee noted that there are a number of potential issues that may impact on the capacity of the Department to achieve its business objectives, particularly those related to turnover rates and the proportion of departmental staff not being retained after five years service.

The Committee was advised that as planning issues for the staging of the 2006 Commonwealth Games and associated tourism activities become clearer, any subsequent budgetary impacts will be assessed by the Expenditure Review Committee of Cabinet and may receive supplementary funding during 2002-03. The Committee will follow up these issues as part of its review of the 2003-04 Budget Estimates.

In relation to major overseas tourism campaigns, the Committee has suggested that the Department consider establishing performance measures and targets and report achievements against these measures in the Budget Papers and in its annual report. The Committee is keen to see an improvement in the Tourism portfolio’s quality performance measures as currently
they do not provide much useful information on the effectiveness of the Department’s tourism outputs.

In relation to the Sport and Recreation portfolio, the Committee examined issues including Commonwealth funding changes to the Sport and Recreation Development Grants Program, the impact of the cost of public liability insurance for the sport and recreation industry and funding for the redevelopment of the Melbourne Sports and Aquatic Centre.

The Committee enquired about the condition of country racing clubs and racing tracks and facilities, and the level of support the Department was providing for country racing. The Committee was advised that a significant issue requiring resolution is the development of model leases for Victorian country racing clubs to ensure security of tenure which will enable clubs to undertake capital works. Other Racing portfolio issues discussed included reforms to the bookmaking industry and planning for the implementation of internet betting in Victoria.

A dominant feature of the examination of the Commonwealth Games portfolio was the development of the Commonwealth Games budget, and the Committee was advised that the whole of games budget submission would not be considered by Government until November 2002. The Committee also examined funding issues related to the redevelopment of the Melbourne Cricket Ground.

Chapter 13: Department of Treasury and Finance

The Department of Treasury and Finance’s 2002-03 Budget allocation was $220.8 million, a decrease of $18.3 million, or 7.7 per cent from the 2001-02 budget allocation. This variance is the result of a reduction in funding for the Resource Management Services output of $14.7 million (18.6 per cent), which is mainly due to the reduction in the cost of the management of government motor vehicle leases.

The Committee notes that the variations in the Department’s Administered Items Statement are significant. Administered
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Revenue is expected to increase by $467 million or 2.5 per cent and administered expenses are expected to increase by $1,250.2 million or 6.7 per cent. This will result in an actual estimated administered deficit for 2001-02 of $931.7 million, compared to the estimated deficit of $148.5 million, an increase of $783.2 million.

The key issues affecting the budget estimates and the Department’s portfolios include:

- overseeing the delivery of public infrastructure projects;
- developing measures to address issues relating to public liability insurance;
- implementing the new claims management system for WorkCover which is designed to deliver better outcomes for injured workers, through better treatment and return to work and — ultimately — lower costs for Victorian businesses; and
- implementing the Government’s Responsible Gaming initiatives.

The Department is expected to increase staffing levels in 2002-03, with increases in full-time staff partially offset by decreases in fixed term staffing levels.

The Committee believes further improvements are required to the performance measures for the portfolios of Treasury, Finance, Gaming and WorkCover, with a greater focus on the achievement of outcomes and outputs rather than on processes and inputs.

In particular, the Gaming portfolio’s performance measures should be reviewed to ensure they better reflect the Government’s key aims and objectives.

The Treasurer highlighted that the Government does not consider core services are appropriately provided through Partnerships Victoria, and emphasised that prison officers, nurses, teachers or doctors will not be employed under Partnerships Victoria. However, the Government will construct under Partnerships
Victoria new social infrastructure and the related infrastructure such as maintenance, information technology and security systems.

Gaming revenue in 2002-03 is expected to increase by 5.9 per cent to $1,455 million and average 5.5 per cent per annum growth to 2005-06. The Treasurer advised that the current increases in gaming revenue growth have been the lowest in the last decade, and it is expected that a range of measures to address problem gambling will further moderate gaming revenue growth.

The Government established the Growing Victoria Infrastructure Reserve in the 2000-01 budget to provide a significant boost to Victorian budget sector infrastructure investment. The Growing Victoria Infrastructure Reserve targets additional investment under the Government’s key strategies of Linking Victoria, Skilling Victoria and Connecting Victoria.

The Treasurer indicated that the 2002-03 Budget surplus has contributed $400 million to the Growing Victoria Infrastructure Reserve. The Department advised that with the 2002-03 budget allocation, a total of $1,575 million has been transferred to the reserve, with $1,340 million earmarked to fund asset investment projects that have been approved since the 2000-01 Budget.

The Essential Services Commission is the independent economic regulator regulating prescribed essential utility services supplied by the electricity, gas, ports, grain handling and rail freight industries. The Commission commenced operations on 1 January 2002, subsuming the Office of the Regulator-General Victoria.

The Minister for Finance advised the Committee that insurance will continue to be a significant issue for the Finance portfolio during the year, with a number of elements requiring attention, including public liability insurance, builders warranty insurance, professional indemnity and insurance against acts of terrorism. The Minister for Finance informed the Committee that the Government is committed to addressing these issues and will be looking to the establishment of a consistent national approach to provide long-term solutions.
The Government, through the Department, has worked with the peak not-for-profit group called Our Community, the Municipal Association of Victoria and the private sector to develop a public liability insurance policy for not-for-profit groups. The Minister also indicated that following approaches by the industry associations, and together with the New South Wales Government, the Victorian Government has developed a 10-point plan to make builders warranty insurance a viable product.

The Committee was advised that the re-insurance risks associated with the Government’s home warranty insurance agreements were not considered, under accounting requirements, to be a material risk and therefore were not reported in the 2002-03 Budget.

The State’s unfunded superannuation liability is projected to be $12.8 billion on 30 June 2002. Recognising that unfunded superannuation is the most significant liability on the State’s balance sheet, the Government has built in a $400 million buffer against adverse shocks and utilises a range of expert fund managers.

The Minister has advised that through the beneficiary choice program Victoria’s unfunded superannuation liabilities have decreased by a further $538 million on 30 June 2002. The Committee was advised that even though the superannuation liability was rising, the ratio of the liability to Gross State Product is expected to fall from 7.0 per cent in 2001-02 to 6.1 per cent in 2005-06, and the Government aims to have 100 per cent funding of the State’s superannuation liabilities by 2035.

The Minister for WorkCover advised that the reported Victorian WorkCover Authority unfunded liability was $683 million on 30 June 2001. Enhanced common law management has been the major contributor to the improvement in the Authority’s unfunded liabilities.

The Minister indicated that the Authority’s operating position has continued to improve and indicated that the Government is committed to providing greater transparency in the financial reporting of statutory compensation schemes.
The Minister for Gaming has introduced new gaming reforms that include the requirement for all operators to prepare and lodge a community benefit statement with the Victorian Casino and Gaming Authority each year.

**Chapter 14: Parliamentary Departments**

The Parliamentary Departments’ 2002-03 budget allocation is $78.7 million, representing a 3.5 per cent ($2.7 million) increase from its 2001-02 allocation. The increase in the budget is mainly attributed to the upgrade of Parliament’s information technology system, maintenance costs for the parliamentary chambers audio system, the electorate news service and a new human resource management system.

Key issues affecting the budget estimates and the Parliamentary Departments in 2002-03 include:

- renovation of the Legislative Assembly chambers and facilities, including improving public access and Members’ working conditions;
- the first stages of the IT Strategic Plan will be implemented which will result in software upgrades to Members’ IT equipment and the leasing of new hardware; and
- completion of stages 3 and 4 of the new air-conditioning system for Parliament and ongoing refurbishment of office accommodation at 157 Spring Street.

Following a review of its Corporate Plan, there has been a significant turnover of the Parliamentary Departments’ performance measures. The Committee notes that the Legislative Council, Legislative Assembly, Department of Parliamentary Debates and the Joint Services Department submitted their 2002-03 Business Plans on 30 September 2002, and that the Parliamentary Departments’ objectives have been enhanced from those identified in the 2002-03 Budget Papers. The Committee notes that further improvements to the Parliamentary Departments performance measures are necessary to more appropriately scope their objectives and provide a greater focus on
the achievement of outcomes and outputs rather than on processes and inputs.

During 2002-03 the Parliamentary Departments will continue to focus on improving the facilities of the parliamentary buildings. A Disaster Recovery Plan will be implemented and a basic IT training program provided to Members and staff.

The Committee is pleased to report that the shortage of Hansard staff, raised as a significant issue at the 2001-02 budget estimates hearing, has been alleviated with the introduction of a digital recording system in both chambers of Parliament and other parliamentary venues.

Parliamentary accommodation has been eased with the lease of 157 Spring Street under a 10-year lease agreement with a six-year extension.
The Committee recommends that:

**Recommendation 1.1**

The Auditor-General give consideration to tabling the report on the Review of Government Agencies before the estimates hearings commence each year.

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**Recommendation 2.1**

The Government address the shortcomings identified in the Auditor-General's performance audit report, on performance management and reporting to enable the Auditor-General to undertake audits on the appropriateness of performance indicators.

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**Recommendation 2.2**

(a) The Department of Treasury and Finance identify examples of good performance and financial reporting that exemplify the Parliament's expectations and provide these to all Departments; and

(b) These examples be developed in consultation with the Parliament, through the Public Accounts and Estimates Committee, and the Auditor-General.

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Recommendation 2.3

The Department of Treasury and Finance allocate sufficient resources to ensure that the Government's review of the Financial Management Compliance Framework is completed as a matter of priority.

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Recommendation 3.1

The notes to the estimated financial statements provide additional details on the nature of asset revaluations and their impact on changes in the net equity of the State.

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Recommendation 3.2

The Department of Treasury and Finance include in the Budget Papers a reconciliation between the Estimated Financial Statements and the Parliamentary Authority required for the financial resources to be made available to all Departments.

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Recommendation 4.1

(a) As part of their accountability responsibilities, all Departments and Agencies provide in the Budget Papers detailed explanations:

(i) for any outputs changing between years; and

(ii) of the linkages between the new outputs and Government outcomes;
(b) All annual reports issued by budget sector Agencies contain a statement which analyses the Agency's output performance and related performance measures so readers can draw conclusions about the Agency's performance in achieving outcomes;

(c) It would be useful where programs extend over several years if the original strategic priorities were re-stated in the Budget Papers and annual reports for each subsequent year in order that readers of these documents are able to form a better view about the degrees to which strategic priorities and desired outcomes are being achieved/had been achieved;

(d) The Department of Treasury and Finance further improve the implementation of accrual output based budgeting by:
(i) reviewing the output data submitted by Departments to ensure it is accurate and adequately reflects activities undertaken by the Departments; and
(ii) providing further ongoing assistance to Departments in improving the quality and nature of their output forecasting systems, including the selection of outputs, outcomes and performance measures to ensure they are meaningful, measurable and relative to the ongoing activities of the Departments. Attention be given to developing training programs for departmental staff to ensure they acquire the skills necessary to understand the performance reporting framework that needs to be in place for the effective implementation of accrual output based budgeting.

(e) The corporate and business plans of Departments should be independently reviewed and endorsed by the relevant portfolio Ministers and the Minister for Finance, acting on behalf of the Government, to provide confidence as to whether the departmental outputs are compatible with desired Government outcomes.

Recommendation 4.2

The Auditor-General, in conjunction with the Department of Treasury and Finance, and the Australian Accounting Profession, reach agreement on a best practice guide for output specification and performance measurement in the public sector, in order to set the standards against which outputs and performance measures can be developed and audited in the future.
Recommendation 5.1

The Secretary of the Department of Education and Training ensure the Budget Papers fully disclose all material revenue and expense items particularly ‘other revenue and revenue from other parties’.

Recommendation 5.2

The Department of Education and Training:
(a) develop performance measures that specifically focus on the achievement of key education and training related targets within the Growing Victoria Together strategy;
(b) make all measures of literacy and numeracy standards specific to metropolitan and non-metropolitan areas;
(c) include performance measures that focus on the achievement of key performance criteria contained in individual school drug education strategies or action plans and not just on the number of plans completed;
(d) include a performance measure relating to the satisfaction of parents with transport services provided to government and non-government students; and
(e) where machinery of government changes result in the transfer of responsibilities to other Departments, report all comparative performance information at the one place in the Budget Papers to allow appropriate analysis of performance.
Recommendation 5.3

The Department of Education and Training regularly evaluate the initiative to appoint Koori educators and home school liaison officers, over the four years for which the funding is provided in the 2002-03 Budget, to determine whether the strategy is effective in improving the educational opportunities for the Koori community.

Recommendation 5.4

The Department of Education and Training:

(a) further develop the school drug education strategy to provide incentive for participation by all non-government schools;

(b) seek information from the non-government schools regarding the structure and form (if any) of their drug strategy programs, so that the synergies of the respective programs can be utilised;

(c) consider promoting the benefits of the strategy within the whole-of-government youth policy framework; and

(d) regularly review the school drug education strategy and drug education programs to ensure the effectiveness of the programs in reducing the incidence of drug taking by adolescents.
Recommendation 5.5

The Government:
(a) review the performance measures for the Youth output group with a view to measuring the outcomes achieved from youth-related activities and the satisfaction of young people with these activities; and
(b) ensure the description of each performance measure for the Youth output group is clear to the reader of the Budget Papers in terms of what is being measured.

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Recommendation 5.6

The Government prepare an annual whole-of-government report to be tabled in the Parliament, consolidating financial and performance information on all the programs implemented by Departments for the benefit of the youth of the State.

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Recommendation 5.7

The Government:
(a) regularly monitor FReeZA events to ensure compliance with all contractual obligations, particularly those relating to health, safety and security; and
(b) ensure there is an appropriate accountability regime for the FReeZA program.

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Recommendation 6.1

The Department of Human Services review existing performance measures to ensure they adequately reflect desired government outcomes and outputs and make changes where deemed necessary.

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Recommendation 6.2

The Department of Human Services:
(a) advise Health Agencies of its priorities in implementing diversion and substitution programs, including health promotion activities; and
(b) progressively monitor program outputs to determine their effectiveness and refine them, if required.

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Recommendation 6.3

(a) The Victorian Government continue efforts to encourage the Commonwealth Government to provide an equitable and adequate number of nursing home beds in Victoria; and
(b) The Department of Human Services ensure the level of rehabilitation services provided by local health service providers are adequately resourced and meet accreditation standards.

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Recommendation 6.4

The Department of Human Services review its performance measurement framework, with a view to including measures in key areas such as early intervention services for children with disabilities and impairments, the representation of Aboriginal children in the child protection system, and staff recruitment and retention rates in the disability services system.

Recommendation 6.5

(a) In conjunction with the implementation of new community services initiatives, the Department of Human Services develop mechanisms to regularly monitor and report on the efficiency and effectiveness of these initiatives;

(b) The Department of Human Services develop additional performance indicators that measure whether demands for family support services are being met and whether the Department’s outputs are making a difference. In addition, given the emphasis on reducing re-notifications, the Department develop a performance indicator that measures the incidence of re-notifications made subsequent to the provision of family support services; and
(c) The Department of Human Services undertake a study of the underlying reasons for child protection re-notifications so action can be taken, which may also involve reforming work practices and strategies, to reduce the causes of re-notifications, including the failure of parents to attend support services.

Recommendation 6.6

The Department of Human Services ensure that the strategies being developed to meet increasing demands for disability services do not affect the wellbeing of persons with a disability in urgent need of appropriate care.

Recommendation 6.7

The Government ensure close liaison occurs between Juvenile Justice services and other government and non-government Agencies in developing and implementing programs that could have an impact on the objectives of the Juvenile Justice programs of Victoria.

Recommendation 6.8

The Department of Human Services develop performance measures that focus on:
(a) the Government’s capacity to meet demand for crisis supported and transitional housing;
(b) waiting times for each of the four segments of the housing waiting list;
(c) the level of rental assistance provided by the Government as a percentage of median rental levels in inner metropolitan, outer metropolitan, regional and rural categories; and
(d) waiting times for repairs and maintenance, and the number of public housing units requiring repairs and maintenance.

Recommendation 6.9
The Department of Human Services develop performance measures that provide the Parliament with definitive data on the extent of homelessness in Victoria, the geographic areas of greatest concern, the effectiveness of existing strategies in addressing the problems identified and the level of demand for emergency housing.

Recommendation 6.10
The Department of Human Services, in addition to upgrading existing amenities in public housing stock, consider giving funding priority to addressing the large backlog of existing maintenance demands.
Recommendation 7.1

The Department of Infrastructure:
(a) develop performance measures that focus on the percentage of rail freight mode share to ports and the percentage increase of public transport patronage to total motorised trips;
(b) develop performance measures that relate more to the achievement of key targets and outcomes of significant transport projects than just on the percentage completion rate;
(c) develop a performance measure to gauge the satisfaction of people with a disability with the quality of access to transport facilities;
(d) amend the performance measures under the accident blackspots output to focus on measuring the impact of the program on reducing the cause and regularity of severe road accidents (that is, the outcome) rather than on measuring the completion of projects; and
(e) develop qualitative performance measures that are based on the standards applied in the taxi industry customer service charter.

Recommendation 7.2

The Department of Infrastructure ensure its annual report contains information relating to:
(a) the performance standards for the effective operation of the automatic ticketing systems;
(b) the actual performance of OneLink in achieving these performance standards; and
Recommendations

(c) details of bonuses or penalties incurred by OneLink.

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Recommendation 7.3

The Department of Infrastructure:
(a) ensure that on completion of the Spencer Street redevelopment project a monitoring and evaluation process be established to annually assess the performance of the operators of the Southern Cross Station complex in meeting the specified contractual standards and operational requirements;
(b) report the results of that performance assessment against the established contractual standards and operational requirements in the Department’s annual report; and
(c) report the impact on the Government’s annual payment to the operators in the Department’s annual report, if the operators of the Southern Cross Station complex fail to meet the contractual standards and operational requirements.

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Recommendation 7.4

The Department of Infrastructure ensure that Parliament and the community are kept informed of the outcomes of the measures taken to improve the operational and financial viability of its current public transport operators.

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Recommendation 7.5
The Department of Infrastructure ensure options for potential works to improve the traffic congestion on the Calder-Tullamarine freeway interchange incorporate the costs associated with on-and-off ramps for Bulla Road and the cost of purchasing land from Essendon Airport to facilitate future works.

Recommendation 7.6
Strenuous efforts be made by the Government to obtain, as soon as possible, the funding arising from the Commonwealth Government’s commitment to provide $70 million to fund half the cost of the Calder Highway upgrade, which has been declared a road of national importance.

Recommendation 7.7
The Department of Infrastructure:
(a) review the targets of performance measures where actual achievement rates have exceeded the target in previous years, to provide incentives for continued performance improvement;
(b) develop a performance measure that focuses on stakeholders’ satisfaction with the services provided by the environmental strategies and initiatives output; and
(c) develop additional performance measures in line with the key targets and outcomes of the Government’s 30-year draft Metropolitan Strategy.
Recommendation 7.8
The Department of Infrastructure publish the outcomes of the Local Government pre-application certification pilot program, with a view to developing industry-wide benchmarks for planning permit application processes.

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Recommendation 7.9
In relation to the activities of the Whitney Committee, the Department of Infrastructure:
(a) outline in its annual report those key Local Government issues identified by the Whitney Committee and how they impede the efficient and effective operation of Local Government planning procedures; and
(b) establish performance indicators to measure improvements in Local Government planning procedures and practices and publish such results in the Department’s annual report.

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Recommendation 7.10
The Government review the performance measures relevant to the Local Government portfolio, to establish a greater focus on the achievement of major targets and objectives for key portfolio initiatives.

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Recommendation 7.11
The Department of Infrastructure publish in its annual report the total funding provided to public libraries by the library service and Local Government and details of the criteria used to determine the allocations.

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Recommendation 7.12
The Department of Infrastructure develop and institute three new performance measures for the Governance Support output, namely:
(a) a measure of the timeliness of the submission of municipal financial statements to the Auditor-General within eight weeks of the end of the financial year;
(b) a measure of the number and percentage of municipal financial statements qualified by the Auditor-General for a financial year; and
(c) a measure of the number and percentage of municipal performance statements qualified by the Auditor-General for a financial year.

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Recommendation 7.13
The Department of Infrastructure incorporate, in partnership with the Transport portfolio:
(a) a performance measure of the percentage delivery rate of freight into ports by rail;
(b) review the performance measures to ensure they properly assess the achievement of key targets and outcomes under the Ports Agenda 2002;
(c) review performance measures relating to the Victorian Freight and Logistics Strategy to ensure they appropriately assess the achievement of key targets and outcomes; and
(d) develop a performance measure that focuses on the satisfaction of stakeholders with the capability and efficiency of Victoria’s ports.

Recommendation 7.14
The Department of Infrastructure establish a formalised communications process aimed at providing the Parliament and the Victorian community with information on the progress of the proposal to deepen the channel for the Port of Melbourne.

Recommendation 7.15
The Department of Infrastructure establish performance targets for the key benefits expected to be generated from the Lascelles wharf-rail connection to ensure that the development and operation of the project can be monitored and assessed.
Recommendation 7.16

The Department of Infrastructure and the Auditor-General resolve the accounting treatment for the tenants’ fit-out costs associated with the Federation Square project and determine whether it is appropriate to include such costs in the estimates for the construction cost of the project.

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Recommendation 8.1

The Department of Innovation, Industry and Regional Development develop human resources strategies to address the incidence of high staff turnover rates and the need to encourage the retention of experienced staff.

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Recommendation 8.2

The Department of Innovation, Industry and Regional Development:
(a) review the performance measures introduced in 2002-03 that relate to Victoria’s design capabilities and the synchrotron, to ensure their continued adequacy and relevance; and
(b) ensure that performance measures are developed to cover all major policy initiatives for the Innovation portfolio.

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Recommendation 8.3

The Department of Innovation, Industry and Regional Development ensure that it has the necessary internal expertise to manage the development, implementation and monitoring of major, complex technology-based projects. These staff should possess:

(a) appropriate commercial and contract management skills, including the capacity to manage the delivery of contractual arrangements and manage risk;

(b) appropriate project development and project management skills;

(c) performance reporting skills that enable the clear identification and reporting on the benefits/costs accruing to the Victorian community from the synchrotron project; and

(d) extensive experience in the monitoring and management of the financial arrangements underpinning this major project.

Recommendation 8.4

Where the Department of Innovation, Industry and Regional Development lacks specific technical/financial/risk management expertise, it should utilise external private sector expertise to manage the more complex components of the synchrotron project, and in the process secure a transfer of knowledge to the Department to assist with the ongoing management of the synchrotron and its associated contractual arrangements.
Recommendation 8.5

The Department of Innovation, Industry and Regional Development, in relation to the Technology Commercialisation Program output:

(a) develop performance measures that provide information regarding targets and achievements/outputs of the program;

(b) ensure that an objective and transparent assessment of the performance of the program is undertaken at its conclusion in 2003 to determine whether it should continue to receive public funding in the future;

(c) ensure that the future direction of the program is based on an evaluation of program performance against established targets of performance, the achievement of program objectives and a clear statement of future benefits to be gained from the continuance of the program; and

(d) clearly articulate the performance of the program and its achievements in the Department's 2002-03 annual report.

Recommendation 8.6

The Department of Innovation, Industry and Regional Development, in relation to the Biotechnology Strategic Development Plan, develop performance measures and targets that:

(a) provide information regarding the effectiveness of the Plan in achieving its broader strategic objectives;
(b) provide performance information over the short, medium and long-term; and
(c) are reported in the Budget Papers and the Department’s annual report.

Recommendation 8.7

The Department of Innovation, Industry and Regional Development develop performance measures to reflect the achievements/outputs generated by the provision of grant funds and the extent to which the objectives of the Regional Infrastructure Development Fund are being achieved. These performance measures should be included in Budget Paper No. 3 and be reported in the Department’s annual report.

Recommendation 8.8

The Department of Innovation, Industry and Regional Development develop performance measures relating to the performance of the Government’s business office in San Francisco in facilitating and attracting investment to Victoria and assisting Victorian businesses to establish a presence in North America.
Recommendation 8.9

The Department of Innovation, Industry and Regional Development:
(a) review the qualitative performance measures for the investment facilitation and attraction output;
(b) change the performance measures for the investment facilitation and attraction output into targets for specific industry types, to provide more useful / detailed performance information; and
(c) develop performance measures that are directly linked to key targets and outcomes of the Victorian Rail Manufacturing Industry Strategy and the Victorian Industry Participation Policy.

Recommendation 8.10

The Department of Innovation, Industry and Regional Development:
(a) develop and implement an ongoing monitoring strategy to assess the overall performance of its agenda for new manufacturing; and
(b) ensure that program specific performance measures and targets are developed to facilitate an assessment of the individual initiatives implemented as part of the agenda for new manufacturing.
Recommendation 8.11

The Department of Innovation, Industry and Regional Development:
(a) develop an overall monitoring strategy to track the achievements arising from the implementation of initiatives and programs developed through its strategic policy framework and strategic industry plans;
(b) develop, in conjunction with industry, performance measures and targets that reflect the long-term nature of its strategic policy framework and industry plans; and
(c) ensure that these performance measures and targets are published in the Department’s annual report and in the Budget Papers to enable transparent assessment of the performance of its strategic industry initiatives.

Recommendation 8.12

The Department of Innovation, Industry and Regional Development review its performance measures in the Budget Papers to ensure they better reflect key targets and outcomes of the Small Business portfolio.
Recommendation 8.13
(a) The Department of Innovation, Industry and Regional Development monitor the effectiveness of the Showcasing Women in Small Business Strategy and the ‘Show Me The Money’ manual in:
(i) improving access to finance for women in small business, particularly in rural/regional areas;
(ii) facilitating the mentoring program and creating networking opportunities for business women;
(iii) attracting and retaining women in small business; and
(iv) promoting the competitiveness and growth of the small business sector.
(b) These results should be included in the Department’s annual report.

Recommendation 8.14
The Department of Innovation, Industry and Regional Development review the performance measures for the Industrial Relations portfolio to ensure they accurately measure the achievements of the portfolio’s key strategies that are directly linked to the Government’s major industrial relations objectives.
Recommendation 8.15

The Department of Innovation, Industry and Regional Development:
(a) develop quantitative and qualitative performance measures and targets for the business development and effective organisations units to enable the outcomes of the programs to be assessed; and
(b) report the performance measures in the Budget Papers and the Department's annual report.

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Recommendation 8.16

The Department of Innovation, Industry and Regional Development review the performance measures under the responsibility of the Information and Communication Technology portfolio, to ensure they focus more on the timely delivery of relevant projects and on the impact of these projects in delivering key targets and outcomes.

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Recommendation 8.17

The Department of Infrastructure:
(a) develop quality performance measures and targets in regard to the level of direct investment, export earnings and employment growth facilitated by the Department in the ICT sector;
(b) develop performance measures that indicate the survival rate of assisted ICT firms over one, three and five year time spans; and
(c) report these performance measures in the Budget Papers and the Department's annual report.

Recommendation 8.18

The Government ensure, where machinery of government changes transfer responsibilities between Departments, all comparative performance information is reported at the one place in the Budget Papers to allow appropriate analysis of performance.

Recommendation 8.19

The Department of Victorian Communities:
(a) undertake a post program review of the Youth Employment Incentive Scheme and the Private Sector Skills Development Program; and
(b) develop a new performance measure for the Youth Employment Incentive Scheme that measures the long-term retention in employment of young people assisted through the scheme.
Recommendation 9.1

The Department of Justice:
(a) change the unit of measure for client satisfaction with the timeliness and quality of legal advice provided to Government from a level to a specific percentage;
(b) review performance targets that have been achieved in previous years to provide incentives for performance improvement;
(c) include actual benchmarks rather than just the term ‘benchmarks’ in the description of performance measures, to better indicate the standards being measured.

Recommendation 9.2

The Department of Justice:
(a) provide an explanation in the Budget Papers and in its annual report as to what the elapsed time benchmarks represent in respect of matters finalised by courts, tribunals and alternative dispute resolution judicial bodies; and
(b) adjust timeliness targets to reflect expected efficiency gains from the Department’s actions.

Recommendation 9.3

The Department of Justice should include in its annual report commentary and performance information about the effectiveness of the actions being taken to further improve processes and timeliness of decision making within the Children’s Court.
Recommendation 9.4

The Department of Justice:
(a) introduce performance measures that indicate the extent to which all native title claims received have progressed to the stage of assessing evidence;
(b) provide details of the volume and percentage of claims for which evidence has been assessed that were expected to be resolved within the forthcoming financial year; and
(c) provide details to the Department of Treasury and Finance, as soon as practical, of the estimated maximum liability likely to arise from negotiated claims. These details would be included as a contingent liability in the notes to the financial statement for the Victorian Government (Budget) Sector.

Recommendation 9.5

The Department of Justice:
(a) further develop the performance measures in the Road Safety output group in line with the recommendations of the Expenditure Review Committee output evaluation and price review;
(b) develop and include performance measures in the Budget Papers that assess behavioural change patterns in Victorian drivers that can be linked to a reduction in the level of fatalities and injuries caused by road accidents;
(c) include a performance measure that focuses on response times for rural fire fighting services; and
(d) develop performance measures that focus on key targets and outcomes, to complement the existing performance measures that relate to the number of hours spent on public safety and crime prevention, identification and investigation.
Recommendation 9.6

Once the outcome of the Police Chief Commissioner’s Review of Crime Statistics is known, any recommendations aimed at improving the collection and use of crime statistics in Victoria should be acted on by the Government as soon as possible.

Recommendation 9.7

In order to ensure accountability and transparency of programs undertaken by Victoria Police, an assessment of the impact of crime prevention and reduction strategies, supported by crime statistics, need to be included in the annual report of Victoria Police.

Recommendation 9.8

In conjunction with the progressive implementation of the public safety communications strategy, attention also be directed by the Department of Justice to the ability of IT systems to capture data relevant to the compilation of meaningful performance information. The Department should also ensure that this information is reported in its annual reports and the Budget Papers to demonstrate the efficiency and effectiveness of the new communications strategy.
Recommendation 9.9

The Department of Justice review the performance measures in the Enforcing Correctional Orders output group to ensure they are linked to the portfolio’s evaluation framework to measure progress against portfolio aims and objectives.

Recommendation 9.10

Strong emphasis be given to the ongoing research, development and monitoring of programs that contribute to containing the growth in prisoner numbers in future years. Particular attention needs to be given to:

(a) the capture of qualitative information from the respective programs in order to assess their effectiveness over time;

(b) ongoing research of relevant programs both within Australia and overseas;

(c) the causes of increasing recidivism and options available to address the problem;

(d) reasons why less than 75 per cent of community corrections orders are successfully completed and what action needs to be taken to address the ongoing high rate of failure to complete these orders, which are an alternative to prison;

(e) the development of strategies to reduce the incidence of first offenders returning to the prison system; and

(f) the adequacy of funding directed to rehabilitating the very high percentage of prisoners committing drug related crimes and their ability to access treatment.
Recommendation 9.11

The Department of Justice:
(a) divide one performance measure — namely, preventative and remedial advice provided and residential tenancy bond transactions completed — into two measures that relate to the two separate activities;
(b) review performance targets within the Protecting Consumers output group to ensure an incentive exists for continuous performance improvement; and
(c) develop performance measures, based on key targets and outcomes within the Consumer Justice Strategy, that focus on the number of education programs conducted, the level of customer satisfaction with the programs and campaigns, and the programs' effectiveness in identifying and addressing poor trading practices.

Recommendation 10.1

The Department of Natural Resources and Environment undertake a review of the adequacy of existing performance measures in terms of whether the measures and targets properly reflect Government outcomes and key objectives of the respective programs. Where necessary, management information systems should be implemented to capture relevant information required for performance measures.
Recommendation 10.2

Given the substantial expenditure budgeted for the Our Forests Our Future initiative over the next four years, the Department of Natural Resources and Environment monitor the implementation of the initiative to ensure:
(a) an effective implementation process is followed;
(b) emerging issues are identified and addressed; and
(c) a comprehensive monitoring and reporting process, including appropriate performance measures, is implemented to allow for an assessment of the strategy's success.

Recommendation 10.3

The Department of Natural Resources and Environment develop a comprehensive performance monitoring and reporting process to identify the success of the Victorian Greenhouse Strategy in achieving its objectives.

Recommendation 10.4

The Department of Natural Resources and Environment review the performance measures within the Agriculture output group to ensure they focus on measuring the impact of Government initiatives and strategies in achieving the objectives of the output group.
Recommendation 10.5

The Department of Natural Resources and Environment, within a year, undertake a review of the consolidation of services at Bendigo and Bairnsdale to determine the success of the project and whether the intended outcomes have been achieved.

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Recommendation 10.6

The performance measures in the Budget Papers relating to the Aboriginal Affairs portfolio should be closely aligned to the quality and outcome measures that were developed for the whole-of-government monitoring and reporting framework for Aboriginal Affairs.

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Recommendation 11.1

The Department of Premier and Cabinet:
(a) in the event that performance measures focus on satisfaction levels, the identification of the satisfied party should be specified;
(b) develop performance measures that focus on the achievement of outcomes within the Growing Victoria Together Strategy, rather than focusing on the reporting processes involved; and
(c) review the targets of performance measures introduced in 2002-03 to ensure they are realistic and that they provide incentive for performance improvement in subsequent years.

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Recommendation 11.2
The Department of Premier and Cabinet ensure appropriate and consistent performance assessment information is contained in Budget Paper No. 3 for the Department from year to year.

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Recommendation 11.3
After the release of the Growing Victoria Together annual report, the Department of Premier and Cabinet survey key stakeholders (i.e. Members of Parliament and community representatives) to ensure the contents and structure of the annual report meet the needs of the Parliament and the community.

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Recommendation 11.4
The Government, in co-operation with the NSW Government, develop and implement an effective governance framework for the Joint Government Enterprise which includes:
(a) comprehensive corporate and business plans containing high level objectives that are consistent with Government policy; and
(b) an effective performance monitoring system that provides complete, accurate and timely performance information that can be compared to key targets and desired outcomes.

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Recommendation 11.5

The Department of Victorian Communities:
(a) ensure comparative costing data relating to the Multicultural Affairs portfolio is provided, where possible, in the Budget Papers, even if departmental objectives are realigned;
(b) develop a performance measure that focuses on the satisfaction of community groups with the forums and consultations conducted by the Multicultural Affairs portfolio; and
(c) develop performance measures that focus on the Multicultural Affairs portfolio's key targets and outcomes, rather than the current practice whereby the number of services and projects delivered is the major measure of performance.

Recommendation 11.6

The Department of Victorian Communities:
(a) monitor the effectiveness of ethnic media expenditure to ensure funds are allocated to high priority areas; and
(b) measure the satisfaction of ethnic communities with the methods used by Departments and Agencies to publicise their services.
Recommendation 11.7

(a) The Department of Premier and Cabinet:
   (i) use performance targets that encourage performance improvement from year to year; and
   (ii) use performance measures that are categorised into metropolitan, regional and rural in relation to the funding arrangements for organisations, project companies and artists.

(b) The Department of Victorian Communities include a note in the Budget Papers to explain the low performance target and the relevance and definition of ‘PROV standards’ within the performance measure titled the Public Record Office Victoria: electronic records maintained in accordance with PROV standards.

Recommendation 11.8

The framework governing the 10 year policy plan for the arts include:
(a) the development of high level objectives and key performance targets that are consistent with Government policy on the arts; and
(b) provide detailed information in the annual report of the Department of Premier and Cabinet on progress made against the 10 year plan.
Recommendation 11.9
The Department of Premier and Cabinet adopt an appropriate project management and reporting framework to ensure the development of the Yarra precinct arts integration project is completed within time and budget constraints.

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Recommendation 11.10
The visitation levels of the State Library be closely monitored, and the effectiveness of key strategies in the 2002-3 marketing plan be regularly evaluated.

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Recommendation 11.11
The Department of Victorian Communities review the performance measures to ensure they focus more on measuring key targets and outcomes within the Women’s Affairs portfolio.

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Recommendation 11.12
Formal reporting protocols be established within the Women’s safety strategy to ensure that key performance targets are established and are regularly compared to actual performance.

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Recommendation 12.1

The Department of Victorian Communities liaise with the Department of Premier and Cabinet as to what interim measures it can take, pending the outcome of the Government’s Review, to develop human resources strategies to address the issues of staff turnover rates and the retention of experienced staff.

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Recommendation 12.2

The Department of Innovation, Industry and Regional Development:

(a) use ‘nm’ to identify performance measures introduced in a particular year, which is consistent with the treatment of other output groups in the Budget Papers;

(b) change performance targets relating to visitor nights, the number of international visitors, awareness of advertising in other Australian States and the value of free ink generated, to reflect specific targets rather than stratified ranges;

(c) include a qualitative performance measure that relates to the satisfaction of participants with industry forums, seminars and workshops; and

(d) review and improve the overall quality of performance information presented in the Budget Papers.

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Recommendation 12.3

The Department of Innovation, Industry and Regional Development develop performance measures and targets for specific tourism/marketing campaigns that it funds and report against those measures in the Budget Papers and in the Department’s annual report.

Recommendation 12.4

The Department of Victorian Communities:
(a) include in the Budget Papers a performance measure that focuses on the level of participation of Victorians in sporting and recreation events;
(b) develop performance measures that identify the specific level of capital funding directed towards metropolitan, regional and rural Victoria; and
(c) develop outcomes-based performance measures that relate to the Government’s water safety initiatives, such as the level of drownings (overall and toddler drownings), the level of public awareness of Government initiatives and the number of children achieving the Victorian Water Safety Certificate.
Recommendation 12.5

The Department of Justice:
(a) develop performance measures that focus on the Government’s capital contribution to country racing. Examples may include:
- projects completed on time;
- a break-up of projects between regional and rural racing clubs assisted; and
- projects that meet all funding criteria;
(b) amend the wording in the sport and recreation industry development output to state that it includes all three codes of racing;
(c) review one performance measure — racing and bookmakers’ licenses, permits, appeals and registrations processed — to ensure it better reflects key probity criteria such as the number of applications not approved.

Recommendation 12.6

The Department of Justice develop and implement performance measures and targets that focus on:
(a) the level of investment, employment and tourism generated by the racing industry;
(b) the impact of specific Government initiatives targeted at fostering the growth of the Victorian racing industry; and
(c) report these performance measures in the Budget Papers and the Department’s annual report.
Recommendation 12.7
The Department of Victorian Communities develop performance measures that focus on key targets and outcomes reported within the quarterly progress reports that relate to the preparation and staging of the Commonwealth Games.

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Recommendation 12.8
The Department of Victorian Communities expand and improve performance measures within the Melbourne 2006 Commonwealth Games output group as the staging of the Games becomes closer and the level of expenditure and activity increases.

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Recommendation 12.9
The 2006 Commonwealth Games budget, include the cost of related capital works and an updated cost/benefit analysis.

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Recommendation 13.1
The Department of Treasury and Finance:
(a) include discontinued performance measures in the current year, as occurs in other Departments, to ensure results can be compared over a number of years and to show changes to the performance measure structure each year;
(b) replace 'yes/no' units of measure with more specific numeric targets;
(c) ensure performance targets reflect achievement levels of previous years and provide an appropriate incentive for performance improvement;
(d) focus performance measures on the achievement of desired outcomes rather than processes and inputs;
(e) include within the Risk Management Services output group a performance measure that focuses on the satisfaction of officers with the quality of training forums;
(f) delete the performance measure that focuses on the number of unforeseen projects to be undertaken, because this cannot be measured; and
(g) accompany one performance measure — stakeholder satisfaction with the whole-of-government cash and banking contract — with a note that identifies the stakeholders and explains the method used to measure satisfaction levels.

Recommendation 13.2
The Department of Treasury and Finance establish a standard set of procedures to ensure that the basis for decisions to implement projects under Partnerships Victoria policy is transparent.

Recommendation 13.3
The Department of Treasury and Finance determine more appropriate performance measures that will provide a sound basis for the assessment of the performance outcomes of the Partnerships Victoria initiative.
Recommendation 13.4
The Department of Treasury and Finance provide financial details in the Budget Papers of individual projects funded from the Growing Victoria Infrastructure Reserve.

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Recommendation 13.5
The Department of Treasury and Finance:
(a) review the targets for each performance measure to ensure they provide an incentive for continuous performance improvement and do not represent a carry-over from previous years;
(b) promote the use of specific performance targets rather than a stratified level that is greater than a certain base figure; and
(c) delete a performance measure — the completion of coordination of EC4P project — given that this process is already covered by another measure within the same output.

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Recommendation 13.6
The Department of Treasury and Finance progressively report the effect unfunded superannuation liabilities are having on the financial position of the State Budget.

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Recommendation 13.7

The Department of Treasury and Finance review the performance measures to ensure they include key measures that focus on the key targets and outcomes of the WorkCover and Transport Accident Commission portfolios. In addition, the performance measures should be aligned with the corporate and business plans of the Victorian WorkCover Authority and the Transport Accident Commission.

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Recommendation 13.8

The Department of Justice:
(a) review performance measures to reflect the key targets and outcomes of the Government's responsible gaming legislation;
(b) ensure performance targets provide an incentive for performance improvement where the target has been achieved in previous years; and
(c) develop performance measures that focus on the success of Government initiatives in minimising problem gambling.

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Recommendation 14.1

(a) A skills audit and training needs analysis be conducted as soon as practical across all Parliamentary Departments and a strategy be developed to act on the recommendations arising from the audit; and

(b) The effectiveness and efficiency of the online training system be reviewed in terms of whether it is satisfying staff needs. Feedback on the training system be sought from all parliamentary staff and the findings published on Parlynet.

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Recommendation 14.2

Parliamentary Departments publish their business plans prior to the financial year to which they relate.

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Recommendation 14.3

Action be taken to resolve the issues relating to the tenancy of the third and fourth floors at 157 Spring Street.

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CHAPTER 1: INTRODUCTION

1.1 Objectives of the Budget Estimates process

In submitting this report, the Public Accounts and Estimates Committee does not intend to replicate the information contained in the 2002-03 Budget Papers, rather the Committee is presenting information on selected areas where additional information may assist in the public understanding of those budget 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 February 2002, the Committee circulated a questionnaire to all Departments requesting supplementary information to that likely to be contained in the 2002-03 Budget Papers. The Committee’s questionnaire concentrated on obtaining information on the following areas:

• embedded tax savings;

• the management and implementation of the Government’s Partnerships Victoria policy;

• e-commerce in the Budget sector;

• departmental asset management policies;
• the profile of departmental staff; and
• staffing policies.

The Budget Estimates for 2002-03 were subjected to 54 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 July 2002 (see Appendix 3).

In preparation for the estimates hearings, the Committee relies on the information contained in a range of documents, including the Departments’ responses to the Committee’s estimates questionnaire (see Appendix 2), the Budget Papers and the Auditor-General’s report on the review of Government Agencies (previously the report on Ministerial Portfolios). The Auditor-General’s report on the review of Government Agencies was not tabled until 5 June 2002 which meant that a valuable source of information, that makes Agencies’ operations more transparent, was not available to the Committee while it reviewed the proposed expenditure for sixteen portfolios, including the major Departments of Premier and Cabinet, and Treasury and Finance.

Given that the estimates hearings provide an unrivalled opportunity to examine in detail the operations of Government and to seek explanations from Ministers, the Committee is keen to receive timely information that will assist with the Parliament’s scrutiny of the budget documents.

The Committee appreciates the many demands on the Auditor-General’s Office and the considerable pressure on the Office to finalise and table the report as soon as possible during the autumn session of Parliament. However, the Committee would find it useful if this important accountability document could be tabled before the estimates hearings each year, which usually commence during the second week in May.
Accordingly, the Committee recommends that:

**Recommendation 1.1**
The Auditor-General give consideration to tabling the report on the Review of Government Agencies before the estimates hearings commence each year.

The Committee is grateful for the assistance of all Ministers and the Departments’ senior officers at the estimates hearings and in providing responses to the Committee’s follow-up questions. The Committee also thanks the Hansard staff for the speedy provision of the transcripts of evidence from the estimates hearings, which greatly assisted the Committee.

This report is based on an analysis of the 2002-03 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 September 2002.

Although the draft report was prepared by September 2002, the prorogation of the Parliament in November 2002 and the subsequent State election prevented the Committee of the 54th Parliament from formally considering and adopting the report.

The recently appointed Public Accounts and Estimates Committee of the 55th Parliament has considered the report and notes that the report does not necessarily reflect changes to Government policy and directions which have taken place since September 2002.

As the report reflects the evidence presented to the former Public Accounts and Estimates Committee during the period May to August 2002, this Committee has not made substantial changes to the report.

In preparing this report, the former Committee has also considered the following documents:

- annual reports of Departments and Agencies;

- Report of the Auditor-General on the Government’s Annual Financial Statement 2000-01; and

The former Committee has confined its comments to a comparison of the 2002-03 Budget Estimates with the initial and revised Budget Estimates for 2001-02.
CHAPTER 2: GOVERNMENT’S RESPONSE TO THE PUBLIC ACCOUNTS AND ESTIMATE COMMITTEE REPORT NO. 43 — 2001-02 BUDGET ESTIMATES

Key Findings

2.1 Of the 95 recommendations contained in the Committee's report on the 2001-02 Budget Estimates, 42 were accepted; nine were accepted in part; seventeen were accepted/agreed to in principle; nine were rejected; seventeen were a combination of responses; and one was considered not to be applicable.

2.2 Although the Auditor-General has had the legislative authority to audit performance measures since 1999, the performance measures contained in the Budget Papers are still not at the required standard capable of being audited.

2.3 The quality of performance information contained in the Budget Papers and annual reports needs to be improved. The Department of Treasury and Finance has a key leadership role in assisting and supporting Departments in this process.

2.4. Although the Public Accounts and Estimates Committee has previously received assurances that action will be taken by the Department of Treasury and Finance to update annual reporting and corporate planning requirements, this has still not occurred.
2.1 Legislative requirement to respond to Committee’s recommendations

There is a legislative requirement that the responsible Ministers provide a response within six months to the recommendations in the Committee’s reports. This requirement is set out in the Parliamentary Committees Act 1968:

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.3

2.2 Previous recommendations

Of the 95 recommendations contained in the Committee’s Report on the 2001-02 Budget Estimates 42 were accepted, nine were accepted in part; 17 were accepted/ agreed to in principle, nine were rejected, 17 were a combination of the aforementioned responses; and one was considered not to be applicable. The Government’s response is at Appendix 4.

The Committee is particularly interested in the Government’s response to Chapters 2, 3, 4, 6 and 7 of the Committee’s Report on the 2001-02 Budget Estimates, which dealt with the quality of financial, performance and other information contained in the Budget Papers, annual reports and corporate and business plans of Departments. The Government’s response indicates that these matters are the responsibility of the Department of Treasury and Finance.

Of the Committee’s 20 recommendations relating to these five chapters, the Government accepted nine in part/ in principle and rejected four. Four of the six accepted recommendations related to

3 Section 40(2)
the Budget Papers but only one of these led to a change in the 2002-03 Budget Papers, Recommendation 4.3:

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

Recommendation not applicable - Recommendation 2.1 - 2001-02 Budget Estimates

One of the Committee's recommendations was considered by the Government to not be applicable.

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

The Government's response stated that:

   It is not appropriate for Government to be providing comment on what steps the Auditor-General should be taking regarding his audit activities.

   As an Independent Officer of Parliament, the Auditor-General has the power and responsibility to conduct the necessary audit procedures to meet his accountabilities under the Audit Act 1994.

At the time of the Committee's recommendation in November 2001, the Auditor-General had previously reported in his June 2001 Report on Ministerial Portfolios that although considerable progress had been made by the Government in implementing a revised performance reporting framework for the budget sector he had formed the view that the framework:

   Has not yet been sufficiently developed to enable audit opinions to be issued regarding the relevance, appropriateness and fair presentation of performance indicators.5

The Committee is aware that since June 2001 ongoing improvements have been made to the performance measures

developed by Departments for inclusion in the Budget Papers and annual reports. Nevertheless, there remains considerable scope for further developing performance measures of a qualitative nature.

In November 2001, the Auditor-General issued a report on departmental performance management and reporting. The report concluded that while some key components of the performance management and reporting framework were not yet finalised, the framework had promoted an enhanced focus on performance measurement and reporting. A further performance audit on performance management and reporting commenced in July 2002, with the primary objective of assessing the status of the progress made in implementing performance management and reporting since the release of the November 2001 performance audit on the same topic. This latest performance audit report was tabled in Parliament in early April 2003.

The Committee is disappointed that although the Auditor-General has had the legislative authority to audit performance measures since 1999, the performance management and reporting framework in Victoria has apparently not been to the required standard capable of being audited.

Auditing of performance information has been conducted by the Western Australian Auditor-General for some years and is viewed as an effective measure in improving performance management and public accountability. The Committee strongly reiterates the need for improvement in the quality of performance information contained in the Budget Papers and departmental annual reports and believes that there is considerable merit in an independent Agency, the Auditor-General, commenting on the fairness and reliability of the performance information provided to the Parliament.

Accordingly, the Committee recommends that:

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Chapter 2: Response to the Committee’s previous report

Recommendation 2.1

The Government address any shortcomings identified in the Auditor-General’s performance audit report, on performance management and reporting to enable the Auditor-General to undertake audits on the appropriateness of performance indicators.

Accepted in Part Recommendation 3.1 - 2001-02 Budget Estimates

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 Government responded that the notes to the 2002-03 estimated financial statements reflect aggregated budgeted asset re-valuation information. Further, the Department of Treasury and Finance does not believe that disclosures of re-valuation data on a class-by-class basis provide any reliable information to the users of the estimated financial statements. The Government’s response ignores the importance of the need to explain any material variances, even simple accounting variances brought about by a re-valuation exercise and/or a transition to accrual budgeting. The Committee still considers, as it has expressed over a number of recent reports, that effective parliamentary and public accountability requires the Budget Papers to explain material variances between estimates and actual data.

Rejected Recommendations 4.1 and 4.2 - Budget Estimates 2001-02

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

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9 Ibid, p.3
The Budget Papers include actual financial data for the two most recent periods for which actual data is available.

The Government’s response states that the focus of departmental performance indicator statements is on the Government’s targets over the next two years. Further the Government advised that:

The focus of the statements is not to provide time series analysis of the data in comparison to actual performance. Limited longitudinal analysis is already presented for a three-year period with the addition of ‘actuals’ disclosure. However, if a reader wishes to undertake such analysis over a longer period of time then older series data can be obtained from either previous budget reports or annual reports, which compare budget and actual data.

The Committee believes that obtaining such information from previous budget reports or annual reports would, in practice, be difficult. The Committee reiterates the point it made in last year's Budget Estimates report, that the absence of time series analysis and ongoing evaluation of departmental performance in output delivery, diminishes the public accountability of the Budget Papers. This could be readily rectified at low cost. Similarly, the Committee believes that the cost of including actual financial data for the two most recent periods for which actual data is available would be minimal and the benefits would be substantial. A reader of the Budget Papers 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.

The Committee believes that comparability of information assists readers of the Budget Papers to clearly see the fiscal trends, readily identify similarities and differences in the information being reported, and draw conclusions.

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10 Ibid, p.4
11 Ibid
13 Ibid, p.124
14 Ibid
Accepted Recommendation 4.6 (a) and (b) - Budget Estimates 2001-02

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.

The Government’s response states that:

As part of the annual budget process, the Department of Treasury and Finance (DTF) reviews output data submitted by departments for Government endorsement. In particular, DTF reviews departmental:

• objectives (in terms of appropriateness and relevance to and alignment with Government outcomes and key departmental activities);
• performance indicators (in terms of accuracy and relevance as measures of success); and
• output structure and outputs (in terms of appropriateness for achieving departmental objectives).

These reviews also examine the external and strategic focus, clarity and measurability of each objective and indicator. Departments are engaged throughout this process.

In addition, DTF, in conjunction with the Department of Premier and Cabinet and the other departments, [has] undertaken a program of Output Reviews designed to review all material outputs over a five-year cycle. The Output Reviews incorporate a review of:

• the alignment between stated departmental objectives and outputs and Government’s desired outcomes;
• the extent to which output performance targets have been achieved;
• the relevance and appropriateness of the key indicators of performance and performance targets for the department’s objectives/output mix (including associated measurement systems); and

• the appropriateness of the departmental output mix that contributes to the stated departmental objectives.

Opportunities also exist for assessing the accuracy and appropriateness of output data and the engagement of departments on these matters, during the Quarterly Department Output Performance Report.\textsuperscript{15}

The Committee is pleased that such a rigorous system of evaluation and review has been devised for the Victorian public sector. However, as indicated in later chapters in this report, the Committee's review of performance information contained in the Budget Papers indicates that considerable improvement in the quality of departmental performance information is required. The Budget Outcomes Report for 2000-01, which contained details of the Committee's review of Departments' annual reports, also highlighted that most Departments tended to focus on outputs and activities and not outcomes. Few Departments explained what they intended to do and what they actually did. Reasons for shortfalls in performance were seldom explained.

The Committee is keen to see the quality of public reporting in the Budget Papers and annual reports improve. The Committee believes that information on performance should be an essential part of the process by which the Government plans, budgets and seeks parliamentary approval for future expenditures. The Committee reiterates its previous advice that the Department of Treasury and Finance should have a key role in ensuring that reasonable progress is made in improving performance and financial information of Departments and Agencies and following this through with supportive action.

Accordingly, the Committee recommends that:

**Recommendation 2.2**

(a) The Department of Treasury and Finance identify examples of good performance and financial reporting that exemplify the Parliament’s expectations and provide these to all Departments; and 

(b) These examples be developed in consultation with the Parliament, through the Public Accounts and Estimates Committee, and the Auditor-General.

**Rejected Recommendation 4.7 – Budget Estimates 2001-02**

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 Victoria Public Sector.

In rejecting this important recommendation, the Government stated that:

It is not the role of the Department of Treasury and Finance to be appearing before the PAEC on the appropriateness and application of performance indicators across the Victorian Public Sector (VPS). The establishment of performance indicators is the responsibilty of the Accountable Officer of each VPS entity; therefore, they are the most appropriate people to be appearing before the PAEC on these matters.16

The Committee notes that the Department of Treasury and Finance does review departmental performance indicators, in terms of their appropriateness, application and relevance, as part of the annual budget process, quarterly department output performance reports and output reviews.

16 Ibid, p.8
In response to recommendations 4.7, 6.3 and 6.4 contained in the Committee's report on the Budget Estimates for 2001-02, the Department of Treasury and Finance indicated that responsibility for developing performance measures for the Budget Papers and, later in annual reports, lies with:

- the applicable Accountable Officer;
- the Chief Executive Officers and Chief Financial Officers;
- the Auditor-General to review the level of compliance with appropriate accounting pronouncements, legislation and regulations;
- the Parliament has the power to scrutinise annual reports and determine their level of compliance and overall quality;
- Accountable Officers, certifying as to their level of compliance and the fair representation of the information contained in the annual reports; and
- ultimately, it is the responsibility of the Agencies' Accountable Officers and Ministers as to the level of compliance and quality of information contained in annual reports.

The Committee is concerned that there is a lack of clear direction as to who has ultimate responsibility for the quality and consistency in performance information in the Budget Papers, annual reports and corporate plans: is it the accountable officer, the chief financial and accounting officer, the portfolio Minister, the relevant Department or Parliament?

The Committee suggests that this matter be clarified in the Government's Financial Management Compliance Framework.

The Committee is of the opinion that because Victoria is a 'world leader' in experimenting with new forms of accrual output based budgeting and output management, it is incumbent on the Department of Treasury and Finance to take a leadership role in improving the quality of performance information contained in key public accountability documents and ensuring that this
information can be integrated into a financial system that allocates billions of funds each year.

**Rejected part Recommendation 7.1 (i) - 2001-02 Budget Estimates**

(a) The Department of Treasury and Finance emphasise, in redrafting the existing Guide to Corporate and Business Planning, that:

(i) unnecessary duplication be avoided in preparing the corporate and business plans;

This part of the recommendation was rejected by the Government on the basis that corporate and business plans are the responsibility of the Accountable Officers of each Department and their respective Minister(s).\(^{17}\)

The Committee is disappointed with the Government's response in relation to the other aspects of recommendation 7.1. According to the Government's response: ‘DTF is considering a review of the Guide to Corporate and Business Planning’. The response notes that the following issues will be examined as part of this process:

- linkages between departmental planning and the budget process;
- requirements for forecasting the financial position and budgetary parameters of departments;
- a formal process for Ministerial sign-off of corporate and business plans;
- further guidance for performance measures;
- inclusion of an ‘overview’ section in corporate and business plans; and
- incorporating the Guide in the Ministerial Directions, issued by the Minister for Finance under the Financial Management Act 1994.\(^{18}\)


\(^{18}\) Ibid, p.21-22
The status of the review, the timeframe for the review as well as the funding allocated for the review is unclear from the Government’s response, which was tabled on 28 May 2002. The Committee stated in its Report on the 2001-02 Budget Estimates that:

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 Victoria budget sector ... The plan is to have the revision of the existing Guide completed by the beginning of 2002.19

The delay in reviewing the 1996 Department of Treasury and Finance guide is unfortunate, given the significance of the issues identified by the Committee through the Budget Estimates process.

Over a number of years, the Committee has consistently provided several major recommendations for improving public accountability and the implementation of the output management and accrual output-based budgeting reforms in the Victorian Public Sector. The Committee is disappointed that the Government’s response has again indicated that action would be taken, but this has not yet been reflected in the Budget Papers, annual reports and associated regulations, standards, guidelines or legislation.

Accordingly, the Committee recommends that:

Recommendation 2.3

The Department of Treasury and Finance allocate sufficient resources to ensure that the Government's review of the Financial Management Compliance Framework is completed as a matter of priority.

Key Findings

3.1 The estimated operating surplus for 2001-02 of $250 million represented a substantial reduction of $515 million from the estimate of $765 million contained in the May 2002 budget. Despite strong revenue growth, especially from property market activity and increased Commonwealth Government grants, negative returns from superannuation funds controlled by the State impacted substantially on the projected surplus.

3.2 The unfunded superannuation liability, pensions for retiring public servants and the 2006 Commonwealth Games will have significant implications for future State Budgets.

3.3 The net assets of the Budget Sector increased from $18.6 billion at 30 June 2001 to $20.1 billion at 30 June 2002. It is projected in the budget that net assets will further increase to $21.1 billion in 2003. A large part of the projected increase in 2002-03 will be attributed to a $738 million re-valuation of assets.

3.4 In 2002-03 total budget sector liabilities are expected to increase by $1,257 million to $23,821 million. The increase is mainly due to increases in employee entitlements of $197 million, the increase in the unfunded superannuation liability of $808 million and a marginal increase in payables of $11 million.

3.5 Mainly as a result of the Government's policy of funding infrastructure investment from accumulated operating surpluses and the Growing Victoria fund, the net debt of the State is expected to decline from $2.6 billion to $2.5 billion in 2002-03.
3.6 The benefits gained by the Government in reducing the existing unfunded superannuation liability by an estimated $538 million, have been offset by poor investment returns and salary increases for existing members of the State Superannuation Fund which will give rise to increased future pension entitlements.

3.7 Total assets controlled by the Budget Sector are expected to increase from $43.8 billion at June 2002 to $44.9 billion in 2002-03, mainly reflecting infrastructure developments in the health, transport, education and justice sectors. Financial assets held are expected to increase from $3.7 billion to $3.8 billion in 2002-03, reflecting the Government’s commitment to investing operating surpluses in investments that are readily realisable.

3.8 Accountability would be enhanced if the Budget Papers contained a reconciliation between the aggregate value of budget sector expenditure and asset acquisition detailed in the Estimated Financial Statements, with the total resources appropriated to the Government under the authority of Parliament.

3.1 Basis for preparation of the 2002-03 Budget Estimates

The 2002-03 Budget Estimates have been prepared in accordance with the provisions of the Financial Management (Financial Responsibility) Act 2000. The Government is required under this legislation to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management, namely, to:

- manage prudently the financial risks faced by the State, having regard to economic circumstances;

- pursue spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden;
• maintain the integrity of the Victorian tax system;

• ensure Government policy decisions have regard to their financial effects on future generations; and

• provide full, accurate and timely disclosure of financial information relating to the activities of the Government and its Agencies.

3.2 Budget strategy, objectives and priorities

The Government’s budget strategy and financial policy objectives have not changed since the previous budget, and they continue to be underpinned by the financial principles prescribed in the Financial Management (Financial Responsibility) Act 2000. This legislation requires a statement of the Government’s short-term and long-term financial objectives to be included in each budget and budget update. The Government’s financial objectives for 2002-03 are outlined in Exhibit 3.1.

Exhibit 3.1 Financial objectives of the Government Victoria in 2002-03

<table>
<thead>
<tr>
<th>Long-term financial objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maintain a substantial budget operating surplus.</td>
</tr>
<tr>
<td>• Provide capital works to enhance social and economic infrastructure throughout Victoria.</td>
</tr>
<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.</td>
</tr>
<tr>
<td>• Maintain State Government net financial liabilities at prudent levels.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short-term financial objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maintain an 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>• Give expenditure priority to education, health and community safety.</td>
</tr>
<tr>
<td>• Implement reforms to Victoria’s business taxation system.</td>
</tr>
<tr>
<td>• Maintain a triple-A credit rating.</td>
</tr>
</tbody>
</table>

Regarding the short-term financial objective of maintaining an operating surplus of at least $100 million in each year, the Government in October 2002 anticipated an estimated surplus of around $250 million in 2001-02, substantially less than the estimate in the May 2002 budget of $765 million.\textsuperscript{20} The downgrading of the estimated surplus was attributed to a readjustment of State superannuation expenses due to the significant fall in Australian and international share markets in 2002.

The Government’s objective is to maintain a buffer above the minimum operating surplus target of $100 million.\textsuperscript{21} The aim of this buffer is to protect the operating surplus against a moderate deterioration in the national and world economies and asset markets. The Government also perceives this buffer as in line with the financial management principle of pursuing expenditure and taxation policies that allow reasonable stability and predictability in tax burden levels. This strategy is designed to provide business and householder confidence that tax rates and service delivery levels will not need to be adjusted markedly and unexpectedly to retrieve the State’s financial position.\textsuperscript{22}

The Government’s policy is to finance additional asset investment from the budget operating surpluses, as well as from the Growing Victoria infrastructure reserve, avoiding a need to incur additional borrowings.\textsuperscript{23}

As part of its financial objectives, the Government is committed to maintaining net liabilities (net debt and unfunded superannuation liability) at prudent levels to maintain a triple-A credit rating. Victoria’s triple-A long-term local currency rating was re-affirmed in early 2002 and in May 2003. The rating was influenced by the substantial operating surpluses projected for 2002-03 and to 2005-06. In conjunction with the strong financial forecasts, net debt as a component of net financial liabilities was forecast to fall from

\textsuperscript{20} Media Release, Treasurer of Victoria, 4 October 2002
\textsuperscript{21} Government of Victoria 2002, Budget Statement, 2002-03 Budget Paper No. 2, Melbourne, p.11
\textsuperscript{22} Ibid, p.12
\textsuperscript{23} Ibid, p.97
$4.9 billion (3.3 per cent of gross State product) in 1999 to $2.3 billion (1.0 per cent of gross State product) by 2006.24

3.2.1 Growth and service delivery priorities

The Government’s vision, expressed in the document Growing Victoria Together, released in November 2001, is that by 2010 Victoria will be a State where:

- innovation leads to thriving industries generating high-quality jobs;
- all Victorians have access to the highest quality health and education services;
- there are caring safe communities with equitable opportunities; and
- protecting the environment for future generations is built into all Government decision making.

The Committee notes that the Government is continuing with medium to long-term strategies to improve quality, access and equity for all Victorians, particularly in education, health and community services, community safety and transport. The 2002-03 Budget, in recognition of these strategies, has committed $3 billion to new infrastructure assets, of which the most significant component is the Scoresby Freeway.25

Key new service delivery initiatives announced in the 2002-03 Budget are estimated to cost around $1.3 billion over four years. The cost of these initiatives in 2002-03 is estimated at $317 million. Major new service delivery initiatives include:26

- $31 million to improve literacy and numeracy in early years education;
- $82 million to improve participation and achievement in education through a new Access to Excellence initiative;

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24 Ibid, p.20
25 Ibid, p.28
26 Ibid, p.57–93
• $84 million for a Middle Years of Schooling initiative to keep students engaged in years 5-9;

• $48 million to introduce a Victorian Certificate of Applied Learning as an alternative pathway to the Victorian Certificate of Education (VCE);

• $31 million for school bus reform;

• $464 million to enable Victoria’s public hospitals to treat 30,000 more patients and employ 700 more nurses and workers;

• $157 million to assist public hospitals in meeting increased employer superannuation costs;

• $61 million to improve community mental health services and open new mental health hospital beds;

• $20 million to improve the delivery of ambulance services, including the employment of additional paramedics;

• $65 million to implement a new approach to child protection services;

• $55 million to improve disability services and undertake the first stage of the redevelopment of Kew Residential Services;

• $12 million to progress reconciliation between Indigenous and non-Indigenous Victorians;

• $29 million to expand Home and Community Care Services;

• $36 million for 25 new or upgraded bus services in growth suburbs and regional centres;

• $31 million for new tram extensions to Vermont South;

• $62 million to upgrade key arterial roads;

• $27 million to implement the Biotechnology Strategic Development Plan;
• $12 million for the Centre for Energy and Greenhouse Technologies (subject to matching Commonwealth funds);

• $80 million to promote sustainable forest practices and assist forest workers and timber communities as logging is reduced;

• $21 million to protect box-ironbark forests;

• $13 million for a Gippsland Lakes rescue package; and

• $10 million for the 2006 Commonwealth Games Organising Committee.

3.3 2001-02 Budget outcomes and overall position

3.3.1 2001-02 revised operating surplus

The 2001-02 Budget Papers forecast an operating surplus of $508 million.\textsuperscript{27} The forecast operating surplus was later revised to $792 million in January 2002, mainly in response to stronger than expected revenue growth. Further revisions of the budget occurred in May 2002 when the forecast surplus was marginally downgraded to $765 million, and in October 2002 when the estimated surplus was substantially reduced to around $250 million.

Exhibit 3.2 provides a summary of the financial performance for the 2001-02 budget compared with forecasts for 2001-02. It includes the corresponding forecast operating surplus for 2002-03.

The Exhibit does not include figures applicable to the October 2002 surplus revision of $250 million due to the final figures being subject to audit. However the Committee understands that the major reason for the downgrade is related to negative returns on the State Superannuation Fund and the Emergency Services Superannuation Scheme, leading to increases in the Government's net unfunded superannuation liability.

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\textsuperscript{27} Government of Victoria 2001, Budget Statement, 2001-02 Budget Paper No. 2, Melbourne, p.25
### Exhibit 3.2 Summary Statement of Financial Performance, 2001-02

<table>
<thead>
<tr>
<th>Revenue and expenses</th>
<th>2001-02 Budget estimate ($ million)</th>
<th>2001-02 revised estimate ($ million)</th>
<th>Variation between estimate and revision ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>7,976.5</td>
<td>8,758.0</td>
<td>781.5</td>
</tr>
<tr>
<td>Investment income</td>
<td>938.2</td>
<td>1,049.4</td>
<td>111.2</td>
</tr>
<tr>
<td>Grants</td>
<td>11,311.7</td>
<td>11,755.3</td>
<td>443.6</td>
</tr>
<tr>
<td>Sales of goods and services</td>
<td>2,111.6</td>
<td>2,037.7</td>
<td>-73.9</td>
</tr>
<tr>
<td>Other revenue (a)</td>
<td>1,127.4</td>
<td>1,406.4</td>
<td>279.0</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>23,465.4</strong></td>
<td><strong>25,006.8</strong></td>
<td><strong>1,541.4</strong></td>
</tr>
</tbody>
</table>

| Expenses                              |                                     |                                      |                                               |
|---------------------------------------|                                     |                                      |                                               |
| Superannuation                        | 1,506.9                             | 2,048.8                              | 541.9                                         |
| Depreciation                          | 871.3                               | 895.4                                | 24.1                                          |
| Borrowing costs                       | 477.6                               | 496.2                                | 18.6                                          |
| Employee entitlements                 | 8,411.5                             | 8,531.7                              | 120.2                                         |
| Supplies and services                 | 7,672.3                             | 7,830.0                              | 157.7                                         |
| Other expenses (b)                    | 4,017.5                             | 4,439.4                              | 421.9                                         |
| **Total expenses**                    | **22,957.1**                        | **24,241.5**                         | **1,284.4**                                   |

| Operating surplus                     | **508.3**                           | **765.3**                            | **257.0**                                     |


(a) Comprises regulatory fees and fines, fair value of assets received free of charge, gains/losses on disposal of physical assets, capital asset charge revenues and other miscellaneous revenue.

(b) Includes grants and transfer payments and amortisation expense.

Total revenue for 2001-02 was revised during the year from the budget estimate of $23,465 million to $25,007 million — an increase of $1,542 million, or 6.6 per cent. The upward revision of revenue has been attributed to the continued strength of the Victorian economy, particularly property market activity resulting in increased stamp duty revenue from land transfers and mortgages. Further, revenue from Commonwealth grants, investments and other miscellaneous revenue items was higher than expected.28

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Total operating expenditure for 2001-02 was revised to $24,242 million - an increase of $1,285 million (or 5.6 per cent) from the initial budget estimate of $22,957 million. The increase in budgeted expenditure has been attributed mainly to an increase of $542 million in the State’s unfunded superannuation liability following new actuarial projections of the liability, reflecting a downward revision of the funds earnings during 2001-02. The final figure for 2001-02 is expected to increase further. The remaining increase in budgeted expenditure has been attributed largely to increased costs associated with the First Home Owners Grant Scheme, a Special Power Payment of $118 million, one-off output initiatives of $84 million and costs of $69 million to settle contractual claims with tram and train franchisees.\(^{29}\)

The Committee notes that the increased operating surplus was influenced to a large degree by the increased revenue arising from property transactions in a very strong real estate market influenced by low interest rates and the first home buyers subsidy. Conversely, the largest liability of the Government, namely the unfunded superannuation liability, was projected to increase by at least $542 million at 30 June 2002, to $12.8 billion. The liability, which represents the present value of accrued superannuation benefits payable in the future, less Superannuation Fund assets, is influenced substantially by investment returns. Due to the very substantial falls that have occurred in both domestic and international equity markets over recent years, the State Superannuation Fund for the year ended 30 June 2001 incurred a reduction of $340 million in the value of its investments and an operating loss of $503 million. The Committee understands that a similar situation will also be reflected in the results of the State Superannuation Fund for the year ended 30 June 2002, whereby a negative return on investment of 5 per cent is anticipated.

In addition to the losses incurred from equity investments, the Government is responsible for the payment of pensions for public servants, including teachers and public transport employees, retiring from the State Superannuation Fund. These pensions, which are indexed twice annually, are linked to a fixed percentage

\(^{29}\) Ibid, p.227
of final salary at retirement. The State Superannuation Fund has around 148,000 serving members. Any salary increases granted to these members prior to retirement will ultimately impact on the Government’s ongoing obligation to meet pension costs under the defined benefit State Superannuation Fund.

3.3.2 2002-03 forecast operating surplus

Despite the downgrade of the operating surplus in 2001-02 by $515 million to $250 million, a surplus of $522 million is anticipated in 2002-03. The 2002-03 surplus reflects a moderate increase of $275 million in estimated revenue which is more than offset by an increase of $519 million, due mainly to funding of new output initiatives, in estimated operating expenses.

Operating expenses are budgeted at $24,760 million in 2002-03, an increase of $519 million (or 2.1 per cent) from the revised May Budget estimate in 2001-02. Of this amount, $317 million is directed to new output initiatives announced in the 2002-03 Budget Statement and output initiatives totalling $161 million announced in the 2001-02 Budget Update.

Total operating revenue is budgeted at $2,582 million in 2002-03, representing a modest increase of $275 million (or 2 per cent) from the revised budget estimate of $25,007 million in 2001-02. The projected moderate growth in revenue has been attributed mainly to increased revenue from other sources (such as regulatory fees and fines) and an estimated increase of $45 million in taxation revenue. A reduction of $262 million in business taxes over four years is having an impact on revenue growth, with revenue from this source estimated to fall by $96 million in 2002-03. The increase in revenue from regulatory fees and fines is estimated at $168 million and reflects the continuing impact of initiatives such as digital red light and speed cameras introduced to reduce Victoria’s road toll.

30 Ibid, p.32
Factors that have influenced the projected low growth in revenue in 2002-03 include:

- the expected marginal decline in Commonwealth grants as a result of a reduction in Victoria’s share of the grants pool, the cessation of the Commonwealth Additional Grant for first home buyers and a decline in GST transitional grants;

- the full year effect of the abolition of financial institutions duty and stamp duty on quoted marketable securities from 1 July 2001; and

- an expected moderation of property activity in 2002-03, including a decline in speculative housing investment, which will result in a further decline in conveyancing and mortgagee stamp duties.

A moderate increase of $12 million in investment revenue is projected, primarily reflecting an increase in interest rates and higher distributions to the Government from the Transport Accident Commission.31

3.3.3 Economic outlook and risks

In preparing the State budget, the Government must recognise the economic climate at the time, projected economic conditions, both locally and abroad and a range of other statistics and factors, including contingent liabilities that will or may influence whether the projected budget outcomes are achieved. To assist the Government with its budget assumptions, the Auditor-General is required under the Audit Act 1994 to review, not audit, and report on the estimated financial statements for the forthcoming financial year and the forward financial years to June 2006, to ensure the statements are consistent with accounting conventions and that the methods and economic assumptions used in preparing the statements are reasonable.

At the time of the release of the 2002-03 Budget, Victorian economic growth for 2001-02 was estimated at 3.75 per cent,

31 Ibid, p.33
exceeding the 2001-02 budget estimate of 2.75 per cent for that year. Strong growth of 3.5 per cent has also been forecast for 2002-03.\textsuperscript{32} The following key factors have had an impact on the short-term economic outlook:\textsuperscript{33}

- the Victorian economy performed strongly over 2001-02, with key economic measures such as levels of consumer spending and business investment exceeding national averages for these measures. State final demand (total private and public final consumption) grew by 2.3 per cent in Victoria in 2001. At June 2002, State final demand growth was 7.1 per cent, the highest level in four years. Consumer spending is forecast to increase in 2002-03, after allowing for moderate inflation of an estimated 2.25 per cent. Housing investment, however, is expected to recede as the First Home Buyers scheme expires and interest rates probably rise;

- export performance is expected to improve in 2002-03, despite a fall in the latter part of 2001, which was attributed to weaker global economic conditions, particularly in the United States (following the 11 September terrorist attack) and Japan (which entered a recession from which a recovery is not expected until 2003). World economic growth, as predicted in an April 2002 survey, is nevertheless anticipated to improve from 1.2 per cent in 2001 to 1.6 per cent in 2002 and 3 per cent in 2003. With this recovery, if sustained, the demand for Victorian exports could strengthen;

- the Victorian labour market improved over 2001-02, with employment growth of 1.8 per cent higher than the previous year’s rate of employment growth. For the March quarter 2002, employment growth rebounded strongly. After an initial rise in late 2001, the Victorian unemployment rate declined to 5.8 per cent in March 2002, well below the national average of 6.5 per cent. High employment rates can have an impact on State revenue in terms of increased payroll tax receipts and increased consumer spending;

\textsuperscript{32} Ibid, p.54
\textsuperscript{33} Ibid, p.47–54
private business investment increased by around 36 per cent over the five years to 2001. It grew moderately in 2001, outperforming the national average. If the global economy improves, the investment environment is expected to become more favourable in 2003 as corporate profitability improves overall. This investment activity has also been assisted by the reduction in business taxes over five years, as introduced in the 2001-02 budget; and

the consumer price index at March 2002 had risen by 2.9 per cent, slightly more than the 2001-02 budget forecast of 2.75 per cent. The index was forecast to decline to 2.25 per cent in 2002-03, translating to a maintenance of projected levels of Government expenditure.

As part of its budget strategy, the Government undertakes a risk analysis to identify potential future risks to the Victorian economic outlook, along with any factors that could offset such risks. The following are among the potential risks identified in the 2002-03 Budget:

- the slow global recovery may not be sustained, which would limit the scope for an increase in Victoria’s overseas exports and have implications for global equity markets. Changes in global economic growth would also have an impact on national growth prospects and therefore could reduce interstate demands for Victorian products;

- the strong growth in domestic demand placing upward pressure on consumer prices could flow through to higher wage claims and increased interest rates. Increases in wages and price levels increase Government spending and also have an impact on the net unfunded superannuation liability, because pensions payable from the State Superannuation Fund are linked to increases in the consumer price index;

- sensitivity to share prices is a risk, in that further falls in share prices (both domestic and international) reduce the

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34 Ibid, p.111–118
value of investments held by the State and the State Superannuation Fund; and

- adverse movements in population growth would have an impact on gross State product. The budget projections assume that net migration gains for Victoria will stabilise at 2,000 persons per year until 2005-06. This assumption is well below the actual migration gains, an average of 7,700 persons recorded over the three years since 1999.

In formulating the budget, the Government allows a contingency provision for expenditure risks that may be realised over the estimates period. The contingency provision includes a general allowance for:

- the impact of planned award wage increases, consistent with Government policy, on Departmental operating costs and the cost of government services;

- growth in Victoria's population leading to increased demand for Government services;

- asset investment funding in future budgets to meet emerging infrastructure needs; and

- other expenditure risks, for example, legal proceedings and disputes, that are unforeseen or unable to be quantified when the budget estimates are prepared.

The above factors could be mitigated by:

- the stimulus to global growth prospects from existing low global interest rate settings;

- the likelihood of the Australian dollar remaining steady, which will ease some pressure on consumer prices and interest rates; and

35 Ibid, p.119
36 Ibid, p.137
• the large uptake of the Government's Beneficiary Choice Program which has reduced superannuation pension liabilities that are sensitive to inflation.

After analysis of the economic issues outlined in the 2002-03 Budget Papers and the Auditor-General's review of the estimated financial statements and notes, the Committee considers that the methodology used and assumptions made on the basis of existing information available to the Government appear sound.

### 3.4 2002-03 Budget initiatives

Exhibit 3.3 shows new output and asset funding for 2002-03 by Departments. The objective of these funding initiatives is to deliver improved services and promote growth across Victoria by continuing with medium to long-term strategies to improve quality, access and equity, particularly in education, health and community services, community safety and transport.

#### Exhibit 3.3 New Output and Asset Funding

<table>
<thead>
<tr>
<th>Departments receiving funding for new budget initiatives in 2002-03</th>
<th>Output initiatives ($ million)</th>
<th>Infrastructure projects ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Training</td>
<td>55.9</td>
<td>82.1</td>
</tr>
<tr>
<td>Human Services</td>
<td>250.1</td>
<td>79.8</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>52.3</td>
<td>169.7</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>28.1</td>
<td>55.8</td>
</tr>
<tr>
<td>Justice</td>
<td>8.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Natural Resources and Environment</td>
<td>36.1</td>
<td>57.5</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>10.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Tourism, Sport and the Commonwealth Games</td>
<td>10.5</td>
<td>7.8</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>9.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Parliament</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Less: Funding from demand contingency</td>
<td>(146.9)</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>317.1</strong></td>
<td><strong>504.5</strong></td>
</tr>
</tbody>
</table>


As evident from Exhibit 3.3, additional funds for new output initiatives in 2002-03 totalled $317 million, after allowing for the deduction of $147 million funding from existing forward estimates.
demand contingencies (funding put aside in previous budgets for increasing service delivery demands arising from population changes and client demand growth). In addition to providing the $317 million net for new output initiatives in 2002-03, the budget provides for a further $161 million of output initiatives, reflecting initiatives to be undertaken in 2002-03 that had been announced in the 2001-02 Budget Update.

Exhibit 3.3 also reflects the estimated expenditure of $505 million in 2002-03 for new infrastructure projects that will be undertaken over the next few years for a total cost of $3,045 million, inclusive of Commonwealth Government funding for the Scoresby Freeway.

The 2002-03 Budget also includes initiatives that will have an impact on revenue but are designed to provide a competitive tax regime for Victorian businesses as outlined in the Government’s Building Tomorrow’s Businesses Today statement released on 22 April 2002. These initiatives, which will implement business tax cuts of $262 million to 2005-06, include:

- raising the payroll tax threshold from $515,000 to $550,000 in conjunction with reducing the payroll tax rate from 5.45 per cent to 5.35 per cent, effective from 1 July 2002. The payroll tax rate will further reduce to 5.25 per cent from 1 July 2003;

- raising the land tax threshold from $125,000 to $150,000; and

- abolishing the stamp duty on unquoted marketable securities from 1 July 2002, a year ahead of schedule.

In addition to the above business incentives, the Government intends targeting assistance to first home buyers and concession card holders, at an additional cost to revenue of around $13 million per year.

37 Ibid, p.29
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 2002. The statement of financial position discloses an increase in Budget Sector net assets of $1 billion — from $19.1 billion at the time of the 2001-02 budget to $20.1 billion at 30 June 2002, based upon the estimated results contained in the May 2002 Budget Papers. The Committee acknowledges that the audited final results will change the statement. The increase in net assets can be attributed to the 2001-02 operating surplus, in conjunction with the Government's strategy of applying surpluses to financing infrastructure investment over the forward estimates period, moderately increasing financial assets and reducing net debt. The increase in net assets also reflects asset revaluations of $173 million and a $514 million increase in accumulated contributions, which was due mainly to the integration of Melbourne Parks and Waterways into the Department of Natural Resources and Environment. The increase in liabilities of $1,067 million results mainly from an increase in the unfunded superannuation liability.38

38 Ibid, p.231
# Exhibit 3.4 Budget Sector Statement of Financial Position

<table>
<thead>
<tr>
<th>Balance sheet items</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>937.6</td>
<td>880.6</td>
<td>912.8</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1,199.7</td>
<td>1,193.4</td>
<td>1,219.1</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,002.8</td>
<td>1,028.7</td>
<td>1,084.5</td>
</tr>
<tr>
<td>Prepayments</td>
<td>37.2</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td>Inventories</td>
<td>165.6</td>
<td>163.7</td>
<td>163.9</td>
</tr>
<tr>
<td>Other assets</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>3,343.0</strong></td>
<td><strong>3,303.5</strong></td>
<td><strong>3,417.4</strong></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>1,991.0</td>
<td>2,962.9</td>
<td>2,418.4</td>
</tr>
<tr>
<td>Receivables</td>
<td>211.4</td>
<td>236.4</td>
<td>248.4</td>
</tr>
<tr>
<td>Inventories</td>
<td>135.0</td>
<td>135.0</td>
<td>135.0</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>22,353.8</td>
<td>22,853.3</td>
<td>23,921.6</td>
</tr>
<tr>
<td>Roads and earthworks</td>
<td>12,174.4</td>
<td>12,506.8</td>
<td>12,996.0</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,765.9</td>
<td>1,766.0</td>
<td>1,794.2</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>38,631.5</strong></td>
<td><strong>40,460.4</strong></td>
<td><strong>41,513.7</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>41,974.5</strong></td>
<td><strong>43,763.9</strong></td>
<td><strong>44,931.1</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>1,171.4</td>
<td>1,144.0</td>
<td>1,154.7</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>63.5</td>
<td>80.6</td>
<td>85.5</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>763.6</td>
<td>791.9</td>
<td>826.6</td>
</tr>
<tr>
<td>Superannuation</td>
<td>119.4</td>
<td>382.4</td>
<td>990.1</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>548.9</td>
<td>549.8</td>
<td>531.1</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>2,666.8</strong></td>
<td><strong>2,948.7</strong></td>
<td><strong>3,588.0</strong></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>8.7</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>6,218.3</td>
<td>6,226.0</td>
<td>6,215.8</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>1,746.8</td>
<td>1,717.0</td>
<td>1,879.4</td>
</tr>
<tr>
<td>Superannuation</td>
<td>11,833.2</td>
<td>12,423.6</td>
<td>11,771.0</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>375.8</td>
<td>371.8</td>
<td>358.6</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>20,182.8</strong></td>
<td><strong>20,747.0</strong></td>
<td><strong>20,233.4</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>22,849.6</strong></td>
<td><strong>23,695.7</strong></td>
<td><strong>23,821.4</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td><strong>19,124.9</strong></td>
<td><strong>20,068.2</strong></td>
<td><strong>21,109.8</strong></td>
</tr>
</tbody>
</table>

**Represented by:**
- Accumulated contributions by the Victorian Government, including:
  - Prior year surpluses: 12,858.0, 13,371.5, 13,918.8
  - Reserves: 5,758.4, 5,931.4, 6,669.2
  - Net result for year: 508.5, 765.3, 521.8

**TOTAL EQUITY**
- 19,124.9, 20,068.2, 21,109.8

The Committee noted that the net equity of the State is further estimated to grow by around $1.04 billion (or around 5 per cent) to $21.1 billion in 2002-03, reflecting a very sound financial position. Exhibit 3.5 reflects the changes in equity that have occurred between 2001-02 and 2002-03:

### Exhibit 3.5 Reconciliation of Changes in Equity

<table>
<thead>
<tr>
<th></th>
<th>2001-02 Revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity at beginning of year</td>
<td>18,616.4</td>
<td>20,068.2</td>
</tr>
<tr>
<td>Movements in re-valuation reserves</td>
<td>173.0</td>
<td>737.8</td>
</tr>
<tr>
<td>Contributions by the State to other sectors in its capacity as owner</td>
<td>–</td>
<td>(218.0)</td>
</tr>
<tr>
<td>Contributed capital mainly from the integration of Melbourne Parks and Waterways into the Department of Natural Resources and Environment</td>
<td>513.5</td>
<td>–</td>
</tr>
<tr>
<td>Net result for year</td>
<td>765.3</td>
<td>521.8</td>
</tr>
<tr>
<td>Total movements in equity</td>
<td>1,451.8</td>
<td>1,041.6</td>
</tr>
<tr>
<td><strong>Total equity at end of year</strong></td>
<td><strong>20,068.2</strong></td>
<td><strong>21,109.8</strong></td>
</tr>
</tbody>
</table>


The Committee observed that the increase of $1,041.6 million in State equity between 2001-02 and the budget for 2002-03 includes an amount of $737.8 million representing the re-valuation of assets during the year. If this amount were to be excluded, then the net change in equity arising from operating surpluses and abnormal transactions would be $308.8 million.

The Committee is aware that guidelines issued by the Department of Treasury and Finance in 1995 require certain Budget Sector entities, including Government Departments, to revalue their assets (other than those recorded at historical cost) at least every five years. Australian Accounting Standards also require non-current assets to be revalued at regular intervals, to ensure these assets are recorded at a fair value in financial statements. All increases/ decreases arising from revaluations must be recorded in aggregate as movements in equity.
The Committee recommends that:

Recommendation 3.1

The notes to the estimated financial statements provide additional details on the nature of asset revaluations and their impact on changes in the net equity of the State.

3.5.1 Budget sector liabilities

The Budget Papers disclose that total liabilities at 30 June 2002 were estimated to be $23,695.7 million, or around $846 million higher than the initial budget estimate of $22,849.6 million for 2001-02. The increase has been attributed predominantly to the increase in the unfunded superannuation liability of at least $1.5 billion, which has arisen from an increasing rate of resignations of workers aged 54–55 years old, a slowing of the retirement rate of persons aged over 55 years and the substantially reduced investment earnings of the superannuation funds which offset increases in the accrued unfunded liability.

In 2002-03, total liabilities are expected to increase by a further $125.7 million to $23,821.4 million, reflecting:

- increases in employee entitlements, such as long service leave and accrued annual leave, of around $197 million; and
- a marginal increase in payables of $10.7 million.

Despite the overall increase in total liabilities, total assets in 2001-02 are expected to have increased by $1,167.2 million from the revised budget estimate of $43,763.9 million to $44,931.1 million.

The Committee notes that the 2002-03 Budget Papers indicate that general Government net financial liabilities (excluding the Growing Victoria infrastructure reserve) decreased from $16.3 billion at June 1999 to $15.4 billion at June 2002 and will further decrease marginally to $15.3 billion in 2002-03. 39

39 Ibid, p.106
longer term, net financial liabilities are forecast to be around $15.9 billion at June 2006. As a percentage of gross State product, however, net financial liabilities are forecast to decline from 10.8 per cent at June 1999 to 7.1 per cent at June 2006.

3.5.2 Debt management

The term ‘net debt’ is defined as the net amount owed after liquid financial assets are deducted from gross borrowings. The basis for this definition is that financial assets would be available to redeem debt in any period of financial difficulty. Given the existing policy that requires all cash surpluses from operations to be held as financial assets, net debt will be reduced if no large Government borrowing programs are undertaken in future years.

As a direct result of the above policy, the State Government net debt is projected to fall from $4.9 billion (or 3.3 per cent of gross State product) in 1998-99 to $2.3 billion (or 1.0 per cent of gross State product) in 2005-06.\(^4\) As a direct result of the reduction in the State’s debt burden, combined with the maintenance of Victoria’s triple A credit rating, borrowing costs have remained relatively constant. Costs in 2001-02 of $477.6 million are projected to increase only marginally, up to $488.4 million in 2005-06.

The Government’s policy is to fund spending on infrastructure assets from operating surpluses and the Growing Victoria infrastructure reserve, thereby avoiding the need to borrow money. As a consequence, the net debt is expected to fall slightly from $2.6 billion in 2001-02 to $2.5 billion in 2002-03.

3.5.3 Unfunded superannuation liabilities

The most significant liability on the State’s balance sheet is the State’s unfunded superannuation liability which was initially projected at $12.8 billion at 30 June 2002, but increased to $13.4 billion due to negative investment returns. This liability represents the present value of future benefits payable by the State.

\(^4\) Ibid
that members have already accrued that are not covered by superannuation fund assets.

Based on estimates from the Department of Treasury and Finance, the State's share of the unfunded superannuation liability is expected to grow to $13.6 billion by June 2006, representing an average annual growth rate of 1.9 per cent.\textsuperscript{41} The growth is mainly due to the increasing average age of the public sector workforce covered by defined benefit schemes, coupled with the declining investment returns of the superannuation funds (particularly in terms of equities) and the impact of general salary and wages increases on the future pensions payable. The level of unfunded superannuation liabilities is projected to peak at $13.9 billion in 2011, then decline until 2032 when it will be extinguished as a result of the following Government initiatives:

- a requirement implemented from 1 November 1995 that Budget sector Government Departments and Agencies contribute to the emerging superannuation costs of their employees;
- annual Government payments into the superannuation funds to meet the cost of employee services before 1995; and
- the introduction of the Beneficiary Choice Program in 2001, which gave State Superannuation Fund pensioners and deferred benefit members a one-off opportunity to commute all or half of their pensions or deferred pension benefit entitlements to a lump sum.

The Beneficiary Choice Program resulted in 35 per cent of pensioners and 29 per cent of deferred beneficiaries taking up the offer, reducing the unfunded superannuation liability by an estimated $538 million. Nevertheless, the benefits gained as a result of the Beneficiary Choice Program have been offset by the ongoing poor investment returns of the State Superannuation Fund reflecting the large downturn in equity investments, coupled with pay increases for existing members of the State.

\textsuperscript{41} Ibid, p.103
Superannuation Fund which will give rise to increases in future pension commitments.

### 3.5.4 Budget sector assets

The Budget Papers disclose that the value of assets under the control of the Government is expected to increase from $43.8 billion at 30 June 2002 to $44.9 billion in 2002-03. The anticipated increase in total assets is a reflection mainly of major infrastructure projects to be undertaken in the transport, health education and justice sectors.

Some infrastructure projects will be implemented under the Partnerships Victoria policy which is responsible for the provision of public infrastructure and related ancillary services through public-private partnerships and the integration of private sector investment in public infrastructure. This area is currently the subject of an Inquiry by the Public Accounts and Estimates Committee.

### 3.6 Parliamentary authority for budget expenditure, including asset acquisitions

#### 3.6.1 Parliamentary authority for budget expenditure

Under the State’s financial management framework, the Government presents the Annual Budget to the Parliament and seeks the authority of the Parliament to approve the release of funds from the Consolidated Fund to meet the estimated annual expenditure of the budget sector. The Consolidated Fund forms part of the Public Account, which is, in effect, the Government’s main bank account. The Public Account also contains the Trust Fund which comprises various specific purpose trust accounts mainly set up to receive and disburse certain specific Commonwealth grants as well as other moneys of a trust nature. The Trust Fund is also utilised for the operation of departmental suspense and working accounts.

Expenditure from the Consolidated Fund is sanctioned by annual Appropriation Acts approved by Parliament, whereas expenditure
from the Trust Fund is authorised by the responsible Minister in accordance with the terms of the trust conditions set either by legislation or the Minister for Finance. Moneys can also be appropriated from the Consolidated Fund by particular Acts of Parliament for specified purposes and are referred to as special appropriations. These special appropriations do not require annual authorisation by Parliament as there is generally a continuing authority contained in the specific legislation.

Budget Paper No. 3 contains details of the collective authority for the resources available to Departments, both of a recurrent and capital nature in respect of the 2002-03 Budget. The total amount authorised is prepared on an accrual basis and comprises the following:

**Exhibit 3.6 Parliamentary Authority for Resources for the 2002-03 Budget**

<table>
<thead>
<tr>
<th>Source of Authority</th>
<th>2002-03 Budget $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Appropriations</td>
<td>19,654.7</td>
</tr>
<tr>
<td>Receipts collected by Departments and credited to Appropriations under Section 29 of the Financial Management Act 1994 (Note 1)</td>
<td>1,443.7</td>
</tr>
<tr>
<td>Appropriated moneys, unspent in previous financial year (Note 2)</td>
<td>146.7</td>
</tr>
<tr>
<td>Accumulated surpluses from prior years (Section 33 of the Financial Management Act 1994)</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Gross Annual Appropriations</strong></td>
<td><strong>21,248.6</strong></td>
</tr>
<tr>
<td>Special Appropriations</td>
<td>2,376.2</td>
</tr>
<tr>
<td>Trust Fund</td>
<td>2,099.0</td>
</tr>
<tr>
<td><strong>Total Parliamentary Authority</strong></td>
<td><strong>25,723.8</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p 8

Note 1: Estimated receipts at time of May 2002 budget

Note 2: Estimates only of amounts to be carried over subject to the approval of the Treasurer under Section 32 of the Financial Management Act 1994

The Annual Appropriation Act authorises funding for both recurrent purposes, namely all departmental outputs, and capital purposes; being the net value of additions to the asset bases of the departments.
The Committee is of the view that accountability would be enhanced if the total value of resources authorised under parliamentary authority as detailed in Exhibit 3.6 was reconciled with the aggregate value of budget sector expenditure and asset acquisitions as detailed in the Estimated Financial Statements. These Statements are also prepared on an accrual basis. For 2002-03, the estimated value of outputs was $24,760 million and the purchase of fixed assets by Departments was $1,927.3 million, a total amount of $26,687.3 million. This total was in excess of the total of funds authorised by Parliament by $963.5 million.

The Committee understands that one of the major reasons for the excess amount is that budgeted output expenditure also includes expenditure funded from outside of Government, such as from fundraising, donations and voluntary fees including those imposed on students in State schools. The level of funding provided from outside of Government for outputs is not detailed in the Budget Papers. In order to undertake a reconciliation between moneys authorised by Parliament and the Estimated Financial Statements it is also necessary to identify funding for the purchase of assets that is contained in moneys authorised from the Trust Fund and from Special Appropriations. Again, the Budget Papers do not specifically identify moneys available from these sources that are to be used for asset purchases.

In addition to enhancing accountability, a reconciliation between moneys authorised by Parliament and the Estimated Financial Statements would also better inform Parliament as to the reliance to be placed on the extent of Budget Sector expenditure detailed in the Budget Papers and the integrity of the financial information before passing the Appropriation Bills. It would also increase public confidence that the financial information presented in the Budget Papers is a fair representation of the State’s finances.

To illustrate the importance of this issue, at the Estimates Hearing the Minister for Finance acknowledged an error in the Budget Papers to the effect that the appropriations recorded for the Department for Innovation, Industry and Regional Development

and the Department of Tourism, Sport and the Commonwealth Games were different from the appropriations for those Departments that were contained in the Appropriation Bill then awaiting consideration by the Parliament.\footnote{Hon. J. Lenders, MLC, Minister for Finance, transcript of evidence, 23 May 2002, p.152} In addition to these errors, that were attributed to the Department of Treasury and Finance, Budget Paper No. 3 recorded the 2002-03 Annual Appropriation as $19,654,700 million, whereas the amount contained in Appropriation Act 2002 was $19,653,592 million, representing a variation of $1.108 million. The Committee acknowledges that the variation is immaterial in the context of the overall budget.

Nevertheless, these two examples illustrate the point that if a reconciliation was included in the Budget Papers, as suggested by the Committee, errors of the nature referred to would more likely become apparent before the Budget and the Appropriation Bills are presented to Parliament.

The Committee is aware that the Auditor-General has recently reviewed the arrangements for parliamentary control and management of appropriations and the Committee will be commenting on these matters in the Budget Estimates Report for 2003-04.

Accordingly, the Committee recommends that:

\textbf{Recommendation 3.2}

\textit{The Department of Treasury and Finance include in the Budget Papers a reconciliation between the Estimated Financial Statements and the Parliamentary Authority required for the financial resources to be made available to all Departments.}
Key Findings:

4.1 The Committee fully endorses the concept of accrual output based budgeting, which if properly implemented, will bring about greater transparency and accountability, improved resource management and provide better budget information to Parliament for decision making purposes.

4.2 Despite some major achievements, progress within the Victorian Public Service in implementing an effective output based budgeting framework has been slow.

4.3 To date, the accrual output based budgeting system has not provided a transparent link between the departmental outputs, objectives and performance measures contained in the Budget Papers and the ultimate impact on the community of the services delivered by Government.

4.4 The Committee over the years has consistently provided many recommendations for improving performance management, annual reporting and the implementation of the accrual output based budgeting reforms. Although many of these recommendations have been accepted by the Government, further improvements are warranted.
4.5 The momentum for continuous improvement in accountability must be maintained in order to ultimately satisfy Parliament and the public that Government policies are bringing about ongoing improvements for the Victorian community in an efficient, effective and economic manner.

4.6 Due to the absence of an effective performance reporting framework in the budget sector, to date the Auditor-General has not been able to exercise his legislative authority to audit performance measures.

4.7 The Committee considers there is a need for a best practice guide on output specification and performance measurement in the public sector, in order to set the standards against which outputs and performance measures can be developed and audited in the future.

4.1 Introduction

The adoption of the accrual output based budgeting framework has now become common in most Australian jurisdictions. This form of budgeting was the major focus of the Financial Management Reform Program introduced in Victoria in 1997. The Reform Program was a decision making framework intended to be introduced over a three to five year period which was to support the achievement of the Government’s key budgetary, economic, financial and management reform objectives.

The budgeting process relies on the Government defining what are its desired key outcomes for the community as a result of Government funding outputs purchased from the various Departments and other public sector entities.

In line with departmental objectives, annual business plans are prepared which are intended to identify the necessary outputs required, resources available and targets for deliverables necessary to achieve the objectives and contribute to the key government outcomes identified. Details of these outputs, deliverables, targets and previous performance against prior year targets are contained
in the Budget Papers. Each output identified in the Budget Papers includes a range of performance measures which are intended to reflect measurement of the outputs in terms of quantity, quality, timeliness and cost.

By basing the budgeting system around outputs, the intention of the accrual output based budgeting system is to provide Parliament with comprehensive data which should allow Members to critically evaluate the extent to which the outputs have resulted in the Government achieving its intended outcomes and departmental objectives over a given period of time.

The Committee fully endorses the concept of accrual output based budgeting because if properly implemented, it will bring about greater transparency and accountability, improved resource management, and provide better budget information for Parliament. Overall, it should provide the basis for determining whether every Department actually achieved what they planned to do, and outlining financial performance against budgeted output allocations, and the reasons for any shortfalls.

In reality, progress within Victoria in achieving an effective output based budgeting framework has been slow. Although there have been major achievements, particularly in respect of demanding a sharper focus on services to be provided under defined outputs, there is still a way to go before the output based budgeting framework is functioning as was intended. The major area of concern to the Committee has been the weaknesses in the accountability arrangements which are meant to focus on adequately measuring and reporting the outcomes achieved by the Government. Specifically, the accrual output based budgeting system has not provided a transparent link between departmental outputs, performance measures and objectives contained in the Budget Papers and the ultimate impact on the community of the services delivered by the Government in line with their policy objectives and desired outcomes.
4.2 Deficiencies in the implementation of the intended framework

Over the past few years the Committee has consistently provided many recommendations for improving performance management, annual reporting and the implementation of the accrual output based budgeting reforms. Examples of some of the issues raised by the Committee included:

- considerable scope existed to better define departmental objectives, which at times could be construed as vision statements rather than objectives which were achievable given the outputs identified;

- a need for the Government to better articulate its high level outcomes and priorities in order to establish a linkage with departmental objectives and targeted outputs. The Committee found that, notwithstanding the situation whereby Government outcomes needed to be better articulated, it was often difficult to determine whether the departmental objectives and outputs would satisfy the Government outcomes;

- a need for consolidated reporting of activities in circumstances where the achievement of a Government outcome is dependent upon outputs from several Departments and/ or Agencies;

- although Departments are required to include in their annual financial statements a summary of the various parliamentary appropriations available to the Department, including supplementary funding, together with the expenditure applied against the parliamentary authorities, there is no legislative requirement for the Departments to provide explanations as to the need for budget supplementations;

- emphasis is given to measurement of outputs, with minimal attention given to whether the outputs actually resulted in outcomes being achieved for the benefit of the community. For example, the Committee observed that many
performance measures involved meeting targets such as the production of a specified number of reports or conducting a specified number of reviews or meeting a target involving a specified number of interviews with clients. While there is a need for such measures, they were invariably not accompanied by qualitative indicators as to the outcomes of such reports, interviews, meetings, etc, in terms of whether they contributed to the Government’s desired outcomes for the community;

• from year to year in the Budget Papers deletions, additions and changes occurred as to the outputs and performance measures utilised. While the Committee accepts that these changes usually represented improvements, there was often minimal or no disclosure as to the reasons why the outputs and performance measures changed;

• although outputs disclosed for each Department in the Budget Papers were accompanied by performance measures and targets, the outcomes intended were not accompanied by similar performance measures and targets. In the absence of clearly specified outcome targets, both of a short and long-term nature, the impact of departmental activities on the community remained largely unmeasured;

• although as previously stated, linkages between departmental objectives and outputs intended to satisfy outcomes are often unclear, there was some evidence to suggest that departmental objectives tended to be of a short-term nature depending on funding available. Accordingly, the long-term sustainability of certain outputs which relied on the ongoing availability of public infrastructure, information systems, ongoing quality improvement in service delivery and a skilled workforce, were often not adequately addressed in terms of future planning and resource management;

• the Committee found that where performance measures or targets were not carried forward from prior years, it was common for Departments not to disclose the actual results
relative to those measures for the previous year, thereby
diluting accountability for prior year activities;

- the Committee accepted that where ongoing development of
  the framework is occurring, many changes will occur. Nevertheless,
  wherever possible the Committee considered that there needed to be consistency in the presentation of key
  performance indicators in the Budget Papers and annual reports to enable meaningful trend analyses over a three to
  five year period. Due to this situation it was not generally
  possible to benchmark Victorian performance with the
  performance results for similar programs in other
  Government agencies throughout Australia;

- according to the Auditor-General's June 2001 Report on
  Ministerial Portfolios there was evidence to suggest that the
  performance measures developed by Departments for
  inclusion in the Budget Papers were to meet the
  requirements of the Department of Treasury and Finance as
  distinct from meeting public accountability obligations. The
  Committee is concerned that public accountability
  obligations arising from the State Budget and external
  reporting by Departments and Agencies may be adversely
  impacted upon if this situation were to exist;

- the Committee considered that accountability would be
  enhanced if the Budget Papers contained a reconciliation
  between the aggregate value of Budget Sector expenditure
  and asset acquisitions as detailed in the Estimated Financial
  Statements and the total amount of funding appropriated to
  the Government under the authority of Parliament. Such a
  reconciliation would better inform Parliament as to the
  reliance that can be placed on the data for Budget Sector
  expenditure before passing the Appropriation Bills;

- many Annual Reports produced by Departments were
  considered by the Committee to be unsatisfactory in several
  respects in terms of:
few Departments explained what they planned to do, what they actually did and how they satisfied desired Government outcomes;
- where targets or objectives were not adequately met, reasons for shortfalls were often not provided;
- most reports focused on outputs with very little or no information on outcomes achieved; and
- very limited information was available on planned future initiatives and/or targets set for the building of service delivery capacity and related infrastructure; and

there was a need for strategic/ corporate plans and business plans at both departmental and whole-of-government level to be more closely aligned with the Government’s budget process.

Given the above range of issues it could convey the impression that despite five years elapsing since the Financial Management Reform Program commenced, there still remains scope for major improvements to occur. In reality, while the statement reflects the current situation the Committee also acknowledges that many improvements have occurred in recent years, particularly in respect of measuring performance and the allocation of resources.

The Committee also acknowledges that unless Government outcomes are better defined, the identification of appropriate outputs and performance measures will remain a difficult and complex task. Nevertheless, the momentum for continuous improvement must be maintained in order to ultimately satisfy Parliament and the community that Government policies are bringing about ongoing improvements to Victoria in an efficient, effective and economic manner, and that this can be demonstrated through transparent accountability mechanisms, such as the Budget Papers, annual reports and Auditor-General’s Reports. Many of the issues referred to in this chapter are separately addressed elsewhere in this Report. However, the Committee recommends that:
Recommendation 4.1

(a) As part of their accountability responsibilities, all Departments and Agencies provide in the Budget Papers detailed explanations for:
   (i) any outputs changing between years; and
   (ii) the linkages between the new outputs and Government outcomes;

(b) All annual reports issued by budget sector Agencies contain a statement which analyses the Agency's output performance and related performance measures so readers can draw conclusions about the Agency's performance in achieving outcomes;

(c) It would be useful where programs extend over several years if the original strategic priorities were restated in the Budget Papers and annual reports for each subsequent year in order that readers of these documents are able to form a better view about the degrees to which strategic priorities and desired outcomes are being achieved/had been achieved;

(d) The Department of Treasury and Finance further improve the implementation of accrual output based budgeting by:
   (i) reviewing the output data submitted by Departments to ensure it is accurate and adequately reflects activities undertaken by the Departments; and
(ii) providing further ongoing assistance to Departments in improving the quality and nature of their output forecasting systems, including the selection of outputs, outcomes and performance measures to ensure they are meaningful, measurable and relative to the ongoing activities of the Departments. Attention be given to developing training programs for departmental staff to ensure they acquire the skills necessary to understand the performance reporting framework that needs to be in place for the effective implementation of accrual output based budgeting.

(e) The corporate and business plans of Departments should be independently reviewed and endorsed by the relevant portfolio Ministers and the Minister for Finance, acting on behalf of the Government, to provide confidence as to whether the departmental outputs are compatible with desired Government outcomes.

4.3 Involvement of the Victorian Auditor-General

Under the Audit Act 1994 the Victorian Auditor-General has the legislative authority to audit performance indicators developed by Departments as part of the Budget Process. This power is yet to be exercised as the Auditor-General concluded in his November 2001 Report on Departmental Performance Management and Reporting that although considerable progress had been made by the Government in implementing a revised performance reporting framework for the Budget Sector, the framework had not yet been
sufficiently developed to enable audit opinions to be issued regarding the relevance, appropriateness and fair presentation of performance indicators. Similar legislation exists in other jurisdictions in Australia, including Western Australia where the auditing of performance indicators has been in place for many years.

The Committee was advised by the Victorian Auditor-General that he has developed a methodology for the examination of performance indicators. During 2003-04 the Auditor-General’s Office intends to commence a program of examining and reporting on performance indicators used by a selection of public sector Agencies.

The Committee welcomes such a development which will contribute to improvements in performance measurement in the budget sector and strengthen the budget process. The Committee also believes there would be merit in developing a best practice model for performance measurement that could be used in departmental annual reports and in the Budget Papers.

The Committee recommends that:

**Recommendation 4.2**  
The Auditor-General, in conjunction with the Department of Treasury and Finance, and the Australian Accounting Profession, reach agreement on a best practice guide for output specification and performance measurement in the public sector, in order to set the standards against which outputs and performance measures can be developed and audited in the future.
Key Findings

5.1 While the level of disclosure of the items in the Department of Education and Training's Statement of Financial Performance in the 2002-03 Budget Papers has significantly improved, scope remains for additional disclosure.

5.2 Difficulties in recruiting teachers at the start of 2002 appear to have improved, but the supply of teacher graduates in Victoria still does not meet the demand for new teachers.

5.3 Difficulty in teacher recruitment is being experienced in some geographic locations (including western Victoria, parts of Gippsland and parts of the urban fringe of Melbourne) and certain curriculum areas, including technology studies, information technology and languages other than English.

5.4 The trend data for Victorian school students (Years 3 and 5) show that literacy and numeracy are improving. Similar testing will be introduced for Year 7 in the near future.

5.5 The next phase of the Department of Education and Training's strategy is to substantially change the delivery of middle years education, particularly the approaches to teaching and learning, class and school organisation.

5.6 The Koori community wants a total community response to education and education programs that fit within its cultural understanding and values.
5.7 While every Government school has participated in the drug education strategy, and implemented drug education programs, a significant number of non-government schools (136 schools) have not participated in the initiative.

5.8 There needs to be a publicly available outline of the framework that is used to evaluate the ongoing effectiveness of drug education programs.

5.9 To ensure synergy of activities by various Departments relating to youth affairs across the State, it is important that the Office of Youth finalise the Youth Strategy as soon as possible.

5.1 **Departmental overview**

The Department of Education and Training provides support to the portfolios of Education and Training; Education Services; and Youth Affairs.

The Department underwent significant changes over the past year. On 5 March 2002, the employment function was transferred from the former Department of Education, Employment and Training to the Department of Innovation, Industry and Regional Development (DIIRD), and the Youth Services Program was transferred to the Department of Education and Training from the Department of Human Services (DHS).

The Department’s objectives have been revised for 2002-03 to coincide with the Government’s goals and targets for education and training announced in October 2000, and to reflect the Department’s whole-of-government responsibilities for youth. These objectives aim to:

- improve standards of literacy and numeracy in primary schooling;
- increase the percentage of young people who successfully compete Year 12 or its equivalent;
• have more adults take up education and training and so increase the overall level of educational attainment and literacy levels in Victoria;

• increase the level of participation and achievement in education and training in rural and regional Victoria and among groups where it is presently low;

• make near universal participation in post school education and training the norm; and

• develop and lead whole-of-government initiatives to improve the outcomes for all young Victorians.

5.2 Output management framework

The Department’s 2002-03 output management framework is shown in Exhibit 5.2.

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>4,681.9</td>
<td>4,710.4</td>
<td>4,824.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Training and Tertiary Education</td>
<td>1,018.5</td>
<td>1,041.1</td>
<td>992.2</td>
<td>-2.6</td>
</tr>
<tr>
<td>Youth</td>
<td>5.7</td>
<td>6.0</td>
<td>10.9</td>
<td>91.2</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>21.2</td>
<td>33.6</td>
<td>33.6</td>
<td>58.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,727.3</strong></td>
<td><strong>5,791.1</strong></td>
<td><strong>5,861.0</strong></td>
<td><strong>2.3</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.25

The Department’s budget allocation for 2002-03 is $5,861 million representing a $133.7 million or 2.3 per cent increase from 2001-02. The decrease in the Training and Tertiary Education output reflects the transfer of employment programs to the Department of Innovation, Industry and Regional Development. The increase in the Youth output reflects the transfer of the Youth Services Program ($4 million) from the Department of Human Services.
The increase in the Policy, Strategy and Information Services output reflects output costs previously allocated to other outputs.44

5.3 Financial analysis

The Statement of Financial Performance for the Department of Education and Training is shown in the following Exhibit:

Exhibit 5.3 Department of Education and Training - Statement of Financial Performance

<table>
<thead>
<tr>
<th>Statement of Financial Performance ($ million)</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 2-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>6,107.6</td>
<td>6,263.7</td>
<td>6,383.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>5,980.3</td>
<td>6,105.2</td>
<td>6,179.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Net result</td>
<td>127.3</td>
<td>158.5</td>
<td>204.6</td>
<td>24.5</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>1,310.3</td>
<td>1,356.6</td>
<td>1,395.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>1,310.3</td>
<td>1,375.4</td>
<td>1,406.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Surplus/Deficit</td>
<td>0.0</td>
<td>-18.8</td>
<td>-11.2</td>
<td>..</td>
</tr>
</tbody>
</table>

Sources: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.1.2, p.46 and Table 2.1.5, p.52

The differences in the 2001-02 estimate and estimated actual revenues were mainly due to:

- a review of accounting classifications of revenue raised locally by schools and TAFE institutes that led to a reclassification of revenue across a number of items. In aggregate, revenue from these sources increased by $77 million reflecting increased fund-raising activities by schools and TAFE institutes; and

- the finalisation, in June 2001, of the 2001-04 Commonwealth/State government schools agreement and

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44 Budget Paper No. 3, 2002-03 Budget Estimates, p.39, 41 and 44
the Australian National Training Authority agreement. The 2001-02 estimated actual figure now represents the financial arrangements of the final agreements.\textsuperscript{45}

The increase in expenditure from ordinary activities is mainly due to a change in the mix of public and private providers to deliver training, and the cost of employment programs being higher than forecasted.\textsuperscript{46}

In relation to the increase for both Administered Revenue and Administered Expenses, the 2001-02 Budget Estimates were prepared using certain accounting treatments for receipts retained by the Department. The accounting policy during 2001-02 changed and the estimated actual figures reflect the new accounting policy.\textsuperscript{47}

In the past, the Committee has expressed concern about the adequate level of disclosure of material amounts in the ‘other revenue’ and ‘other expenses’ categories in the Statement of Financial Performance.

The Committee is pleased that the Department has acted on our recommendations and analysis of the 2001-02 Budget Papers and now:

\begin{itemize}
\item the amount of revenue under the heading of ‘other revenue’ has reduced from $628.7 million in the 2001-02 Budget Papers to $257 million in 2002-03; and
\item the amount of expenditure under the heading of ‘other expenses’ has reduced from $554.6 million in the 2001-02 budget to nil in 2002-03.
\end{itemize}

Revenue items such as ‘resources received free of charge for nominal consideration’ and ‘sale of goods and services’ and expenditure on ‘grants and other payments’ are now separately disclosed in the Budget Papers.

\textsuperscript{45} Department of Education and Training response to the Committee’s 2002-03 estimates questionnaire, p.23
\textsuperscript{46} Ibid, p.24
\textsuperscript{47} Ibid, p.24
The Committee is pleased to note the additional disclosure provided in the 2002-03 Budget Papers. However, there remains some scope for additional disclosure in relation to the $257 million revenue classified as ‘other revenue and revenue from other parties’ in the 2002-03 Budget Papers.

The Committee recommends that:

**Recommendation 5.1**

The Secretary of the Department of Education and Training ensure the Budget Papers fully disclose all material revenue and expense items particularly ‘other revenue and revenue from other parties’.

### 5.4 Human resources issues

The Department estimated it would have 49,080 Equivalent Full Time (EFT) staff at 30 June 2002 (Exhibit 5.3) compared with the actual number of 47,747 EFT staff at 30 June 2001. This reflects an overall increase of 1,333, or 2.8 per cent, in equivalent full time staff. The increase in staff numbers is mainly due to the employment of additional teachers aimed at achieving a decrease in average class sizes in schools.

#### Exhibit 5.4 Department of Education and Training – Equipment Full Time Staff (permanent, temporary and fixed term) by Output Group

<table>
<thead>
<tr>
<th>Output Group</th>
<th>30 June 2001 (actual)</th>
<th>30 June 2001 (estimate)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>47,322</td>
<td>48,585</td>
<td>2.7</td>
</tr>
<tr>
<td>Training and Tertiary Education</td>
<td>234</td>
<td>260</td>
<td>11.1</td>
</tr>
<tr>
<td>Youth</td>
<td>-</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>191</td>
<td>220</td>
<td>15.2</td>
</tr>
<tr>
<td><strong>Total</strong>&lt;sup&gt;48&lt;/sup&gt;</td>
<td><strong>47,747</strong></td>
<td><strong>49,080</strong></td>
<td><strong>2.8</strong></td>
</tr>
</tbody>
</table>

<sup>48</sup> These figures do not include staff employed by TAFE institutes. The staff of the institutes are not paid directly by the Department and have autonomy in determining their staffing arrangements.
5.4.1 Difficulties in recruiting staff

In response to the Committee’s estimates questionnaire, the Department indicated that a preliminary analysis at the start of the 2002 school year suggested that it was less difficult to recruit staff compared with 2001.

However, the Department indicated that secondary schools continue to experience increased demand for teachers in the subject areas of languages other than English (LOTE), especially Indonesian and French, mathematics, science, hospitality and physical education. Primary schools are experiencing recruitment difficulties in LOTE, especially Indonesian and Italian, the arts and physical education.49

At the Committee’s hearing, the Minister for Education Services confirmed that the Department was experiencing difficulty in recruiting teachers in some geographic locations (including western Victoria, parts of Gippsland and the urban fringe of Melbourne).50

The Committee was advised that to overcome shortfalls in staff the Department has embarked on several strategies including:

- undertaking staff development particularly for teachers, principals and potential principals, school services officers and executives and staff at regional offices;

- based on forecasted demand, recruiting high-quality people to teach in government schools;

- providing programs designed to improve teacher quality and expertise; and

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49 Department of Education and Training response to the Committee’s 2002-03 estimates questionnaire, p.20
• continuing to offer approximately 220 teaching scholarships per year with the aim of encouraging high-quality graduates to seek employment as teachers in government schools.51

5.5 Education and Training portfolio and Education Services portfolio

The Minister for Education and Training and the Minister for Education Services share responsibility for three key output groups within the Department of Education and Training. These output groups account for $5,850.2 million or 99.8 per cent of the Department’s 2002-03 Budget.

Exhibit 5.5 Education and Training and Education Services Portfolios Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Education and Training and Minister for Education Services</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Education</td>
<td>Primary Education</td>
<td>2,149.9</td>
</tr>
<tr>
<td></td>
<td>Junior Secondary Education (Years 7-10)</td>
<td>1,313.2</td>
</tr>
<tr>
<td></td>
<td>Senior Secondary Education (Years 11 and 12)</td>
<td>657.1</td>
</tr>
<tr>
<td></td>
<td>Non-Government School Education</td>
<td>283.0</td>
</tr>
<tr>
<td></td>
<td>Student Welfare and Support</td>
<td>76.1</td>
</tr>
<tr>
<td></td>
<td>Services to Students with Disabilities and Impairments</td>
<td>258.1</td>
</tr>
<tr>
<td></td>
<td>Education Maintenance Allowance</td>
<td>33.8</td>
</tr>
<tr>
<td></td>
<td>Student Transport</td>
<td>53.1</td>
</tr>
<tr>
<td>Training and Tertiary Education</td>
<td>Training and Further Education (TAFE) Places</td>
<td>955.3</td>
</tr>
<tr>
<td></td>
<td>Adult and Community Education Places (ACE) and Community Support</td>
<td>34.5</td>
</tr>
<tr>
<td></td>
<td>Higher Education</td>
<td>2.4</td>
</tr>
<tr>
<td>Policy, Strategy and Information Services</td>
<td>Policy, Strategy and Executive Services*</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>International Education</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>Public Information and Promotion*</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5,850.2</strong></td>
</tr>
</tbody>
</table>


Note: * Responsibility for these outputs is shared by the Ministers for Education and Training, Education Services and Youth Affairs

51 Department of Education and Training response to the Committee’s 2002-03 estimates questionnaire, p.20-21
5.5.1 Responsibilities of the Minister for Education and Training

Departmental services under the responsibility of the Minister for Education and Training are included in the School Education and Training and Tertiary Education output groups. These output groups cover the following:

- policy development, regulation and management of the Victorian government school system;

- curriculum delivery in eight key learning areas in years prep to 10, the Victorian Certificate of Education (years 11 and 12) and the Victorian Certificate of Applied Learning (VCAL);

- programs designed to improve the quality of student learning and school management;

- specialist services to improve the quality of student learning and social needs;

- financial support for, and regulation of, non-government schools; and

- training and tertiary education services delivered through a number of programs and service providers, with the Department’s role being a combination of direct service delivery, accreditation and monitoring.

In addition, the Minister for Education and Training shares responsibility, with the Minister for Education Services and the Minister for Youth Affairs, for the Policy, Strategy and Information Services output group which provides policy and strategy advice to the Ministers and support services for the various statutory authorities and advisory bodies in the portfolio.

5.5.2 Responsibilities of the Minister for Education Services

Responsibilities within the School Education and Training and Tertiary Education output groups. These include:

- teacher workforce planning and recruitment;
• teacher registration standards;

• building, equipment and information and communication technology (ICT) capital programs;

• asset maintenance and security; and

• student welfare including disability and impairment strategies, student transport and other services for students at risk.

5.5.3 2002-03 outlook for the portfolios

The Committee was advised that key challenges for the Department in 2002-03 are to:

• improve the overall participation and achievement in education and training;

• provide better links between schools, business and communities; and

• expand opportunities for training and learning all through life.

5.5.4 Analysis of the 2002-03 Budget

The budget allocation for 2002-03 for the Education and Training and Education Services portfolios has increased 2.2 per cent to $5,850.2 million compared to the previous year’s allocation.

Key portfolio initiatives planned for 2002-03 include: 52

• the appointment of school based co-ordinators to facilitate the implementation of the early years numeracy program, and the provision of regional infrastructure support ($5.7 million);

• an allocation of $10.8 million for additional teachers in Prep-Year 2 to meet enrolment growth pressures and ensure

52 Budget Paper No. 2, 2002-03 Budget Statement, Table A2, p.171 and Table A3, p.174
the Department meets the target of an average Prep-Year 2 class size of 21 students;

• $9.2 million for the continued implementation of a literacy intervention program and a pilot for the Victorian Certificate of Applied Learning;

• $7.9 million for middle years reform and innovation (years 5-9) including grants to 250 educational clusters of primary and secondary schools across Victoria to reform middle school curriculum and education structures;

• $10.8 million to enable state-wide implementation of the Victorian Certificate of Applied Learning to all Victorian schools in 2003;

• the appointment of 300 additional teachers to facilitate teacher release and flexibility in order to improve student literacy and numeracy, participation and retention, and improved VCE performance in targeted schools across Victoria ($11.4 million);

• allocation of $6.6 million to implement the key recommendations from the 2001 review of school bus services;

• $5.9 million for the construction and upgrade of schools. Schools currently under construction or redevelopment include Lara Secondary College, Narre Warren P-12 College, Berwick, Carrum Downs and Bellarine Secondary Colleges;

• the construction of new facilities at the Epping Campus of North Melbourne Institute of TAFE ($1.1 million);

• $3.3 million for the construction of new schools at Melton East, Roxburgh Park and a specialist school in Bairnsdale for students with disabilities; and

• $61 million for the modernisation of 98 schools across Victoria, which includes $52.1 million from the Growing Victoria infrastructure reserve.
5.5.5 Performance measures

In 2002-03, the Department will deliver 16 outputs within four output groups focusing on school education; training and tertiary education; youth; and policy, strategy and information services. The Department’s 2002-03 performance measures are, in most cases, related to the school year, i.e. the 2002 calendar year.

The following changes have occurred in the output groups under the responsibility of the Ministers for Education and Training and Education Services:

- Education Services – there has been a significant restructure of performance measures (17 additional performance measures for 2002-03 while 32 performance measures have been discontinued from 2001-02);

- Training and Tertiary Education – there have been eight additional performance measures in 2002-03 while 24 have been discontinued (16 of these measures related to the Employment Services output); and

- Policy, Strategy and Information Services – there are four additional performance measures in 2002-03 while two performance measures have been discontinued.

The Committee’s review of performance measures for these output groups show they are comprehensive, but the following issues were noted:

- a key target of the Growing Victoria Together strategy is that by 2010 at least 90 per cent of young people in Victoria will successfully complete year 12 or its equivalent, yet the Budget Papers contain no performance measure that specifically relates to the achievement of this significant policy objective. The Committee believes the incorporation of such a measure would provide more effective performance information on the outcome of this long-term policy;

- the School Education output group has performance measures that relate to the attainment of literacy and numeracy standards. While a number of these measures are
specific to both metropolitan and non-metropolitan students, other measures provide for state-wide performance only. The Committee believes that all measures for this output group should provide performance information on a metropolitan and non-metropolitan basis;

• one performance measure, Government schools that have completed an individual school drug education strategy or an action plan as part of the review process, has a 2002-03 target of 100 per cent. While the Committee supports measuring the extent of schools preparing such documents, there is a need to develop performance measures that focus on the achievement of outcomes as a result of preparing and implementing these plans and strategies; and

• the Student Transport output group has no quality performance measure that focuses on the satisfaction of parents with transport services provided to students from Government and non-government schools.

The Committee was interested to note that performance measures relating to the former employment program are still present in the Department’s output group structure, but without 2002-03 targets. In addition, the same performance measures are present in the equivalent output within the Department of Innovation, Industry and Regional Development, without figures for previous years. This arrangement makes it difficult to compare 2002-03 measures with targets and results from previous years.

Accordingly, the Committee recommends that:

**Recommendation 5.2**

The Department of Education and Training:

(a) develop performance measures that specifically focus on the achievement of key education and training related targets within the Growing Victoria Together strategy;
(b) make all measures of literacy and numeracy standards specific to metropolitan and non-metropolitan areas;
(c) include performance measures that focus on the achievement of key performance criteria contained in individual school drug education strategies or action plans and not just on the number of plans completed;
(d) include a performance measure relating to the satisfaction of parents with transport services provided to government and non-government students; and
(e) where machinery of government changes result in the transfer of responsibilities to other Departments, report all comparative performance information at the one place in the Budget Papers to allow appropriate analysis of performance.

5.5.6 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Education and Training identified a number of key issues impacting on the portfolio for 2002-03, including:

(a) Supporting the early years of schooling

The 2002-03 Budget reflects the Government’s commitment to systematic reform of the education and training system, and to tackling the underlying issues through multiple policy and program initiatives. The Committee was advised that the education and training goals and targets for 2005 and beyond are:

- Victorian primary school children will be at or above national benchmark levels for reading, writing and numeracy by 2005;
• 90 per cent of young people in Victoria will successfully complete Year 12 or equivalent by 2010; and

• the percentage of young people aged 15-19 years in rural and regional Victoria engaged in education and training will rise by 6 per cent by 2005.\textsuperscript{53}

Early years initiatives contained in the 2002-03 Budget include $78 million, over four years, to improve the standard of numeracy in the early years of schooling to meet higher than expected enrolment growth in government schools.\textsuperscript{54}

The numeracy program is complemented by the Government’s commitment to reduce, by 2003, the average class size in years Prep to year 2 to 21 students. The Committee was advised, however, that the Department finds it difficult to accommodate only 21 students in every class. While the Government has provided more funding to reduce Prep to year 2 class sizes, some schools do not have the physical capacity on their sites for extra portables or extra classrooms. With the 2002-03 Budget, the Government has provided the funding that is required to account for additional unexpected growth in the Prep to year 2 group, to ensure it reaches its commitment to reduce the average Prep to year 2 class size from the beginning of next year.\textsuperscript{55}

The Committee was advised that the trend data for Victorian school students (Years 3 and 5) show that literacy and numeracy are improving and that similar testing will be introduced for Year 7 in the near future. The test results show that in 1999, 89.1 per cent and 88 per cent respectively of Year 3 and Year 5 students were achieving the national benchmark in reading, and in 2000 the results were 93 per cent and 92 per cent respectively.\textsuperscript{56}

The Victorian Curriculum and Assessment Authority has not yet released Victoria’s 2001 Year 3 and Year 5 reading and numeracy results against national benchmarks. The Committee was informed

\textsuperscript{53} Department of Education and Training response to the Committee 2002-03 estimates questionnaire, p.4-5
\textsuperscript{54} Ibid
\textsuperscript{55} Hon. L. Kosky, MP, Minister for Education and Training, transcript of evidence, 20 June 2002, p.293
\textsuperscript{56} Ibid, p.275
that work to ensure compatibility among the States and Territories is complex and challenging and it is not clear when this work will be completed.

The national Benchmarking Equating Steering Committee is working on setting the Year 7 reading, writing and numeracy cut-scores. A timeline for completion of this work has not yet been finalised.57

The Committee acknowledges the timing constraints on, and other difficulties of, preparing the literacy and numeracy testing of Victorian students, along with the additional difficulties regarding national comparisons.

The Committee notes that significant ongoing cost savings are expected from the in-house Achievement Improvement Monitor (AIM) state-wide testing program run by the Victorian Curriculum and Assessment Authority.

(b) Improving student engagement in the middle years

The ability of students to progress successfully to post-compulsory education and training or work is strongly influenced by their engagement with learning and their levels of success through the middle years. The middle years educational experience underpins successful completion of a base qualification (Year 12 or equivalent) which is a foundation to further education and training or access to work.

The Committee was informed that, as part of the middle years strategy, initiatives in 2002–03 will focus on innovative and systemic reform aimed at stimulating the learning environment and providing students with the best chance of success in the future.

The Committee was advised that the next phase of the strategy is to substantially change the delivery of middle years education, particularly the approaches to teaching and learning, class and school organisation and ensuring effective communication between the school, home and the community. The focus will be

57 Correspondence received 27 August 2002, from the Minister for Education and Training
on the engagement and performance of students in the middle years so as to encourage retention, and provide the necessary incentives in the system for completion of Year 12 or its equivalent.\textsuperscript{58}

The Schools for Innovation and Excellence Program is aimed at providing systemic support for primary and secondary schools to implement innovative curriculum and structural reform in the middle years. The program will target 250 school clusters, and will be supported by an initial innovation grant to support reform implementation in each cluster. The program funding commitment is $84.3 million over 2002-03 to 2005-06.\textsuperscript{59}

In response to the Committee’s question on student absenteeism, the Minister highlighted that the Schools for Innovation and Excellence Program along with the Access to Excellence Program (to receive funding of $81.6 million over 2002-03 to 2005-06) will review how teaching practices can be improved to make schools more exciting places for students.\textsuperscript{60}

The Access to Excellence Program provides for the appointment of 300 additional teachers to facilitate teacher release and flexibility and to deliver a variety of teaching and learning outcomes. Outcomes will include enhanced student literacy and numeracy, participation and retention, and improved VCE performance in identified target schools across Victoria.\textsuperscript{61}

Data provided to the Committee indicates that truancy and absenteeism from schools vary considerably across school groups and are consistent with the variations in the socio-economic characteristics of school groups and student achievement outcomes. The Committee is pleased that departmental programs will specifically target schools with high rates of student absenteeism.\textsuperscript{62}

\begin{footnotesize}
\textsuperscript{58} Department of Education and Training response to the Committee 2002-03 estimates questionnaire, p.5
\textsuperscript{59} Ibid, p.5
\textsuperscript{60} Hon. L. Kosky, MP, Minister for Education and Training, transcript of evidence, 20 June 2002, p.284
\textsuperscript{61} Budget Paper No 2, 2002-03 Budget Statement, p.172
\textsuperscript{62} Correspondence received 27 August 2002 from the Minister for Education and Training
\end{footnotesize}
(c) Victorian Certificate of Applied Learning

In 2002, the Government trialled a new qualification certificate in a small number of schools. The trial targeted students who did not find the VCE relevant to their future and were at risk of dropping out of education.\textsuperscript{63}

The Committee was advised that the introduction of the Victorian Certificate of Applied Learning:

- extends the existing options for students in Year 11 and Year 12;
- addresses the need for new approaches identified by the Review of Post Compulsory Education and Training Pathways;
- requires hours of training that are equivalent to the current Year 11 and Year 12 courses; and
- incorporates English and mathematics with work related competencies and an industry based competency such as automotive, information technology, electronics or multimedia.

In 2002, the program was trialled in 20 schools including five Catholic schools and two TAFE institutes. The Minister informed the Committee that the Department is finalising the evaluation of the program and looking to roll out the program, over the next couple of years, to all schools across the State and also to TAFE institutes.\textsuperscript{64}

The Committee welcomes the introduction of this new qualification certificate as a positive step in retaining students in education for as long as possible and providing them with learning alternatives.

\textsuperscript{63} Media Release issued by the then Minister for Post Compulsory Education Training and Employment, dated 8 October 2001
\textsuperscript{64} Hon. L. Kosky, MP, Minister for Education and Training, transcript of evidence, 20 June 2002, p.273
(d) Appointment of Koori educators and Koori home school liaison officers

The 2002-03 Budget provides funding of $3.6 million, over four years, for the appointment of 15 additional Koori educators and six Koori home school liaison officers.

This initiative aims to improve the education and social outcomes for Koori students and builds on Yalca, an existing formal education and training partnership between the Government and the Victorian Aboriginal Education Association Inc. (VAEAI). The funding will enhance the provision of education and support services to Koori students within schools and their communities.65

The work of the additional educators and home school liaison officers will focus on:

- improving literacy and numeracy skills within the Koori community;

- working closely with parents to ensure the Koori students attend school and understand the importance of education; and

- engaging parents in assisting students at home and being involved in the education process.

The Minister has advised the Committee that a lot of the parents of the Koori students in schools did not have positive experiences of school. The Department is working with the Koori community to determine where the Koori educators and home school liaison officers will be located and how they can be more effective.

The Government therefore needs to make sure that it can build those bridges and develop the links in a way that the Koori community feels comfortable. The Koori community wants a total community response to education and therefore the Government needs to ensure that the education

65 Budget Paper No. 2, 2002-03 Budget Statement, p.172-173
it provides fits within their cultural understanding and values.  

The Committee welcomes the initiative to improve the education and social outcomes for Koori students and recommends that:

**Recommendation 5.3**

The Department of Education and Training regularly evaluate the initiative to appoint Koori educators and home school liaison officers, over the four years for which the funding is provided in the 2002-03 Budget, to determine whether the strategy is effective in improving the educational opportunities for the Koori community.

5.5.7 **Key issues impacting on the Education Services portfolio**

(a) **Construction and maintenance of schools and TAFE institutes**

The budget provides $216.4 million over 2002-03 to 2004-05, to improve Victoria’s education and training facilities. This funding includes:

- modernisation of over 110 government schools and TAFE institutes across Victoria - $141.3 million, and includes $52 million, approved in 2001-02 but not allocated, from the Growing Victoria infrastructure reserve for projects designed to provide Victoria’s schools and TAFE institutes with high-technology learning tools and facilities.  

- construction and upgrade of Bellarine Ocean Grove Campus (replacement facilities), and new schools at Berwick South,
Carrum Downs, Lara and Narre Warren for commencement of the 2004 school year - $19.7 million; and

• new TAFE facilities at Kangan Batman Institute and the Epping campus of the Northern Melbourne Institute - $15.3 million.\(^{68}\)

The Minister for Education Services advised the Committee that to ensure the resources are directed to areas most in need, the following criteria are used to identify schools each year for inclusion into the modernisation program:

• a school’s total space shortfall, relative to Department standards;

• individual space shortages in specialist facilities;

• a school’s long-term enrolment profile (whether growing, static or in decline);

• occupational health and safety issues;

• local factors, including the condition of buildings and maintenance needs; and

• improvements in teaching spaces given priority over other areas.\(^{69}\)

The Committee believes that the maintenance of educational infrastructure is extremely important, and encourages the Government to give this work a high priority.

(b) Drug prevention education

The Committee was advised that every Government school now has its own individual drug education strategy and implements a drug education program for all students. By the end of 2002, schools will have had the opportunity to review their strategies and develop their drug education action plans. The Community Support Fund has provided $3.77 million for the implementation

\(^{68}\) Correspondence received 14 August 2002 from the Minister for Education Services

\(^{69}\) Ibid
of ongoing drug education for all Government and non-government schools. All schools conducting a review of their strategy will be supported by a grant of $750 to $1,500 to assist in the improvement of drug education. The Minister for Education Services informed the Committee that a range of support is available including creative conversation programs with parents and students that provide skills on how to deal with drug issues. In addition, school communities have access to community drug forums and drug education collegiate support groups across the state.70

The Committee was concerned to learn that only 80 per cent of non-government schools have introduced drug strategy programs, and that 136 non-government schools have not participated in the initiative. The Minister advised that the non-government schools are inherently autonomous within the parameters of Commonwealth and State legislation, and are able to make their own decisions about the teaching and learning programs.

The Department has invited non-government schools to take advantage of the drug education activities on offer. The Association of Independent Schools of Victoria and the Catholic Education Commission of Victoria have agreed to write to their schools informing them of the drug initiatives and inviting them to participate.71

Given the significant personal and community cost of drug use, and the lack of participation by 136 non-government schools in the drug education strategy, the Committee recommends that:

70 Hon. M. Gould, MLC, Minister for Education Services, transcript of evidence, 20 June 2002, p.280
71 Correspondence received 14 August 2002 from the Minister for Education Services
Recommendation 5.4

The Department of Education and Training:
(a) further develop the school drug education strategy to provide incentive for participation by all non-government schools;
(b) seek information from the non-government schools regarding the structure and form (if any) of their drug strategy programs, so that the synergies of the respective programs can be utilised;
(c) consider promoting the benefits of the strategy within the whole-of-government youth policy framework; and
(d) regularly review the school drug education strategy and drug education programs to ensure the effectiveness of the programs in reducing the incidence of drug taking by adolescents.

(c) School bus services

The provision of free bus travel for students who live more than 4.8 kilometres from their nearest government school has been operating since around 1910. The system provides for the payment of conveyance allowances to students who do not have access to a free bus service. The payment of this allowance applies to all students regardless of whether they attend a Government or non-government school.72

The 2002-03 Budget provides funding totalling $31.1 million, over four years, to implement the key recommendations of the Government’s 2001 Review of School Bus Services which examined the adequacy of bus services and the impact of route closure in rural Victoria.

The funds will be used to help students meet the costs of transport in rural and regional Victoria, as well as further assist existing recipients of the conveyance allowance paid for private car travel, bus travel to schools for government and non-government students, and travel for disabled students.73

The Minister indicated that this reform will result in a more flexible and equitable school bus system. Reforms to the system include:

- changes to the private car travel reimbursement. The current amount payable of $300 per student will be increased by up to $700 to cater for those students who live in regional and rural isolated areas who have to travel long distances;

- similar increases to the allowances paid to non-government schools in rural areas to subsidise private bus services. Under this arrangement, schools may choose to be funded to purchase their own bus and be responsible for a route; and

- a new allowance to assist deaf and blind students, which will provide car or taxi travel worth around $2000 per year.74

The Committee was advised that the initiatives will commence at the beginning of the 2003 school year. To assist with the implementation, a review group has been established comprising the Department of Education and Training and the Department of Infrastructure, which operate the bus system. The Catholic Education Office, the Association of Independent Schools of Victoria and other relevant stakeholders are also represented.

5.6 Youth Affairs portfolio

The Minister for Youth Affairs has responsibility for a number of outputs within the two output groups of Youth and Policy, Strategy and Information Services. Outputs for which the Minister is responsible, account for $39 million in 2002-03 and represent 0.7 per cent of the overall budget for the Department.

73 Budget Paper No. 2, 2002-03 Budget Statement, p.173
74 Hon. M. Gould, MLC, Minister for Education Services, transcript of evidence, 20 June 2002, p.298-299
These outputs and corresponding funding allocations for 2002-03 are shown below:

**Exhibit 5.6 Youth Affairs Portfolio - Output Groups and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Youth Affairs</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth Policy Coordination</td>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td>Services to Youth</td>
<td></td>
<td>9.1</td>
</tr>
<tr>
<td>Policy, Strategy and Executive Services*</td>
<td></td>
<td>21.9</td>
</tr>
<tr>
<td>Public Information and Promotion*</td>
<td></td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>39.0</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.41-44.

Note: * Responsibility for these output groups is shared by the Ministers for Education and Training, Education Services and Youth Affairs

**5.6.1 2002-03 outlook for the portfolio**

The Office for Youth manages the delivery of a number of programs and services for young people aged 12 to 25 years including:

- the Victorian Youth Development Program;
- Victoria’s participation in National Youth Week 2002; and
- the FREEZA Program.

The Youth Services Program provides grants to Agencies in the youth sector, and was transferred to the Office of Youth from 1 July 2002, adding $4 million annually to the Office’s budget.

The Minister for Youth Affairs advised that the Government has a commitment to develop and release a youth strategy to provide a whole-of-government policy framework that will guide and direct the way in which Government interacts with providers of services
for young people. Victoria has not had a comprehensive youth strategy since 1991.\(^{75}\)

As previously indicated in the Committee’s 43\(^{rd}\) Report to Parliament on the 2000-01 Budget Estimates, the Victoria’s 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 of Youth finalise the Youth Strategy as soon as possible.

5.6.2 Analysis of the 2002-03 Budget

The 2002-03 Budget allocation for the output group Youth has increased 91.2 per cent to $10.9 million compared to the previous year. The increase in the Youth allocation reflects the transfer of the Youth Services Program ($4 million) from the Department of Human Services.

5.6.3 Performance measures

For 2002-03, the output structure within the Youth output group has remained consistent with the continuation of the two outputs: youth policy coordination and services to youth. The Department has advised, however, that as part of its ongoing review of output performance measurement, two performance measures within the Youth output group have been deleted and replaced with four more relevant measures.

The Committee’s analysis of the performance measures within the Youth output group highlights the following issues:

- two measures relate to the number of Regional Youth Committees and Ministerial Youth Round Tables, but there is no measure to determine the effectiveness of these initiatives in achieving key targets and outcomes, particularly in meeting the needs of young people;

- a performance measure relates to a target of 90 per cent executive satisfaction that services received by the Minister

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\(^{75}\) Hon. M. Gould, MLC, Minister for Youth Affairs, transcript of evidence, 28 June 2002, p.487
and the Government from the Office for Youth meet relevant quality standards. The Minister advised that it measures the satisfaction of the Department of Education and Training with the services delivered by the Office for Youth.76 No performance measure relates to the satisfaction of young people with the services delivered by the Office for Youth;

- the FReeZA program is a significant initiative of the Government, but the satisfaction of young people with the quality and direction of the program is not measured. The existing performance measures focus on the number of events held rather than their effectiveness in meeting the needs of young people; and

- a performance measure, use of youth services program grants monitored, has a target of 100 per cent in 2002-03. This measure is confusing and should be clarified to better evaluate what is being measured.

The Committee believes there is a need for significant change to the performance measures in the Youth output group. The existing performance measures focused on the number of activities in the portfolio and not on the outcomes achieved or the satisfaction of the key stakeholder in the portfolio, Victoria’s young people.

Accordingly, the Committee recommends that:

**Recommendation 5.5**

**The Government:**

(a) review the performance measures for the Youth output group with a view to measuring the outcomes achieved from youth related activities and the satisfaction of young people with these activities; and

(b) ensure the description of each performance measure for the Youth output group is clear to the reader of the Budget Papers in terms of what is being measured.

5.6.4  **Key issues impacting on the portfolio**

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Youth Affairs identified a number of key issues impacting on the portfolio for 2002-03, including:

**(a) Youth Services program**

A new responsibility for the portfolio in 2002-03 is the administration of the Youth Services Program. This program makes grants to Agencies, such as community services organisations and Local Government authorities, and provides services to the youth sector.

The 2002-03 Budget allocation for the Youth Services program is $4.8 million. Of this amount, $900,000 will remain with the Department of Human Services primarily to support Agencies that provide crisis care for young victims of sexual abuse and sexual assault. The remaining $3.9 million has been transferred to the Youth Affairs portfolio where the Office of Youth will manage the funding.\(^77\)

The transfer of this program to the Office of Youth aims to ensure that the Government has a whole-of-government approach to youth policies and services.

The Committee was advised that the Department intends to review the future direction of these programs in consultation with the youth sector to ensure that the programs are targeting the right area. The grants are an important funding source for many youth.

Agencies and the Government wants to make sure that they are spent as efficiently and effectively as possible and that they support new opportunities for young people in Victoria.\(^78\)

In view of these developments, the Committee recommends that:

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\(^77\) Ibid, p.485-486  
\(^78\) Hon. M. Gould, MLC, Minister for Youth Affairs, transcript of evidence, 28 June 2002, p.485
Recommendation 5.6

The Government prepare an annual whole-of-government report to be tabled in the Parliament, consolidating financial and performance information on all the programs implemented by Departments for the benefit of the youth of the State.

(b) FReeZA program

The FReeZA program aims to provide opportunities for young people to develop skills and training, and create employment opportunities in music and entertainment related industries throughout metropolitan Melbourne and regional Victoria. FReeZA events, which are drug and alcohol free, are expected to strengthen young people's links to their communities. In 2002-03 the Government has allocated $8 million to the program over the four years to 2005-06.

In 2002-03, FReeZA events will be held in a number of additional suburbs and towns throughout Victoria, with a record 68 organisations sharing $2 million in funding. For the first time a special $150,000 pool of FReeZA grants will be available for capital costs, transport to events, one-off events, and special events to cater for young people with disabilities.79

As previously indicated in the Committee's report on the 2001-02 Budget Estimates, the Committee endorses the FReeZA program as an important contribution to youth development.

79 Media Release issued by the Office of the Premier dated 27 June 2002
Accordingly, the Committee recommends that:

**Recommendation 5.7**

The Government:
(a) regularly monitor FReeZA events to ensure compliance with all contractual obligations, particularly those relating to health, safety and security; and
(b) ensure there is an appropriate accountability regime for the FReeZA program.
CHAPTER 6: DEPARTMENT OF HUMAN SERVICES

Key Findings:

6.1 The Department of Human Services periodically experiences difficulty in recruiting experienced child protection workers, nurses and experienced direct care workers.

6.2 An opportunity exists for the Department of Human Services, in developing workforce planning strategies, to liaise with funded Agencies undertaking similar exercises with a view to developing a sector-wide workforce plan to meet emerging challenges.

6.3 Through the implementation of the Hospital Demand Management Strategy, the Department of Human Services is seeking to divert demand away from public hospitals by providing more community and home-based services and by improving productivity within the hospital system.

6.4 Despite the actions taken by the Department of Human Services to reduce the demand for acute hospital services, the annual growth in demand increased from 6.2 per cent in 1998-99 to an estimated 8.4 per cent in June 2001-02.

6.5 The incidence of ambulances bypassing the nearest available hospital emergency Department is progressively declining.

6.6 Bed availability in acute care public hospitals and rehabilitation services continues to be a problem due to an estimated under-supply of at least 5,000 Commonwealth-funded residential care beds in Victoria.
6.7 The Department of Human Services has provided an additional $60 million over four years to address the increasing notifications of suspected child abuse, which rose by 17 per cent over the five year period to 30 June 2002.

6.8 The Department of Human Services has acknowledged that many children in residential care in the past did not regularly attend school and has set a target in 2002-03 of 100 per cent school attendance by all children under the age of 15 years in out-of-home placements.

6.9 The Minister for Community Services has undertaken to examine levels of reimbursement and other support services for foster carers in response to the Department's difficulties in recruiting and retaining foster carers.

6.10 Despite substantially increased funding to DisAbility Services, waiting lists for disabled persons seeking urgent access to shared supported accommodation and day programs are continuing to grow.

6.11 Despite the success of the Department of Human Services' diversionary and rehabilitation programs in reducing the number of juvenile justice offenders in custody, the demand for juvenile justice beds continues to rise as a result of the increased length of custodial sentences and a sharply increasing incidence of serious offences.

6.12 The extended range of rehabilitation and post-release programs provided by Juvenile Justice is a positive factor in Victoria, which has the lowest incarceration rate for juvenile offenders in Australia.

6.13 The Government needs to direct attention to reducing the $129 million backlog of accrued maintenance for public housing properties.
6.1 Departmental overview

The Department of Human Services covers the responsibilities of the Ministers for Health, Community Services, Housing and Senior Victorians. Most services available from the Department are provided by external Agencies under funding and service agreements with the Department. Services provided directly by the Department include public rental housing, disability services, child protection and juvenile justice services.

The principal responsibilities of the Department include:

- the provision of high quality and efficient health care services through the public hospital system, community health centres and ambulance services;
- the provision of residential and rehabilitation care for older and disabled persons;
- the provision of accommodation and support services for people with a disability and people who are homeless;
- the provision of a wide range of health and community services for Victorian families, including pre-school, early intervention and family support services;
- the promotion and protection of the health of Victorians through emergency management, public health, preventative services, education and regulation;
- the provision of alcohol, drug prevention and treatment services;
- the meeting of State statutory responsibilities for vulnerable children and young people in relation to child protection and juvenile justice;
- the provision of secure, affordable and appropriate housing to low income Victorians; and
- the provision of Government concessions to low income groups to improve the affordability of key essential services.
6.2 Output management framework

Exhibit 6.1 shows the Department’s 2002-03 output management framework.

Exhibit 6.1 Department of Human Services - Output Management Framework

| Departmental Output Group                  | 2001-02 Budget ($ million) | 2001-02 Revised ($ million) | 2002-03 Budget ($ million) | Variation (%)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Services</td>
<td>4,130.2</td>
<td>4,249.6</td>
<td>4,467.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>225.3</td>
<td>249.8</td>
<td>248.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Aged and Home Care</td>
<td>636.5</td>
<td>645.0</td>
<td>679.4</td>
<td>6.7</td>
</tr>
<tr>
<td>Primary Health</td>
<td>133.7</td>
<td>153.0</td>
<td>148.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Dental Health</td>
<td>83.1</td>
<td>82.0</td>
<td>84.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Mental Health</td>
<td>527.3</td>
<td>563.4</td>
<td>588.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Public Health and Drugs</td>
<td>237.3</td>
<td>241.1</td>
<td>253.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Disability Services</td>
<td>710.7</td>
<td>731.1</td>
<td>766.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Community Care</td>
<td>532.7</td>
<td>555.4</td>
<td>576.2</td>
<td>8.2</td>
</tr>
<tr>
<td>Concessions to Pensioners and Beneficiaries</td>
<td>286.3</td>
<td>267.4</td>
<td>284.7</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Housing Assistance</td>
<td>430.9</td>
<td>435.4</td>
<td>440.7</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,934.0</strong></td>
<td><strong>8,173.2</strong></td>
<td><strong>8,538.0</strong></td>
<td><strong>7.6</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.61

As shown in Exhibit 6.1 the Department’s budget allocation for 2002-03 was $8,538 million, representing a $604 million or 7.6 per cent increase on the 2001-02 allocation. The increase is attributed to portfolio cost increases, mainly salaries and wages, the implementation of new initiatives and responses to increased demand for services as a result of population growth and demographic changes, particularly in respect of an ageing population.

The Committee noted that the twelve output groups reported in 2001-02 have been reduced to eleven in 2002-03 as a result of the former Sub Acute Health Services output group being merged into the Acute Health Services output group. This action reflects structural changes within the Department that were intended to allow output activities to be reported and managed in a more co-ordinated and streamlined manner.
6.3  Financial analysis

Exhibit 6.2 shows the Department’s operating statement.

Exhibit 6.2  Department of Human Services - Operating Statement

<table>
<thead>
<tr>
<th>Operating Statement</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(Col 2-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>8,265.8</td>
<td>8,529.2</td>
<td>8,926.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>8,286.5</td>
<td>8,540.6</td>
<td>8,905.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Net result for the reporting period</td>
<td>(20.7)</td>
<td>(11.4)</td>
<td>20.5</td>
<td>(44.9)</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>2,565.4</td>
<td>2,655.9</td>
<td>2,756.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>2,565.4</td>
<td>2,655.9</td>
<td>2,756.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Surplus/Deficit</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source:  Budget Paper No. 3, 2002-03 Budget Estimates, p.95, p.100

The Committee’s analysis of the 2001-02 Budget Estimate compared to the estimated actual operating statement shows that variations for operating revenue and operating expenses are moderate with a 3.2 per cent ($263.4 million) increase and 3.1 per cent ($254.1 million) increase respectively.

The Department expects a marginally lower deficit than projected in 2001-02 of $11.4 million, representing a reduction of $9.3 million from the budgeted deficit of $20.7 million. The Department’s performance was broadly in line with the 2001-02 Budget forecasts. The Government provided additional funding during 2001-02 to meet the cost of approved wages and conditions negotiated under enterprise bargaining agreements and for new initiatives.
Revenue from ordinary activities is projected to increase from an estimated $8,529.2 million in 2001-02 to $8,926 million, an increase of $397 million. The major reasons for the increase in revenue include:

- an increase in output appropriation of $327.1 million to cover salary and wage increases and new output initiatives;

- increased receipts from the Commonwealth Government of $39 million, including additional Home and Community Care (HACC) funding for the highly specialised Drugs Program. In addition, $21 million will be provided mainly for hospital services for war veterans;

- revenue from commercial activities of hospitals is expected to increase by $17 million; and

- $5 million to the Ambulance Service to cover demand growth.

Expenditure from ordinary activities is projected to increase by $365 million in 2002-03 in comparison with the 2001-02 revised budget. The main reasons for the increase are the impact of implementing the new initiatives and the increased cost of providing services, predominantly attributed to salary and wage increases.

Administered revenue is projected to increase by $101 million to $2,756.6 million in 2002-03, mainly due to additional funding from the Commonwealth under the Australian Health Care Agreement for population growth, an ageing population, demand growth and indexation. In addition, an amount of $40.5 million will be paid by the Commonwealth as a result of compensating public hospitals for changes to the Fringe Benefits Tax impacting on hospital employees.

The Committee notes that anticipated revenue increases in 2002-03 from ordinary activities exceed the estimated increase in expenditure by around $32 million and a surplus of $20.5 million is projected. However, care will need to be taken by the Department to monitor any expenditure increases that could arise
during 2002-03, for example, from industrial agreements in order that service levels are maintained.

6.4 Human resources issues

6.4.1 Staffing

The Department anticipated having around 71,003 equivalent full time staff (EFT) at 30 June 2002, compared with an actual staffing level of 67,791 at 30 June 2001.

Exhibit 6.3 Department of Human Services – Equivalent Full Time Staff

<table>
<thead>
<tr>
<th></th>
<th>30 June 2001 (actual)</th>
<th>30 June 2002 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental Staff</td>
<td>10,368</td>
<td>10,520</td>
</tr>
<tr>
<td>Public Hospitals and Aged Care Centres</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>4,586</td>
<td>4830</td>
</tr>
<tr>
<td>Nursing</td>
<td>23,952</td>
<td>25,030</td>
</tr>
<tr>
<td>Medical Support</td>
<td>9,254</td>
<td>10,060</td>
</tr>
<tr>
<td>Section 97 Staff</td>
<td>278</td>
<td>260</td>
</tr>
<tr>
<td>Other</td>
<td>14,909</td>
<td>15,740</td>
</tr>
<tr>
<td>Sub-total – Public Hospitals and Aged Care Centres</td>
<td>52,979</td>
<td>55,920</td>
</tr>
<tr>
<td>Community Health Program</td>
<td>803</td>
<td>817</td>
</tr>
<tr>
<td>HACC Agencies, BTS, Palliative Care etc</td>
<td>1,591</td>
<td>1,591</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>1,790</td>
<td>1,900</td>
</tr>
<tr>
<td>Victorian Institute of Forensic Mental Health</td>
<td>260</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>67,791</td>
<td>71,003</td>
</tr>
</tbody>
</table>

Source: Response by the Department of Human Services to the Committee’s 2002-03 estimates questionnaire, p.46
The Department advised the Committee that staffing levels were not expected to vary markedly in 2002-03, except due to the implementation of government policy to further reduce the percentage of fixed term employees under contract by around 18 per cent in favour of employing permanent staff. At 30 June 2002, the Department employed around 2,174 staff either on fixed term contracts or in casual employment. The increase of 110 ambulance staff reflected the establishment of new ambulance services in conjunction with the implementation of a new enterprise bargaining agreement.\textsuperscript{80} In addition, the increase in nursing staff and medical support employees is consistent with government policy aimed at recruiting and retaining additional nurses and medical support staff in public hospitals.

6.4.2 Management of workloads

The Department advised the Committee that it has a number of strategies in place to assist with ensuring workloads are maintained and are manageable, including a performance management system.\textsuperscript{81} The system involves individual staff members developing a work performance plan in conjunction with their supervisors. Other strategies include:

- developing a draft workforce planning guide to assist managers in identifying staffing levels and competencies needed in the future. This guide is to provide a detailed analysis of the demographics of the existing workforce, including workload trends and community demands;

- developing a Department wide strategic Human Resources Plan, encompassing specific actions in the areas of workforce planning, valuing staff, economic efficiency, service quality and innovation;

- developing a disability workforce plan, which includes marketing a more positive image and identity for disability

\textsuperscript{80} Department of Human Services response to the Committee’s 2002-03 estimates questionnaire, p.46-47.

\textsuperscript{81} Ibid, p.48.
services to attract new staff and improve opportunities and skills for existing staff;

• reviewing the Office of Housing, which involves office structures, housing service delivery, resource allocation and work practices;

• addressing a range of other issues, including the workloads of child protection workers; and

• initiating a project to develop and improve workforce planning across human services. The project involves working with the Commonwealth Government to establish common approaches and methods to workforce planning, including the preparation of forecasts on key industries with workforce shortages, such as child protection workers, disability services workers and nurses.

The Department informed the Committee that it periodically experiences difficulties in attracting experienced child protection workers, nurses and experienced direct care workers. It has found some success in its responses to the problem, including targeted recruitment campaigns, improving recruitment processes and better marketing for careers in these fields.82

The Committee acknowledges that the Department faces a very significant challenge in maintaining a large and diverse workforce and, at the same time, planning for the future. However, the Committee notes that most services available from the Department are provided by external Agencies under funding and service agreements with the Department. The financial viability of many of these Agencies has an impact on their ability to attract and maintain a highly skilled, trained and dedicated workforce that can provide high quality human services.

The Committee’s report on Department of Human Services – Service Agreements for Community, Health and Welfare Services acknowledged the human resource problems experienced by funded Agencies and recommended that ‘as a matter of priority, the

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82 Department of Human Services response to the Committee’s 2002-03 estimates questionnaire, p.49
Department of Human Services, in conjunction with service providers, develop a community services industry plan’.

The Committee understands that the Department has subsequently funded a ‘Funded Agencies Partnership Project’ which will involve the Victorian Council of Social Service as the representative peak body for funded Agencies.

6.5 Health portfolio

The Minister for Health has sole responsibility for six output groups and joint responsibility, with the Minister for Senior Victorians, for the Aged and Home Care output group. Collectively, these output groups account for approximately $6,469.8 million or 76 per cent of the Department’s budget for 2002-03. The 2002-03 allocation represents an increase of $496.4 million (or 8.3 per cent) on the 2001-02 budget. Exhibit 6.4 shows details of the outputs and their budgets for 2002-03.
<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Health</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Services</td>
<td>Admitted Services</td>
<td>3,153</td>
</tr>
<tr>
<td></td>
<td>Non-Admitted Services</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>Emergency Services</td>
<td>182</td>
</tr>
<tr>
<td></td>
<td>Sub-Acute Care Services</td>
<td>425</td>
</tr>
<tr>
<td></td>
<td>Acute Training and Development</td>
<td>163</td>
</tr>
<tr>
<td></td>
<td>Blood Service</td>
<td>70</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>Ambulance Emergency Services</td>
<td>217</td>
</tr>
<tr>
<td></td>
<td>Ambulance Non-Emergency Services</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Ambulance Services Training and Development</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Basic Life Support Program</td>
<td>2</td>
</tr>
<tr>
<td>Mental Health</td>
<td>Clinical Inpatient Care</td>
<td>251</td>
</tr>
<tr>
<td></td>
<td>Clinical Community Care</td>
<td>252</td>
</tr>
<tr>
<td></td>
<td>Psychiatric Disability Support Services</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Mental Health Service System Capacity Development</td>
<td>22</td>
</tr>
<tr>
<td>Aged and Home Care (shared responsibility)</td>
<td>Aged Care Assessment</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Aged Support Services</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>Aged Residential Care</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>Aged Care Service System Development and Resourcing</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>HACC Primary Health, Community Care and Support</td>
<td>309</td>
</tr>
<tr>
<td></td>
<td>HACC Service System Development and Resourcing</td>
<td>20</td>
</tr>
<tr>
<td>Primary Health</td>
<td>Community Health Care</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td>School Nursing</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Primary Health Service System Development and Resourcing</td>
<td>21</td>
</tr>
<tr>
<td>Dental Health</td>
<td>Dental Services</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Dental Service System Development and Resourcing</td>
<td>10</td>
</tr>
<tr>
<td>Public Health and Drugs</td>
<td>Disease Prevention, Control and Surveillance</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Drug Prevention and Control</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Drug Treatment and Rehabilitation</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Health and Social Development</td>
<td>35</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>36</td>
</tr>
<tr>
<td></td>
<td>Public Health Research, Information and Training</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6,466</strong></td>
</tr>
</tbody>
</table>
6.5.1 2002-03 outlook for the portfolio

The Committee notes that the 2002-03 Budget provides an additional $1.2 billion to the Department over four years to implement new service initiatives across the portfolio and to respond to increased service demand associated with population growth and other demographic changes. New funding is also provided for cost increases, including increases in salaries and wages following industrial determinations.

6.5.2 Analysis of the 2002-03 Budget

The Committee’s analysis of the 2002-03 Budget allocation for the Health portfolio discloses a $492.4 million or 8.2 per cent increase over 2001-02. Key initiatives for 2002-03 include:

- the implementation of the Hospital Demand Management Strategy at a cost of $464 million over four years ($113 million in 2002-03);

- $16 million for the expansion of the Hospital Admission Risk Program which is designed to reduce hospital admissions and presentations by making available alternative treatment methods such as community health programs;

- $6.9 million for the expansion of home and community care services in support of older people in the community;

- $157.4 million over four years ($48.3 million in 2002-03) to assist public hospitals to meet increased employer superannuation costs, including increases in the Commonwealth Superannuation Guarantee Levy from 1 July 2002;

- the expansion and improvement of community mental health services at a cost of $9 million in 2002-03;

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83 Budget Paper No. 2, 2002-03 Budget Statement, p.176-185
• the expansion and improvement of emergency and non-emergency ambulance services at a cost of $20 million over four years ($5 million in 2002-03);

• $4 million over four years to expand the service capacity of public dental services;

• the expansion of operational infrastructure support for medical research institutes at a cost of $34.7 million over four years ($4.9 million in 2002-03);

• $20 million over four years for the expansion of disability services via the provision of additional community and home-based support services and shared supported accommodation. The Budget also provides $6.2 million for the relocation of 100 people from the Kew Residential Services; and

• $192.2 million over three years ($79.8 million in 2002-03) for asset investment initiatives, including the Royal Melbourne Hospital redevelopment ($32 million), the Angliss Hospital redevelopment ($18.5 million), residential aged care and rural health upgrades ($40 million) and the replacement, upgrade and expansion of medical equipment ($20 million).

6.5.3 Performance measures

The Committee's analysis of 2002-03 performance measures under the Health portfolio shows that 27 new measures have been incorporated into the six relevant output groups, while 17 performance measures have been deleted since 2001-02. The Committee believes the following improvements should be made:

• consistent with its comment in the report on the 2001-02 Budget Estimates, the Committee considers that the weighted inlier equivalent separations (WIES) (multi and same day services) (WIES 8) is a difficult performance measure for an uninformed reader to understand and should be accompanied by an explanatory note;

• the performance measure per cent of time on ambulance bypass has a 2002-03 target of 3 per cent. While the
Committee believes this measure to be appropriate, it considers that the measure should be accompanied by another measure showing the number of bypass instances. This will more clearly indicate the extent of ambulance bypass;

- a key measure of the quality of health care provided to Victorians is the ratio of nurses to patients (categorised into metropolitan and rural). However, the Budget Papers contain no performance measures that relate to this vital indicator;

- nursing resources are a perennial issue in the Health portfolio, yet no performance measures relate to the total nursing places filled by permanent nursing staff (metropolitan and rural) or to the reliance on public and private nursing banks;

- although a key Government policy initiative is to reduce elective surgery waiting times, there are no performance measures relating to the achievement of this significant outcome. Performance measures should be introduced that are specific to elective surgery and separately measure waiting times for urgent, semi-urgent and non-urgent cases within each local government area;

- the Ambulance Services output group has two performance measures that relate to emergency response times in the metropolitan area. However, there are no equivalent performance measures for rural ambulance services;

- the clinical inpatient care output of the Mental Health output group has a performance measure - involving clients re-admitted (unplanned) within 28 days. The Committee believes this performance measure would better indicate service quality if expanded to include re-admittance rates within 90 days, 180 days and 365 days;

- a key Government objective within the Aged and Home Care output group is to minimise the number of aged care patients waiting for a residential care bed and the number of
days each patient is required to wait. The Budget Papers contain no performance measures that focus on this key objective;

- the output of aged care service system development and resourcing delivers research and service development projects to support the aged care sector and to improve the quality and targeting of aged care services. The two performance measures within this output do not measure the extent to which these projects fulfil either function;

- the Health and Community Care (HACC) program’s primary health, community care and support services have 2002-03 funding of $309.5 million. The quantity and quality of the large and varied services within this output are measured by only two performance measures that relate to the total number of hours delivered and the percentage of the target population receiving HACC services. The Committee believes the performance measures within this output should be improved and focus on service quality, outcomes and the satisfaction of the key stakeholder (the clients);

- a performance measure of the school nursing output - namely, designated schools receiving secondary school nursing services - is measured by a number (that is, the target for 2002-03 is 199). The Committee believes this measure should also have a percentage target, which would more clearly indicate the extent of nursing services in secondary schools;

- the dental services output contains a performance measure - community, school, preschool and specialist services (dental service units) - with a 2002-03 target of 624,300. The Committee believes that the quality of this important service could be better measured by providing separate performance measures for each of the four categories of service, and additional measures relating to (a) waiting times for community and specialist services and (b) the percentage of schools and preschools throughout the State provided with dental services;
• the introduction of legislation introducing smoke-free dining at restaurants and cafes is a key Government initiative. Accordingly, the performance measure of drug prevention and control is the number of inspected restaurants, cafes and dining areas complying with smoke-free dining. While the Committee believes this measure is important, the target of compliance for 2002-03 (75 per cent) has not changed from 2001-02 even though the Government should expect compliance to increase the longer the legislation has been in operation. The target should be adjusted to reflect this expectation;

• a key outcome from effective drug treatment and rehabilitation services (that is, minimising heroin-related deaths) is not measured in the Budget Papers;

• the Committee believes the level of re-admittance to residential, community and drug counselling services is a key effectiveness measure for these services. The Budget Papers contain no such measures;

• for the environmental health and safety output, no measures relate to the number of breaches detected by inspections or the level of re-offending rates; and

• the number of breaches and the incidence of re-offending rates found by food safety inspections are key food safety measures. The Budget Papers contain no such performance measures.

The Committee believes the performance information contained in the Budget Papers does not adequately measure key areas within the Health portfolio.

Accordingly, the Committee recommends that:

**Recommendation 6.1**

The Department of Human Services review existing performance measures to ensure they adequately reflect desired government outcomes and outputs and make changes where deemed necessary.
6.5.4 Key issues impacting on the portfolio

The Department identified that the following key issues will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) Public Hospital Emergency Departments

In 2001-02 the Department commenced implementation of the Hospital Demand Management Strategy at a cost of $464 million over four years. This strategy is designed to address the ongoing growth in public hospital emergency admissions and elective surgery waiting lists and improve patient access to major metropolitan public hospitals. The strategy seeks to divert demand from public hospitals through the provision of more community and home-based services and to improve productivity within the hospital system through innovative programs.

The Department acknowledges that despite the assistance of diversion programs in easing demand for acute hospital services, demand is likely to continue to grow as a result of factors such as:

- the ongoing and increasing preference of many privately insured patients to be treated in public hospitals. The Minister advised the Committee that around 55 per cent of privately insured patients admitted to public hospitals elected not to be treated as private patients. This situation substantially reduces hospital revenue from private health funds;\(^{84}\)

- an ageing population, leading to an increase in illnesses associated with elderly persons. The Minister advised the Committee that the Australian Medical Association had indicated that a number of private hospital organisations were choosing not to treat older medical patients, preferring younger patients with elective surgery that is faster and more profitable;\(^{85}\)

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\(^{84}\) Hon. J. Thwaites, MP, Minister for Health, transcript of evidence 21 June 2002, p.314
\(^{85}\) Ibid
• a declining number of general practitioners, particularly in regional areas, coupled with general practitioners' reluctance to treat patients after hours. These factors are continuing to encourage people to attend hospital emergency clinics for conditions more suited to treatment from general practitioners; and

• Victoria's shortage of around 5,000 residential aged care beds, which is a Commonwealth Government responsibility. This means that many elderly persons remain in acute care beds in public hospitals when they would be more appropriately accommodated in residential aged care facilities.

As a result of these pressures and other factors, the annual growth in demand for public hospitals increased from around 6.2 per cent in June 1999 to an estimated 8.4 per cent at 30 June 2002. The Minister advised the Committee that considerable improvements occurred in 2001-02, with over 16,000 more emergency patients treated compared with the number in the previous year. In addition, over 3,000 extra nurses were employed, elective surgery waiting lists were marginally reduced by 5.5 per cent and there was a steady improvement in waiting times for admission to hospital.86

In response to the pressures on the public hospital system, the Government has allocated a further $93 million to the Public Hospital Demand Strategy Management in 2002-03 to increase the capacity of emergency departments to treat an estimated 14,000 extra emergency patients. The Government has also allocated an extra $20 million for diversion strategies to alleviate the need for acute care beds. This funding is in addition to the $200 million hospital infrastructure expansion in 2002-03.

The Committee acknowledges the Government's efforts to control the growth in demand on public hospital emergency departments. The Committee also accepts that the Government recognises the various factors that drive the pressures on the emergency

86 Presentation to the Committee by Hon. J. Thwaites, MP, Minister for Health on 21 June 2002, p.12
Departments, which also include road accidents, a rising incidence of assaults and drug-related matters, and general medical conditions, particularly those associated with an increasing ageing population.

(b) Ambulance bypasses

Ambulance bypasses occur when emergency ambulances are directed to hospitals other than the nearest available hospital because the preferred hospital is full to capacity and no emergency beds are available.

Any delays in treating persons requiring emergency assistance can have an impact on their condition. The obvious solutions are to ease the pressure on emergency departments and/or to increase the capacity of public hospitals to handle more emergencies.

The incidence of ambulance bypass progressively declined from 822 instances in the quarter ended March 2001, to 189 instances in the March quarter 2002. In winter months, particularly with the incidence of influenza outbreaks, ambulance bypasses tend to increase because emergency departments are traditionally busier.

The Minister attributes the decrease in the incidence of bypasses in 2002 to the success of the Hospital Demand Management Strategy in reducing pressures on emergency departments.\(^{87}\) The Department has set a target of no more than 1,800 ambulance bypasses across the system during 2002-03.

Conversely, the four emergency departments operated by private hospitals in Melbourne recorded an incidence of ambulance bypass in December 2001 that was three times greater than that recorded by the public hospital system. This situation adds to the pressure on public hospital emergency departments, reflecting a situation whereby the private hospital system, effectively subsidised by private health insurance rebates, is also experiencing difficulties in its ability to treat privately insured patients.

The Committee acknowledges the impact of the Hospital Demand Management Strategy on reducing the incidence of hospital

\(^{87}\) Hon. J. Thwaites, MP, Minister for Health, transcript of evidence, 21 June 2002, p.304
bypass. The Minister advised that a similar approach will be used in 2002-03, following the success of the strategy in 2001-02. Strategies designed to reduce growth in demand and preventing hospital admissions by substituting out-of-hospital care for inpatient care, have been negotiated with local health services. In 2002-03 a total of $13.5 million has been provided for these services, which include treating patients recovering from illnesses at home rather than in hospital.

A further $17 million is allocated in 2002-03 under the Hospital Admission Risk Program for other initiatives aimed at preventing presentations and admissions to public hospitals. Examples include projects directed at better co-ordinated care for persons with a chronic illness, improved links between hospitals and the primary care sector (including general practitioners and community health centres) and a comprehensive community based support program for older frail and chronically ill people.

The Committee accepts that the continuing increase in patients treated in emergency departments would be far greater without the introduction of such initiatives. In addition, the reduction in ambulance bypasses would not have been achieved without initiatives directed at reducing hospital admissions.

Given that the volume of patients treated in emergency departments in public hospitals will continue to grow, even after allowing for the impact of diversion strategies, the Committee considers that restraining this demand is critical to allow time for hospital capacity to be increased. An increase in capacity will also involve attempting to recruit more nurses. It therefore becomes important that organisations, including funded Agencies and community health centres, are sufficiently funded and properly resourced to efficiently and effectively implement the Department’s diversion and substitution strategies and health promotion activities.
The Committee recommends that:

**Recommendation 6.2**

The Department of Human Services:
(a) advise Health Agencies of its priorities in implementing diversion and substitution programs, including health promotion activities; and
(b) progressively monitor program outputs to determine their effectiveness and refine them, if required.

(c) Aged and home care

The Minister advised the Committee that the 2002-03 Budget provides additional funding to spread post-acute care services further across the State.\(^88\) The Post Acute Care program budget increased from $8.7 million in 1999-2000 to $18 million in 2002-03. Over the same period the number of clients increased from 15,800 clients to an estimated 29,500 clients in 2002-03. In addition, in 2001 the Post Acute Care program was extended to include persons discharged from sub-acute services and hospital emergency departments.

The program is designed to reduce the probability of patients being re-admitted to hospitals. Also, where elderly patients are re-admitted, research indicates that their length of stay is shorter where they have participated in the program.

Bed availability in acute care public hospitals and rehabilitation services continues to be a problem as a result of an estimated under-supply of at least 5,000 Commonwealth-funded residential care beds in Victoria. The Minister advised that at June 2002 there were 614 elderly patients occupying beds in public hospitals who were awaiting placement in Commonwealth-funded nursing homes.\(^89\)

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\(^88\) Ibid, p.304.
\(^89\) Correspondence received 15 August 2002, from the Minister for Health, p.8
These patients collectively had been waiting for 27,733 days (an average of 45 days each) which was the equivalent capacity of a large suburban hospital. As a temporary measure a number of interim care projects have been funded in 2002-03 to provide more appropriate care for such persons pending their placement.

To improve the effectiveness of discharges from public hospitals and sub-acute services, funding of $41 million has been provided over five years for the Effective Discharge Strategy. The strategy emphasises the need for hospitals to work in a collaborative nature with patients, carers, general practitioners and community agencies.

Further advice was provided that the sub-acute inpatient rehabilitation budget has been increased from approximately $97.1 million in 2000-01 to approximately $119.9 million in 2002-03. The ability to access these services, however, is influenced by factors such as the extent to which sub-acute beds are occupied by persons who are waiting for long-term residential care placement, the extent to which rehabilitation programs can be completed within the homes of patients, and the relative quality and efficiency of health service providers providing local rehabilitation services.

The Committee acknowledges the Government’s efforts to improve access to post acute care services, the effectiveness of which can reduce the likelihood of the re-hospitalisation of some elderly patients.

The Committee recommends that:

Recommendation 6.3

(a) The Victorian Government continue efforts to encourage the Commonwealth Government to provide an equitable and adequate number of nursing home beds in Victoria; and

Ibid, p.9
(b) The Department of Human Services ensure the level of rehabilitation services provided by local health service providers are adequately resourced and meet accreditation standards.

6.6 Community Services portfolio

The Minister for Community Services has sole responsibility for three output groups. The 2002-03 Budget Estimate for these output groups is $1,627.5 million, representing an increase of $97.8 million or 6.4 per cent on the 2001-02 Budget. Exhibit 6.5 shows details of outputs and their costs for 2002-03.
## Exhibit 6.5  
Community Services Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Community Services</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DisAbililty Services</td>
<td>Intake Assessment</td>
<td>15.4</td>
</tr>
<tr>
<td></td>
<td>Planning and Coordination</td>
<td>21.6</td>
</tr>
<tr>
<td></td>
<td>Primary Support</td>
<td>73.4</td>
</tr>
<tr>
<td></td>
<td>Community Participation</td>
<td>138.5</td>
</tr>
<tr>
<td></td>
<td>Flexible Support Packages</td>
<td>17.5</td>
</tr>
<tr>
<td></td>
<td>Community and Home-Based Support</td>
<td>60.0</td>
</tr>
<tr>
<td></td>
<td>Shared Supported Accommodation</td>
<td>332.1</td>
</tr>
<tr>
<td></td>
<td>Specialist Services</td>
<td>11.6</td>
</tr>
<tr>
<td></td>
<td>Congregate Care</td>
<td>78.4</td>
</tr>
<tr>
<td></td>
<td>Training, Development and Innovation</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Quality and Accreditation</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Strengthening Communities</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Information and Advocacy Services</td>
<td>5.2</td>
</tr>
<tr>
<td>Community Care</td>
<td>Early Childhood Services</td>
<td>171.5</td>
</tr>
<tr>
<td></td>
<td>Family and Community Support</td>
<td>86.6</td>
</tr>
<tr>
<td></td>
<td>Child Protection and Placement</td>
<td>259.1</td>
</tr>
<tr>
<td></td>
<td>Juvenile Justice Services</td>
<td>59.0</td>
</tr>
<tr>
<td>Concessions to Pensioners and</td>
<td>Energy Concessions</td>
<td>89.8</td>
</tr>
<tr>
<td>Beneficiaries*</td>
<td>Water and Sewerage Concessions</td>
<td>72.2</td>
</tr>
<tr>
<td></td>
<td>Municipal Rates Concessions</td>
<td>53.6</td>
</tr>
<tr>
<td></td>
<td>Trustee Services</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,563.2</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.81-90

Note: * This output group includes funding for transport concessions ($64.3 million) transferred to the Department of Infrastructure's Regional and Rural Transport Services output group and Metropolitan Transport Services output group. This accounts for the difference in output value in Exhibit 9.7 ($1,563.2 million and the total value of the three output groups $1,627.5 million).

### 6.6.1 2002-03 outlook for the portfolio

The strategic budget priorities of the Community Services Portfolio for 2002-03 include:

- redeveloping ageing and outdated juvenile justice facilities;
- improving the health, development, learning and wellbeing of children by improving access to effective child and family support, health and early education services;
• enhancing social inclusion for people with disabilities, focusing on expanding opportunities for people to remain living in the local community or a family environment;

• reducing the demand for statutory child protection and placement services by improving the availability and capacity of prevention, diversion and support services; and

• enhancing pre-school services by improving administration and infrastructure and increasing the participation of children from vulnerable and marginalised groups.

6.6.2 Analysis of the 2002-03 Budget

The Committee's analysis of the 2002-03 Budget Papers shows that the funding allocations for output groups under the Community Services portfolio has increased by $92.6 million or 6.3 per cent. Of this increase, around $70.8 million will be absorbed by increases in salaries and wages. New initiatives funded by the increase include:91

- $3.8 million over three years for the 'BEST START' initiative to be undertaken in conjunction with the Department of Education and Training. The project seeks to develop strategies to improve the health, development, education and wellbeing of children to 8 years of age;

- $60 million over four years ($15 million in 2002-03) to improve child protection and placement services that aim to protect children and adolescents, including aboriginal children, at risk of abuse and neglect;

- $23.3 million over four years ($3.2 million in 2002-03) to implement recommendations arising from the Kirby Report on preschools;

- $20 million over four years ($5 million in 2002-03) to expand Victorian DisAbility Services through the provision of

91 Budget Paper No. 2, 2002-03 Budget Statement, p.177-183
additional community and home-based services and shared supported accommodation services;

- $14.8 million for the construction of new Juvenile Justice facilities; and

- $25 million over four years ($6.2 million in 2002-03) for the relocation of 100 residents from Kew Residential Services into 20 new community residential units.

### 6.6.3 Performance measures

The Committee's review of performance measures for the three output groups under the Community Services portfolio show minimal change from 2001-02. Changes include the addition of six performance measures and the deletion of only one measure.

The Committee is pleased to note the addition of the following measures that were recommended in its reports on the 2000-01 and 2001-02 Budget Estimates:

- the percentage of children and young people who were the subject of a child protection investigation that led to a decision not to substantiate, who were subsequently the subject of a substantiation within three months of case closure (target = less than 7 per cent);

- the percentage of children and young people in out-of-home care who have had three or more placements in the past 12 months (excluding placements at home) (target = less than 15 per cent); and

- the percentage of child protection investigations commencing within 14 days of notification (target = more than 95 per cent).

The Committee considers that there is scope for the following improvements in the performance measures:

- no performance measures relate to specialist early intervention services for children with disabilities and
impairments, which the Committee considers to be an important responsibility of Government;

- the Minister advised of a substantial increase in child abuse notifications since the introduction of mandatory reporting and of a vast over-representation of Aboriginal children in the child protection system.\(^92\) Given this over-representation, performance measures need to be developed to show the effectiveness of Government activities in minimising the extent of Aboriginal children in the system;

- a key challenge to the Victorian DisAbility Services system is to recruit, retain and develop a workforce that can deliver flexibility and choice to people with disabilities. While there are performance measures relating to staff training and development, the Budget Papers do not contain measures of the important issues of staff recruitment and retention rates; and

- the newly created performance measure that relates to the percentage of children and young people in care who have had three or more placements in the past 12 months (excluding placements at home) should be expanded to include the length of time in care (less than 12 months and 12 months or more), as recommended by the Productivity Commission.

The Committee believes the quality of portfolio performance measures in the 2002-03 Budget Papers have improved with the addition of several important performance measures, but there is scope for further improvement.

\(^{92}\) Hon. B. Pike, MP, Minister for Community Services, transcript of evidence, 27 June 2002, p.470
The Committee recommends that:

**Recommendation 6.4**

The Department of Human Services review its performance measurement framework, with a view to including measures in key areas such as early intervention services for children with disabilities and impairments, the representation of Aboriginal children in the child protection system, and staff recruitment and retention rates in the disability services system.

### 6.6.4 Key issues impacting on the 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 have an impact on child protection services, DisAbility services and the juvenile justice system.

(a) **Children and young people in care**

The 2002-03 Budget provided an extra $60 million over four years to implement a new approach to child protection services in Victoria. The Government considers this to be critical, given that notifications of suspected child abuse, especially in rural regions, rose by 17 per cent over the five year period to June 2002. The Minister informed the Committee that re-notifications made up 61 per cent of all notifications in that period and have been steadily increasing since 1997-98. The child protection system deals with around 37,000 reports per year, with many reports linked to family welfare issues. The Minister also informed the Committee of a vast over-representation of Aboriginal children within the child protection system.³³

Budget Paper No. 2 refers to the increasing number of suspected child abuse notifications in Victoria. It states that the current

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³³ Hon. B. Pike, MP, Minister for Community Services, transcript of evidence 27 June 2002, p.470
system is effective in identifying cases of child abuse, but that more needs to be done to support children and families through prevention and early intervention services to respond to their diverse needs and circumstances.94

Measures available to collectively reduce the incidence of child abuse have long been recognised but are neither easily implemented nor effective in all instances. Measures include:

- providing additional child protection resources;
- focusing on education and support for families of indigenous and ethnic backgrounds;
- providing a comprehensive range of early intervention and support services for vulnerable families;
- providing additional kinship and permanent care places;
- encouraging, recruiting and adequately supporting foster carers;
- providing adequate and suitable levels of residential care services;
- making therapeutic services available to vulnerable families, such as treating mental problems, substance abuse and financial hardship, and providing parenting skills to parents who might never have been provided with such skills;
- providing specialist training to child protection workers in areas such as suspected sexual abuse and emotional abuse and the gathering of evidence for court proceedings;
- ensuring the ongoing education of children in care; and
- recognising that family re-unification should not always be the ultimate aim of the Department in handling children in care, if such a situation could lead to children being re-abused and further notifications occurring.

94 Source: Budget Paper No. 2, 2002-03 Budget Statement, p.78
The Committee is pleased to acknowledge that the Department, in recognising the diversity of issues and problems associated with child protection, has initiated the following actions in 2002-03:

- the immediate recruitment of an additional 60 child protection workers at a cost of $16.8 million over four years. The Minister advised that these additional workers will help manage the increasing number of children notified due to family violence, alcohol and drug abuse by parents and psychiatric, intellectual or physical disability;\(^95\)

- a $14.8 million investment over four years to fund eight projects, including two projects targeted at aboriginal families, to assist around 850 families;

- $5 million for the upgrade of residential care facilities for placement and support programs;

- $20 million over four years to provide intensive therapy and immediate help for up to 1,300 children per year who have suffered physical or sexual abuse. Assistance will also be provided to help abused children relate positively to their own children as adults;

- $7.8 million, provided in conjunction with the Department of Education and Training, for the ‘BEST START’ program which will provide a range of services to support disadvantaged parents and children;

- an evaluation of the extent to which existing legislation supports best practice in child protection and care;

- $1.7 million to implement a ‘Looking after Children’ framework to monitor the quality of care that children and young people receive and to ensure their development needs are met;

- the introduction of minimum standards and outcome objectives for out-of-home care service providers, an

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\(^95\) Hon. B. Pike, MP, Minister for Community Services, transcript of evidence, 27 June 2002, p.470-471
initiative which is expected to help reduce the level of placement breakdowns. In conjunction with this initiative, the Department will pay significantly higher prices for the provision of residential care services by non-government organisations;

- the provision of an additional 220 kinship care and permanent care placements; and

- an additional $426,000 to employ legal and court support officers in rural regions and to enhance the quality of legal advice and advocacy services provided by the Department’s Court Advocacy Unit at the Melbourne Children’s Court. These measures are expected to improve the quality of evidence provided by child protection workers in courts, including matters related to suspected sexual abuse.

The Minister also advised that the Department wants to ensure all children in residential care are attending schools. The Department found that only 61 per cent of children in residential care were attending school at August 2000. School enrolments will be regularly monitored from 2002-03 and a target of 100 per cent enrolment for all children under the age of 15 years has been set. For children over 15 years of age the target is 75 per cent. In recognition that some severely abused children do not adapt to mainstream education, a specialist school costing $2.62 million was opened in March 2002. The school will focus on the individual needs of children with severe learning and behavioural problems with the intention of enabling the students to re-enter mainstream education.

Kinship care and foster care are the preferred placement options for children removed from parental care. The lack of availability of these options can mean that children may be placed in other alternative care options which are not suited to their needs. Also, in the absence of suitable alternatives, there is pressure to return children to the parents who abused them. This is usually only done on the condition that parents seek family support services.

96 Correspondence received 22 August 2002, from Hon. B. Pike, MP, Minister for Community Services, p.16, Media Release by the Minister for Community Services, dated 20 November 2001
Regarding the availability of family support services, the Children’s Welfare Association of Victoria conducted a survey in August 2001 and found that 50 per cent of families requesting support services were placed on waiting lists as a result of a lack of government funding. Only 7 per cent of families were on waiting lists for less than two weeks. Of the remaining 93 per cent, more than half waited for up to five weeks for services despite the fact that appropriate help at the immediate time of crisis can prevent later problems, including reporting of further abuse.

It is also critical that where parents are subject to Protection Orders conditional on accessing support services provided by non-government Agencies, that mechanisms exist to notify the Department immediately if families fail to continue to access such services, in order that the welfare of the children can be checked.

The Committee acknowledges the additional funding provided in the 2002-03 Budget for family support programs and expects to see a reduction in waiting times for families needing urgent support.

Despite the residential care initiatives announced in the 2002-03 Budget, the Department continually has difficulty in placing all children in suitable alternative care, especially foster care. A recent report by the Child and Family Welfare Association of Australia stated that foster care underpins child welfare services and is undergoing a crisis in recruitment and retention, partly due to poor reimbursements. This has resulted, according to a Productivity Commission Report in 2000-01, in multiple placements with more than 40 per cent of children who had been in foster care for more than a year having four or more placements.97

The Government has also committed staff to examining ways in which to improve the support and recruitment of carers after conducting a detailed survey of 1,200 children aged up to 17 years in foster care.

The Minister informed the Committee that the Government, in addition to examining levels of reimbursement available to foster

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carers, will look at other support services needed, such as training, practical assistance, respite assistance, help to carers confronted with challenging behaviour from foster children and links to other services. As part of this effort, a therapeutic program is to be implemented in 2002-03 to assist severely damaged children with extreme behaviour. 98

The Committee notes that child protection notifications are likely to continue to rise in line with an Australia-wide trend, and that there are limitations as to the extent to which this problem can be addressed. These limitations reflect social factors such as increasing family violence, mental health issues, substance abuse and the high incidence of families with child protection issues who rely on benefits and pensions as their primary source of income, adding to considerable financial pressures.

The Committee supports the Department’s objectives of reducing demand on the child protection system by ensuring early diversion of vulnerable families into support services and reducing the incidence of re-notifications where possible. The initiatives to be undertaken in 2002-03 will support these directions. However, given the magnitude of the problems faced by the Department in addressing child protection, placement and care, the Department will need to carefully monitor its initiatives, evaluate whether they have a marked impact and amend them, if necessary.

The Committee is very concerned at the increasing incidence of notifications. In addition, the re-investigation of re-notifications means that scarce resources are diverted from investigating new notifications.

98 Hon. B. Pike, MP, Minister for Community Services, transcript of evidence 27 June 2002, p.474-475
The Committee recommends that:

**Recommendation 6.5**

(a) In conjunction with the implementation of new community services initiatives, the Department of Human Services develop mechanisms to regularly monitor and report on the efficiency and effectiveness of these initiatives;

(b) The Department of Human Services develop additional performance indicators that measure whether demands for family support services are being met and whether the Department's outputs are making a difference. In addition, given the emphasis on reducing re-notifications, the Department develop a performance indicator that measures the incidence of re-notifications made subsequent to the provision of family support services; and

(c) The Department of Human Services undertake a study of the underlying reasons for child protection re-notifications so action can be taken, which may also involve reforming work practices and strategies, to reduce the causes of re-notifications, including the failure of parents to attend support services.

(b) **Victorian DisAbility Services—service needs**

As detailed in Budget Paper No. 2, $20 million over four years will be provided for the expansion of DisAbility Services. This funding will be directed towards additional community and home-based services as well as shared and supported accommodation services for persons with a disability to enable those persons to continue living within the community. In

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99 Budget Paper No. 2, 2002-03 Budget Statement, p.176
addition, $10 million in capital funding has been allocated over three years to increase accommodation and upgrade facilities for persons with a disability. Around 100 clients will be relocated from Kew Residential Services into 20 new community residential units.

The Minister advised the Committee that the increased funding of $194.6 million to Victorian DisAbility Services over the three years to 2002-03, enabled the funding of an additional 500 places in home-based support and 283 additional community residential service places. Also in 2002-03, an additional twenty-five shared supported accommodation places and seventy additional places for in-house services will be funded. While the Committee acknowledges the advances made in providing additional places for persons with a disability, the growth needs to be considered in the overall context of the number of persons with a disability who have been on urgent waiting lists for long periods, notwithstanding new entrants each year.

The Minister provided the Committee with the current status of waiting lists for persons seeking shared supported accommodation, home first help and day programs as at April 2002.

**Exhibit 6.6 Seeking Urgent Access to Services as at April 2002**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Service Needs Priority</th>
<th>Total Across All Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day Programs (ATSS)</td>
<td>Urgent</td>
<td>593</td>
</tr>
<tr>
<td>Shared Supported Accommodation</td>
<td>Urgent</td>
<td>997</td>
</tr>
<tr>
<td>Home First</td>
<td>Urgent</td>
<td>666</td>
</tr>
</tbody>
</table>

Source: Correspondence received 22 August 2002 from Hon. B. Pike, MP, Minister for Community Services, p.1

The classification of the waiting lists falls into four categories, namely urgent need, high priority, medium or low priority. An urgent classification means immediate attention is required.

The Minister further advised the Committee that in 2002-03 the Department expects a net increase of 61 persons on the urgent waiting lists for day programs, a net increase of 146 persons on the

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100 Hon. B. Pike, MP, Minister for Community Services, transcript of evidence, 27 June 2002, p.465
Home First register and a net increase of 124 persons requiring shared supported accommodation. Future growth in the waiting lists is considered to be difficult to predict, given the complexity of the variables involved, such as the emerging incidence of intellectual disability, progress in medical technology and the ageing of the carer population. The Department is understood to be researching the characteristics of future demands and the strategies available to manage the demand pressures.

It was apparent to the Committee that waiting lists are becoming longer despite the increase in places available for persons classified as in need of immediate attention during 2002-03. This observation does not account for the even longer waiting lists for persons classified as being non-urgent, who may be forced to stay at home longer than is desirable. The Department endeavours to provide carers with support services while persons with a disability wait for their service type to become available.

The Minister acknowledged that disability services were at a very challenging and difficult point in the context of an ageing population, ageing carers and an annual growth of around 4 per cent in people with a profound or severe disability. The Department intends to introduce a new demand strategy in the 2003-04 budget process.

Despite the ongoing budget increases for Victorian DisAbility Services, the demand in conjunction with the difficulty of recruiting, remunerating and retaining a skilled disability workforce, indicates that demand for services cannot be totally satisfied.

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101 Correspondence received 22 August 2002 from Hon. B. Pike, MP, Minister for Community Services, p.1
102 Ibid
103 Hon. B. Pike, MP, Minister for Community Services, transcript of evidence 27 June 2002, p.466-467
Accordingly, the Committee recommends that:

**Recommendation 6.6**

The Department of Human Services ensure that the strategies being developed to meet increasing demands for disability services do not affect the wellbeing of persons with a disability in urgent need of appropriate care.

(c) **Juvenile Justice**

In 2002-03 around $14.8 million is to be provided for the construction of a new, 26 bed facility at Parkville to replace the former Turana Centre. In the interim a 16 bed demountable facility will be built at Malmsbury. In addition, $9.6 million will be provided in the 2002-03 Budget for programs directed towards diversion, rehabilitation and post-release support.

The Minister advised the Committee that accommodation demands have not fallen despite the success of the diversionary and rehabilitation programs. There has been an increase in the number of serious offenders in custody and the average length of custodial sentences has increased by around 61 per cent.104

Accordingly, the Department is under pressure to be able to accommodate the ongoing demand arising from custodial sentences, particularly given the increase in the number of serious offenders in custody which rose from 15 per cent to 45 per cent over the last five years. Victoria Police statistics also reflect the increasing incidence of serious assault by juvenile offenders, particularly involving the use of weapons.105

The Minister outlined to the Committee the importance that juvenile justice services place on diversion, rehabilitation and post-release programs. Initiatives to be undertaken or already in progress include:

- the engagement of experts to provide specialist advice on best practice models for rehabilitation of juvenile offenders;

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104 Ibid, p.461
105 Ibid
• extensive training of all juvenile justice workers in dealing with substance abuse problems. The Minister advised the Committee that the overwhelming number of young offenders entering the juvenile justice system had long-standing patterns of substance abuse and drug related offences;

• the provision of mental health services to young offenders by the Department’s Adolescent Forensic Health Service;

• the provision of a program at Malmsbury Juvenile Justice Centre known as ‘The Edge’ which focuses on intensive support for juvenile offenders wanting to break the cycle of substance abuse; and

• an allocation of $34.2 million over four years under the Juvenile Justice Reform Strategy to assist juveniles released from juvenile justice centres with employment opportunities, accommodation, counselling and drug rehabilitation. The intention of the strategy is to reduce the likelihood of re-offending by young offenders after release from custody. Although participation in the program is voluntary the Minister informed the Committee that participation in post-release services by former inmates was 96 per cent in the last quarter ended June 2002, compared with a target of 80 per cent.106

The Committee acknowledges that the extended range of rehabilitation and post release support services appear to be having an impact on the incidence of re-offending by juvenile justice clients. According to the Minister, in evidence provided to the Committee, Victoria has the lowest incarceration for juvenile offenders in Australia, with 12.8 offenders in custody per 100,000 of population, compared with Queensland’s 20.5 offenders per 100,000 head of population.

The Committee also acknowledges that the ongoing success of the juvenile justice programs will be influenced by the success of other

106 Correspondence received 22 August 2002 from Hon. B. Pike, MP, Minister for Community Services, p.1
programs, including Victoria Police crime prevention strategies; the Government’s strategy for homelessness; the provision of support to young people leaving child protection and out-of-home care; and the Government’s drug strategies.

Accordingly, the Committee recommends that:

**Recommendation 6.7**

The Government ensure close liaison occurs between Juvenile Justice services and other government and non-government Agencies in developing and implementing programs that could have an impact on the objectives of the Juvenile Justice programs of Victoria.

### 6.7 Housing portfolio

The Minister for Housing has responsibility for the Housing Assistance output group which accounts for $440.7 million or 5.2 per cent of the Department’s 2002-03 Budget. Exhibit 6.7 outlines the portfolio’s outputs and their cost in 2002-03.

**Exhibit 6.7 Housing Portfolio - Output Group and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Housing</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Assistance</td>
<td>Homelessness Assistance</td>
<td>114.8</td>
</tr>
<tr>
<td></td>
<td>Long-Term Housing Assistance</td>
<td>325.9</td>
</tr>
<tr>
<td></td>
<td>Home Ownership and Renovation Assistance*</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>440.7</strong></td>
</tr>
</tbody>
</table>

Note: * In 2002-03 and future years internal revenue from the Office of Housing will fund this output.
6.7.1  2002-03 outlook for the portfolio

The Housing Assistance output group’s budget for 2002-03 of $440.7 million represented an increase of $9.8 million or 2.3 per cent as compared to the 2001-02 budget allocation. Office of Housing expenditure is funded from several sources. Budget sector funding in 2002-03 comprises:

- an appropriation of $323 million through the Commonwealth State Housing Agreement (including GST compensation);
- $47 million to further expand social and community housing;
- $5 million to renew public housing in the Latrobe Valley; and
- $66 million for the Supported Accommodation Assistance Program (SAAP).

The Office of Housing also generates $401 million from rental operations, asset sales and other internal sources.

Particular initiatives to be undertaken by the Housing portfolio in 2002-03 include:

- $210 million for the acquisition and construction of public and community housing, including acquisition of 1,300 long-term housing properties;
- $170 million for the physical improvement of public rental and community managed properties, including $12 million for neighbourhood renewal projects and $70 million for inner city high rise estates;
- $2.2 million ($8.8 million over four years) to address demand and improve service capacity to deal with the needs of people who are homeless;
- $2 million to strengthen the co-ordination of homelessness services; and

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107 Budget Paper No. 3, 2002-03 Budget Estimates, p.58
$4.6 million over four years to establish a housing and mental health partnership for people who are homeless and have a psychiatric illness.

### 6.7.2 Performance measures

In 2001-02, the Housing Assistance output group was significantly modified to reflect the Government’s priorities to improve homelessness assistance and expand the diversity of providers of community housing and partnership arrangements. This modification reduced the number of outputs in the output group from six to three and the number of performance measures from 24 to 21.

It is pleasing that all performance measures have been retained in 2002-03. The Committee is particularly pleased that a performance measure recommended in its report on the 2001-02 Budget Estimates, clients satisfied with home renovation advice and service, has been added for 2002-03. The Committee’s review of the performance measures in the Housing Assistance output group has revealed the following issues:

- a key challenge for the Housing portfolio is the Government’s capacity to meet demand for crisis supported and transitional housing, but no performance measures relate to waiting times for those seeking this type of assistance;

- no performance measures relate to two key segments of the housing waiting list, special housing needs and the wait turn segment;

- the Minister advised that the level of rental assistance provided by Government is not keeping pace with medium metropolitan rents in particular, yet the performance measures do not identify the extent of this problem (for example, the level of assistance provided by Government as a percentage of median rent levels) or the impact of remedial actions taken by the Government;
• no measures show the number of clients who leave homelessness assistance and subsequently are provided with long-term housing assistance; and

• although the current maintenance backlog for public housing is a key issue in the portfolio, performance measures are not available to identify waiting times for repairs and maintenance or the number of units requiring repairs and maintenance.

The Committee believes the inclusion in the Budget Papers of performance measures that address the above deficiencies will improve the quality of performance information provided to the Parliament and the community on issues relating to the Housing portfolio.

Accordingly, the Committee recommends that:

Recommendation 6.8

The Department of Human Services develop performance measures that focus on:

(a) the Government’s capacity to meet demand for crisis supported and transitional housing;

(b) waiting times for each of the four segments of the housing waiting list;

(c) the level of rental assistance provided by the Government as a percentage of median rental levels in inner metropolitan, outer metropolitan, regional and rural categories; and

(d) waiting times for repairs and maintenance, and the number of public housing units requiring repairs and maintenance.

6.7.3 Key issues impacting on the 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 have an impact on the portfolio and the budget estimates for 2002-03.

(a) **Victorian Homelessness Strategy**

The Victorian Homelessness Strategy Report was released in February 2002 and identified over 30 initiatives to be implemented over a three year period. The intention of the strategy is to provide the portfolio with the capacity to more effectively prevent and intervene in homelessness as well as to better respond to the needs of people who are homeless and those at risk of homelessness.

Key issues to be initially addressed, at a cost of $3 million in 2002-03, include:

- establishing 'pathways' for persons leaving prisons, juvenile justice facilities and State care;
- working with people with mental health issues to prevent them from becoming homeless after discharge from hospital;
- providing housing options for women escaping family violence;
- assisting older people in tenuous private rental situations to maintain their tenancies;
- supporting at-risk tenancies in public and Aboriginal housing;
- providing more support and training for workers in the homelessness system;
- developing a common assessment and referral system to avoid the necessity for homeless people to repeat their concerns; and
- linking people who are homeless to training opportunities and jobs.

Actions in place to address homelessness, other than those referred to previously in section 6.6.1, include increasing the number of crisis and transitional housing properties to at least 3,500 units,
assisting an estimated 16,500 households in 2002-03 with crisis/transitional housing and providing a wide range of other supports. The Community Support Fund will provide $1.8 million towards a family violence initiative and over $1 million for persons who are homeless and have mental health problems. A further 180 crisis accommodation places have been added to the existing 650 places available state wide in 2001-02.

The Committee acknowledges the commitment of the Government to reduce homelessness by implementing the Victorian Homelessness Strategy. The Committee also acknowledges the ongoing funding directed to the expansion of social housing to assist persons in need of temporary housing. While these initiatives are very worthwhile, it is difficult to evaluate their impact on the extent of homelessness in Victoria.

Accordingly, the Committee recommends that:

**Recommendation 6.9**

The Department of Human Services develop performance measures that provide the Parliament with definitive data on the extent of homelessness in Victoria, the geographic areas of greatest concern, the effectiveness of existing strategies in addressing the problems identified and the level of demand for emergency housing.

(b) **Maintenance of public housing properties**

The major commitment within the Housing portfolio for 2002-03 is $170 million for addressing the backlog of existing properties requiring maintenance. The upgrade of amenities includes safety and security measures, improved fire safety measures, lift improvements and renovation of units.

The Minister advised the Committee that the level of accrued maintenance for the social housing stock pool decreased from
approximately $143 million in 1999 to $129 million at 30 June 2002. This level is expected to remain roughly constant for 2002-03.

Most of the $170 million allocation will be directed to improving the amenity, safety and security aspects of public housing properties and is linked to other programs such as Neighbourhood Renewal.

The main features of the allocation in 2002-03 include:

- $12.4 million for Neighbourhood Renewal Projects. These projects are directed towards disadvantaged neighbourhoods where there is a high concentration of public housing and often high levels of unemployment, including the Latrobe Valley;

- $70 million for the upgrade of ageing, inner city high-rise estates, including unit upgrades, security measures, fire safety works and infrastructure improvements; and

- around $87 million for the upgrade of social housing in metropolitan and rural Victoria.

Although there is a strong emphasis in the 2002-03 Budget on improving and upgrading existing amenities for public housing tenants, the Committee notes that a very large backlog of $129 million in accrued maintenance demands still existed at 30 June 2002.

Accordingly, the Committee recommends that:

**Recommendation 6.10**

The Department of Human Services, in addition to upgrading existing amenities in public housing stock, consider giving funding priority to addressing the large backlog of existing maintenance demands.

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108 Correspondence received 12 August 2002 from Hon. B. Pike, MP, Minister for Housing
6.8 Senior Victorians portfolio

The Minister for Senior Victorians has responsibility for one output referred to as Positive Ageing under the Aged and Home Care Output Group. The portfolio was established in February 2002 and the Budget allocation for 2002-03 is $4 million. The output is directed towards providing community based information and activities that promote the health and wellbeing of older Victorians. Activities include:

- the Office of Senior Victorians;
- the Victorian Seniors Card program;
- the Victorian Seniors Festival;
- the development of positive ageing initiatives; and
- the recognition of the contribution that older people make, both economically and socially to the community.

6.8.1 2002-03 outlook for the portfolio

The major strategic directions of the portfolio in 2002-03 are to:

- develop a strategy for Senior Victorians that promotes and values their contribution to the community;
- expand support for services that assist senior Victorians to maintain active lives, such as home help, delivered meals and respite for carers;
- develop partnerships between Government, business and the community to work together on actions that affect senior Victorians. Areas to be targeted include mature age employment, information technology, physical activity, community transport, intergenerational activity and community attitudes to ageing;
- work with the Inter-Departmental Committee for Senior Victorian Interests to co-ordinate program development across Government; and
• enhance key programs that benefit senior Victorians such as the Seniors Card and Seniors Festival. The portfolio has set a 2002-03 target of a 95 per cent take-up of the Seniors Card, focusing on ethnic people and persons in outlying rural areas.

6.8.2 Performance measures

The Committee notes that two performance measures of positive ageing have been included for 2002-03, resulting in a total of three performance measures for the output. Given that machinery of government changes have resulted in the creation of (a) a portfolio specific to promoting the health and wellbeing of older Victorians and (b) an Office for Senior Victorians, the Committee believes the performance measures should be improved to better reflect the activities of the portfolio. The following improvements are suggested:

• the current performance measures do not reflect the activities of the Office of Senior Victorians or its forward agenda. There is a need to develop measures that are directly related to the five components of the forward agenda, namely:
  - an age-inclusive society;
  - enabling environments;
  - working for all ages;
  - healthy living; and
  - consumer wise.

• no performance measures relate to the activities and outcomes of the Ministerial Advisory Council of Senior Victorians; and

• a key responsibility of the portfolio is to implement a positive ageing program, which aims to change community attitudes to ageing, promote intergeneration relationships, encourage mature age employment and provide educational activities. No performance measures, however, assess the achievement of these objectives.
The Committee believes the addition of performance measures specific to each of the above issues would substantially improve the performance information presented to the Parliament and the community, and allow a more effective assessment of the portfolio's performance.

6.8.3 Key issues impacting on the portfolio

Of the portfolio’s $4.0 million Budget allocation for 2002-03, around $2.4 million will be directed to the Seniors Card, which costs the Government around $874,000 per year, the Victorian Seniors Festival and the operations of the Office of Senior Victorians. In addition to these activities, a key focus of the portfolio in 2002-03 is to assist mature workers over 45 years of age with employment opportunities and the incentive to remain in the workforce and develop new skills.

(a) Mature-age workers

The Minister for Senior Victorians advised the Committee that job opportunities and training needs for workers aged over 45 years need to be considered because these workers tend to be the first to be made redundant when downsizing occurs, and they are also more likely to stay jobless, or under-employed longer than other members of the workforce.\textsuperscript{109}

The Minister further advised that a whole-of-community response to mature age employment is required which means the Government, business and the community need to work together to address the underlying causes and biases that prevent older people from remaining in or re-entering the workforce.\textsuperscript{110} Such persons may not be registered with Centrelink and may not access employment services offered by the Australian Government, and therefore fall into the ranks of the ‘hidden unemployed’. The Minister advised that the portfolio’s initiatives in the area of mature age employment complement rather than duplicate initiatives undertaken by the Australian Government to assist

\textsuperscript{109} Media release on 24 July 2002 from the Minister for Senior Victorians
\textsuperscript{110} Correspondence received 17 July 2002 from Hon. C. Campbell, MP, Minister for Senior Victorians, p.3
mature age workers. The Minister advised that the ‘Working for Ages’ project, which is a joint project between the Department, VicHealth and the Human Rights and Equal Opportunities Commission, both complements and differs from Commonwealth Government job creation programs as the project’s aim is to address age discrimination by: ¹¹¹

- increasing awareness of the Victorian Equal Opportunity Act and barriers experienced by older workers;

- identifying and developing ongoing relationships with key stakeholders in two metropolitan areas, to identify regional needs and opportunities in assisting with the employment of older workers;

- publishing an employer best practice kit to provide employers with information on the benefits of employing older workers and ways in which to develop strategies to establish an aged-balanced workforce; and

- undertaking pilot projects that can be used as models of best practice. Projects will include developing a framework for the accreditation of mentoring skills, encouraging relationships between older and younger staff members, increasing employer flexibility in areas such as employment options for an ageing workforce, addressing assumptions about older workers and those who retire early, and encouraging ongoing skills development.

The Committee acknowledges that because Senior Victorians is a new portfolio, it is premature to make any statement about the intended directions of the portfolio in 2002-03 until actual performance can be analysed. The Minister advised the Committee that the Department intends to consider new performance measures for the portfolio once the strategy framework has been finalised. ¹¹² Nevertheless, from the estimates hearing and material provided to the Committee, it was apparent that a range of

¹¹¹ Hon. C. Campbell, MP, Minister for Senior Victorians, transcript of evidence 24 May 2002, p.207
¹¹² Ibid, p.205
positive initiatives to assist Senior Victorians within the community are under way.
Key Findings:

7.1 The Department of Infrastructure's budget allocation for 2002-03 was $2,678.8 million, an increase of $156.7 million or 6.2 per cent over the budget allocation for 2001-02.

7.2 Under new arrangements, OneLink will receive payments for assuming responsibility for the management of vandalism of ticketing machines.

7.3 OneLink may receive bonuses for higher levels of operational performance, and incur penalties for under performance.

7.4 With the imminent commencement of the redevelopment of the Spencer Street station precinct, the Department of Infrastructure needs to ensure the effective management of the complex financial and contractual requirements of this significant initiative.

7.5 Based on the road toll statistics from 1999, the metropolitan and country road tolls have both increased as have the number of road fatalities where the blood alcohol concentration has been over 0.05.

7.6 The Commonwealth Government is yet to decide on whether the matching funding for the Kyneton to Faraday section of the Calder Highway upgrade will be forthcoming in 2002-03, and a decision from the Federal Government may not be made until the release of its 2003-04 Budget.
7.7 The extended period of consultation which has been undertaken by the Department of Infrastructure in the development of the Metropolitan Strategy delayed the anticipated release of a draft document, for public comment, from the end of 2001 to September 2002.

7.8 It is unreasonable that the Department of Infrastructure would put off the task of reviewing its performance measures for another two years until measures were developed by the Local Government Best Value Commission.

7.9 In regard to the channel deepening proposal for the Port of Melbourne, the Department of Infrastructure needs to ensure that the community is aware of developments as they occur in this major engineering, environmental and economic undertaking.

7.10 In relation to the Federation Square project, the Department of Infrastructure and the Auditor-General need to resolve the appropriate accounting treatment for tenants fit-out costs and determine whether it is appropriate that such costs be included in the estimated final construction cost of the project.

7.1 Departmental overview

The Department of Infrastructure is the Government’s primary Agency for the strategic planning and delivery of Victoria’s major infrastructure investments. The Department supports the ministerial portfolios of Transport, Planning, Local Government, Ports and, included for the first time in 2002-03, Major Projects.

The Department and its associated Agencies are responsible for:

- improving and maintaining Victoria’s road and rail transport infrastructure;
- managing land-use planning, urban design and development and heritage protection;
- oversight of the Local Government sector;
• managing the State’s important ports and marine sectors;
and

• managing the delivery of large-scale development and construction projects.113

7.2 Output management framework

Exhibit 7.1 shows the Department’s 2002-03 output management framework.

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>8.5</td>
<td>8.9</td>
<td>9.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Balanced Planning and Environmental Systems</td>
<td>50.8</td>
<td>50.8</td>
<td>47.8</td>
<td>-5.9</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>40.5</td>
<td>42.4</td>
<td>40.5</td>
<td>..</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>20.8</td>
<td>17.6</td>
<td>24.8</td>
<td>19.2</td>
</tr>
<tr>
<td>Regional and Rural Transport Services</td>
<td>288.7</td>
<td>294.4</td>
<td>301.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure</td>
<td>380.8</td>
<td>382.1</td>
<td>394.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Metropolitan Transport Services</td>
<td>1,009.2</td>
<td>1,138.8</td>
<td>1,106.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure and Public Development Projects</td>
<td>424.6</td>
<td>428.7</td>
<td>424.3</td>
<td>..</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>298.2</td>
<td>308.5</td>
<td>329.5</td>
<td>10.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,522.1</strong></td>
<td><strong>2,672.2</strong></td>
<td><strong>2,678.8</strong></td>
<td><strong>6.2</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.109

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113 Budget Paper No. 3, 2002-03 Budget Estimates, p.103
As shown in Exhibit 7.1, the Department’s budget allocation for 2002-03 was $2,678.8 million, an increase of $156.7 million (or 6.2 per cent) on the budget allocation for 2001-02.

The Committee notes that following the transfer of Major Projects Victoria from the former Department of State and Regional Development to the Department of Infrastructure, a new output - Major Public Construction and Land Development - has been added to the re-named Metropolitan Transport Infrastructure and Public Development Projects output group. Also, one output - Research and Forecasting Information - has been removed from this output group. Funds previously allocated to this output have been redistributed among other output areas of the Department.

7.3 Financial analysis

Exhibit 7.2 shows the operating statement for the Department.

<table>
<thead>
<tr>
<th>Operating Statement</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controlled Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from ordinary activities</td>
<td>2,630.2</td>
<td>2,741.3</td>
<td>2,854.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Expenses from ordinary activities</td>
<td>2,522.2</td>
<td>2,672.0</td>
<td>2,678.8</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Net result for the reporting period</strong></td>
<td>108.0</td>
<td>69.3</td>
<td>175.2</td>
<td>62.2</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>1,173.1</td>
<td>1,450.5</td>
<td>1,665.4</td>
<td>42.0</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>1,173.5</td>
<td>1,485.9</td>
<td>1,665.8</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Surplus/ Deficit</strong></td>
<td>(0.4)</td>
<td>(35.4)</td>
<td>(0.4)</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.3.2 p.141 and Table 2.3.5, p.146

In response to the Committee’s questionnaire, the Department supplied estimated actual expenditure for 2001-02. The

114 Department of Infrastructure response to the Committee’s 2002-03 estimates questionnaire, p.54-55
Committee’s analysis of the operating statement revealed an increase in operating revenue for 2001-02 of $111.1 million, and an increase of $149.8 million in operating expenses, which overall reduced the result to a surplus of $69.3 million compared with the 2001-02 budget estimate of $108 million. The main variations in departmental revenue from ordinary activities included:

- an increase in output appropriations of $280.4 million, which reflects Commonwealth revenues that have been negotiated by the Department and supplementation of $40 million for a number of budget pressures; and

- an increase in other revenue which includes $64 million resulting from the sale of the National Rail Corporation of $45 million and revenue from the Public Transport Corporation of $47 million associated with additional public transport operator payments.

The main variation in departmental expenses from ordinary activities was a $42.7 million increase in employee entitlements, which was attributable to a revision of VicRoads’ superannuation liability.

The Department’s Statement of Financial Performance indicates an expected operating surplus of $175.2 million for 2002-03. The reasons for the higher surplus include:

- higher total output revenue, which is due to an increase in the contributions from the Commonwealth Government, mainly for road construction activities (including the Scoresby Freeway) together with the impact of initiatives approved in prior years; and

- revenue to fund major new initiatives for 2002-03 including additional bus services to meet demand pressures, additional funding for train and tram extensions under the Linking the Suburbs strategy and to address bus revenue shortfalls distributed from public transport fare collections.

Increased operating expenditure of $156 million between the 2001-02 and the 2002-03 Budget periods is due to expanded
initiatives and higher capital asset charges (totalling $20 million) in line with the increase in projected asset values.

### 7.3.1 Other revenue and other expenses

The Committee’s analysis of items in the ‘other revenue’ and ‘other expenses’ classifications for 2002-03 show the Budget Papers contain greater detail on other revenue, and reduce expenses to nil. Revenue items such as taxes and fees and fines and expenditure on grants are now separately disclosed in the Budget Papers. The Committee commends this outcome.

### 7.4 Human resources issues

The Department estimated that it will have 710.1 Equivalent Full Time (EFT) staff at 30 June 2001, compared with 633.4 at 30 June 2000, as shown in Exhibit 7.3.

#### Exhibit 7.3 Department of Infrastructure - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Secretary</td>
<td>3.0</td>
<td>3.0</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Organisational Development</td>
<td>96.2</td>
<td>101.4</td>
<td>90</td>
<td>92</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>36.8</td>
<td>40.6</td>
<td>39</td>
<td>40</td>
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<tr>
<td>Strategic Planning</td>
<td>72.8</td>
<td>71.7</td>
<td>68</td>
<td>70</td>
</tr>
<tr>
<td>Planning Heritage and Building</td>
<td>174.4</td>
<td>188.4</td>
<td>140</td>
<td>135</td>
</tr>
<tr>
<td>Office of the Director of Public Transport</td>
<td>176.2</td>
<td>182.2</td>
<td>169</td>
<td>170</td>
</tr>
<tr>
<td>Ports and Marine</td>
<td>41.7</td>
<td>58.5</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>Local Government</td>
<td>32.3</td>
<td>37.3</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Rail Projects Group</td>
<td>-</td>
<td>27.0</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>633.4</strong></td>
<td><strong>710.1</strong></td>
<td><strong>640</strong></td>
<td><strong>643</strong></td>
</tr>
</tbody>
</table>

Source: Department of Infrastructure response to the Committee’s 2001-02 estimates questionnaire, p.26, Department of Infrastructure response to the Committee’s 2002-03 estimates questionnaire, p.48

The Committee’s analysis shows an estimated increase of 76.7 EFT staff from 30 June 2000 to June 2001 mainly in the Planning...
Heritage and Building Division, the Ports and Marine Divisions and the Rail Projects Group. Workforce numbers provided to the Committee indicate a significant reduction in EFT staff as at June 2002 and June 2003. The reduction is mainly in the Organisational Development, Planning Heritage and Building Division and the Office of the Director of Public Transport. The continued growth in staff of the Rail Projects Group somewhat offset this reduction.

### 7.4.1 Key staffing issues

The Department indicated that it is seeking to develop its skills base in the following areas:

- commercial/financial management capabilities;
- information technology and data management and analysis;
- business analysis and research;
- public policy development;
- project management; and
- strategic and urban transport analysis and planning capacity.115

The Department has identified an emerging issue, which it acknowledges is shared by many major employers, namely the ageing of the workforce and the need to transfer knowledge possessed by senior staff to less experienced staff. To address this issue, the Department advised the Committee that it is giving priority to policies that will:

- continue to attract graduates appropriate to the Department’s current and future workforce needs through the Government’s Graduate Recruitment Scheme and Department-specific programs;
- encourage knowledge transfer, particularly from staff intending to leave, to ensure valuable information is maintained within the Department;

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115 Department of Infrastructure response to the Committee’s 2002-03 estimates questionnaire, p.50
• develop initiatives to retain older, more experienced staff to counter the move towards early retirement, through contracts and part-time opportunities; and

• continue to develop mentoring capacity to ensure sharing of organisational knowledge and coaching opportunities.\footnote{Ibid, p.51-52}

### 7.5 Transport portfolio

The Minister for Transport has sole or joint responsibility for all of the nine output groups within the Department. Exhibit 7.4 shows that the outputs under the responsibility of the Transport portfolio account for $2,615.4 million, or 97.6 per cent, of the Department’s 2002-03 Budget.

Exhibit 7.4 Transport Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Transport</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>Regional and Rural Strategies</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.7</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System</td>
<td>Environmental Strategies and Initiatives</td>
<td>5.8</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>Grants for funding Public Libraries, and other Local Government Services</td>
<td>36.0</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>Passenger Interchange Development</td>
<td>22.6</td>
</tr>
<tr>
<td>Regional and Rural Transport Services*</td>
<td>Country/ Interstate Rail Services</td>
<td>117.3</td>
</tr>
<tr>
<td></td>
<td>Country Bus Services</td>
<td>48.2</td>
</tr>
<tr>
<td></td>
<td>School Bus Services</td>
<td>136.1</td>
</tr>
<tr>
<td>Regional and Rural Transport Infrastructure*</td>
<td>Regional Public Transport Passenger and Freight Development</td>
<td>38.5</td>
</tr>
<tr>
<td></td>
<td>Major Regional Road Projects</td>
<td>64.2</td>
</tr>
<tr>
<td></td>
<td>Regional Arterial Road Links</td>
<td>135.8</td>
</tr>
<tr>
<td></td>
<td>Regional Road Network Maintenance</td>
<td>156.3</td>
</tr>
</tbody>
</table>

\footnote{Ibid, p.51-52}
Exhibit 7.4 (continued)

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Transport</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Transport Services*</td>
<td>Metropolitan Train Services</td>
<td>560.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Tram Services</td>
<td>275.2</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Bus Services</td>
<td>270.1</td>
</tr>
<tr>
<td>Metropolitan Transport Infrastructure*</td>
<td>Metropolitan Public Transport Development</td>
<td>10.3</td>
</tr>
<tr>
<td></td>
<td>Major Metropolitan Road Projects</td>
<td>108.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Arterial Road Links</td>
<td>148.0</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Road Network Maintenance</td>
<td>154.2</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>Taxi, Hire Car and Tow Truck Regulation</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td>Accessible Transport Initiatives</td>
<td>51.8</td>
</tr>
<tr>
<td></td>
<td>Accident Blackspots</td>
<td>104.0</td>
</tr>
<tr>
<td></td>
<td>Traffic and Road Use Management Improvements</td>
<td>22.7</td>
</tr>
<tr>
<td></td>
<td>Vehicle and Driver Regulation</td>
<td>87.6</td>
</tr>
<tr>
<td></td>
<td>Road Safety Initiatives and Regulation</td>
<td>45.8</td>
</tr>
<tr>
<td></td>
<td>Public Transport Safety Initiatives and Regulation</td>
<td>3.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,615.4</td>
</tr>
</tbody>
</table>

* The Minister for Transport has sole responsibility for these output groups

7.5.1 2002-03 outlook for the portfolio

The following are among the major initiatives in the Transport portfolio for 2002-03:

(a) Output initiatives

The Transport portfolio will focus on providing new rail and road transport services into Melbourne's growth corridors. New metropolitan bus services will receive $8.2 million in 2002-03, to help meet the demands of rapid urban growth. Existing metropolitan bus, tram and train services will be upgraded as part of the Linking the Suburbs Strategy. The Budget indicates that a total of 25 new and improved bus services are to be provided in outer metropolitan Melbourne.
The budget also provides $1.8 million for new bus services in regional Victoria including 27 new services in areas such as Phillip Island, the Bellarine Peninsula, Wodonga, the Latrobe Valley, Echuca, Warrnambool and Mildura.

The Melbourne City Link Authority has been abolished and an Office of City Link has been established with a budget allocation of $4.2 million in 2002-03, to oversee public safety and operational matters (including contract management, concession fees, enforcement issues, transport policy changes, overview maintenance and traffic management).

Railway crossings have been identified as a hazard for people in wheelchairs, so a Railway Crossing Upgrade Committee will be established and provided with $3 million to manage risk mitigation works at stand-alone pedestrian crossings.

The Department’s multi-purpose taxi program provides concessions on the metered taxi fare for people with eligible disabilities. The program will receive $7.2 million in 2002-03.

Fuel and bitumen costs represent a significant component of road maintenance expenditure and are heavily influenced by movements in crude oil prices and the exchange rate. Contract prices for the fuel increases have increased in recent years, following the upturn in world oil prices and funding of $17 million will be provided in 2002-03 for road maintenance expenditure.117

(b) Investment initiatives

In July 2002, the Premier announced a $700 million public-private partnership to redevelop the Spencer Street Station precinct. The main features of the project are:

(a) the construction of a new transport interchange, costing $350 million, including associated track and signalling works; and

(b) maintenance and operation of the new railway station for the next 30 years, with total costs of approximately $100 million.

117 Budget Paper No. 2, 2002-03 Budget Statement, p.186-188
In return, the State will pay the operator $300 million through regular payments over the next 30 years. Construction is scheduled to begin later in 2002, and the new Southern Cross Station is scheduled for completion in 2005.\textsuperscript{118}

Work will commence on the extension of the electrified metropolitan rail service from Broadmeadows to Craigieburn. A new station will be constructed at Roxburgh Park and the Craigieburn Station will be redeveloped. The 2002-03 Budget provides $3 million for the project, with a further $102.2 million to be provided over the period 2003-04 to 2005-06.

The 2002-03 Budget provides $4 million for the extension of the tram service from Burwood East to Vermont South, and the operation of improved bus services to the Knox Activity Centre.

Implementation of Scoresby Integrated Transport Corridor initiatives will progress to the call for tenders. This major initiative has been allocated $73.4 million in the 2002-03 Budget.

A total of $20.3 million has been provided to fund a number of major outer suburban roads in Melbourne’s growth corridors. Several roads will be upgraded in Melbourne’s growth suburbs to improve safety and road capacity.

Funding of $7.1 million has been allocated in 2002-03 from the Better Roads Victoria Trust Fund to link rural economies with the aim of significantly improving freight access to the Port of Portland.

Funding of $9 million has been allocated to upgrade the Warrnambool rail track to a standard that conforms to that of most of Victoria’s country passenger rail network.

Funding of $21.5 million has been allocated to commence construction of a 21-kilometre divided highway on the Calder Highway upgrade between Kyneton and Faraday. This is part of the progressive upgrading and duplication of the highway between Melbourne and Bendigo. As this stretch is a Road of

\textsuperscript{118} Media release by the Premier, dated 2 July 2002
National Importance, Victoria will seek matching funding from the Commonwealth Government.

The Lascelles Wharf (in Geelong) will be connected to the rail system, with the aim of eliminating the current double handling of freight between the rail yard and the wharf and thus increasing efficiency and reducing freight costs. Funding of $21.5 million has been allocated for this project.

A number of road and motorcycle safety initiatives have been funded in line with the Government’s ‘arrive alive!’ campaign, including the installation of red light/ speed detection cameras at selected intersections, and the erection of median barriers on the Monash Freeway. A total of $7.5 million has been provided for these initiatives.\footnote{Budget Paper No. 2, 2002-03 Budget Statement, p.189-191}

7.5.2 Analysis of the 2002-03 Budget

The Committee’s analysis of the output groups under the responsibility of the Minister for Transport shows a $190.8 million or 7.9 per cent increase in funding for 2002-03. The major variations to output group funding are:

- increased funding under the Regional and Rural and Transport Services output group including an additional $6.7 million for the country bus services output and $11.1 million for the school bus services output;

- an additional $14 million increase for the Regional and Rural Transport Infrastructure output, reflecting increased funding for regional public transport passenger and freight development, regional arterial road links and regional road network maintenance;

- an increase of $96.9 million for the Metropolitan Transport Services output group, consisting of additional funding provided under the public transport franchise agreements for metropolitan train services, and an additional
$13.8 million and $28 million for metropolitan tram and bus services respectively; and

- an increase of $31.3 million for the Transport Safety and Accessibility output group, which includes $12.2 million provided under the accident blackspot program, $9.7 million provided under the vehicle and driver regulation output and an additional $7.2 million to cover the increase in costs of the multi purpose taxi program.\(^{120}\)

### 7.5.3 Performance measures

The Committee notes that the Department of Infrastructure has added performance measures to reflect projects that it will undertake in 2002-03 and has discontinued measures where projects have been completed. Exhibit 7.5 shows a significant number of changes to the performance measures since 2001-02.

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\(^{120}\) Ibid, p.186-188 and Department of Infrastructure response to the Committee's 2002-03 estimates questionnaire, p.57
The Committee’s review of performance measures under the responsibility of the Transport portfolio reveals the following issues.

- two key targets for the portfolio as outlined by the Minister relate to increasing rail freight mode share to ports from 10 per cent to 30 per cent and increasing public transport patronage from 9 per cent to 20 per cent of motorised trips by 2020. No performance measures focus on the achievement of these significant targets;

- performance measures for the Rural and Regional Transport Services output group and the Metropolitan Transport Services output group are aligned to contracts with private sector service providers and provide a good indication of service delivery performance;

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121 Overheads supplied by the Minister for Transport at the estimates hearing dated 5 July 2002, p.1
• the two outputs under the Strategic Land Use and Infrastructure Planning output group (namely, regional and rural strategies, and metropolitan development strategies) for which the Minister for Transport has responsibility, measure the number of strategies and projects produced, but they do not measure the achievement of the strategies/projects' objectives and key targets. Such performance information would more clearly indicate the quality of service delivery;

• consistent with the Committee's finding in 2001-02, the performance measures adopted for the Regional and Rural Transport Infrastructure output group are geared towards the completion rate of projects and do not focus on the reduction of travel times and lower transport costs, which are the output group's major objectives;

• accessible transport initiatives relate to the provision of access for the disabled to transport facilities under the Disability Discrimination Act 1972. However, there are no qualitative performance measures focusing on the satisfaction of people with a disability with the service provided;

• the performance measure of the accident blackspots output does not measure the success of the program in terms of reducing the cause and regularity of severe road accidents; and

• a key initiative of taxi, hire car and tow truck regulation is to develop a customer service charter for the taxi industry, focusing on service performance and driver behaviour, and providing a clear distinction between the accountability of depots, operators and drivers. The Committee believes there is a need to develop qualitative performance measures based on customer satisfaction with the taxi industry and on the standards applied in the charter.

The Committee believes the performance measures under the Transport portfolio are generally satisfactory, although a greater focus on the achievement of outcomes, rather than on the numbers
of strategies and projects, would provide more meaningful performance information in the Budget Papers.

Accordingly, the Committee recommends that:

Recommendation 7.1

The Department of Infrastructure:
(a) develop performance measures that focus on the percentage of rail freight mode share to ports and the percentage increase of public transport patronage to total motorised trips;
(b) develop performance measures that relate more to the achievement of key targets and outcomes of significant transport projects than just on the percentage completion rate;
(c) develop a performance measure to gauge the satisfaction of people with a disability with the quality of access to transport facilities;
(d) amend the performance measures under the accident blackspots output to focus on measuring the impact of the program on reducing the cause and regularity of severe road accidents (that is, the outcome) rather than on measuring the completion of projects; and
(e) develop qualitative performance measures that are based on the standards applied in the taxi industry customer service charter.
7.5.4 Key issues impacting on the portfolio

Following the Committee's analysis of the Department's response to its estimates questionnaire and the estimates hearing with the Minister for Transport, the Committee identified the key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) OneLink contractual arrangements

The Committee was interested to review the developments in the ongoing contractual dispute between the State Government and OneLink Transit Systems Pty Ltd, (OneLink), which is the consortium responsible for providing an automated fare collection system for the metropolitan public transport network.

In May 1994, the Public Transport Corporation (PTC) entered into contracts with the OneLink consortium for a period of 10 years ending in 2007. Payments under the Automated Ticketing Service Contract were to be around $300 million over the term of the contract, on a performance basis. This amount does not include any additional payments relating to variations to the system that have been or may be implemented under this contract. The Treasurer has guaranteed the Public Transport Corporation's payment obligations under the terms of the Service Contract.

As a result of the restructuring of the public transport system, certain rights and obligations of the PTC under the Service Contract have been transferred to a corporation named Revenue Clearing House Pty Ltd (RCH), which acts as agent for the Corporation. The RCH now administers payment obligations under the contract, with the Treasurer continuing to provide a guarantee over the payment obligations.

In April 2000, OneLink lodged a claim under the contract, claiming that the PTC had increased the scope of the automatic ticketing project between May 1994 (when the contract was signed) and
September 1995. The amount of the claim was $132 million plus $17 million per year for on-going maintenance of the equipment.\textsuperscript{122}

The Minister advised the Committee that the dispute between the contractors and the government had been protracted.\textsuperscript{123} The Minister stated that OneLink claimed that a significant number of costly changes were made to the scope of the project and caused the company to incur additional costs. Additionally, OneLink claimed that the contract was silent or not specific about who should bear the cost of vandalism, and there has been a long-running dispute as to who should pay that cost.\textsuperscript{124}

The Minister further informed the Committee that the Government, considering the need to protect the interests of the State and examining the potential cost of not addressing the issues of ongoing fare evasion, negotiated a commercial settlement with OneLink.\textsuperscript{125} OneLink will receive up to $65 million in settlement of its claims, payable in three stages and subject to the achievement of certain performance milestones.\textsuperscript{126}

Under the new arrangements, OneLink will receive payments for managing the vandalism of machines and, as a requirement of the staggered settlement of the OneLink claim, improve machine repair times, and ensure machines are not as prone to vandalism. It will receive bonuses for higher levels of operational performance, and incur penalties for under performance. The new operational standards require that ticket machines at stations have to be available for more than 97 per cent of the time and some other machines have to be available for as much as 99 per cent of the time.

The Minister said OneLink could earn performance payments of around $17.5 million over the remaining five years of the revised contract, including:

- bonuses of up to $3 million per year if new performance measures are achieved, incorporating the management of

\textsuperscript{123} Hon. P. Batchelor, MP, Minister for Transport, transcript of evidence, 5 July 2002, p.531
\textsuperscript{124} Ibid
\textsuperscript{125} Ibid, p.532
\textsuperscript{126} Hansard, Legislative Assembly, 30 May 2002, p.1838
vandalism. Conversely penalties of up to $2 million could be incurred each year for under performance; and

- where superior performance results in increased public transport revenue, a bonus of up to $500,000 per year could be available (assuming real revenue growth of three per cent per year).\textsuperscript{127}

The Minister indicated that initial monitoring of the operational improvements implemented by OneLink shows that machine availability has been increased to up to 90 per cent. Full and final settlement of the OneLink claim will follow successful completion of a trial period around the end of August 2002. The Minister has also stated that these measures were designed to improve the ongoing availability of the ticketing system to make it more accessible and make it work better for the travelling public.\textsuperscript{128}

Accordingly, the Committee recommends that:

\textbf{Recommendation 7.2}

The Department of Infrastructure ensure its annual report contains information relating to:

(a) the performance standards for the effective operation of the automatic ticketing systems;

(b) the actual performance of OneLink in achieving these performance standards; and

(c) details of bonuses or penalties incurred by OneLink.

\textbf{(b) Spencer Street Station redevelopment}

As part of the 2001-02 Budget Estimates process the Minister advised that a key component of the Government’s Linking Victoria program is the development and implementation of significant projects to be conducted in partnership with the private sector. Included in these projects is the proposed redevelopment of

\begin{flushright}
\textsuperscript{127} Media release by the Minister for Transport, dated 30 May 2002
\textsuperscript{128} Hon. P. Batchelor, MP, Minister for Transport, transcript of evidence, 5 July 2002, p.532
\end{flushright}
Spencer Street Station through a major refurbishment of the rail terminal, the provision of new rail infrastructure and the integration of the precinct with the west end of the central business district and the Docklands development.¹²⁹

In July 2002, the Premier announced a $700 million public-private partnership with the Civic Nexus consortium to redevelop the Spencer Street Station precinct.¹³⁰

The main features of the redevelopment will include:

- the creation of 4,000 jobs;
- a new $350 million railway station, to be renamed Southern Cross Station with the construction of the station to start by September 2002 and be completed by mid 2005; and
- the construction of a retail plaza and three office and apartment towers.

The Minister for Transport stated at the estimates hearing that the transport interchange will be paid for by the financing arrangement over 30 years of around $34 million per year, which equates to a net present value cost to the State of $300 million or $1.02 billion. The contract with Civic Nexus provides that the working asset (the transport interchange) will be returned to the State at the end of this period and that it should have been properly maintained. The interchanges will probably be valued at around $1 billion.¹³¹

Civic Nexus will have to pay $100 million (in net present value terms) to operate and maintain the station at the required standard over the life of the contract. The Minister also stated that an advantage of paying for the project under this arrangement is that instead of having to pay the whole of the contract price during the construction life of the project, that is between now and 2005, the State does not start paying until the project is finished and proved to be working to the specified standards and operational

¹³⁰ Media release by the Premier, dated 2 July 2002
requirements of the contract. In addition, the Minister advised the Committee, if there is a failure to maintain the required standards during the period of the concessional operation, as per the State's contractual requirements, then the $34 million annual payment to Civic Nexus could be abated to compensate for that failure.

In its report on the 2001-02 Budget Estimates, the Committee stressed the need for the Department to ensure it has appropriately qualified and commercially experienced personnel to manage major public-private infrastructure initiatives. Given the imminent commencement of the redevelopment of the Spencer Street Station precinct and its complex infrastructure, financial and contractual requirements the Committee reiterates its call for the Department to ensure the efficient and effective management of this significant initiative.

Accordingly, the Committee recommends that:

Recommendation 7.3

The Department of Infrastructure:

(a) ensure that on completion of the Spencer Street redevelopment project a monitoring and evaluation process be established to annually assess the performance of the operators of the Southern Cross Station complex in meeting the specified contractual standards and operational requirements;

(b) report the results of that performance assessment against the established contractual standards and operational requirements in the Department's annual report; and

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132 Ibid, p.533
133 Ibid, p.543
(c) **Transport franchise operators**

The Minister for Transport announced in February 2002, that the Government and transport franchise operators reached an interim agreement regarding the delivery of services under Victoria's privatised public transport system. The Minister stated that the agreement was necessary because operators faced financial problems as a result of:

(a) their inability to maximise patronage and revenue growth under the current contractual arrangements; and

(b) the failings of the automatic ticketing system, which resulted in the private operators losing a combined total of up to $50 million per year from fare evasion.

The following arrangements with National Express, Yarra Trams and Connex were put in place under the interim agreement:

- payment of $41.6 million to the operators to settle contractual claims and disputes totalling $110 million; and

- a one-off payment of $27 million tied to future agreements with the operators on business recovery proposals, including the development of a revised 'passenger growth incentive' arrangement.

Under these interim arrangements, the operators will increase the size of the performance bonds that they lodge with the State of Victoria from $105 million to $210 million and, if one or more of the operators became insolvent, or seriously breached their contracts, this money is forfeited to the State.

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134 Media release by the Minister for Transport, dated 26 February 2002
135 Ibid
The Minister stated that the Government and the operators will continue discussions on possible business recovery proposals that will assist the companies to increase patronage and revenue, and to deliver affordable and reliable services to the users of public transport.\textsuperscript{136} The Government hoped to complete longer-term discussions with the operators by around the middle of 2002 but the Minister also stated that if the financial performance of the operators cannot be improved, the Government may have no option but to consider re-tendering the public transport franchises.

Accordingly, the Committee recommends that:

\textbf{Recommendation 7.4}

\textit{The Department of Infrastructure ensure that Parliament and the community are kept informed of the outcomes of the measures taken to improve the operational and financial viability of its current public transport operators.}

\textbf{(d) Arrive alive! strategy}

The Committee was interested in the effect the arrive alive! strategy was having on road accidents in Victoria. The Government’s five-year strategy aims to reduce deaths and injuries on Victoria’s roads by 20 per cent. The strategy outlines and addresses 17 key road safety issues, including road design, speeding, drink driving, fatigue and vehicle safety.\textsuperscript{137}

At the estimates hearing the Minister informed the Committee that for the last two years the road toll has been increasing, but recent preliminary figures indicate that growth in the road toll is slowing within metropolitan Melbourne. This is not the case in the country, as the country road toll has been consistently above the five-year average, and continues to rise. Among the reasons for this increase has been the incidence of fatalities where riders and drivers were above the 0.05 blood alcohol content.\textsuperscript{138}

\begin{footnotesize}
\begin{itemize}
\item\textsuperscript{136} Ibid
\item\textsuperscript{137} arrive alive! website, http://www.arrivealive.vic.gov.au
\item\textsuperscript{138} Hon. P. Batchelor, MP, Minister for Transport, transcript of evidence, 5 July 2002, p.539
\end{itemize}
\end{footnotesize}
In addition to these observations regarding country fatalities, the Minister indicated that other significant contributing factors to the road toll include the increase in the number of motorcycle deaths and deaths attributable to speeding. The Minister stated that the Government’s initiatives aimed at reducing speeding in metropolitan Melbourne appear to be containing or lowering the road toll, and that there is greater observance of drink-driving alcohol requirements.

The road toll statistics shown in Exhibit 7.6 demonstrate that the metropolitan and country road tolls have both increased in total since 1999, as have the number of road fatalities where the blood alcohol concentration was over 0.05. Data on speed related road deaths are only available for 1998; data for 1999 will be available later in 2002.

**Exhibit 7.6 Selected Victorian Road Toll Statistics, Metropolitan versus Country**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Victorian road toll</td>
<td>390</td>
<td>384</td>
<td>407</td>
<td>444</td>
</tr>
<tr>
<td><strong>Metropolitan road toll</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total metropolitan road toll</td>
<td>222</td>
<td>208</td>
<td>224</td>
<td>247</td>
</tr>
<tr>
<td>Total metropolitan road toll – where Blood Alcohol Content (BAC) &gt; 0.05</td>
<td>44</td>
<td>37</td>
<td>39</td>
<td>49</td>
</tr>
<tr>
<td>Total metropolitan road toll – where BAC &gt; 0.15</td>
<td>34</td>
<td>26</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>Total metropolitan road toll – attributable to speed</td>
<td>72</td>
<td>n/a*</td>
<td>n/a*</td>
<td>n/a*</td>
</tr>
<tr>
<td><strong>Country road toll</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total country road toll</td>
<td>168</td>
<td>176</td>
<td>183</td>
<td>197</td>
</tr>
<tr>
<td>Total country road toll – where BAC &gt; 0.05</td>
<td>28</td>
<td>27</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>Total country road toll – where BAC &gt; 0.15</td>
<td>20</td>
<td>15</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>Total country road toll – attributable to speed</td>
<td>53</td>
<td>n/a*</td>
<td>n/a*</td>
<td>n/a*</td>
</tr>
</tbody>
</table>

Note: * Not available
(e) Major roads issues

Calder-Tullamarine freeway interchange

Two major road problems facing the Government are the Calder-Tullamarine freeway interchange and the funding of the Calder Highway upgrade between Kyneton and Faraday.

The Minister advised the Committee that the current interchange between the Calder Freeway and the Tullamarine Freeway just before the City Link section is a congestion point for both inbound and outbound traffic.\textsuperscript{139}

The Minister stated that the Government examined this issue and determined that it is an ill-designed interchange that has to cope with too many tasks. The measures required to improve the traffic congestion on the Calder-Tullamarine freeway interchange include realigning the end of City Link and cutting across the corner of Essendon Airport to connect further up the Tullamarine freeway. This potential solution is complicated by the position of Bulla Road and the on and off-ramps to various parts of both the Calder and Tullamarine freeways. The Minister indicated that the distance between Bulla Road and the interchange is too short and cars weave backwards and forwards with conflicting travel intentions - behaviour that is extremely dangerous and accounts for the high rate of accidents at the site. The improvement measures are estimated to cost $250 million.\textsuperscript{140}

The Minister advised the Committee that the State Government had asked the Commonwealth Government to accommodate the future land requirements needed to achieve the realignment from the end of City Link to connect further up the Tullamarine Freeway before it privatised Essendon Airport. The Commonwealth Government rejected the request. If the Government’s current strategy for improving the traffic flow on the Calder-Tullamarine freeway interchange remains a preferred

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\textsuperscript{139} Hon. P. Batchelor, MP, Minister for Transport, transcript of evidence, 5 July 2002, p.533
\textsuperscript{140} Ibid, p.534
option, then the State Government and the private owners of the airport will need to negotiate access to the required land.\textsuperscript{141}

Accordingly, the Committee recommends that:

**Recommendation 7.5**

The Department of Infrastructure ensure options for potential works to improve the traffic congestion on the Calder-Tullamarine freeway interchange incorporate the costs associated with on-and-off ramps for Bulla Road and the cost of purchasing land from Essendon Airport to facilitate future works.

Calder Highway upgrade

One of the Department’s main regional road initiatives for 2002-03 is its ongoing commitment to the Calder Highway upgrade and the allocation of $70 million for the section between Kyneton and Faraday. The Committee was interested to learn whether sufficient funding is available for the works between Kyneton and Faraday, and about the Calder Highway upgrade to Bendigo.

The Minister explained that the Calder Highway upgrade is expected to be completed in 2006, if the Commonwealth and State Governments abide by their original commitments. With regard to the Carlsruhe section of the project the State Government provided lead funding and the Commonwealth Government provided matching funding of $25 million. Kyneton to Ravenswood is the last section still to be duplicated. It has been broken into two sections: Kyneton to Faraday, and Faraday to Ravenswood. The next section, Kyneton to Faraday, is a $140 million project, to which the State Government has provided $70 million.

At the time of the estimates hearing, the Minister expressed concern that the State Government would not be able to proceed with the Kyneton-Faraday stage of the upgrade because the Commonwealth Government was yet to provide the matching funding. The Minister advised the Committee that the federal

\textsuperscript{141} Ibid
Minister for Transport had announced, without prior consultation or warning, that the Commonwealth Government was intending to rewrite the longstanding road funding arrangements with the States. The Minister stated that he would meet with the federal Minister shortly to try to ascertain the impact of these proposals.

These proposed federal changes will have a direct impact on the Kyneton to Faraday section, because the State Government is waiting for its half of the project funds from the Commonwealth Government to commence works. The Minister informed the Committee of the uncertainty about the new funding arrangements, notwithstanding that the Calder Highway upgrade has been declared a road of national importance. The Minister also stated that the Commonwealth Government’s indecision is having a direct impact on the commencement of the Kyneton to Faraday section, because the whole project needs to be commenced at one point and cannot be staged.142

The Committee notes that the 2002-03 Commonwealth Government’s Budget Estimate for the National Highway and Roads of National Importance program is around $980 million. Advice received by the Committee from the Minister’s office indicates that the Commonwealth Government is yet to decide on whether the matching funding for the Kyneton to Faraday section of the Calder Highway upgrade will be forthcoming in 2002-03, and the Commonwealth decision may not be made until the release of its 2003-04 budget. In this case, works on the Kyneton to Faraday section may not commence until 2003-04.

Accordingly, the Committee recommends that:

**Recommendation 7.6**

Strenuous efforts be made by the Government to obtain, as soon as possible, the funding arising from the Commonwealth Government's commitment to provide $70 million to fund half the cost of the Calder Highway upgrade, which has been declared a road of national importance.

### 7.6 Planning portfolio

The Minister for Planning has joint responsibility for two key output groups within the Department, namely, the Strategic Land Use and Infrastructure Planning output group and the Balanced Planning and Environmental System output groups. Exhibit 7.7 shows that the outputs within these outputs groups account for $57.2 million or 2.1 per cent of the Department’s 2002-03 Budget.

**Exhibit 7.7 Planning Portfolio - Output Groups and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Planning</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning*</td>
<td>Regional and Rural Strategies</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Port Development Strategies</td>
<td>1.9</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System*</td>
<td>Planning System Development</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Planning Operations and Environment Assessment</td>
<td>17.2</td>
</tr>
<tr>
<td></td>
<td>Heritage Conservation</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>Regional and Urban Amenity Initiatives</td>
<td>9.6</td>
</tr>
<tr>
<td></td>
<td>Environmental Strategies and Initiatives</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>57.2</strong></td>
</tr>
</tbody>
</table>

Note: * The Minister for Planning shares responsibility for this output group with the Ministers for Local Government; Ports; and Transport.

Note: # The Minister for Planning shares responsibility for this output group with the Ministers for Ports; and Transport.
7.6.1 2002-03 outlook for the portfolio

A joint focus of the Transport and Planning portfolios will be the release of the draft Metropolitan Strategy for public discussion and consultation. The strategy represents a 30-year action plan to guide the development of Melbourne and its relationship with regional Victoria and is expected to be launched in September 2002. Work will commence on the Transit Cities program, which aims to locate new land use development (particularly housing) around key public transport interchanges in selected metropolitan areas. Grants will also be provided in 2002-03 under the Pride of Place program, which aims to preserve Victoria’s heritage assets.\(^{143}\)

Key initiatives of the planning portfolio for 2002-03 include:\(^{144}\)

- $4 million in recurrent funding (over four years) and $6.5 million in capital funding (over three years) for the Transit Cities program, which aims to restructure parts of the metropolitan area and regional cities by focusing higher density mixed-use development around key transport modes;

- $4 million in both 2002-03 and 2003-04 for the Pride of Place program, which is designed to assist councils, residents and traders to develop and implement urban design solutions to improve public places; and

- $8.8 million in 2002-03 and $7 million in 2003-04 for the Yarra Precinct initiative, which aims to improve links through pedestrian paths, bicycle routes, water taxis and public transport. This plan includes developments for the Sandridge Bridge and Queensbridge Square.

7.6.2 Analysis of the 2002-03 Budget

The Committee’s analysis of the two output groups under the responsibility of the Minister for Planning shows only a marginal decrease of $400,000 in 2002-03.

\(^{143}\) Budget Paper No. 3, 2002-03 Budget Estimates, p.106-107
\(^{144}\) Budget Paper No. 2, 2002-03 Budget Statement, p.186-189
7.6.3 **Performance measures**

The Committee notes there has been minimal change to performance measures for output groups under the responsibility of the Planning portfolio, with a small decrease from 56 measures in 2001-02 to 53 in 2002-03. The Committee’s review of performance measures highlights the following issues:

- the measures of regional and rural strategies and metropolitan development strategies focus more on the number of strategies and their completion against plans and timeframes than on the achievement of key targets and outcomes within these strategies;

- the target of one performance measure — user satisfaction with training and development under the PLANET program — has remained unchanged at 75 per cent since 2000-01, yet the Department has advised that current satisfaction levels are at 90–95 per cent. The Committee believes that the target should reflect the actual and potential performance expected from the program; and

- the environmental strategies and initiatives output delivers a state wide information service for Local Government, State Agencies, industry and private sector users. A performance measure is not available that relates to these stakeholders’ satisfaction with the services provided.

In addition, the Committee notes that a new performance measure, long-term metropolitan land use and transport strategy, with a target of one has been included for 2002-03. This measure relates to the implementation of the draft metropolitan strategy, which is a 30-year action plan to guide the development of Melbourne and its relationship with regional Victoria. Given the significance of this initiative for the Planning portfolio, the Committee believes that performance measures directly related to the achievement of the strategy’s key objectives and targets should be developed and incorporated into the Budget Papers from 2003-04.

145 Department of Infrastructure’s response to the request for additional information from the Committee’s 2002-03 Budget estimates hearing, 18 June 2002, question 3
Accordingly, the Committee recommends that:

**Recommendation 7.7**

The Department of Infrastructure:

(a) review the targets of performance measures where actual achievement rates have exceeded the target in previous years, to provide incentives for continued performance improvement;

(b) develop a performance measure that focuses on stakeholders’ satisfaction with the services provided by the environmental strategies and initiatives output; and

(c) develop additional performance measures in line with the key targets and outcomes of the Government’s 30-year draft Metropolitan Strategy.

### 7.6.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the estimates hearing with the Minister for Planning identified the following key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) **Metropolitan Strategy**

The Minister for Planning stated that Victoria was going through a period of population growth. More than 600,000 new households are expected in Melbourne over the next 30 years, which is the equivalent of adding another Adelaide to Melbourne over that period. The continuing urban sprawl, with its pressure on services and the environment, is unsustainable. To ensure that the State’s sensitive environmental areas are protected and those people living on the expanding fringes of Melbourne have an equitable access to public services, the Government has developed a
Metropolitan Strategy referred to as Melbourne 2030, which was released in October 2002.\textsuperscript{146}

The Metropolitan Strategy is an integrated land-use and transport policy. The strategy represents a 30-year plan to manage urban growth, focusing on:

- land use and infrastructure investment decisions;
- urban development on transport routes and hubs;
- the continuing supply of affordable housing, careful land use and land zoning, which are critical to the provision of continued greenfield development sites; and
- the protection of environmental assets, including water catchments, wetlands, native vegetation and parks and gardens.

(b) Improvements to the Victorian planning system

The Committee noted that the outputs under the Balanced Planning and Environment System output group involved, ‘the provision of a world class planning system that supports development across the State in accordance with triple bottom line principles, and which is fair, transparent, accountable, cost effective and provides certainty to users’.\textsuperscript{147}

The Committee was interested to learn how the Government was improving the operation of the planning system in Victoria.

The Minister advised the Committee that the Department, under its continuous improvement program, established a joint initiative with the Municipal Association of Victoria to provide three projects to improve the performance of the planning system.\textsuperscript{148}

\textsuperscript{146} Hon. M. Delahunty, MP, Minister for Planning, transcript of evidence, 18 June 2002, p.227
\textsuperscript{147} Budget Paper No. 3, 2002-03 Budget Estimates, p.113
\textsuperscript{148} Hon. M. Delahunty MP, Minister for Planning, transcript of evidence, 18 June 2002, p.234-235
The first project was a pre-application certification pilot undertaken at the City of Glen Eira and the City of Greater Bendigo. It tested whether pre-certification of planning permit applications improved the timeliness of decision making about applications, contributed to better outcomes and was cost-effective. According to the Minister, the City of Glen Eira indicated that:

- there have been significant time savings with a reduction in the number of statutory days for decision at Glen Eira from 90 days to 39 days (around a 60 per cent improvement);
- no requests for further information were made during the pilot, whereas normally 98 per cent of planning permit applications required further information and therefore have to be returned to the applicant;
- the percentage of permit applications approved rose to 92 per cent during the trial, which is an increase from the former base of 73 per cent approved; and
- there were no objector appeals to the Victorian Civil and Administrative Tribunal from the applications included in the pilot project.

The Minister advised that the Department and the Municipal Association of Victoria are encouraging councils to trial the pre-application certification pilot.

For the second project, the Minister referred to a reference group, the Whitney Committee, that examines the planning decision making processes, and reviews major issues consistently raised by key stakeholders, for example:

- the interpretation of Local Government policy and, particularly in relation to the Victorian Civil and Administrative Tribunal;

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149 Ibid, p.234
• the substitution and amendments of plans as part of the application process; and

• enforcement methods.

The Whitney Committee includes representatives from the Municipal Association of Victoria, the Royal Australian Planning Institute, the Victorian Civil and Administrative Tribunal, and the Victorian Planning and Environmental Law Association. It will make recommendations to the Minister. The Minister stated that another reference group is doing similar work in reviewing the operations of rural zones.

The Department has also implemented a program for the education and training of planners. The Minister advised that the Department identified the need to improve the education and training for young planners, given the increasing volume of applications from knowledgeable residents and other stakeholders, and the trend for experienced planners to be attracted to the expanding private planning consultancy market. This education and training program is known as PLANET, and has recently run seminars on local policies and making submissions to the Victorian Civil and Administrative Tribunal.\(^\text{150}\)

The Committee acknowledges the Department’s efforts and the results achieved with its continuous improvement program, and the Department’s association with key stakeholders to improve the performance of the Victorian planning system.

Accordingly, the Committee recommends that:

**Recommendation 7.8**

The Department of Infrastructure publish the outcomes of the Local Government pre-application certification pilot program, with a view to developing industry-wide benchmarks for planning permit application processes.

\(^{150}\) Hon. M. Delahunty, MP, Minister for Planning, transcript of evidence, 18 June 2002, p.227
Recommendation 7.9

In relation to the activities of the Whitney Committee, the Department of Infrastructure:

(a) outline in its annual report those key Local Government issues identified by the Whitney Committee and how they impede the efficient and effective operation of Local Government planning procedures; and

(b) establish performance indicators to measure improvements in Local Government planning procedures and practices and publish such results in the Department’s annual report.

7.7 Local Government portfolio

The Minister for Local Government has sole or joint responsibility for two output groups within the Department. Exhibit 7.8 shows that the outputs within these output groups account for $49.9 million, or 1.9 per cent, of the Department’s 2002-03 Budget.

Exhibit 7.8 Local Government Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Local Government</th>
<th>Output costs ($ million)</th>
</tr>
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<tbody>
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<td>Strategic Land Use and Infrastructure Planning</td>
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</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Port Development Strategies</td>
<td>1.9</td>
</tr>
<tr>
<td>Supporting Local Government</td>
<td>Local Government Sector Development</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>Governance Support</td>
<td>2.2</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></td>
<td><strong>49.9</strong></td>
</tr>
</tbody>
</table>
7.7.1 2002-03 outlook for the portfolio

At the estimates hearing, the Minister indicated that some of the key challenges for the Department in 2002-03 included:  

- a continued emphasis on increasing Local Government’s focus on and effort towards infrastructure renewal, with $300,000 allocated to smaller rural councils to develop asset management plans;
- the resolution of governance issues, including breaches of the Local Government Act 1989 and the proper management of complaints;
- the ongoing implementation of best-value principles, which replaced compulsory competitive tendering, giving councils greater flexibility in the delivery of their services. Service delivery has to be made, however, in a framework that is responsive to the community and focused on the provision of decent services and facilities;
- working closely with peak bodies such as the Municipal Association of Victoria, Local Government professionals and the Victorian Local Government Association;
- progressing the rural and regional summits, to demonstrate the Government’s commitment to work with Local Government, particularly in rural and regional areas;
- $190,000 for monitoring the performance of the Local Government sector, with councils agreeing to report on 11 Local Government indicators under five broad headings in their annual reports; and
- $4 million in grants (under the public heritage services and restoration project) to Local Government and community groups for the repair and adaptation of heritage assets in public use:  

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152 Budget Paper No. 3, 2002-03 Budget Estimates, p.186-188
7.7.2  Analysis of the 2002-03 Budget

The budget allocation for output groups under the Local Government portfolio in 2002-03 is $49.9 million, some $2.6 million or 5.5 per cent above the budget allocation for 2001-02. The main reasons for the variation are an additional $1 million allocated to the Regional and Rural Strategies output and an allocation of $1.9 million for the Port Development Strategies output.

7.7.3  Performance measures

The Committee's review of performance measures under the Local Government portfolio reveals the following findings:

- the Minister advised that the Local Government sector has agreed to report on 11 Local Government indicators under five broad headings in their annual reports.\(^{153}\)

- given that a key priority of the Government is to monitor the performance of the Local Government sector, the development of performance measures focusing on these 11 indicators would provide better accountability for Local Government performance;

- the Committee believes the implementation of best-value principles is a significant initiative of the Government. As in 2001-02, however, the 2002-03 Budget Papers contain only two performance measures that relate to this initiative: (1) best-value principles implementation — councils meet established requirements and (2) meetings held by Best Value Commission with councils. The Committee believes these measures are too general and should focus more on the achievement of targets and objectives of the best-value principles initiative; and

- a key timeliness measure, council annual reports lodged within statutory timeframes, has a 2002-03 target of 100 per cent. Historically, councils have not been able to achieve such a target, resulting in the Minister recently

\(^{153}\) Hon. R. Cameron, MP, Minister for Local Government, transcript of evidence, 25 June, p.355
writing to councils reminding them of their obligations under the Local Government Act 1989. The Committee believes this measure should be reviewed to ensure it reflects anticipated performance.

Accordingly, the Committee recommends that:

**Recommendation 7.10**

The Government review the performance measures relevant to the Local Government portfolio, to establish a greater focus on the achievement of major targets and objectives for key portfolio initiatives.

### 7.7.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the estimates hearing with the Minister for Local Government identified the following key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) **Library funding**

The Committee noted that the State provides significant funding for libraries, including $24 million for recurrent and capital funding and $12 million through the Living Libraries program. The Committee sought further details on library funding from the Minister, particularly how the recurrent capital and the Living Libraries grant is being used and distributed.

The Committee was interested to learn about the different sources of funding for public libraries. The only consolidated funding information that the Department could provide related to 2000-01 when the public libraries received total funding of $115.8 million. Of this amount, $80.2 million was provided through Local Government councils, $25.5 million was provided by the State Government, $7.6 million was raised as other income from library  

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154 Correspondence, received 7 August 2002, from the Minister for Local Government
activities and around $2.5 was sourced from reserves and operating balances.\textsuperscript{155}

Exhibit 7.9 shows total public library funding by public library service and the councils serviced by those libraries.

<table>
<thead>
<tr>
<th>Library service/councils</th>
<th>Public library service income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Council funding ($'000)</td>
<td>State Govt. grants ($'000)</td>
</tr>
<tr>
<td>Bayside</td>
<td>1,362</td>
<td>420</td>
</tr>
<tr>
<td>Booroondara</td>
<td>3,696</td>
<td>728</td>
</tr>
<tr>
<td>Brimbank</td>
<td>1,762</td>
<td>747</td>
</tr>
<tr>
<td>Campaspe</td>
<td>521</td>
<td>224</td>
</tr>
<tr>
<td>Casey-Cardinia (Casey and Cardinia councils)</td>
<td>2,863</td>
<td>991</td>
</tr>
<tr>
<td>Central Highlands (Ararat, Ballarat, Central Goldfields, Hepburn, Moorabool and Pyrenees councils)</td>
<td>1,642</td>
<td>929</td>
</tr>
<tr>
<td>Corangamite (Colac-Otway, Corangamite, Moyne, Warrnambool councils)</td>
<td>774</td>
<td>546</td>
</tr>
<tr>
<td>Darebin</td>
<td>2,674</td>
<td>590</td>
</tr>
<tr>
<td>East Gippsland (Casey and Cardinia councils)</td>
<td>546</td>
<td>296</td>
</tr>
<tr>
<td>Eastern Regional (Knox, Maroondah, Yarra Ranges councils)</td>
<td>5,786</td>
<td>1,779</td>
</tr>
<tr>
<td>Frankston</td>
<td>1,673</td>
<td>532</td>
</tr>
<tr>
<td>Gannawarra</td>
<td>168</td>
<td>81</td>
</tr>
<tr>
<td>Geelong (Golden Plains, Greater Geelong, Queenscliffe, Surf Coast councils)</td>
<td>2,887</td>
<td>1,179</td>
</tr>
<tr>
<td>Glen Eira</td>
<td>2,384</td>
<td>563</td>
</tr>
<tr>
<td>Glenelg (Glenelg, Southern Grampians councils)</td>
<td>518</td>
<td>276</td>
</tr>
<tr>
<td>Goulburn Valley (Greater Shepparton, Moira, Stathbogie councils)</td>
<td>921</td>
<td>502</td>
</tr>
</tbody>
</table>

\textsuperscript{155} Local Government Division, information supplied on notice from the estimates hearing, 25 June 2002. Attachment A
<table>
<thead>
<tr>
<th>Library service/councils</th>
<th>Public library service income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Council funding ($'000)</td>
</tr>
<tr>
<td>Greater Dandenong</td>
<td>3,563</td>
</tr>
<tr>
<td>High Country (Alpine, Delatite, Wangaratta councils)</td>
<td>627</td>
</tr>
<tr>
<td>Hobsons Bay</td>
<td>1,720</td>
</tr>
<tr>
<td>Hume-Moonee Valley (Hume, Moonee Valley councils)</td>
<td>2,906</td>
</tr>
<tr>
<td>Kingston</td>
<td>1,939</td>
</tr>
<tr>
<td>Latrobe City</td>
<td>730</td>
</tr>
<tr>
<td>Maribyrnong</td>
<td>1,518</td>
</tr>
<tr>
<td>Melton</td>
<td>342</td>
</tr>
<tr>
<td>Mildura</td>
<td>1,417</td>
</tr>
<tr>
<td>Mitchell</td>
<td>397</td>
</tr>
<tr>
<td>Monash</td>
<td>2,737</td>
</tr>
<tr>
<td>Moreland</td>
<td>2,907</td>
</tr>
<tr>
<td>Mornington</td>
<td>2,091</td>
</tr>
<tr>
<td>Murrindindi</td>
<td>323</td>
</tr>
<tr>
<td>North Central Goldfields (Greater Bendigo, Loddon, Mount Alexander councils)</td>
<td>1,486</td>
</tr>
<tr>
<td>Port Phillip</td>
<td>2,115</td>
</tr>
<tr>
<td>Royal Victorian Institute for the Blind</td>
<td>1,307</td>
</tr>
<tr>
<td>Stonnington</td>
<td>2,346</td>
</tr>
<tr>
<td>Swan Hill</td>
<td>385</td>
</tr>
<tr>
<td>Upper Murray (Indigo, Towong, Wodonga councils)</td>
<td>499</td>
</tr>
<tr>
<td>Vision Australia</td>
<td>503</td>
</tr>
<tr>
<td>Wellington</td>
<td>551</td>
</tr>
<tr>
<td>West Gippsland (Bass Coast, Baw Baw, South Gippsland councils)</td>
<td>1,356</td>
</tr>
<tr>
<td>Whitehorse Manningham (Manningham, Whitehorse councils)</td>
<td>4,558</td>
</tr>
<tr>
<td>Wimmera (Hindmarsh, Horsham, Northern Grampians, West Wimmera, Yarriambiack councils)</td>
<td>533</td>
</tr>
<tr>
<td>Wyndham</td>
<td>1,385</td>
</tr>
</tbody>
</table>
The Committee believes that information about the total funding of public libraries should be published in the Department’s annual report.

Accordingly, the Committee recommends that:

**Recommendation 7.11**

The Department of Infrastructure publish in its annual report the total funding provided to public libraries by the library service and Local Government and details of the criteria used to determine the allocations.

(b) Living Libraries — Public Library Infrastructure Program

The Living Libraries — Public Library Infrastructure Program is a $12 million program aimed at modernising public library buildings in Victoria. The program has been designed to provide councils with grants of up to $500,000 to improve their existing public library building infrastructure. The program began in 2000 with funding spread over three years.

Exhibit 7.10 shows total funding for round one projects funded in 2000-01 and total funding for round two projects funded in 2001-02.\(^\text{156}\)

\(^{156}\) Ibid
### Exhibit 7.10  Living Libraries Grants by Local Government Councils, Funded Projects 2000-01 and 2001-02

<table>
<thead>
<tr>
<th>Local Government</th>
<th>Location</th>
<th>Project type</th>
<th>Grant ($'000)</th>
<th>Total project cost ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em><strong>2000-01</strong></em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alpine Shire Council</td>
<td>Bright</td>
<td>1</td>
<td>160</td>
<td>336</td>
</tr>
<tr>
<td>Banyule City Council</td>
<td>Watsonia</td>
<td>1</td>
<td>500</td>
<td>1,265</td>
</tr>
<tr>
<td>Bass Coast Shire Council</td>
<td>Wonthaggi</td>
<td>3</td>
<td>500</td>
<td>2,800</td>
</tr>
<tr>
<td>Casey City Council</td>
<td>Cranbourne</td>
<td>1</td>
<td>135</td>
<td>668</td>
</tr>
<tr>
<td>Central Goldfields Shire Council</td>
<td>Maryborough</td>
<td>3</td>
<td>227</td>
<td>2,404</td>
</tr>
<tr>
<td>Gannawarra Shire Council</td>
<td>Kerang</td>
<td>3</td>
<td>500</td>
<td>1,450</td>
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<tr>
<td>Indigo Shire Council</td>
<td>Rutherglen</td>
<td>1</td>
<td>40</td>
<td>108</td>
</tr>
<tr>
<td>Northern Grampians Shire Council</td>
<td>St. Arnaud</td>
<td>2</td>
<td>160</td>
<td>379</td>
</tr>
<tr>
<td>Port Phillip Shire Council</td>
<td>Port Melbourne</td>
<td>2</td>
<td>500</td>
<td>1,619</td>
</tr>
<tr>
<td>Pyrenees Shire Council</td>
<td>Beaufort</td>
<td>3</td>
<td>95</td>
<td>430</td>
</tr>
<tr>
<td>Surf Coast Shire Council</td>
<td>Torquay</td>
<td>2</td>
<td>63</td>
<td>260</td>
</tr>
<tr>
<td>Whitehorse City Council</td>
<td>Box Hill</td>
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<td>118</td>
<td>742</td>
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<tr>
<td>Wodonga Rural City Council</td>
<td>Wodonga</td>
<td>1</td>
<td>495</td>
<td>1,662</td>
</tr>
<tr>
<td><strong>Total funding, round 1</strong></td>
<td></td>
<td></td>
<td>3,493</td>
<td>14,123</td>
</tr>
<tr>
<td><em><strong>2001-02</strong></em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ararat Rural City Council</td>
<td>Ararat</td>
<td>1</td>
<td>321</td>
<td>781</td>
</tr>
<tr>
<td>Borough of Queenscliffe</td>
<td>Queenscliffe</td>
<td>1</td>
<td>163</td>
<td>422</td>
</tr>
<tr>
<td>East Gippsland Shire Council</td>
<td>Lakes Entrance</td>
<td>3</td>
<td>321</td>
<td>642</td>
</tr>
<tr>
<td>Frankston City Council</td>
<td>Carrum Downs</td>
<td>3</td>
<td>446</td>
<td>1,535</td>
</tr>
<tr>
<td>Glen Eira City Council</td>
<td>Carnegie</td>
<td>3</td>
<td>500</td>
<td>3,380</td>
</tr>
<tr>
<td>Glenelg Shire Council</td>
<td>Portland</td>
<td>1</td>
<td>400</td>
<td>800</td>
</tr>
<tr>
<td>Macedon Ranges Shire Council</td>
<td>Kyneton</td>
<td>3</td>
<td>360</td>
<td>830</td>
</tr>
<tr>
<td>Moonee Valley City Council</td>
<td>Niddrie</td>
<td>2</td>
<td>100</td>
<td>755</td>
</tr>
<tr>
<td>Moreland City Council</td>
<td>Fawkner</td>
<td>1</td>
<td>81</td>
<td>161</td>
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<tr>
<td>Mornington Peninsula Shire Council</td>
<td>Mornington</td>
<td>3</td>
<td>500</td>
<td>3,754</td>
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<tr>
<td>Moyne Shire Council</td>
<td>Port Fairy</td>
<td>1</td>
<td>97</td>
<td>202</td>
</tr>
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</table>
### Local Government Funding for Living Libraries

<table>
<thead>
<tr>
<th>Local Government</th>
<th>Location</th>
<th>Project type</th>
<th>Grant ($'000)</th>
<th>Total project cost ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Gippsland Shire Council</td>
<td>Mirboo North</td>
<td>1</td>
<td>58</td>
<td>115</td>
</tr>
<tr>
<td>Wellington Shire Council</td>
<td>Heyfield</td>
<td>3</td>
<td>180</td>
<td>746</td>
</tr>
<tr>
<td>Whittlesea City Council</td>
<td>Lalor</td>
<td>1</td>
<td>371</td>
<td>935</td>
</tr>
<tr>
<td><strong>Total funding, round 2</strong></td>
<td></td>
<td></td>
<td>3,898</td>
<td>15,058</td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td></td>
<td></td>
<td>7,391</td>
<td>29,181</td>
</tr>
</tbody>
</table>

Note: Project type
1. Extension, renovation or refurbishment of existing library buildings
2. Extension, renovation or refurbishment of replacement library buildings
3. Construction of new library buildings that replace current library buildings

The total of round one and round two Living Libraries grants was $3.5 million and $3.9 million respectively. Therefore by the end of 2001-02 a total of $7.4 million (or 62 per cent of total Living Libraries funds) had been committed to infrastructure projects valued at over $29 million.

(c) Performance measures

In its reports on the 2000-01 and 2001-02 Budget Estimates, the Committee stated that the performance measures for the Supporting Local Government output did not measure all of the specified outputs or the achievement of key Government outcomes. In addition, the Committee commented in the latter report on the importance of the implementation of best-value principles across Local Government, yet only two performance measures related to this initiative. The Committee recommended that additional measures be developed.157

In its response, the Government indicated that it partly accepted the Committee's recommendation. Regarding the implementation of best-value principles, however, the Department expected that the work of the Local Government Best Value Commission, over the next two years, would identify more appropriate measures.158

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158 Government response to the Public Accounts and Estimates Committee’s recommendations
At the estimates hearing, the Committee expressed its concern at the Government’s response to its recommendation regarding performance measures for Local Government.\textsuperscript{159} Notwithstanding the Department’s provision of $190,000 in 2002–03 for monitoring the performance of the Local Government sector through 11 agreed indicators, the Committee considered that it was unreasonable for the Department to delay the task of reviewing its performance measures for another two years, until the Local Government Best Value Commission develops measures. The Minister has indicated that the Department will reconsider the Committee’s recommendation.

\textbf{(d) Improving transparency of Local Government}

The Committee was interested to learn what action the Department has taken to make Local Government processes more transparent for the community.

The Minister stated that a key departmental priority is the Local Government (Update) Bill that is before Parliament. The key issues raised in the Bill include: \textsuperscript{160}

- the conduct of councillors;
- the lack of transparency in council decisions;
- inadequate consultation about council directions;
- a greater accountability framework; and
- efforts to ensure the electoral systems are transparent and independently determined.

The Department published Local Government Victoria in 2001 in May 2002, which includes Local Government data such as average rates, the average residential rates and average debt per assessment. The publication enables comparison across councils and, over time, the data will provide for a time series analysis of

\textsuperscript{159} Hon. R. Hallam, MLC, Deputy Chairman, Public Accounts and Estimates Committee, transcript of evidence, 25 June 2002, p.364

\textsuperscript{160} Hon. R. Cameron, MP, Minister for Local Government, transcript of evidence, 25 June 2002, p.358
council performance and a general picture of the performance of the Local Government sector.

The Minister also advised that there was a need to improve the financial transparency and accountability of Local Government councils. Under the current arrangements a council's corporate plan, annual plan, budget and annual report are not required to be linked in a systematic way. The Department aims to link all of these documents through the Local Government Act 1989 update. The Department believes that linking the documents will provide councillors with a much broader focus at the governance level, in terms of what is occurring within their municipality. An output measure, for example, would be established in a council's budget, reported against actual performance and audited.

The Committee encourages the Department to pursue the synchronisation of Local Government planning and budget documents by formalising the links among councils' corporate plans, annual plans, budget documents and annual reports.

Transparency of council rates and charges

Although there is a cap on the setting of council rates, tied to the rate of inflation, the Committee was interested to learn whether some councils continue the practice of adjusting rates only for inflation, but are introducing or increasing other council charges, so the effect on the ratepayer is the same if had there been a large rate increase.

The Minister advised the Committee that this practice continues to occur, where rates and charges are included in this calculation. The Government proposes to introduce a rating impact statement through the Local Government Act update. The statement will pick up both the actual rate and those charges, and councils must be conscious of what they intend to do and the impact of their actions on the community.\footnote{Hon. R. Cameron, MP, Minister for Local Government, transcript of evidence, 25 June 2002, p.362}
(e) **Local Government annual reports**

In its Report on the 2001-02 Budget Estimates, the Committee noted that the Auditor-General’s Report on Ministerial Portfolios (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.\(^{162}\) The Committee was pleased to note a substantial improvement in 2000-01, with 72 per cent of municipal councils and regional library corporations presenting their annual reports within the statutory timeframe.\(^{163}\)

The Committee believes the Department should carefully monitor the timeliness of the presentation of Local Government annual reports to ensure compliance with the three-month statutory requirement is maintained.

The Committee also noted that the Auditor-General’s report on Public Sector Agencies stated that qualified audit opinions were issued on eight financial statements. The major reason for qualified audit opinions was non-compliance with the Australian Accounting Standards that relate to the valuation, depreciation and reporting of non-current assets. In addition, ten performance statements prepared by municipal councils were subject to audit qualification. The Committee was interested to learn about the scrutiny of Local Government in that context, and about the action taken in respect of those councils that received a qualified audit report.

The Executive Director of the Local Government Division within the Department of Infrastructure stated that this is an area of constant concern with individual councils\(^ {164}\). The Division encourages the councils that have received qualified opinions to spend time with the Auditor-General to understand what issues led to the qualification and how to rectify practices for the following year. The Division also has discussions with the Auditor-General about those issues.


\(^{164}\) Ms P.Digby, Executive Director, Local Government Division, transcript of evidence, 25 June 2002, p.357
The Committee was also advised that the division has attempted to address some of the questions leading to audit qualifications as part of the update of the Local Government Act 1989. This has involved examining the necessity of bringing into line councils’ financial statements, corporate plans, budgets and audited statements, because currently there is no consistency in those documents. The division believes alignment would assist councils’ performances in meeting their financial reporting requirements. When the Act is updated, the Division intends, with the Auditor-General’s assistance, to run intensive training sessions on best practice financial reporting.

Given that the qualification of Local Government financial and performance statements is an ongoing issue for the Department, the Committee believes that intensive training sessions for municipal councils should be introduced as a matter of urgency to improve the governance process at the Local Government level.

The Committee also believes the Department could introduce three new performance measures for the Governance Support output of the Supporting Local Government output group. These new performance measures, which should improve the quality of information and transparency related to good governance and financial management in the Local Government sector, relate to:

- the timely submission of municipal financial statements to the Auditor-General within eight weeks after the end of the financial year, in accordance with section 45 (2) of the Financial Management Act 1994;
- the number and percentage of municipal financial statements qualified by the Auditor-General; and
- the number and percentage of municipal performance statements qualified by the Auditor-General.
Accordingly, the Committee recommends that:

**Recommendation 7.12**

The Department of Infrastructure develop and institute three new performance measures for the Governance Support output, namely:

(a) a measure of the timeliness of the submission of municipal financial statements to the Auditor-General within eight weeks of the end of the financial year;

(b) a measure of the number and percentage of municipal financial statements qualified by the Auditor-General for a financial year; and

(c) a measure of the number and percentage of municipal performance statements qualified by the Auditor-General for a financial year.

**7.8 Ports portfolio**

The Minister for Ports has sole or joint responsibility for four output groups within the Department. Exhibit 7.11 shows that the outputs within these output groups account for $49.8 million, or 1.9 per cent, of the Department’s 2002-03 Budget.
Exhibit 7.11 Ports Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Ports</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Land Use and Infrastructure Planning</td>
<td>Regional and Rural Strategies</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Development Strategies</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Port Development Strategies*</td>
<td>1.9</td>
</tr>
<tr>
<td>Balanced Planning and Environmental System</td>
<td>Environmental Strategies and Initiatives</td>
<td>5.8</td>
</tr>
<tr>
<td>Ports and Intermodal Gateways</td>
<td>Ports and Intermodal Freight*</td>
<td>2.2</td>
</tr>
<tr>
<td></td>
<td>Passenger Interchange Development</td>
<td>22.6</td>
</tr>
<tr>
<td>Transport Safety and Accessibility</td>
<td>Marine Safety Initiatives and Regulation*</td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>49.8</td>
</tr>
</tbody>
</table>

Note: * The Minister for Ports has sole responsibility for this output and joint responsibility for all other outputs

7.8.1 2002-03 outlook for the portfolio

The Committee notes that the Ports portfolio has a number of key priorities in 2002-03. These include:165

- improving the efficiency and competitiveness of Victoria's freight and logistics sector and achieving a greater mode share for port-related rail freight. These priorities underpin the draft Freight and Logistics Strategy which will be released for stakeholder comment during 2002;

- commencing work on the provision of a dual gauge rail connection to Lascelles Wharf in the Port of Geelong, and undertaking detailed investigations into the environmental, economic and technical aspects of deepening shipping channels into the Port of Melbourne; and

- fully implementing recreational boat operator licensing, which began in a staged manner from February 2002, by February 2003.

165 Department of Infrastructure response to the Committee’s 2002-03 estimates questionnaire, p.26
7.8.2 Analysis of the 2002-03 Budget

The Committee's analysis of the output groups for which the Minister for Ports has sole or joint responsibility shows the 2002-03 Budget to be $49.8 million, an increase of $6.6 million (or 15.3 per cent) from the 2001-02 allocation. Major reasons for this variation include a $4 million increase in the allocation to the Ports and Intermodal Gateways output group and an additional $1.4 million for the Marine Safety Initiatives and Regulation output.

7.8.3 Performance measures

The Committee's analysis of performance measures of outputs under the responsibility of the Minister for Ports shows the following:

- as for 2001-02, measures of the Port Development Strategies output within the Strategic Land Use and Infrastructure Planning output group revolve around the completion of investigations and reviews undertaken within the portfolio rather than the outcomes of the implementation of strategies;

- consistent with comments made for the Transport portfolio, a key target of the Government is the delivery of 30 per cent of freight into ports on rail. However, no performance measures assess the achievement of this significant target;

- the Minister advised that the Ports Agenda 2002 outlines the policy initiatives aimed at developing Victoria as the principle national centre of distribution and value adding for international and domestic trade. There are no performance measures relating to the achievement of the agenda's key targets and outcomes. The only applicable measure relates to the overall percentage completion of the agenda strategy;

- the Victorian Freight and Logistics Strategy aims to address issues across all transport modes throughout Victoria and

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166 Hon. C. Broad, MLC, Minister for Ports, transcript of evidence, 21 June 2002, p.330
the freight catchment area of Victoria’s ports for the period to 2030. The only performance measure in the Budget Papers that relates to this strategy focuses on the timing of its completion rather than on the strategy’s key targets and outcomes;

• a key objective of the Ports portfolio is to improve the capability and efficiency of Victoria’s ports to meet customer requirements. There are no qualitative performance measures focusing on customer satisfaction with the services provided; and

• marine environment and safety is a major objective of the portfolio. Accordingly, the Budget Papers contain performance measures that focus on compliance with recreational boating regulations. While these performance measures relate to the number of audits conducted, a key measure of waterways safety is the number of audits that identify deficiencies with boats and commercial vessels. The Committee believes that where the incidence of deficiencies is increasing, decreasing or remaining unchanged, an assessment on the effectiveness of water safety initiatives can be made.

The Committee believes the performance measures under the Ports portfolio relate mainly to the processes involved in developing and implementing major strategies and projects within the relevant outputs. These performance measures fail to assess the achievement of key objectives and targets of the portfolio’s major strategic initiatives. As a result, readers of the Budget Papers would be unable to evaluate the success of the strategic initiatives.
Accordingly, the Committee recommends that:

**Recommendation 7.13**

The Department of Infrastructure incorporate, in partnership with the Transport portfolio:

- **(a)** a performance measure of the percentage delivery rate of freight into ports by rail;
- **(b)** review the performance measures to ensure they properly assess the achievement of key targets and outcomes under the Ports Agenda 2002;
- **(c)** review performance measures relating to the Victorian Freight and Logistics Strategy to ensure they appropriately assess the achievement of key targets and outcomes; and
- **(d)** develop a performance measure that focuses on the satisfaction of stakeholders with the capability and efficiency of Victoria’s ports.

### 7.8.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the hearing with the Minister for Ports identified the following key issues that will impact on the portfolio and the Budget Estimates for 2002-03.

**(a) Channel deepening for the Port of Melbourne**

As part of the 2001-02 Estimates process, the Minister advised the Committee that the Victorian Channels Authority (VCA) had been requested to commission studies on both the environmental considerations and the level of investment required for channel deepening. The Committee was interested to learn what progress had been made regarding the Department’s channel deepening investigations.
The Minister advised the Committee that the VCA completed a range of preliminary studies into issues surrounding the deepening of the approach channels to the port of Melbourne in 2001.\textsuperscript{167} The main findings from those studies were:

- there is a need to deepen the approach channels to the Port of Melbourne;
- that it is technically feasible to deepen the channels; and
- that there are a variety of ways to mitigate the environmental impacts of dredging.

On the basis of these studies the Government has given in-principle support to the proposal to deepen the shipping channels to the Port of Melbourne, subject to the proposal satisfying stringent environmental, technical and financial criteria which will be the subject of further detailed studies. Funding of $5.2 million for these studies has been allocated in the Department's budget for 2002-03.

During 2002-03 approximately $2.8 million will be spent on project management, environment effects studies, further technical assessments and communications, so that the wider community is kept fully informed about the progress of these studies. The Minister informed the Committee that the Minister for Planning has an important role in these proposals and has advised the VCA that an environment effects statement (EES) should be prepared in accordance with the Environmental Effects Act 1978\textsuperscript{168}. As well as considering the potential impacts of the proposal on coastal processes, marine flora and fauna and the social environment, the EES will also consider the economic implications of the proposal.

Environment Australia has advised the channels authority that the proposed channel deepening is a controlled action, which means that approval is required under the Environment Protection and Biodiversity Conservation Act 1999 — (Commonwealth) — before the action can proceed. In order to ensure that the approvals process proceeds in a timely and cost-effective manner and as

\textsuperscript{167} Hon. C. Broad, MLC, Minister for Ports, transcript of evidence, 21 June 2002, p.331-332
\textsuperscript{168} Ibid, p.332
efficiently as possible, Environment Australia has agreed to accredit the Victorian environment effects statement process for the channel deepening proposal. This enables the one process to meet the Commonwealth Government's environment assessment requirements at the same time as addressing the State Government's requirements, which should be advantageous in ensuring that the project proceeds as soon as possible.

The final scope of the environment effects statement (EES) has not been confirmed but it is likely it will take between 12 and 24 months to complete. Following this process, dredging is expected to take approximately 12 to 18 months.

The Committee notes that the channel deepening proposal for the Port of Melbourne has a long lead time that could be from two to three and half years. The Port of Melbourne is a vital component of infrastructure in the Victorian economy, facilitating significant movement of cargo and contributing to around 6 per cent of state domestic product. As this project is a major engineering, environmental and economic undertaking, the Department needs to ensure that the community is kept informed of developments. In addition, the Committee believes that the Department should implement a monitoring strategy and associated performance targets covering key stages of the proposal to ensure that progress and the success of initiatives be evaluated.

Accordingly, the Committee recommends that:

**Recommendation 7.14**

The Department of Infrastructure establish a formalised communications process aimed at providing the Parliament and the Victorian community with information on the progress of the proposal to deepen the channel for the Port of Melbourne.

**(b) Lascelles wharf**

One of the Department's key initiatives for 2002-03 includes the allocation of $5.1 million for the Lascelles wharf rail connection. The proposal involves the connection of Lascelles wharf in
Geelong to the rail system. The aim of this proposal is to eliminate the current double handling of freight between the rail yard and the wharf, thereby increasing efficiency and reducing rail costs.\textsuperscript{169} The Committee was interested to learn about the expected beneficial effects and impacts of that investment on the Port of Geelong.

The Committee notes that the Lascelles wharf rail connection is expected to generate a number of direct economic benefits in Geelong in terms of volume of trade, freight efficiency and other associated traffic cost savings and environmental benefits. The Committee believes that the Department should develop performance targets for the key benefits expected to be generated from this proposal.

\textsuperscript{169} Budget Paper No. 3, 2002-03 Budget Estimates, p.191
\textsuperscript{170} Hon. C. Broad, MLC, Minister for Ports, transcript of evidence, 21 June 2002, p.335-336
\textsuperscript{171} Ibid
\textsuperscript{172} Ibid, p.336
Accordingly, the Committee recommends that:

**Recommendation 7.15**

The Department of Infrastructure establish performance targets for the key benefits expected to be generated from the Lascelles wharf-rail connection to ensure that the development and operation of the project can be monitored and assessed.

(c) Boat operator licensing system

The Minister informed the Committee at the estimates hearing that in 2001, the Government had made a $16 million commitment over five years to waterway safety, and that a number of milestones had been achieved. The Minister advised that computerised licensing testing has commenced at VicRoads offices and all operators of mechanically powered recreational vessels who are under 21 years of age and personal watercraft operators were required to be licensed from 1 February 2002. Following this measure, applications for some $2 million in grants have now been made under this boating safety funding program.\(^{173}\) The Committee requested more detail on the status of this program.

The Minister advised the Committee that the Government is reinvesting these licensing funds in a series of boating safety programs across the State.\(^ {174}\)

- The delivery of this program is through a series of organisations, ranging from the volunteer coast guard to the Country Fire Authority. The process for determining grant recipients for 2001-02 was overseen for the Government by Marine Safety Victoria.

The Minister also indicated that random auditing of grant recipients will take place to ensure that funds are being utilised according to the criteria that the Government set for the boating safety funding program.

\(^{173}\) Hon. C. Broad, MLC, Minister for Ports, transcript of evidence, 21 June 2002, p.331
\(^{174}\) Ibid, p.336-337
7.9 Major Projects portfolio

In March 2002 Major Projects Victoria (MPV) was transferred from the former Department of State and Regional Development to the Department of Infrastructure. The Minister for Major Projects has responsibility for one output, the Major Public Construction and Land Development output, which has been added into the renamed Metropolitan Transport Infrastructure and Public Development Projects.\(^{175}\) Outputs for which the Minister is responsible account for $3 million in 2002-03, which represents 0.1 per cent of the overall Budget for the Department.

The output group and corresponding funding allocation for 2002-03 is shown below:

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Major Projects</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Transport Infrastructure and Public Development Projects</td>
<td>Major Public Construction and Land Development</td>
<td>3.0</td>
</tr>
</tbody>
</table>

**Total** 3.0

7.9.1 2002-03 outlook for the portfolio

The priorities for the Major Projects portfolio in 2002-03 include:\(^{176}\)

- project planning for the Melbourne 2006 Commonwealth Games Athletes’ Village;

- over the next four years $60 million will be spent in the arts precinct to provide for a 1000 seat recital hall and a permanent home for the Melbourne Theatre Company, as well as various pedestrian infrastructure components for the Southbank area;

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\(^{175}\) Department of Infrastructure response to the Committee’s 2002-03 estimates questionnaire, p.3

\(^{176}\) Hon. P. Batchelor, MP, Minister for Major Projects, transcript of evidence, 5 July 2002, p.520
undertaking a second stage refurbishment of the Melbourne Sports and Aquatic Centre. This $53 million refurbishment is currently in the design process;

- the Royal Melbourne Agricultural Showgrounds redevelopment at an estimated cost of $101 million;

- $2 million has been allocated to an in-depth feasibility study into the proposed plenary hall which will be designed to complement the existing facilities of the Melbourne Convention and Exhibition Centre; and

- the historical interpretation centre for the former Bonegilla Migrant Settlement Camp.

These are in addition to existing projects, such as the State Library Stage 3 and the redevelopment of the National Gallery of Victoria.

7.9.2 Analysis of the 2002-03 Budget

The budget allocation for the output Major Public Construction and Land Development has decreased from $6 million to $3 million in 2002-03.

7.9.3 Performance measures

The Committee notes that one output, major public construction and land development, has 12 performance measures in 2002-03. Only two performance measures have been continued from 2001-02, while 10 new measures have been added. The Department advised that these performance measures relate only to those projects that Major Projects Victoria is directly funded to undertake, and that other major projects are located under the portfolios with responsibility for their completion.

In accordance with the comments made in its 2000-01 and 2001-02 reports on the Budget Estimates, the Committee believes the performance measures continue to focus on the timely delivery of major projects and do not concentrate on the potential benefits and outcomes identified in the decision to implement each project.
7.9.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the hearing with the Minister for Major Projects identified the following key issues that will impact on the portfolio and the Budget Estimates for 2002-03.

(a) Federation Square

In its report on Budget Estimates for 2001-02, the Committee reported that in 2000 the Government appointed Federation Square Management Pty Ltd, a State owned company, as project managers for the Federation Square project.

The Committee noted that this was one of the main actions taken by the Government to bring the Federation Square project under improved management and budgetary control.

The Auditor-General reported in June 2002, that the most recent estimated completion cost for the Square reflected an escalation in costs from March 2001 of $56.7 million to $451.5 million in February 2002.\(^{177}\)

As part of the 2002-03 estimates process, the Committee sought clarification regarding the Auditor-General’s estimated completion cost for the project and the inclusion of fit-out costs in the construction cost.

The Minister advised the Committee that the Auditor-General’s report included the tenant fit-out costs in the construction budget, which incorrectly contributed to the blow-out in construction costs. Previously the tenant fit-out costs were reported on, where they were public sector costs, in the appropriate departmental reporting procedures, not within the major projects reporting procedures.\(^{178}\) The Minister advised that the Department does not report some of the retail fit-out costs which are being built for the private sector because they are not costs to any Government Agency, and they are not costs to the project.\(^{179}\)

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179. Ibid, p.526
The Minister stated that the Auditor-General in his report detailed and identified that there were fit-out costs. When the Auditor-General has reported on those previously it has been in the context of other departmental line items and has not been contained within the costs of Federation Square.\textsuperscript{180}

The Committee received advice from the Department that the total end cost of the Federation Square project is expected to be between $412 million and $428 million, with the State Government’s contribution to be $280 million — significantly greater than the original cost-estimate for the development of the Square, which was $110 million.\textsuperscript{181} The Committee believes that the Department and the Auditor-General should, as a matter of priority, determine the appropriate treatment for tenants fit-out costs and whether it is appropriate that such costs be included in the estimated final construction cost of the project.

Accordingly, the Committee recommends that:

\textbf{Recommendation 7.16}

The Department of Infrastructure and the Auditor-General resolve the accounting treatment for the tenants’ fit-out costs associated with the Federation Square project and determine whether it is appropriate to include such costs in the estimates for the construction cost of the project.

\textbf{(b) Collins Street extension}

The Committee was interested to learn about the proportion of private sector investment to public investment in the Docklands and the nature of the Collins Street extension. The Committee requested advice on how much of the investment in the Collins Street extension will be private sector investment and what the Government was expecting to achieve as a return for its investment to ensure that the Collins Street extension proceeds.

\textsuperscript{180} Ibid, p.525-526
\textsuperscript{181} Major Projects Victoria, information supplied on notice from the estimates hearing, 28 August 2002, p.4
At the estimates hearing the Minister outlined that the Collins Street extension project allows Collins Street to go over the railway lines and to the other side of Wurundjeri Way, and indicated that the cost of the extension was $25 million.\textsuperscript{182} The Minister informed the Committee that one of the impediments to private investors putting their proposals forward was that there had been no decision taken as to when this infrastructure would be completed. In this context, the Government made a decision to fund the extension following advice that it was likely to trigger an investment response and a much quicker take-up of the proposal. The last section of the roadway, the bridging component, is to be finished later in 2002.\textsuperscript{183}

The Minister informed the Committee that a number of development proposals, in excess of $4 billion, have been planned adjacent to the extension. The proposed developments include:

- a $130 million development that is being undertaken by Folkestone and Leighton;

- the Panurban development, at a cost of $150 million;

- the Village Docklands being developed by Kwok at a cost of around $700 million; and

- the Victoria Point residential tower, at a cost of around $290 million.

\textsuperscript{182} Ibid\textsuperscript{183} Hon. P. Batchelor, MP, Minister for Major Projects, transcript of evidence, 5 July 2002, p.527
CHAPTER 8: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Key Findings:

8.1 The Department of Innovation, Industry and Regional Development budget allocation for 2002-03 was $431.9 million, representing a $128.3 million or 42.3 per cent increase from 2001-02.

8.2 Given the complexity of the synchrotron project the Department of Innovation, Industry and Regional Development needs to ensure that it has qualified staff who are technically competent and commercially knowledgeable to manage the development, implementation and monitoring of the project.

8.3 The Technology Commercialisation Program output performance measures do not provide any meaningful information about the program’s achievements or outputs. The Department of Innovation, Industry and Regional Development needs to implement an ongoing monitoring strategy for its initiatives to foster growth in the manufacturing sector.

8.4 The Committee acknowledges the extensive investment and work of the Department and industry stakeholders in conducting strategic audits of industry and subsequently developing the shared industry government policy framework to promote growth and employment in the manufacturing sector.

8.5 The Department’s performance measures of quality do not provide any meaningful information on the achievement of the objectives of the Small Business portfolio.
8.6 The Industrial Relations performance measures are either not adequately developed or are largely quantitative and therefore do not provide any meaningful information on the effectiveness of departmental programs or initiatives.

8.7 There is a need to improve the quality of information provided in the Budget Papers relating to the level of direct investment, export earnings and employment growth facilitated by the Department of Innovation, Industry and Regional Development in the Information and Communication Technology sector.

8.1 Departmental overview

The Department of Innovation, Industry and Regional Development (DIIRD) is the Victorian Government’s lead Agency for the promotion of innovation, industry and economic and regional development. The Department was created in March 2002, following the split up of the former Department of State and Regional Development, to reflect the increasing emphasis that the Government places on innovation as a key driver of future economic success.

The Department supports seven Ministerial portfolios - State and Regional Development; Innovation; Industrial Relations; Information and Communication Technology; Small Business; Manufacturing; and Employment.\(^{184}\)

\(^{184}\) Budget Paper No 3, 2002-03 Budget Estimates, p.149
8.2 Output management framework

The Department’s 2002-03 output management framework is shown in Exhibit 8.1.

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>94.8</td>
<td>94.0</td>
<td>124.7</td>
<td>31.5</td>
</tr>
<tr>
<td>Business</td>
<td>190.6</td>
<td>161.5</td>
<td>249.0</td>
<td>30.6</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>12.1</td>
<td>12.6</td>
<td>11.9</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Employment Programs</td>
<td>..</td>
<td>..</td>
<td>46.3</td>
<td>..</td>
</tr>
<tr>
<td>Major Projects</td>
<td>6.1</td>
<td>4.9</td>
<td>..</td>
<td>(100.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>303.6</strong></td>
<td><strong>273.0</strong></td>
<td><strong>431.9</strong></td>
<td><strong>42.3</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.156

The Department’s budget allocation for 2002-03 was $431.9 million, representing a $128.3 million or 42.3 per cent increase from the 2001-02 allocation. The main areas of change include:

- the Innovation and Policy output group has increased by $29.9 million and reflects increased funding for the Science, Technology and Innovation Initiative Management output of $18.6 million;

- the Business output group has increased by $58.4 million and reflects increased funding for the Business Development and Regional Infrastructure Development outputs of $12.1 million and $40.9 million respectively; and

- $46.3 million added to the 2002-03 Budget following the transfer of Employment Services from the former Department of Education, Employment and Training.
8.3 Financial analysis

The operating statement for the Department of Innovation, Industry and Regional Development is as follows:

Exhibit 8.2 Department of Innovation, Industry and Regional Development - Operating Statement

<table>
<thead>
<tr>
<th>Operating Statement</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controlled Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from ordinary activities</td>
<td>303.5</td>
<td>273.0</td>
<td>431.9</td>
<td>42.3</td>
</tr>
<tr>
<td>Expenses from ordinary activities</td>
<td>303.5</td>
<td>273.0</td>
<td>431.9</td>
<td>42.3</td>
</tr>
<tr>
<td><strong>Net result for the reporting period</strong></td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>14.9</td>
<td>15.1</td>
<td>2.8*</td>
<td>(53.0)</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>14.9</td>
<td>15.1</td>
<td>2.8*</td>
<td>(54.4)</td>
</tr>
<tr>
<td><strong>Surplus/Deficit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.4.2 p.178 and Table 2.4.5, p.182

Note: Adjustment based on advice from the Department, amounts differ from those published in Budget Paper No. 3

The main variations in departmental revenue from ordinary activities resulted from budget initiatives for 2002-03, funding increases from budget initiatives announced in previous years and amounts carried forward. Also included are adjustments resulting from cessation of programs, machinery of government changes and annual budget adjustments.

The main variation in departmental expenses from ordinary activities is attributable to:

- an increase in employee related expenses of $10.5 million, which reflects staffing changes associated with budget initiatives, discontinued programs, pay increases and machinery of government changes;
• an increase in purchases of supplies and services of $14.6 million, which reflects program changes associated with budget initiatives, discontinued programs, machinery of government changes and amounts carried forward;

• increased depreciation of $3.1 million, in relation to the establishment of a whole-of-government telecommunications purchasing and management strategy (TPAMS) and machinery of government changes;

• increased capital assets charge of $1.9 million, in relation to TPAMS, the Australian synchrotron project and machinery of government changes; and

• an increase in other expenses of $98.6 million, reflecting program changes associated with budget initiatives, discontinued programs, machinery of government changes and amounts carried forward.

8.3.1 Other revenue and expenses

The items ‘other revenue’ and ‘other expenses’ for 2002-03 have been adjusted by $2.6 million and $2.8 million respectively, and reflect the transfer of the Major Projects portfolio to the Department of Infrastructure (this change is not reflected in Budget Paper No. 3). Overall the Department’s accounts showed greater detail in relation to other revenue, while other expenses, such as taxes, fees, fines and expenditure on grants are now separately disclosed in the Budget Papers.

8.4 Human resources issues

The Department has estimated it will have 587.4 permanent equivalent full time (EFT) staff at 30 June 2003, compared with estimated permanent EFT staffing of 534.4 at 30 June 2002. This represents an overall increase of 53 permanent EFT staff.

Exhibit 8.3 shows permanent EFT staffing at 30 June 2002 and 30 June 2003 by departmental divisions.

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185 Ibid, p.32
186 Ibid, p.27
Exhibit 8.3  Department of Innovation, Industry and Regional Development - Estimated Permanent Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Division</th>
<th>Permanent EFT staff</th>
<th>30 June 2002</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Group</td>
<td></td>
<td>273.5</td>
<td>283.5</td>
</tr>
<tr>
<td>Corporate Services</td>
<td></td>
<td>112.1</td>
<td>112.1</td>
</tr>
<tr>
<td>Employment Programs</td>
<td></td>
<td>..</td>
<td>38.0</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td></td>
<td>47.0</td>
<td>47.0</td>
</tr>
<tr>
<td>Innovation and Policy Group</td>
<td></td>
<td>99.8</td>
<td>104.8</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td></td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>534.4</strong></td>
<td><strong>587.4</strong></td>
</tr>
</tbody>
</table>

Source: Department of Innovation, Industry and Regional Development response to the Committee’s 2002-03 estimates questionnaire, p.27

Exhibit 8.3 shows that the estimated increase in permanent EFT staff is largely a result of the transfer of the Employment Programs Division from the former Department of Education, Employment and Training in July 2002. Other increases in the number of staff relate to the Government’s new priorities.187

Exhibit 8.4 shows the ratio of permanent and fixed term staff engaged by the Department.

Exhibit 8.4  Department of Innovation, Industry and Regional Development - Permanent and Fixed Term Staffing Levels

<table>
<thead>
<tr>
<th></th>
<th>30 June 2002 (estimated) EFT Total</th>
<th>Ratio per cent</th>
<th>30 June 2003 (estimated) EFT Total</th>
<th>Ratio per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>534.4</td>
<td><strong>81.9</strong></td>
<td>587.4</td>
<td><strong>80.3</strong></td>
</tr>
<tr>
<td>Fixed term</td>
<td>118.2</td>
<td><strong>18.1</strong></td>
<td>144.2</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>652.6</strong></td>
<td><strong>100.0</strong></td>
<td><strong>731.6</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Department of Innovation, Industry and Regional Development response to the Committee’s 2002-03 estimates questionnaire, p.27

187 Ibid
Exhibit 8.4 indicates that the Department will increase its total staffing complement and marginally increase the proportion of fixed term staff over the 2002-03 year. The Department has indicated that the increase in fixed term staff is primarily due to the Employment Programs Division being transferred to the Department in July 2002.

### 8.4.1 Key staffing issues

The Department advised the Committee that in terms of departmental staffing, there are a number of issues that may impact on its ability to achieve its established business objectives. These issues include:

- recognition and reward initiatives;
- turnover rates;
- the percentage of staff with less than five years service;
- the percentage of staff who are leaving the Department within the first five years of employment; and
- ongoing process improvement initiatives.

The Committee believes that these issues coupled with the ageing of the workforce and the tendency towards early retirement may produce more significant issues that the Department will have to address in the near future.

Accordingly, the Committee recommends that:

**Recommendation 8.1**

*The Department of Innovation, Industry and Regional Development develop human resources strategies to address the incidence of high staff turnover rates and the need to encourage the retention of experienced staff.*
8.5 Innovation portfolio

The Premier announced the formation of the Innovation portfolio in February 2002.\textsuperscript{188} The Government’s initiatives aimed at developing innovation in Victoria include:\textsuperscript{189}

- reducing business taxes by $774 million over four years;
- providing up to $100 million for a national synchrotron at Monash University;
- providing up to $100 million in funding from the Science, Technology and Innovation initiative for major research infrastructure projects over the next two years;
- supporting the creation of the $400 million Bio21 project in Parkville;
- committing $50 million for developing precincts of scientific excellence;
- committing $40 million for a new Film and Television Studio Complex; and
- developing the $20 million Technology Commercialisation Program to support the commercialisation of research.

The new Innovation portfolio was established following the release of the Government’s 10-year blueprint for the State – Growing Victoria Together – that listed creating new jobs by promoting new ideas and technologies as a top priority.

The Minister for Innovation has sole or joint responsibility for the outputs shown in Exhibit 8.5. These outputs account for $89.4 million, or 20.7 per cent, of the Department’s 2002-03 Budget.

\textsuperscript{188} Media release by the Premier, dated 11 February 2002
\textsuperscript{189} Media release by the Minister for Innovation, dated 13 February 2002


Exhibit 8.5 Innovation Portfolio - Output Group and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Innovation</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy*</td>
<td>8.8</td>
</tr>
<tr>
<td></td>
<td>STI Policy, Awareness and Biotechnology</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>STI Initiative Management</td>
<td>66.7</td>
</tr>
<tr>
<td></td>
<td>Technology Commercialisation Program</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>89.4</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers responsible for DIIRD services

8.5.1 2002-03 outlook for the portfolio

Specific initiatives for the Minister for Innovation during 2002-03 include:¹⁹⁰

- the Government has committed $100 million as a capital contribution towards construction of an Australian synchrotron facility at Clayton. The synchrotron aims to provide Victoria with an important piece of scientific research infrastructure;

- funding of $27 million, over four years, has been allocated through the 2002-03 Budget to implement the Biotechnology Strategic Development Plan that was released in June 2001. Initiatives will focus on commercialisation of biotechnology research and development, training and career development, international marketing and promotion of the Victorian biotechnology sector, and providing strategic direction and support for the industry;

¹⁹⁰ Budget Paper No. 3, 2002-03 Budget Estimates, p.192-195
• $6.7 million in funding to enhance the State's commercialisation infrastructure for science, technology and innovation research and development. Individual initiatives include ongoing funding for a number of co-operative research centres, an extension of technology diffusion contracts, and additional funding for the Centre of Innovation and Technology Commercialisation;

• $12 million in funding to establish a centre that will facilitate research, development, demonstration and commercialisation of technologies to reduce the greenhouse intensity of energy supply and use in Victoria. This is subject to matching Commonwealth funds;

• funding of $7.2 million is provided over four years to strengthen a range of activities to promote Victoria as a destination for direct foreign investment. Additional functions will focus on promotional activities in key overseas markets and relationship building with existing and potential foreign investors. Funding is also provided to open a Victorian Government Business Office in San Francisco; and

• continued management of the Technology Commercialisation Program partners (with additional technology diffusion co-ordinators) and the Centre for Innovation, Technology and Commercialisation.

8.5.2 Analysis of the 2002-03 Budget

The budget allocated to the outputs within the output group under the responsibility of the Minister for Innovation has increased by $25.4 million or 39.7 per cent.

The main output contributing to this variation is through the STI Initiative Management, which has been allocated $66.7 million in the 2002-03 Budget.

8.5.3 Performance measures

The Committee notes that the Innovation and Policy output group has an additional 29 performance measures in 2002-03, while 10
measures have been discontinued. The Committee’s review of the performance measures revealed the following findings:

- a major policy initiative of the Government is to expand Victoria’s profile as an international design centre, so it is pleasing that 10 performance measures included in 2002-03 specifically focus on this initiative. However, it will be important for the Government to review the appropriateness of these measures for 2003-04;

- the Government has committed $100 million to the development of a synchrotron in Victoria; accordingly, a number of additional performance measures have been included for this initiative. Given the level of investment by the Government, these performance measures will need to be reviewed for 2003-04 to ensure appropriate and timely measurement of the key targets and outcomes expected from the Government’s substantial investment;

- from 2002-03 the Government will have invested $12 million over three years for a centre to facilitate the research, development, demonstration and commercialisation of technologies to reduce the greenhouse gas intensity of energy supply and use. However, there are no performance measures in the Budget Papers to monitor the achievement of this important initiative’s key targets and outcomes; and

- the Government has allocated $27 million over four years for the implementation of a Biotechnology Strategy Development Plan. However, there are only two performance measures in the Budget Papers which focus on the number of steering group meetings held and the number of e-bulletins produced. The Committee is disappointed with the quality of these measures because they do not focus on the plan’s key targets or expected outcomes.
The Committee believes there have been some improvements to the performance measures for the Innovation portfolio in 2002-03, despite a number of key policy initiatives having minimal or no relevant measures.

Accordingly, the Committee recommends that:

**Recommendation 8.2**

The Department of Innovation, Industry and Regional Development:

(a) review the performance measures introduced in 2002-03 that relate to Victoria’s design capabilities and the synchrotron, to ensure their continued adequacy and relevance; and

(b) ensure that performance measures are developed to cover all major policy initiatives for the Innovation portfolio.

8.5.4 **Key issues impacting on the portfolio**

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Innovation identified the following key issues that will impact on the portfolio and the budget estimates for 2002-03.

(a) **Synchrotron project**

The Government has committed $100 million in capital funding towards the establishment of Australia’s first synchrotron at Monash University. The project has a total estimated cost of $157 million. The Australian synchrotron project is a key part of the Innovation portfolio and its development is meant to enable Victoria to capitalise on its emerging strengths in areas such as biotechnology, pharmaceuticals, environmental sciences and advanced manufacturing.\(^{191}\) The Committee was interested to learn of the progress made with this initiative and what partnerships were involved in its delivery.

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\(^{191}\) Media release by the Minister for Innovation, dated 12 April 2002
The Minister advised the Committee that the Government had:

- committed capital and recurrent funding to the project;
- appointed the Macquarie Bank as financial advisers;
- appointed a project director;
- appointed probity advisers; and
- established international and national expert committees to help guide development of the facility.

Part of the functioning of the synchrotron will be funded by the State, with hopefully other contributions provided by the Commonwealth Government, other co-operative research centres and the private sector.\(^{192}\)

The Minister had previously stated that the project was at a critical pre-construction phase, where careful planning is essential to ensure that future design and construction proceeds smoothly. Major construction works are scheduled to begin in 2003, the building is expected to be at lock up stage in 2004 and the project completed in 2007. The project is expected to create up to 700 jobs and add approximately $65 million a year to the Victorian economy.\(^{193}\)

In the agreement with the financial advisers, the Macquarie Bank, are required to provide advice on the synchrotron project, which includes:

- a demand forecast;
- funding requirements and alternative sources of revenue;
- alternative project and delivery models;
- alternative operating models; and
- an appropriate business plan.\(^{194}\)

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\(^{192}\) Hon. J. Brumby, MP, Minister for Innovation, transcript of evidence, 22 May 2002, p.45-46

\(^{193}\) Media release by the Minister for Innovation, dated 12 April 2002

\(^{194}\) Department of Innovation, Industry and Regional Development, Information supplied on notice from the Estimates hearing, 15 August 2002, Attachment 1, p.2
The Committee sought additional information about project risks and funding. The Department advised that:  

- the Government is establishing a risk management program to ensure that all project risks are fully identified and appropriately analysed. Implementation risks under consideration include project delays, cost/liability and functionality risks;

- a comprehensive risk management program is being developed by the Department, Major Projects Victoria and the department of Treasury and Finance, with the support of specialist advisers;

- detailed financial planning will be based on the work of the financial advisers Macquarie Bank, and the advice of the expert advisory committee on changing research technologies and user needs; and

- in regard to the total estimated capital cost of the project the government has committed $100 million, however the government has always envisaged that the remainder of the funding requirement would be sourced from elsewhere. Options for funding the balance of the capital cost include funding from partner governments, research institutions, universities and business.

As part of his Report on Public Sector Agencies, June 2002, the Auditor-General reviewed the synchrotron project. The review included the following observations:

- as Government will be the main provider of funds for the construction and operation of the facility, it is essential that there is adequate consideration of the lessons learned from overseas experience and, in particular, comprehensive financial risk management at all stages of the project;

- proper budgeting is essential to the mitigation of financial risk and will need to incorporate changes in research

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195 Department of Innovation, Industry and Regional Development, information supplied on notice from the estimates hearing, 15 August 2002, Attachment 1, p.1-2
technologies, and the changing needs of users and strategic growth industries in order to ensure the longevity of the facility;

• if the $100 million committed by the Victorian Government was fully applied to the initial construction of the facility, there remained a $57 million funding shortfall for the capital construction costs; and

• as the major users of the facility are likely to be research institutions which in the main are universities and organisations which are Commonwealth Government funded, it will be critical that Commonwealth Government and other major research institutional support is secured, and that collaborative links with all major facility participants are encouraged and developed.

The Committee recognises that the synchrotron project will be a major contributor to the State’s infrastructure and that the project is also costly, complex and will take approximately 5 years to complete. The Committee stresses the need for the Department to ensure that it has appropriately qualified staff that are technically competent and commercially experienced to manage the development, implementation and monitoring of the project. Where the Department lacks specific technical/financial/risk management expertise, it should utilise external private sector expertise to manage the more complex components of the project and in the process secure a transfer of knowledge to the Department to assist with the ongoing management of the synchrotron and its associated contractual arrangements.
Accordingly, the Committee recommends that:

**Recommendation 8.3**

The Department of Innovation, Industry and Regional Development ensure that it has the necessary internal expertise to manage the development, implementation and monitoring of major, complex technology-based projects. These staff should possess:

(a) appropriate commercial and contract management skills, including the capacity to manage the delivery of contractual arrangements and manage risk;

(b) appropriate project development and project management skills;

(c) performance reporting skills that enable the clear identification and reporting on the benefits/costs accruing to the Victorian community from the synchrotron project; and

(d) extensive experience in the monitoring and management of the financial arrangements underpinning this major project.

**Recommendation 8.4**

Where the Department of Innovation, Industry and Regional Development lacks specific technical/financial/risk management expertise, it should utilise external private sector expertise to manage the more complex components of the synchrotron project, and in the process secure a transfer of knowledge to the Department to assist with the ongoing management of the synchrotron and its associated contractual arrangements.
(b) Technology commercialisation program

The Technology Commercialisation Program output aims to reduce barriers to commercialisation, develop innovative intellectual property management strategies, increase support for innovative enterprises and expand the availability of venture capital. The Budget Papers state that the majority of outputs will be achieved through service Agencies. The Committee was interested to learn more about the program and its role in enhancing the level of commercialisation in Victoria.

The Minister explained that the program was launched by the Government shortly after coming to office and is essentially a $20 million program over four years, aimed at developing businesses. Initially, around 12 providers were licensed to work with innovative people and assist them in developing projects into commercially ready propositions. The Minister advised that to date those providers have assisted more than 900 individuals and/or companies and provided business advice and mentoring to 170 early-stage technology businesses. Seventy-five businesses were created through this process and a total of $25 million in external investments raised for client companies. The Minister advised that the program concludes at the end of 2003 and it will be a matter for Government as to whether it is renewed at that time.

The Committee acknowledges the Minister’s brief regarding the Technology Commercialisation Program and the achievements of the program as described by the Minister. However, the Committee is not in a position to assess the merits of these program achievements as there is no reference point or established targets against which an objective assessment can be made. The Committee has reviewed the Technology Commercialisation Program output performance measures and has found that the measures relating to the program do not provide any meaningful information about the achievements/outputs of the program.

197 Budget Paper No. 3, 2002-03 Budget Estimates, p.160
198 Hon. J. Brumby, MP, Minister for Innovation, transcript of evidence, 22 May 2002, p.42
The Department advised the Committee that it manages the service contracts with the private sector partners responsible for delivering commercialisation advice to entrepreneurs. The Department’s performance measure is related to the management of these contracts. Under these contracts the partners are required to meet performance indicators as a condition of receiving future payments. The Department advised that in the first year of the program, some of these performance indicators were included in the Department’s output targets, however these measures have evolved during the course of the program and no longer fully reflect the achievements of the Technology Commercialisation Program partners. Consequently, the Department discontinued reporting against the measures in 2001-02 as they did not constitute a direct service of the Department.  

The Committee believes that it is precisely for this reason that new meaningful measures need to be developed. It is of little use to the Parliament or the community to know how many contracts are managed by the Department. More meaningful and transparent information is required on the returns to the community through the investment of public funds in the development of innovative projects to achieve commercial returns. 

Given that the program will run until the end of 2003, the Committee believes that the Department should put in place new performance measures that provide information regarding targets and achievements/outputs of the program in the 2003-04 Budget Papers. The Department will also need to ensure that an objective and transparent assessment of the performance of the program is undertaken at its conclusion in 2003 to determine whether it should continue and receive public funding in the future. Such an assessment will necessitate, in part, an evaluation of program performance against established targets of performance, the achievement of program objectives and a clear statement of future benefits to be gained from the continuance of the program. In the interim, the Department should clearly articulate the performance of the program and its achievements to date in its 2002-03 annual report.

199 Department of Innovation, Industry and Regional Development, information supplied on notice from the estimates hearing, 15 August 2002, Attachment 1, p.5
Accordingly, the Committee recommends that:

**Recommendation 8.5**

The Department of Innovation, Industry and Regional Development, in relation to the Technology Commercialisation Program output:

(a) develop performance measures that provide information regarding targets and achievements/outputs of the program;

(b) ensure that an objective and transparent assessment of the performance of the program is undertaken at its conclusion in 2003 to determine whether it should continue to receive public funding in the future;

(c) ensure that the future direction of the program is based on an evaluation of program performance against established targets of performance, the achievement of program objectives and a clear statement of future benefits to be gained from the continuance of the program; and

(d) clearly articulate the performance of the program and its achievements in the Department's 2002-03 annual report.

(c) **Biotechnology**

Funding of $4.5 million is provided in 2002-03, ($27 million over four years) to implement the Biotechnology Strategic Development Plan (BSDP), which was released in June 2001.\(^{200}\)

\(^{200}\) Budget Paper No. 2, 2002-03 Budget Statement, p.193
The Committee sought additional information regarding this initiative and in particular, details of the aims and objectives of the strategy, the application of funding and the assessment of the effectiveness of the strategy.

The Department advised the Committee that the overarching goal for Victoria is to be one of the world’s top five locations for biotechnology by 2010, with the BSDP focusing on five areas:

- the development of Victoria’s biotechnology skill base;
- the development of Victoria’s biotechnology research base;
- commercialising Victoria’s biotechnology;
- building Victoria’s corporate base and marketing Victoria’s biotechnology; and
- Government leadership and support.

The Committee notes that the performance measures contained in the 2002-03 Budget Paper No. 3, the Budget Estimates, relating to the biotechnology Strategic Development Plan are two quantity based measures referring to the number of steering group meetings and the publication of a biotechnology e-bulletin. Given the aims of the Plan, the Committee expects that the Department will develop more sophisticated qualitative performance measures that will provide readers of the Budget Papers with an indication of the effectiveness of the Plan in achieving its broader objectives. Such performance measures could include:

- the market share of the Victorian biotechnology sector;
- commercialisation of research and development outputs;
- results achieved through the government’s efforts, through either direct financial assistance or facilitation services, to market Victoria’s biotechnology; and

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201 Department of Innovation, Industry and Regional Development, information supplied on notice from the estimates hearing, 15 August 2002, Attachment 1, p.3
• the flow on or value-added impacts on the Victorian economy resulting from the growth of the biotechnology sector.

Given the long-term focus of the Plan the Committee suggests that the Department develop performance measures with a short, medium and long-term focus.

Accordingly, the Committee recommends that:

Recommendation 8.6

The Department of Innovation, Industry and Regional Development, in relation to the Biotechnology Strategic Development Plan, develop performance measures and targets that:

(a) provide information regarding the effectiveness of the Plan in achieving its broader strategic objectives;

(b) provide performance information over the short, medium and long-term; and

(c) are reported in the Budget Papers and the Department’s annual report.

8.6 State and Regional Development portfolio

The Minister for State and Regional Development has joint responsibility for the Innovation and Policy and Business output groups. Outputs for which the Minister is responsible account for $243.4 million, and represent 56.4 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2002-03 are shown in Exhibit 8.6.
Exhibit 8.6  State and Regional Development Portfolio -
Output groups and output costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for State and Regional Development</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy#</td>
<td>8.8</td>
</tr>
<tr>
<td>Business*</td>
<td>Investment Facilitation and Attraction</td>
<td>44.4</td>
</tr>
<tr>
<td></td>
<td>Business Development</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>Regional Strategic Leadership</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Rural Community Development</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development</td>
<td>132.1</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>243.4</strong></td>
</tr>
</tbody>
</table>

Note: # Responsibility for these outputs is shared between the Minister for State and Regional Development, the Minister for Manufacturing Industry, the Minister for Small Business, the Minister for Industrial Relations, the Minister for Employment and the Minister for Information and Communication Technology

Note: * 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

8.6.1  2002-03 outlook for the portfolio

During 2002-03 the Department aims to accelerate the delivery of the Government’s innovation economy objectives. Initiatives include:

- an industry growth strategy that targets exports, innovation and industry collaboration. Implementation will be through industry wide initiatives and deliver assistance to industries at firm and sectoral levels. The goal is to improve innovation and technology uptake, export marketing and knowledge sharing; and

- a comprehensive strategy to position Victoria as an investment destination will commence in 2002-03. The International Investment Positioning Strategy is expected to increase opportunities for direct foreign investment in key sectors and markets, particularly from North America and
Europe. A new Victorian Government Business Office will also open in San Francisco.  

8.6.2 Analysis of the 2002-03 Budget  

The budget allocation to the outputs within the Innovation and Policy and Business output group under the responsibility of the Minister for State and Regional Development has increased by $58.6 million or 31.7 per cent, from $184.8 million in 2001-02 to $243.4 million in 2002-03.  

The contribution of each output group to the overall funding increase is as follows:  

- the Business Development output budget has increased by $12.1 million to $37 million for 2002-03; and  

- the Regional Infrastructure Development output budget, which has increased by $40.9 million to $132.1 million for 2002-03, has been created by the transfer of outputs from other output groups that have been abolished and by consolidating a number of smaller outputs.  

8.6.3 Performance measures  

During 2001-02, the Department reviewed its existing output structure. Accordingly, in 2002-03 it has made the following changes to outputs and output groups for which the Minister for State and Regional Development has responsibility:  

- ten new performance measures have been added to the Strategic Policy output within the Innovation and Policy output group, while three performance measures have been discontinued; and  

- eight new performance measures have been added to the relevant outputs within the Business output group, while eight have also been deleted.
In its 2001-02 and 2001-02 reports on the Budget Estimates, the Committee noted that the majority of the performance measures were oriented towards measuring inputs rather than focusing on the measurement of outcomes and outputs. The following are examples:

- a performance measure for the regional strategic leadership output, programs delivered to groups of local councils and regional development bodies, relates to the number of programs conducted (input) rather than the programs’ key targets and outcomes;

- regional economic development, non-infrastructure projects funded, has as its performance measure a 2002-03 target of 20. The projects’ key targets and outcomes are not measured; and

- the Government’s Regional Infrastructure Development Fund is a significant policy initiative aimed at improving the conditions of people in regional and rural Victoria. The performance measures for the Regional Infrastructure Development output focus only on the number of projects funded rather than the extent of benefits to country Victoria.

The Committee reiterates its previous comments identifying the need for performance measures to focus more on the achievement of the portfolio’s key targets and outcomes. The Committee is pleased, however, that many performance measures that have been discontinued in 2002-03 were reported in the Budget Papers as to the performance in 2001-02 with ‘na’ as the 2002-03 target. The Committee believes this policy promotes accountability of performance in the Budget Papers and should be adopted across all Departments.

8.6.4 Key issues impacting on the 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 2002-03.
(a) Regional Infrastructure Development Fund

In its report on the 2001-02 Budget Estimates, the Committee reported that the Regional Infrastructure Development Fund (RIDF) had an allocation over three years of $180.8 million. The fund was 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 program for the triennium 2000-01 to 2002-03 has been established at $54.4 million, $53.4 million and $73 million.\(^{203}\)

The following exhibit shows the approved grants to date by applicant, project name and the dates that the grants were announced.

**Exhibit 8.7 Regional Infrastructure Development Fund Grants as at August 2002**

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000-01</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victorian Farmers Federation</td>
<td>Cattle Under/ Over passes</td>
<td>26-Aug-00</td>
<td>4,000</td>
</tr>
<tr>
<td>Powercor Australia/ TXU Networks/ VFF</td>
<td>Victorian Dairy Electricity Infrastructure</td>
<td>21-Sep-00</td>
<td>8,000</td>
</tr>
<tr>
<td>City of Greater Geelong</td>
<td>Geelong Central Re-vitalisation Program</td>
<td>21-Sep-00</td>
<td>12,000</td>
</tr>
<tr>
<td>RMIT/ Southern Grampians Shire Council</td>
<td>RMIT Flexible Learning Centre and RMIT Centre for Regional &amp; Rural Development</td>
<td>29-Sep-00</td>
<td>3,135</td>
</tr>
<tr>
<td>Latrobe City Council</td>
<td>Latrobe Regional Airport Development</td>
<td>10-Oct-00</td>
<td>270</td>
</tr>
<tr>
<td>Campaspe Shire Council</td>
<td>Meeting of the Whistles (Port of Echuca)</td>
<td>27-Oct-00</td>
<td>185</td>
</tr>
<tr>
<td>Murrindindi Shire Council</td>
<td>Murrindindi Valley Economic Development Project</td>
<td>27-Oct-00</td>
<td>350</td>
</tr>
</tbody>
</table>

## Exhibit 8.7 (continued)

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks Victoria</td>
<td>Buchan Caves Infrastructure</td>
<td>6-Nov-00</td>
<td>605</td>
</tr>
<tr>
<td>East Gippsland Shire Council</td>
<td>East Gippsland Regional Saleyards</td>
<td>9-Nov-00</td>
<td>1,450</td>
</tr>
<tr>
<td>Ballarat University</td>
<td>Info Technology Cluster Development</td>
<td>15-Dec-00</td>
<td>2,600</td>
</tr>
<tr>
<td>Lower Murray Water</td>
<td>Treated Water to Thurla</td>
<td>19-Dec-00</td>
<td>500</td>
</tr>
<tr>
<td>Castlemaine &amp; Maldon Railway Preservation Group</td>
<td>Reinstatement of facilities at Castlemaine Station</td>
<td>16-Feb-01</td>
<td>100</td>
</tr>
<tr>
<td>Birchip Cropping Group</td>
<td>Research and Technology Precinct at Birchip</td>
<td>8-Mar-01</td>
<td>110</td>
</tr>
<tr>
<td>Latrobe University Bendigo</td>
<td>Centre for Sustainable Regional Communities</td>
<td>15-Dec-00</td>
<td>250</td>
</tr>
<tr>
<td>Greater Shepparton City Council</td>
<td>Shepparton Aerodrome</td>
<td>18-Jan-01</td>
<td>200</td>
</tr>
<tr>
<td>Loddon Shire Council Loddon</td>
<td>Murray Region Sustainable Development</td>
<td>9-Mar-01</td>
<td>3,274</td>
</tr>
<tr>
<td>Corangamite Shire Council</td>
<td>Cobden Industrial Estate</td>
<td>16-Mar-01</td>
<td>324</td>
</tr>
<tr>
<td>Warrnambool City Council</td>
<td>Flagstaff Hill Maritime Village Redevelopment</td>
<td>4-May-01</td>
<td>3,300</td>
</tr>
<tr>
<td><strong>Total 2000-01</strong></td>
<td></td>
<td></td>
<td><strong>40,653</strong></td>
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</tbody>
</table>

### 2001-02

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portland Coast Region Water Authority</td>
<td>Port Fairy Wastewater Treatment Plant Upgrade</td>
<td>4-May-01</td>
<td>220</td>
</tr>
<tr>
<td>Greater Geelong City Council</td>
<td>Reticulation of Natural Gas - North Bellarine Peninsula</td>
<td>18-May-01</td>
<td>1,750</td>
</tr>
<tr>
<td>City of Ballarat</td>
<td>Re-vitalisation of Ballarat’s Central Business Area</td>
<td>25-May-01</td>
<td>2,750</td>
</tr>
<tr>
<td>Baw Baw Shire Council</td>
<td>Gateway to Gippsland</td>
<td>22-Jun-01</td>
<td>500</td>
</tr>
<tr>
<td>Latrobe Shire Council</td>
<td>Morwell Shunting Yards</td>
<td>22-Jun-01</td>
<td>663</td>
</tr>
</tbody>
</table>
### Exhibit 8.7 (continued)

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Melbourne</td>
<td>Poultry Housing Facility</td>
<td>8-Jul-01</td>
<td>269</td>
</tr>
<tr>
<td>Greater Shepparton City Council</td>
<td>Florence Street Industrial Development</td>
<td>20-Jul-01</td>
<td>500</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>Provision of Standard Gauge Rail Access to Bulk Grain Pier at Port of Geelong</td>
<td>22-May-01</td>
<td>1,860</td>
</tr>
<tr>
<td>Castlemaine &amp; Maldon Railway Preservation Society</td>
<td>Completion of the Victorian Goldfields Railway</td>
<td>22-June-01</td>
<td>915</td>
</tr>
<tr>
<td>Victorian Farmers Federation</td>
<td>Cattle Under/ overpass Stage 2</td>
<td>11-Jul-01</td>
<td>2,000</td>
</tr>
<tr>
<td>La Trobe University</td>
<td>Bendigo ICT Centre</td>
<td>1-Aug-01</td>
<td>3,200</td>
</tr>
<tr>
<td>Department of State and Regional Development</td>
<td>Rural Community Infrastructure Allocation</td>
<td>12-Sept-01</td>
<td>10,000</td>
</tr>
<tr>
<td>Sovereign Hill Museums Association</td>
<td>Blood on the Southern Cross Upgrade</td>
<td>12-Oct-01</td>
<td>1,200</td>
</tr>
<tr>
<td>Alpine Shire Council</td>
<td>Alpine Discovery Centre</td>
<td>16-Nov-01</td>
<td>500</td>
</tr>
<tr>
<td>Uniting Church in Australia</td>
<td>Narana Creations Stage Two Development</td>
<td>16-Nov-01</td>
<td>219</td>
</tr>
<tr>
<td>Greater Bendigo City Council</td>
<td>Bendigo Heritage Tourism Infrastructure – Gold Mine</td>
<td>15-Aug-2001</td>
<td>408</td>
</tr>
<tr>
<td>Coliban Water</td>
<td>Implementation of a Cleaner Production Strategy for Castlemaine Region</td>
<td>16-Aug-01</td>
<td>1,650</td>
</tr>
<tr>
<td>Central Goldfields Shire Council</td>
<td>Maryborough Industrial Estate</td>
<td>13-Sept-01</td>
<td>256</td>
</tr>
<tr>
<td>Wangaratta Rural City</td>
<td>Wangaratta Industrial Park Development</td>
<td>7-Dec-01</td>
<td>366</td>
</tr>
<tr>
<td>Wodonga Rural City</td>
<td>Wodonga Enterprise, Business and Technology Park</td>
<td>1-Feb-02</td>
<td>988</td>
</tr>
<tr>
<td>Mildura Rural City Council</td>
<td>Mildura Airport</td>
<td>8-Feb-02</td>
<td>600</td>
</tr>
</tbody>
</table>
### Exhibit 8.7 (continued)

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>La Trobe University</td>
<td>Creation of a Distinct University Campus Incorporating the Murray Darling Freshwater Research Centre Lower Basin Laboratory</td>
<td>8-Feb-02</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Total 2001-02</strong></td>
<td></td>
<td></td>
<td><strong>33,314</strong></td>
</tr>
<tr>
<td><strong>2002-03</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corangamite Shire Council</td>
<td>DemoDAIRY</td>
<td>8-Mar-02</td>
<td>100</td>
</tr>
<tr>
<td>Moira Shire Council</td>
<td>Industrial Development – Cobram and Nathalia</td>
<td>9-Apr-02</td>
<td>418</td>
</tr>
<tr>
<td>Swan Hill Rural City Council</td>
<td>Karinie Industrial Estate Stage Two</td>
<td>16-Apr-02</td>
<td>483</td>
</tr>
<tr>
<td>Dept. of Innovation, Industry and Regional Development</td>
<td>Customer Access Network (CAN) Demonstrations Program</td>
<td>22-Apr-02</td>
<td>5,000</td>
</tr>
<tr>
<td>Glenelg Shire Council</td>
<td>Portland Aerodrome Improvements</td>
<td>31-May-02</td>
<td>405</td>
</tr>
<tr>
<td>Lake Mountain Alpine Resort Management Board</td>
<td>Construction of a Day Centre at Lake Mountain Alpine Resort</td>
<td>21-Jun-02</td>
<td>2,300</td>
</tr>
<tr>
<td>Mt Baw Baw Alpine Resort Management Board</td>
<td>Mt Baw Baw All Year Facilities</td>
<td>27-Jun-02</td>
<td>3,556</td>
</tr>
<tr>
<td>City of Greater Bendigo</td>
<td>Central Victoria Innovation Park</td>
<td>26-Jul-02</td>
<td>3,317</td>
</tr>
<tr>
<td>Co-operative Research Centre for Innovative Wood Manufacturing</td>
<td>Centre for Advanced Wood Processing</td>
<td>30-Jul-01</td>
<td>950</td>
</tr>
<tr>
<td>Gippsland Port Authority</td>
<td>Port Albert Wharf Redevelopment</td>
<td>13-Aug-02</td>
<td>825</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>Housing and Community Building Maintenance Call Centre</td>
<td>13-Aug-02</td>
<td>500</td>
</tr>
<tr>
<td>Wangaratta Rural City Council</td>
<td>Ovens River / Faithful Street Precinct Revitalisation</td>
<td>16-Aug-02</td>
<td>1,200</td>
</tr>
</tbody>
</table>
Exhibit 8.7 (continued)

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Project name</th>
<th>Date</th>
<th>Grant ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deakin University</td>
<td>Geelong Technology Precinct</td>
<td>21-Aug-02</td>
<td>1,965</td>
</tr>
<tr>
<td>Goulburn Valley Water</td>
<td>Cobram to Strathmerton Potable Water Supply Pipeline</td>
<td>23-Aug-02</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total 2002-03</strong></td>
<td></td>
<td></td>
<td>21,419</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>95,386</td>
</tr>
</tbody>
</table>

Source: The Department of Innovation, Industry and Regional Development website.

Exhibit 8.7 reveals that $95.4 million, or 52.8 per cent of total funding available under the Fund had been allocated as at August 2002. The Committee was interested to learn what performance measures the Department had for ‘growing the State’ as a result of its various regional assistance/ funding programs.

The Committee has reviewed the Department’s performance measures under the Regional Infrastructure Development output which covers capital funds for infrastructure development projects in regional Victoria. The Committee found that the performance targets are mainly quantitative and refer to the number of projects funded or the timeliness of advice provided to applicants seeking funding. The Committee believes that performance measures should be developed to reflect the achievements/ outputs generated by the provision of grant funds and the extent to which the objectives of the Fund are being achieved.
Accordingly, the Committee recommends that:

**Recommendation 8.7**

The Department of Innovation, Industry and Regional Development develop performance measures to reflect the achievements/outputs generated by the provision of grant funds and the extent to which the objectives of the Regional Infrastructure Development Fund are being achieved. These performance measures should be included in Budget Paper No. 3 and be reported in the Department’s annual report.

(b) **Government business office in San Francisco**

The Budget Papers stated that funding of $1.8 million has been provided in 2002-03 to promote Victoria as a destination for direct foreign investment.\(^{204}\) The Committee asked the Minister for some details about how it was determined that this is an appropriate time for Victoria to be moving into this type of strategy and what was the rationale behind the funding of an office in San Francisco as opposed to another geographic location.

The Minister advised the Committee that the Government made the decision to open the office in San Francisco because the United States is a primary source of foreign investment into Victoria and because of the links in San Francisco to information technology and biotechnology. The Minister added that there are many investors and venture capital is also available in San Francisco and people looking for global opportunities, and that the Government needs have a presence there.\(^{205}\)

The Government has provided ongoing funding of $750,000 for four years commencing from 2002-03 to fund the San Francisco business office. The purpose of the Office is to target business development and investment recruitment opportunities in

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\(^{204}\) Budget Paper No. 2, *2002-03 The Budget Statement*, p.194

\(^{205}\) Hon. J. Brumby, MP, Minister for State and Regional Development, transcript of evidence, 22 May 2002, p.38-40
information communications and technology and biotechnology, with a special focus on technology development. The Office will also provide facilities to smaller Victorian high technology companies that seek to establish a presence in the United States, particularly in biotechnology and the information communications and technology sectors. The Government is also partnering with the City of Melbourne in operating the Office, with the City of Melbourne committing an additional $100,000 per annum for the next three years. In terms of the performance of the Office, the Department stated that individual sector and market targets have not been established, however the Department has set an overall target of $1.2 billion of investments to be facilitated and attracted. However, no timeframe was specified for the achievement of this overall investment target.

The Committee believes the Department needs to develop more expansive performance measures related to the activities of the San Francisco business office. For example, targets such as the amount of investment attracted and the provision of facilitation services to Victorian businesses be established on an annual basis, and reported in the Department’s annual report.

Accordingly, the Committee recommends that:

**Recommendation 8.8**

The Department of Innovation, Industry and Regional Development develop performance measures relating to the performance of the Government’s business office in San Francisco in facilitating and attracting investment to Victoria and assisting Victorian businesses to establish a presence in North America.

### 8.7 Manufacturing Industry portfolio

The Minister for Manufacturing Industry has joint responsibility for a number of outputs within the output groups Innovation and

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206 Department of Innovation, Industry and Regional Development, information supplied on notice from the estimates hearing, 13 August 2002, Attachment 1, p.2-3
Policy and Business. Outputs for which the Minister is responsible account for $243.4 million, and represent 56.4 per cent of the overall budget for the Department.

The outputs and corresponding funding allocations for 2002-03 are shown below:

Exhibit 8.8 Manufacturing Industry Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Manufacturing and Industry</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy #</td>
<td>8.8</td>
</tr>
<tr>
<td>Business*</td>
<td>Investment Facilitation and Attraction</td>
<td>44.4</td>
</tr>
<tr>
<td></td>
<td>Business Development</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>Regional Strategic Leadership</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Rural Community Development</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development</td>
<td>132.1</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>243.4</strong></td>
</tr>
</tbody>
</table>

Note: # Responsibility for these outputs is shared between the Minister for State and Regional Development, the Minister for Manufacturing Industry, the Minister for Small Business, the Minister for Industrial Relations, the Minister for Employment and the Minister for Information and Communication Technology

Note: * 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

8.7.1 2002-03 outlook for the portfolio

The Committee was advised that during 2002-03 the Department will accelerate the delivery of the Government’s innovation economy objectives, particularly in the Manufacturing Industry portfolio. This will be achieved by:

- an industry growth strategy that targets exports, innovation and industry collaboration. This will be implemented through industry wide initiatives, and it will deliver assistance to industries at the firm and sectoral level; and
• the implementation of the Agenda for New Manufacturing strategy to expand the manufacturing industry.

8.7.2 Analysis of the 2002-03 Budget

The budget allocation to output groups under the joint responsibility of the Minister for Manufacturing Industry has increased by $58.6 million to $243.4 million in 2002-03.

Initiatives contained within the budget relating to the Manufacturing Industry portfolio total approximately $27 million and are aimed at boosting Victoria’s manufacturing industry. The major funding allocations contained in the budget are as follows:

• funding of $27.2 million is provided under the Agenda for New Manufacturing to encourage the growth of the manufacturing sector and to create high-value manufacturing employment in Victoria. Specific initiatives will aim to assist current and potential exporters, assist skills development, and undertake promotion in the community on the value of manufacturing;

• $3.6 million for the Partners at Work program to help businesses manage changes in the workplace and create a high performance work environment; and

• $1.6 million to implement initiatives recommended through the strategic audit of Victorian Industry.

8.7.3 Performance measures

For 2002-03, the number of outputs within the Innovation and Policy and Business output groups remain unchanged. In line with the significant restructure of the former Department of State and Regional Development and the revised Government emphasis on innovation, many new performance measures have been introduced. The following are the major changes to the outputs that are the joint responsibility of the Minister for Manufacturing Industry:
• for the strategic policy, the number of performance measures has increased substantially from six in 2001-02 to 16 in 2002-03;

• for the investment facilitation and attraction output, two new performance measures have been introduced in 2002-03; and

• for the business development output, five additional performance measures have been developed for 2002-03, while two have been transferred to the investment facilitation and attractions output.

The Committee notes that the performance measures adopted for 2002-03, as in 2001-02, relate mainly to quantity, timeliness or cost, and not to the quality of the outputs produced. The Committee’s review of performance measures revealed the following findings:

• only one of the 27 performance measures for the investment facilitation and attraction output is a qualitative measure. The Minister has advised that a review of the Department’s outputs will be conducted in late 2002 and will include an examination of the spread of performance measures across quality, quantity, timeliness and cost. The Committee encourages the development of more comprehensive qualitative performance measures;

• the performance measures and targets for the investment facilitation and attraction output are based on overall amounts covering the entire manufacturing sector. The Committee believes that better performance information would be produced if these measures and targets were broken down into key industry types, so as to assess the performance of each industry category;

• the Minister has stated that a major vision of the Government for the manufacturing sector is to ensure attractive career choices with high-wage, high-skilled jobs and world class training. The performance measures, however, do not reflect this vision, particularly the provision of world class training; and
two major Government initiatives in the Manufacturing Industry portfolio relate to the implementation of the Victorian Rail Manufacturing Industry Strategy and the Victorian Industry Participation Policy, but the performance measures do not directly relate to the achievement of these initiatives’ key targets and outcomes.

The Committee believes that the quality of performance measures in the Budget Papers would be improved by the inclusion of measures that focus on the achievement of the key targets and outcomes of the portfolio’s strategies and initiatives.

Accordingly, the Committee recommends that:

**Recommendation 8.9**

The Department of Innovation, Industry and Regional Development:

(a) review the qualitative performance measures for the investment facilitation and attraction output;

(b) change the performance measures for the investment facilitation and attraction output into targets for specific industry types, to provide more useful and detailed performance information; and

(c) develop performance measures that are directly linked to key targets and outcomes of the Victorian Rail Manufacturing Industry Strategy and the Victorian Industry Participation Policy.

### 8.7.4 Key issues impacting on the 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 2002-03.
(a) Promoting growth in manufacturing

The Department plans to accelerate the delivery of the Government’s innovation economy objectives in 2002-03. The Government will also commence implementation of the Agenda for New Manufacturing.207 The industry growth strategy focuses on exports, innovation and industry collaboration to change the image of the industry and achieve high-performance workplaces. The Committee asked the Minister to give examples of how this might be achieved, with reference to any pilot programs or measures that have been put into place.

The Minister advised the Committee that the Government’s response for the future direction of manufacturing was stated in the agenda for new manufacturing, and falls into four broad streams:208

- accelerating innovation;
- growing exports;
- creating high-performance workplaces; and
- championing the industry.

As part of the accelerating innovation initiative, the Department plans to:

- implement an Innovation Insight Visits program which enables firms of all sizes to learn from manufacturing operations which are world-class;
- provide direct financial support to companies to develop and promote new technology demonstration projects that highlight the successful application of new and emerging technologies. Funding will be provided on the basis of the technology being explored, and the willingness of the company to disseminate findings to others in the industry; and

207 Budget Paper No. 3, 2002-03 The Budget Estimates, p.154
• offer a range of other programs, including a Technology Road Maps and Skills Studies program that will provide a longer-term view of emerging technology and skill needs. The Government will be inviting up to 20 companies to participate in a pilot scheme to share resources and knowledge on workplace excellence.

In relation to some of the other programs such as Growing Exports, assistance will be provided to help manufacturers increase exports by encouraging new firms to export and by facilitating collaborative export initiatives.

The Department aims to help create high-performance manufacturing workplaces by providing funding support to Victorian businesses through a program called Partners at Work. This program is designed to improve the organisational capabilities and industrial relations within manufacturing enterprises.

In relation to promoting industry, the Department will together with industry, conduct research into community attitudes to manufacturing and develop messages to counteract the negative images of manufacturing. The Department will support the Manufacturing Industry Consultative Council in this area.

The Committee believes that the Department will need to develop and implement an ongoing monitoring strategy for these initiatives, as a means of assessing the overall performance of its agenda for new manufacturing. In addition to this, the Department will need to ensure that program specific performance measures and targets are developed to facilitate an assessment of the individual initiatives for new manufacturing. The Committee suggests that the Department consider developing performance measures that:

• measure investment in innovative practices and new technology;

• measure the contribution to export growth by new exporting firms;
• measure community attitudes to the manufacturing sector; and

• employment growth, productivity growth and the impact on industrial disputation resulting from the implementation of initiatives associated with the Partners at Work Program.

Accordingly, the Committee recommends that:

**Recommendation 8.10**

The Department of Innovation, Industry and Regional Development:

(a) develop and implement an ongoing monitoring strategy to assess the overall performance of its agenda for new manufacturing; and

(b) ensure that program specific performance measures and targets are developed to facilitate an assessment of the individual initiatives implemented as part of the agenda for new manufacturing.

(b) **Strategic audits of industry**

As part of its review of the 2001-02 Budget Estimates, the Committee acknowledged that strategic industry audits were a valuable source of information and direction for the development of manufacturing industry in Victoria. The Committee recommended that the Department complete the strategic plans and address the recommendations arising from industry audits as soon as practicable.

The Department advised the Committee that in 2001-02 audits were undertaken on seven industry sectors at a preliminary cost of $304,620. The industry sectors audited were the:

- environment management and renewable energy;

- finance;

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• medical and scientific equipment;
• metal fabrication;
• precision engineering;
• professional and technical services;
• sport and recreation; and
• transport, distribution and logistics.

The Department has subsequently developed a policy framework to help create jobs and to promote innovative manufacturing industry. The Government has recently announced the following strategy documents:210

• the strategic audit of Victorian Industry Overview;

• the strategic industry plans for the automotive, medical and scientific equipment, metal fabrication, precision engineering and textiles, clothing, footwear and leather industries. The Department advised that these strategies contain initiatives designed to improve the competitiveness, growth and profitability of these industry sectors over a ten year time frame;

• the government’s business statement, Building Tomorrow’s Business Today;

• the Agenda for New Manufacturing, which is a shared industry-government action plan, with $27 million allocated over four years to accelerate business innovation, growth of the export base, champion manufacturing, create high performance workplaces, build workforce skills, attract investment and achieve environmentally sustainable manufacturing. As part of the Agenda for New Manufacturing, the Government has allocated $1.6 million in 2002-03 to support the implementation of a series of

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210 Office of Manufacturing, information supplied on notice from the estimates hearing, 9 August 2002, Attachment 1, p.1-2
industry-specific initiatives identified through the industry audits and plans; and

- the Knowledge and Skills for the Innovation Economy statement.

The Committee acknowledges the extensive investment and work that the Department and industry stakeholders have put into the conduct of the strategic audits of industry and the subsequent development of the shared industry-government policy framework designed to promote growth and employment in the manufacturing industry. The Committee also notes the long-term nature of the strategic industry plans.

In line with its observations regarding the Government’s Agenda for New Manufacturing, the Committee suggests that the Department establish an overall monitoring strategy to track the implementation of the initiatives and programs that will arise from the policy framework and strategic industry plans. The Committee believes that the long-term nature of the Department’s vision for the manufacturing industry may make the development of meaningful performance measures and targets difficult. Given the involvement of the private sector in the development of the Government’s policy framework for industry, the Committee suggests that the Department work in conjunction with the private sector to develop relevant performance measures. This task will be further complicated by the number of influences, both internal and external to Australia, such as Federal and overseas government policy decisions and world demand trends, that will influence the development of the manufacturing sector.
Accordingly, the Committee recommends that:

**Recommendation 8.11**

The Department of Innovation, Industry and Regional Development:

(a) develop an overall monitoring strategy to track the achievements arising from the implementation of initiatives and programs developed through its strategic policy framework and strategic industry plans;

(b) develop, in conjunction with industry, performance measures and targets that reflect the long-term nature of its strategic policy framework and industry plans; and

(c) ensure that these performance measures and targets are published in the Department’s annual report and in the Budget Papers to enable transparent assessment of the performance of its strategic industry initiatives.

### 8.8 Small Business portfolio

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 $257.8 million in 2002-03 and represent 59.7 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2002-03 are shown in Exhibit 8.9.
### Exhibit 8.9 Small Business Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Small Business</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>8.8</td>
</tr>
<tr>
<td>Business</td>
<td>Investment Facilitation and Attraction#</td>
<td>44.4</td>
</tr>
<tr>
<td></td>
<td>Business Development#</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>Regional Strategic Leadership#</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Rural Community Development#</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>Regional Infrastructure Development#</td>
<td>132.1</td>
</tr>
<tr>
<td></td>
<td>Regional Economic Development#</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>Regulation Reform</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Small Business Support and Online Business Services</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>Trade Measurement Development and Services</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Effective Management of the Sale of Liquor</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>257.8</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all the other Ministers within DIIRD

Note: # Responsibility for these outputs is shared with the Minister for State and Regional Development and the Minister for Manufacturing Industry

### 8.8.1 2002-03 outlook for the portfolio

Initiatives to be undertaken during 2002-03 which are designed to benefit small business include:\n
- ongoing delivery of an industry growth strategy which is intended to improve the uptake by businesses of innovation and technology, export marketing and ‘knowledge sharing’;

- implementation of the Agenda for New Manufacturing strategy which is designed to build Government and Industry partnerships through initiatives on innovation, exports, training, the image of industry and high performance workplaces;

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211 Budget Paper No. 3, 2002-03 Budget Estimates, p.154-155
• the introduction of various other strategies designed to stimulate business, such as Victoria’s E-Commerce Advantage;

• delivery of employment programs and other strategic initiatives designed to address employees’ or employers’ needs for a skilled and adaptable labour force; and

• development of a multilingual capacity for the Department’s business support websites, linkage of the Victorian Business Channel to the Victorian Business Line call centre and extending the hours of operation for the call centre to facilitate small business access.

8.8.2 Analysis of the 2002-03 Budget

The budget allocation to output groups under the sole or joint responsibility of the Minister for Small Business increased by $60 million to $257.8 million in 2002-03.

The Business output group budget increased by $58.5 million compared to 2001-02. Most of the increase, namely $40.9 million, was attributed to the Regional Infrastructure Development output which provides capital works funds in the form of grants for infrastructure development projects in regional Victoria. Of the outputs within the Business output group, there was a budget increase of $1.4 million from $19.5 million in 2001-02 to $20.9 million in 2002-03. The increase in funding was mainly for the development and delivery of business information, advisory and referral services to small and medium businesses throughout Victoria.

8.8.3 Performance measures

The Department advised that it has given considerable attention to developing performance measures and targets that establish links between departmental outputs and objectives and Government objectives. Regarding outputs that are the joint or sole responsibility of the Minister for Small Business, the following changes have occurred:
• the strategic policy output has a range of new performance measures that reflect the inclusion of the new project to develop Victoria’s design capabilities; and

• six performance measures for the Small Business Support and Online Business Services output of the Business output group have been deleted in 2002-03, on the grounds that they were not appropriate or no longer required, or the target had been achieved and the activity was not ongoing.

The Committee’s review of performance measures revealed the following findings:

• the provision of assistance to parties starting up a small business is a key Government priority, with the Minister advising that approximately 50 per cent of small business inquiries are related to business startups. The performance measures, however, do not identify the type of inquiries made or assess the achievement of key outcomes and targets of Government programs designed to assist small business startup (for example, the Buying a Business program);

• the Business output group contains performance measures that focus on the level of investment facilitation and attraction to Victoria. A key measure of the Government’s small business policies is the attractiveness of the State to small business; accordingly, measures should be developed for inclusion in the Budget Papers that demonstrate the number of new small businesses that commence in Victoria annually;

• the StreetLife program is a major initiative that the Government has refocused on providing assistance to small business. The performance measures that relate to this program (namely, the StreetLife contracts signed and the StreetLife key performance indicators completed), however, do not indicate the quality of services provided to small business operators;

• one performance measure, client satisfaction with small business information and referral services (survey), has a 2002-03 target of 80 per cent, yet actual performance in 2000-
01 was 88 per cent and the 2001-02 target was greater than 80 per cent. The Committee believes that once a target is achieved, the target for the next period should be strengthened rather than relaxed, to provide incentive for improved performance;

- a key priority of the portfolio is the promotion of women in small business. Accordingly, the Government has developed the Showcasing Women in Small Business Strategy to assist women approaching financial institutions and to provide mentoring and networking programs. However, the Budget Papers do not contain any performance measures that focus on the achievement of this significant initiative’s targets and outcomes; and

- another key Government initiative involves a co-operative arrangement with the Department of Education and Training for the Skilling Small Business for the Future program, which aims to provide training options for small business people to enhance their business skills. No performance measures in the Budget Papers relate to the achievement of the program’s key targets and outcomes, or to client satisfaction with the quality of training delivered.

The Committee believes that the performance measures in the 2002-03 Budget Papers do not adequately assess the quality of services delivered to small business. The existing performance measures focus mainly on numbers of inquiries and referrals, and not on the achievement of key targets and outcomes of the portfolio’s major Government initiatives.

Accordingly, the Committee recommends that:

**Recommendation 8.12**

The Department of Innovation, Industry and Regional Development review its performance measures in the Budget Papers to ensure they better reflect key targets and outcomes of the Small Business portfolio.
8.8.4 Key issues impacting on the 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 2002-03.

(a) Department advice to small business

The Department advises that services are available through a number of sources, including the online telephone service to business. The Department is currently considering extending the time that the line is in operation so that small business can access it out of traditional business hours. The Victorian Business Channel and the Business Licensing Information Service also provide small business with information that is regularly updated.

The business centres utilise the Department’s online information facilities to assist small businesses. The Minister stated the business centres themselves were taking a more active role identifying small businesses that could use these services.

The Minister stated that there had been good feedback from users of the information services. The Department had established a target for the business channel of 60,000 this year, and nearly 86,000 people have used it. VicExport, which has targeted for 3,000 hits has had 8,000 hits. The Minister stated that these statistics demonstrated a need for relevant online services as well as face-to-face services.212

(b) Women in small business

As part of the 2001-02 review of the Budget Estimates, the Department acknowledged that the production of generic information on business needed to be widened to include the special needs of women in business and that it would be announcing a range of initiatives to assist businesswomen in dealing with financial institutions. In this context, the Committee was interested to learn about the Department’s initiatives to

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promote small business and particularly the involvement of women in small business.

The Minister stated that there were a number of issues facing women in small business, but one of the key issues was finance and accessing information on finance. This was particularly an issue in country Victoria.

On 6 March 2002, the Minister launched the Showcasing Women in Small Business Strategy, which aims to provide Victorian women in small business with access to practical business support.213

The Showcasing Women in Small Business strategy includes initiatives to prepare women to access finance, including:

- a financial manual;
- a series of seminars and workshops for women, providing information about the financial structure of a business and how best to approach financiers for funds;
- a mentoring program to put women in contact with business role models; and
- networking opportunities to help businesswomen support one another.

A financial manual 'Show Me The Money' about providing practical initiatives and advice aimed at assisting Victorian women wishing to access finance, was also launched. The strategy seeks to prepare women to access finance, and will provide Victorian women with a networking system and a mentoring program to help them in their business pursuits. The Minister stated at the launch that the Showcasing Women in Small Business strategy demonstrated the Government's commitment to strengthening the performance and market competitiveness of Victoria's small business sector.214

At the estimates hearing, the Committee was advised that more than 2000 'Show Me The Money' manuals had been distributed, and were followed up with workshops. The Minister informed the

213 Media release by the Minister for Small Business, dated 6 March 2002
214 Ibid
Committee that the seminars that had been held were well received and follow-up workshops and further seminars were being considered.\textsuperscript{215}

The Committee recognises the efforts of the Department to provide targeted assistance to business-women. It is important that the Department closely monitors the effectiveness and impact of its strategies in assisting women in business.

Accordingly, the Committee recommends that:

**Recommendation 8.13**

(a) The Department of Innovation, Industry and Regional Development monitor the effectiveness of the Showcasing Women in Small Business Strategy and the ‘Show Me The Money’ manual in:

(i) improving access to finance for women in small business, particularly in rural/regional areas;

(ii) facilitating the mentoring program and creating networking opportunities for business women;

(iii) attracting and retaining women in small business; and

(iv) promoting the competitiveness and growth of the small business sector.

(b) These results should be included in the Department’s annual report.

(c) Assistance to businesses in rural communities

The Committee was interested to learn what initiatives/ projects have been implemented or are planned in 2002-03 to assist small rural communities in re-establishing local businesses.

\textsuperscript{215} Hon. M. Thomson, MLC, Minister for Small Business, transcript of evidence, 22 May 2002, p.73
The Department advised the Committee that through its Showcasing Small Business strategy the Government recognises the critical role played by small businesses in local communities. A number of programs across Government have been implemented or are planned. The programs that are within the portfolio of small business include: 216

- the provision of $500,000 for the small business renewal component of Living Regions, Living Suburbs in 2001-02. A similar program will continue in 2002-03;

- $100,000 to trial a regional small business mentoring scheme to help new and growing businesses to access expertise and experience;

- a two-year $1 million StreetLife program, where local communities are given assistance in identifying, designing and delivering on local projects to improve the local economy and boost jobs growth by encouraging small business success. The department advised that of the 34 projects chosen for funding in the current round, half of the projects are from regional Victoria; and

- a commitment to ensure that 50 per cent of expenditure on business development programs reaches small business, of which a significant share is spread across rural Victoria through the Department’s network of Victorian Business Centres.

Given the importance of small businesses to local communities, the Committee acknowledges the Department’s provision of assistance to rural and regional Victoria. The Committee encourages the Department to review its inquiry/information requests from those business people accessing its small business services and programs to determine the nature of the issues faced by rural and regional small business operators, and whether this information can be used to develop targeted programs aimed at assisting rural and regional Victoria small business development.

216 Minister for Small Business, information supplied on notice from the estimates hearing, 30 July 2002, p.3
8.9 Industrial Relations portfolio

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 $20.7 million or 4.8 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2002-03 are shown below:

Exhibit 8.10 Industrial Relations Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Industrial Relations</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy *</td>
<td>8.8</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>Industrial Relations Services</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>Industrial Relations Policy</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>20.7</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within DIIRD

8.9.1 2002-03 outlook for the portfolio

For 2002-03, Industrial Relations Victoria will continue to work with all stakeholders to build an industrial relations environment in Victoria which encourages, recognises and rewards co-operative workplace cultures; which is seen by Government as an essential part of attracting business investment to the State. Specific initiatives proposed in 2002-03 are:

- the further development of an industrial relations strategy in relation to the delivery of services for the Commonwealth Games and further integration of the Government’s industrial relations policies and objectives with business and other stakeholders;

- an extension of the Partners at Work and Regional High Performance Networks programs;

- the completion of the Victorian Workplace survey on high performance practices in key industries; and
8.9.2 Analysis of the 2002-03 Budget

The overall funding allocation for outputs under the responsibility of the Minister for Industrial Relations has increased by 6.7 per cent to $20.7 million, compared with the allocation of $19.4 million in 2001-02.

The portfolio’s share of the expenditure from the Strategic Policy output, which forms part of the Innovation and Policy Output Group, has increased by 20.5 per cent from $7.3 million in 2001-02 to $8.8 million in 2002-03.

However, expenditure from the Industrial Relations Output Group has decreased by 1.6 per cent from $12.1 million in 2001-02 to $11.9 million in 2002-03.

8.9.3 Performance measures

The Committee notes there has been minimal change to the output groups and outputs of the Industrial Relations portfolio. The number of performance measures within the Industrial Relations output group has increased from 19 in 2001-02 to 21 in 2002-03.

The Committee has previously noted that the performance measures used for the Industrial Relations portfolio were far too broad and did not indicate whether the Government is achieving its industrial relations objectives. The Committee has similar views about the performance measures for 2002-03.

The Committee’s review of performance measures showed the following:

- a significant activity of the Industrial Relations portfolio is the delivery of private sector industrial relations services to Government and client organizations. The target for this activity in previous years has been Yes/ No and in 2002-03 is ‘na’. The Minister has advised that a more relevant and effective target will be established for 2003-04;

- the finalisation of the review of child employment regulations.
• a key objective of the portfolio is to build better workplaces through a partnership approach to industrial relations. A major strategy to achieve this objective is to provide incentives for workplaces to adopt innovative approaches via the Partners at Work program. This important initiative is measured, however, by only the number of programs delivered rather than by the achievement of the program’s key targets and outcomes;

• another of the Government’s key industrial relations objectives is to develop a fair system of industrial relations for all Victorians. A major strategy in achieving this objective is the advocacy of national industrial relations reforms consistent with Victorian Government policy. Performance measures to assess the effectiveness of this strategy have not been developed;

• an important initiative in the introduction of a fairer industrial relations system in Victoria is for the Government to finalise a review into legislative and administrative arrangements that govern child employment laws in Victoria. No performance measures relate to this important activity;

• the continued development of the workplace information unit is a key initiative of the Government, given the unit’s important role in providing education services for employers and employees. Only one performance measure, education and communication strategies deployed within agreed timeframes, applies to the unit’s fundamental role in this area. The Committee considers that measuring key targets and outcomes relating to the effectiveness/impact of education services provided to employers and employees is more important than simply measuring the timeliness of strategies deployed; and

• the Regional High Performance Networks program is used by the Government to promote a partnership approach throughout the public sector, but no performance measures assess the achievement of the Program’s key targets and outcomes.
The Committee believes the Department should review these performance measures to ensure they more directly measure the achievements of the portfolio’s key strategies that are directly linked to the Government’s major industrial relations objectives.

Accordingly, the Committee recommends that:

**Recommendation 8.14**
The Department of Innovation, Industry and Regional Development review the performance measures for the Industrial Relations portfolio to ensure they accurately measure the achievements of the portfolio’s key strategies that are directly linked to the Government’s major industrial relations objectives.

### 8.9.4 Key issues impacting on the 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 2002-03.

(a) Partners at Work program

As part of the 2001-02 estimates hearing with the then Minister for Industrial Relations, the Committee was advised that two new units in the Industrial Relations Victoria structure would have a significant impact on Victoria’s business climate. These two units were the:

- business development unit, which was established to promote Victoria’s progressive industrial relations climate to potential and existing investors in Victoria. The unit networks across the business community and Government, facilitating investment projects by addressing industrial relations as a strategic management issue; and

- effective organisations unit, which undertakes and promotes research and field studies on progressive industrial relations
strategies, high performance work systems and activities that facilitate co-operative workplace practices.\textsuperscript{217}

The Committee was interested to learn about the status of these two units and what effect they had on improved structures and the outcome of industrial relations services provided to the Department’s stakeholders.

The Minister advised that the effective organisations unit had been put in place to promote and provide appropriate support to organisations that are seeking to develop more co-operative industrial relations and human resources practices. The Minister deemed the unit’s most significant outcome to be the promotion of partnerships between employers and employees that facilitated more co-operative workplaces. The Minister also stated that the unit is involved in trying to improve workplace practices, improve stakeholder relationships and help solve business problems. The unit organises a series of public seminars and workshops where it assists industry and provides advice in developing co-operative approaches.\textsuperscript{218}

The Minister stated that the first round of projects under the Partners at Work program would be announced in June 2002 and therefore it was too early to report back to the Committee on how the program was operating. The Partners at Work program was announced under the Government’s Agenda for New Manufacturing, with funding of $3.6 million to help businesses engage with employees to manage workplace change and create productive environments.

At the Estimate hearings with the Minister, the Committee highlighted a number of instances where the performance measures for this portfolio were inadequate. The Minister agreed with many of the issues raised by the Committee. The Minister stated that once the projects were up and running it would be easier to establish performance measures.

\textsuperscript{217} Hon. M. Gould, MLC, Minister for Industrial Relations, transcript of evidence, 19 July 2001, p.249
\textsuperscript{218} Hon. J. Lenders, MLC, Minister for Industrial Relations, transcript of evidence, 23 May 2002, p.124-125
The Committee disagrees that the Department should wait until the Partners at Work program is operational before developing relevant performance measures because its purpose, to help businesses engage with employees to manage workplace change and create high performance work environment, has been established. The Department is aware of what it wants the program to achieve and should be in a position to articulate relevant performance measures and targets through which the outcomes of the programs will be assessed following its initial period of implementation. The Committee suggests that quantitative measures of performance could include the number of organisations seeking involvement in the program, while, more importantly, qualitative performance measures should give an indication of the effectiveness of the program.

Accordingly, the Committee recommends that:

**Recommendation 8.15**

The Department of Innovation, Industry and Regional Development:

(a) develop quantitative and qualitative performance measures and targets for the business development and effective organisations units to enable the outcomes of the programs to be assessed; and

(b) report the performance measures in the Budget Papers and the Department’s annual report.

**(b) Schedule 1A workers**

In his opening address to the Committee, the Minister highlighted the continuing development of the Department’s workplace information unit and the needs of Schedule 1A workers.\(^{219}\) The Committee was interested in following up these issues and, in particular, what the Department is doing to address the information needs of Schedule 1A workers.

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\(^{219}\) Hon. J. Lenders, MLC, Minister for Industrial Relations, transcript of evidence, 23 May 2002, p.122
The Minister described Schedule 1A workers as the neglected people in the industrial relations system. Every worker in Australia, other than Victorian Schedule 1A workers, has 20 allowable matters in their industrial conditions. Schedule 1A workers only have five conditions that are required to be in their terms of employment. This raises a number of questions:

- is a person required to be paid after they have worked for 38 hours;
- what should the overtime rates be; and
- are Schedule 1A workers entitled to bereavement leave.

The Minister advised that the current situation regarding the over 500,000 schedule 1A workers in Victoria is a legacy from when Victoria referred all its industrial relations powers, bar two, to the Commonwealth in 1996. The State Government has asked the Commonwealth to address the entitlements of Schedule 1A workers under the provisions of the Australian Industrial Relations Commission, however the Commonwealth Government has rejected this.

In relation to providing information to Schedule 1A workers, the Department set up an information unit within Industrial Relations Victoria, which has 10 staff, that assists schedule 1A workers. The unit also provides advice to small to medium enterprises that do not have any industry associations of their own. Information is also available in rural and regional Victoria, where there have been visits made by the unit.

The Department's Executive Director of Industrial Relations stated that the information services unit provides support to organisations rather than trying to attempt to provide large amounts of detail and advice to large numbers of individuals. The unit has drawn on information from the Industrial Relations Task Force including where there are pockets of people or people with particular industrial relations issues, for example migrant and

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220 Ibid, p.127
221 Ibid, p.127-128
8.10 **Information and Communication Technology portfolio**

The Information and Communication Technology portfolio was established in March 2002. The Minister for Information and Communication Technology has responsibility for a number of outputs within the Innovation and Policy output group of the Department of Innovation, Industry and Regional Development. Outputs for which the Minister is responsible represent $44.1 million or 10.2 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2002-03 are shown below:

**Exhibit 8.11 Information and Communication Technology Portfolio - Output Group and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Information and Communication Technology</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy*</td>
<td>8.8</td>
</tr>
<tr>
<td></td>
<td>ICT Industry Development and E-Commerce</td>
<td>11.9</td>
</tr>
<tr>
<td></td>
<td>E-Government and ICT policy</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>ICT Community Development</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>E-Government Infrastructure</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>44.1</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within DIIRD

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222 Mr P Lorraine, Executive Director, Industrial Relations, Department of Innovation, Industry and Regional Development, transcript of evidence, 23 May 2002, p.128
8.10.1 2002-03 outlook for the portfolio

During 2002-03 departmental initiatives will include:

- finalisation of the implementation of the Connecting Communities and Skills x Knowledge = Growth programs;
- continuing the implementation of Growing Tomorrow’s Industries Today, Victoria’s E-Commerce Advantage, Regional Connections;
- commencement of the implementation of TPAMS, a strategy covering the acquisition and management of the telecommunications and networking requirements for the Victorian Government sector over the next five years; and
- continuing implementation of programs under the E-Government strategy.

8.10.2 Analysis of the 2002-03 Budget

The budget allocation to the output group under the responsibility of the Minister for Information and Communication Technology has increased by $6.1 million or 16.1 per cent to $44.1 million in 2002-03, compared with the 2001-02 Budget of $38 million.

The main outputs contributing to this variation are the ICT Industry Development and E-Commerce and the E-Government and ICT policy, both of which increased their budget allocation by $3.5 million in 2002-03.

8.10.3 Performance measures

The Committee notes substantial change to the performance measures under the Information and Communication Technology portfolio, with 26 new performance measures developed for 2002-03 and 10 performance measures discontinued from 2001-02.

The Committee’s review of these performance measures showed they are heavily skewed towards measuring the number of ICT projects under way or completed. The Committee is concerned that such a heavy focus towards quantitative measures does not
necessarily provide an appropriate indication of performance given that key qualitative and timeliness outcomes and targets are not measured.

The Committee's review revealed the following findings:

- the ICT industry development and e-commerce output aims to grow the ICT industry in Victoria and promote the uptake of electronic commerce in both business and the community. While the performance measures relate to the number of projects delivered, they fail to measure the impact of these projects in delivering the output's stated aim;

- the ICT community development output delivers projects designed to promote the effective use of ICT in the community. The performance measures relate to the number of projects completed/under way and whether payments are made according to the contract, rather than to the extent to which these projects have successfully promoted the effective use of ICT;

- a key strategic element of the Government’s Connecting Victoria policy is to build a learning society by encouraging growth in ICT skills. The only performance measure relating to this element concerns the number of ICT skills projects, rather than key outcome measures such as the number of students completing ICT courses and subjects in secondary and tertiary education;

- the Minister has advised that Victoria has an E-Commerce Advantage Strategy, but no performance measures relate to the achievement of the strategy’s key targets and outcomes; and

- a key issue for the portfolio is the provision of infrastructure to allow appropriate access to ICT technologies, including VicOne. The performance measures do not measure access achievements, particularly access in metropolitan and rural Victoria.

The Committee believes that greater effort is required to ensure performance measures more directly relate to the achievement of
key targets and outcomes within the portfolio, rather than on the number of projects delivered.

Accordingly, the Committee recommends that:

**Recommendation 8.16**
The Department of Innovation, Industry and Regional Development review the performance measures under the responsibility of the Information and Communication Technology portfolio, to ensure they focus more on the timely delivery of relevant projects and on the impact of these projects in delivering key targets and outcomes.

### 8.10.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Information and Communication Technology identified the following key issues that will impact on the portfolio and the budget estimates for 2002-03.

(a) **Information and Communication Technology — investment**

The Committee enquired about the output measure, Investment recruitment projects, under the ICT industry development and e-commerce output, about the Department’s success rate in recruiting such investments, and the value of those businesses to Victoria.

The Minister advised that it is important that there is a critical mass in order for the ICT sector to grow and flourish, so it was important that the Department encourage investment into the State and also assist small businesses in the sector to grow, to export and to maximise their potential.223

On the investment side, the Minister further advised that since June 2001 the Government has facilitated 920 jobs and about

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$128 million in capital investment into Victoria. Last financial year that figure was slightly higher.\textsuperscript{224}

Based on advice from the Minister, the Committee notes that:

- 30 per cent of Australia’s ICT industry employment and revenue is in Victoria, and around 40 per cent of Australia’s information and communications technology research and development occurs in Victoria; and

- on the basis of consultants advice to the Department in relation to the information economy and its capacity to drive economic growth, Victoria could expect $146 billion additional gross state product and 95,000 additional jobs over the next decade.\textsuperscript{225}

The Committee believes that the Department should improve the quality of information provided in the Budget Papers regarding the level of direct investment, export earnings and employment growth facilitated by the Department in the ICT sector. Unfortunately, the Department’s current performance measures only provide very broad information on the number of ICT projects assisted. Given the ‘transportability’ of high technology ITC investments and the ease with which they can relocate, the Committee also believes that the Department should report on the longevity of assisted firms operating in the Victorian economy. The Department should consider the development of performance measures that indicate the survival rate of assisted ICT firms over one, three and five year time spans.

\textsuperscript{224} Ibid, p.89  
\textsuperscript{225} Ibid, p.85
Accordingly, the Committee recommends that:

**Recommendation 8.17**

The Department of Infrastructure:

(a) develop quality performance measures and targets in regard to the level of direct investment, export earnings and employment growth facilitated by the Department in the ICT sector;

(b) develop performance measures that indicate the survival rate of assisted ICT firms over one, three and five year time spans; and

(c) report these performance measures in the Budget Papers and the Department’s annual report.

(b) Telecommunications purchasing and management strategy

The Committee noted that total funding of $70.6 million, including recurrent funding of $22.9 million over four years and $47.7 million over the next two years, was allocated in the 2002-03 Budget to introduce a whole-of-government Telecommunications Purchasing and Management Strategy (TPAMS).

The Committee was interested to learn:

- how the implementation of TPAMS will produce benefits for Government and the Victorian community;

- what the anticipated level of savings to be produced under the new arrangements are;

- what impact the new arrangements will have on the quality of service delivery; and

- how the Department will ensure that the current quality of service delivery is maintained and improved.

The Committee requested information regarding the estimate that 40 per cent of the Government’s telecommunication costs will be saved through the implementation of TPAMS. The Committee
queried whether that estimate included the cost of the capital contribution of the project.

The Minister stated that the savings related to unit cost savings, the actual cost for each call or use of the system, and was expecting that the savings would be put back into providing infrastructure. The Secretary of the Department added that with all telecommunications and ICT investments the rate of depreciation is much higher than for other investments, so the capital being invested by the Government in the TPAMS project would have had to be invested in any event over the same period.

The Committee also questioned how the recurrent funding allocation of $22.9 million would be applied. The Minister informed the Committee that the recurrent funding referred to the implementation of the TPAMS project and the cost of the gradual phase-in of the new system. The Committee was also advised that these costs would be borne by the Department on behalf of the Government with the anticipated savings generated across the whole-of-government.

The Committee sought advice from the Department as to how it would ensure and measure that the current quality of service delivery is maintained and improved. The Committee was pleased to learn from the Department that quality assurance of the telecommunications services will be obtained essentially through:

- industry benchmarking;
- pre-qualification and comprehensive capability evaluation;
- technical and commercial risk management; and
- the inclusion of quality assurance monitoring and reporting systems into core specifications backed up by contract terms.

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226 Hon. M. Thomson, MLC, Minister for Information and Communication Technology, transcript of evidence, 22 May 2002, p.93
227 Mr N Edwards, Secretary, Department Innovation, Industry and Regional Development, transcript of evidence, 22 May 2002, p.93
228 Hon. M. Thomson, MLC, Minister for Information and Communication Technology, transcript of evidence, 22 May 2002, p.93
and conditions that encourage and enforce compliance with quality and service delivery commitments.²²⁹

8.11 Employment portfolio

The Minister for Employment has sole responsibility for the Employment Programs output group and joint responsibility for the Innovation and Policy output group along with the other five Ministers with portfolios within the Department of Innovation, Industry and Regional Development. These output groups account for $55.1 million or 12.8 per cent of the Department's 2002-03 Budget.

These outputs and corresponding funding allocations for 2002-03 are shown below:

Exhibit 8.12 Employment Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Employment</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation and Policy</td>
<td>Strategic Policy*</td>
<td>8.8</td>
</tr>
<tr>
<td>Employment Programs</td>
<td>Policy and Labour Market Advice</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>Community Employment Programs</td>
<td>27.9</td>
</tr>
<tr>
<td></td>
<td>Business Employment Programs</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>Migrant Employment Services</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>55.1</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for this output is shared with all other Ministers within DIIRD

²²⁹ Minister for Information and Communication Technology, information supplied on notice from the estimates hearing, 27 August 2002, Attachment 1, p.2-3
8.11.1 2002-03 outlook for the portfolio

In 2002-03, the Department will:

- deliver the Government’s employment programs to assist designated groups secure and retain employment; and
- develop new strategic initiatives to address employers’ need for a skilled and adaptable labour workforce.

8.11.2 Analysis of the 2002-03 Budget

In 2002-03, the budget allocation for the Employment Programs output group is $46.3 million. As the transfer of the Employment Portfolio has only recently occurred for the 2002-03 Budget, there were no comparative figures provided for 2001-02. However, a review of the 2001-02 Budget shows that the budget allocated to the Employment Services output within the Tertiary Education, Training and Employment output group under the Department of Education, Employment and Training was $64.5 million, therefore a decrease of 28.3 per cent or $18.2 million has occurred.  

8.11.3 Performance measures

The Committee notes minor changes to the performance measures under the Employment portfolio in 2002-03, with two performance measures included and two performance measures deleted from 2001-02. In reviewing the performance measures contained in the Employment Programs output group, the Committee noted that the majority of performance measures have been carried forward from 2001-02, but no amounts presented in the 2002-03 Budget Paper No. 3 for the Employment portfolio show the 2000-01 actual data, 2001-02 target and 2001-02 estimated actual data. The only information presented relates to the 2002-03 target.

The Committee has been advised that the Department of Treasury and Finance directed that performance measures be reported under the Department of Education and Training to 30 June 2002 and under the Department of Innovation, Industry and Regional Development, May 2001, Budget Paper No 3, 2001-02 Budget Estimates, p.32
Development from 1 July 2002. The Committee believes this arrangement is inappropriate because it does not allow a proper comparison of performance with the previous year’s activities.

In addition, the Committee’s review of performance measures showed the following findings:

- the Community Jobs Program is a key strategy of the Government in the delivery of its employment policies, but the performance measures do not assess some critical success factors of the program, such as the number of people in employment who participated in the program and the number of unemployed people assisted by the program. In addition, the performance measures should be categorised into metropolitan, regional and rural areas;

- two performance measures that relate to the Youth Employment Incentive Scheme and the Private Sector Skills Development Program do not have a 2002-03 target. Each measure has a note attached stating that overall targets were met in 2001-02, but the notes do not provide information on the level of the target, thus presenting no performance information for either performance measure;

- a key commitment of the Government is to encourage permanent private sector employment ahead of casual private sector employment, but no performance measures assess the achievement of Government activities in this area; and

- a major Government approach to promoting employment is job creation through investment attraction and industry development, but no performance measures identify the level of job creation through these activities.
Accordingly, the Committee recommends that:

**Recommendation 8.18**

The Government ensure, where machinery of government changes transfer responsibilities between Departments, all comparative performance information is reported at the one place in the Budget Papers to allow appropriate analysis of performance.

### 8.11.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Employment identified the following key issues that will impact on the portfolio and the Budget Estimates for 2002-03.

(a) **Youth unemployment**

The Committee sought advice from the Minister as to what was contained in the 2002-03 Budget for young people, particularly what programs the Department has in place to try to stimulate employment opportunities for young people in Victoria.

The Minister advised the Committee that the Department had a number of schemes aimed at youth employment, including: 231

- the youth employment scheme (YES), provides funding ($39.8 million was announced in the 2000-01 budget) for apprenticeships and traineeships in the public sector. The scheme is focused on the provision of training for young people in the public sector and has a target of 2,600 placements. To date the Department has provided 1,000 apprenticeships and traineeships. The scheme has been very popular in country areas, with around 45 per cent of successful applicants coming from country and regional Victoria. There has also been a high retention rate of those who have been offered jobs when they complete their traineeship;

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• the youth employment incentive scheme (YEIS), provides financial support to employers to employ young people aged 15 to 24, and has provided $12.5 million of incentives (announced in the 2000-01 budget over four years) to Victorian employers to take on an apprentice or trainee. The Department has already met its target which was to assist 10,000 young people;

• the youth employment link (YEL), which is the internet site, where young people can find out information on their own rights and to investigate career opportunities; and

• the private sector skills development program (PSDP), where 76 per cent of eligible applicants have been in the 15 to 24 age bracket.

The Minister stated that with respect to these programs, over 17,000 young people had received assistance from 1 July 2000 to 14 November 2001.\textsuperscript{232}

The Committee acknowledges and encourages the Department to continue its efforts to assist young people to find employment. Exhibit 8.13 provides a summary of the Department’s performance measures for the youth employment assistance initiatives, described by the Minister, as presented in the 2002-03 Budget Paper No. 3.

\textsuperscript{232} Hon. J. Pandazopoulos, MP, Minister for Employment, transcript of evidence, 24 May 2002, p.160
### Exhibit 8.13 Youth Employment Schemes, Selected Performance Measures

<table>
<thead>
<tr>
<th>Employment scheme/initiative</th>
<th>2000-01 Actual</th>
<th>2001-02 Target</th>
<th>2001-02 Expected Outcome</th>
<th>2002-03 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES – apprenticeships and traineeships commenced (number)</td>
<td>653</td>
<td>650</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>YES – participants who complete and are in employment, education or training 3 months after completion (percentage)</td>
<td>na</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>YEIS – number of long-term or disadvantaged unemployed young people assisted (number)</td>
<td>3,290</td>
<td>2,500</td>
<td>6,710</td>
<td>na</td>
</tr>
<tr>
<td>PSDP – apprenticeships and traineeships commenced * (number)</td>
<td>1,718</td>
<td>1,500</td>
<td>4,282</td>
<td>na</td>
</tr>
<tr>
<td>PSDP – participants who complete and are in employment, education or training 3 months after completion * (percentage)</td>
<td>na</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>YEL – number of web site hits and telephone enquiries (number)</td>
<td>na</td>
<td>30,000</td>
<td>200,000</td>
<td>150,000</td>
</tr>
</tbody>
</table>


Note: * This program does not focus exclusively on youth unemployment, however young people aged 15 to 24 constitute a substantial proportion of recipients of the service.

The Committee notes that the Department exceeded its performance measures for the Youth Employment Incentive Scheme and the Private Sector Skills Development Program. The Committee also notes that both the scheme and the program ceased receiving applications on 17 January 2002 after the program budgets and targets were reached. Given the strong demand for the service offered through these programs, the Committee suggests that the Department undertake a program review and determine whether the programs or some variant of them will be offered in the future.
Accordingly, the Committee recommends that:

**Recommendation 8.19**

The Department of Victorian Communities:

(a) undertake a post program review of the Youth Employment Incentive Scheme and the Private Sector Skills Development Program; and

(b) develop a new performance measure for the Youth Employment Incentive Scheme that measures the long-term retention in employment of young people assisted through the scheme.
Key Findings

9.1 The substantial increase in administered revenue of $269.5 million in 2002-03 for Department of Justice mainly reflects the anticipated increase in fines and associated revenue resulting from the Government's road safety initiatives.

9.2 As a result of the new Certified Agreement with Victoria Police, the major discrepancies in the remuneration arrangements between police officers and public servants working for Victoria Police are causing ongoing morale problems.

9.3 If the Government were to achieve its objective of reducing annual deaths and injuries on Victorian roads by 20 per cent up to 2005-06, it could potentially save the community around $360 million per annum.

9.4 As the implications arising from the settlement of some native title claims can be very significant, any financial exposure needs to be recognised as a whole-of-government liability as soon as it is practical to do so.

9.5 A range of factors need to be taken into account when interpreting any conclusions drawn from published crime statistics.

9.6 The accuracy and completeness of statistical information recorded on the incidence of crime will become critical to the future Victoria Police strategy of intelligence-led policing.

9.7 The Government has designated $300 million over the next few years to upgrade Victoria's Public Safety Communications Strategy.
9.8 In addition to increasing the capacity of Victoria’s prisons and building new prisons, the Government is also introducing a range of diversion, rehabilitation and pre-release programs aimed at reducing the incidence of recidivism.

9.1 Departmental overview

The Department of Justice provides support to the portfolios of Attorney-General; Police and Emergency Services; Corrections and Consumer Affairs.

9.2 Output management framework

As shown in the following Exhibit, the Department’s Budget allocation for 2002-03 was $2,040.6 million, representing a $261.5 million or 14.7 per cent increase from 2001-02.
### Exhibit 9.1  
**Department of Justice — Output Management Framework**

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety Policy</td>
<td>12.4</td>
<td>12.3</td>
<td>12.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td>65.6</td>
<td>93.3</td>
<td>83.0</td>
<td>26.5</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>344.7</td>
<td>359.5</td>
<td>384.4</td>
<td>11.5</td>
</tr>
<tr>
<td>Incident, Emergency and Event Management</td>
<td>115.2</td>
<td>119.0</td>
<td>127.5</td>
<td>10.7</td>
</tr>
<tr>
<td>Crime Identification and Investigation</td>
<td>306.8</td>
<td>324.1</td>
<td>345.8</td>
<td>12.7</td>
</tr>
<tr>
<td>Road Safety</td>
<td>86.9</td>
<td>90.4</td>
<td>96.7</td>
<td>11.3</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>177.4</td>
<td>185.7</td>
<td>197.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Legal Support for Government</td>
<td>44.1</td>
<td>45.7</td>
<td>71.2</td>
<td>61.5</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>264.4</td>
<td>267.8</td>
<td>289.4</td>
<td>9.5</td>
</tr>
<tr>
<td>Enforcing Court Orders</td>
<td>59.6</td>
<td>54.9</td>
<td>88.3</td>
<td>48.2</td>
</tr>
<tr>
<td>Enforcing Correctional Orders</td>
<td>252.7</td>
<td>266.4</td>
<td>288.3</td>
<td>14.1</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>9.2</td>
<td>10.1</td>
<td>10.4</td>
<td>13.0</td>
</tr>
<tr>
<td>Protecting Consumers</td>
<td>40.1</td>
<td>42.5</td>
<td>45.3</td>
<td>13.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,779.1</td>
<td>1,871.7</td>
<td>2,040.6</td>
<td>14.7</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.190
9.3 Financial Analysis

The Statement of Financial Performance for the Department of Justice is as follows:

Exhibit 9.2 Department of Justice - Statement of Financial Performance

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>1,797.1</td>
<td>1,883.4</td>
<td>2,049.8</td>
<td>14.1</td>
</tr>
<tr>
<td>Operating revenue</td>
<td>1,779.2</td>
<td>1,871.7</td>
<td>2,040.6</td>
<td>14.7</td>
</tr>
<tr>
<td>Net result for the reporting period</td>
<td>17.9</td>
<td>11.7</td>
<td>9.2</td>
<td>48.6</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>398.7</td>
<td>498.7</td>
<td>668.2</td>
<td>67.6</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>358.4</td>
<td>437.6</td>
<td>602.1</td>
<td>68.0</td>
</tr>
<tr>
<td>Surplus</td>
<td>40.3</td>
<td>61.2</td>
<td>66.1</td>
<td>64.0</td>
</tr>
</tbody>
</table>

Sources: Budget Paper No. 3, 2002-03 Budget Estimates, table 2.5.2 p.224 and table 2.5.5 p.229

The reasons for the projected increase in revenue from ordinary operating activities of $252.7 million reflects additional funding for new and existing output initiatives and approved wage increases.\(^{233}\) Increased funding provided by the Government included:\(^{234}\)

- supplementation for wage increases of $122 million for Victoria Police and other public sector employees;
- approximately $38 million for existing initiatives;
- a road safety package of $31.9 million for the implementation of the Government’s Road Safety objective of reducing fatalities and serious injuries by 20 per cent by 2007; and

\(^{233}\) Budget Paper No. 3, 2002-03 Budget Estimates, p.225
\(^{234}\) Ibid
• an increase in the special appropriation to the Victorian Electoral Commission of $29 million to conduct various municipal elections and the next State election.

Total assets are projected to increase by $140.9 million from 2001-02 to $1,349 million in 2002-03, mainly on account of increases in property, plant and equipment of $105 million including new asset investment initiatives of $42 million and $63 million for previously approved investments. New initiatives include upgrading and constructing new police stations, implementation of new management information systems, and emergency services projects totalling $22 million and the purchase and installation of digital and red light speed cameras.

The very large increase in administered revenue of $269.5 million or 67.6 per cent more than the previous year’s Budget reflects the anticipated increase in fines and associated revenue of $164 million as a result of the Government’s road safety initiatives such as extra digital and red light speed cameras and more booze buses. There is also a first time recognition in administered entities of sales of goods and services totalling $77 million. The increase in total administered expenses of $243.7 million mainly reflects the transfer of fine collections to the Consolidated Fund as a result of the road safety initiatives.

9.4 Human resource issues

9.4.1 Key staffing issues - Victoria Police

The Department advised the Committee that at 30 June 2002 it had an estimated 12,348 effective full time Victoria Police staff. Of this number, which included police officers, recruits, protective services officers, reservists and civilian staff, around 430 staff were temporary and on fixed term contracts. All other staff were permanent.

The Department further advised that it anticipated that at 30 June 2003 it would have 12,647 effective full time staff within Victoria

235 Ibid, p.227
236 Ibid, p.230
Police. Temporary staff numbers would be reduced to 375 officers in line with Victoria Police policy to convert all fixed term employment arrangements to ongoing employment where such changes were warranted. Detailed below is a comparison of staff numbers over the period from 30 June 2001 to 30 June 2003.

**Exhibit 9.3 Victoria Police — Estimated Equivalent Full Time Staff**

<table>
<thead>
<tr>
<th>Victoria Police Division</th>
<th>30 June 2001</th>
<th>30 June 2002</th>
<th>30 June 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Management</td>
<td>210.6</td>
<td>230.5</td>
<td>231.0</td>
</tr>
<tr>
<td>Office of the Chief Commissioner</td>
<td>188.0</td>
<td>152.6</td>
<td>155.0</td>
</tr>
<tr>
<td>Crime</td>
<td>1,071.4</td>
<td>1,102.6</td>
<td>1,105.0</td>
</tr>
<tr>
<td>Ethical Standards</td>
<td>153.0</td>
<td>171.0</td>
<td>167.0</td>
</tr>
<tr>
<td>General Policing</td>
<td>8,077.3</td>
<td>8,559.2</td>
<td>8,765.0</td>
</tr>
<tr>
<td>Human Resources</td>
<td>146.3</td>
<td>137.3</td>
<td>139.0</td>
</tr>
<tr>
<td>Information Management</td>
<td>264.7</td>
<td>363.0</td>
<td>395.0</td>
</tr>
<tr>
<td>Traffic and Operations Support</td>
<td>1,143.1</td>
<td>1,247.5</td>
<td>1,255.0</td>
</tr>
<tr>
<td>Training</td>
<td>647.7</td>
<td>486.3</td>
<td>435.0</td>
</tr>
<tr>
<td><strong>Victoria Police - Total</strong></td>
<td>11,902.1</td>
<td>12,450.0</td>
<td>12,647.0</td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee’s 2002-03 estimates questionnaire, p.29

Although not readily identifiable from the above table due to the inclusion of various employment categories, Victoria Police reached its target of employing 800 additional police officers on 12 April 2002. The largest increase in employment of police officers was in the General Policing Division, where an additional 688 officers will be employed by 2003.

The Committee was advised by the Department that the management of workloads has been identified as a key project to be undertaken in 2002-03. Specifically, the Department will be developing approaches to managing workloads within existing resources, with the use of fixed term staff to meet unusual extra workloads.\(^{237}\)

\(^{237}\) Department of Justice Response to the Committee’s 2002-03 estimates questionnaire, p.33
The Committee was further advised that since the recruitment of the additional 800 police officers, there are now more police on the street that are available to provide backup to operational scenes. A shortage of police to provide backup and support in previous years created a high incidence of stress leave and WorkCover claims.\(^{238}\)

As a result of these pressures, in previous years Victoria Police had annual attrition rates as high as 7.9 per cent. In 2001-02 the attrition rate fell to 1.8 per cent.\(^{239}\) This improvement was attributed to a range of other factors such as more police stations and better equipment and clothing, including the delivery of 8,600 personal ballistic vests and 420 metal detectors. The Committee was advised there has also been a substantial drop in the number of WorkCover claims and the cost of claims involving police officers.

A major factor in the retention of police officers was the negotiation between Victoria Police and the State Government of a new Certified Agreement, effective from 1 August 2001. The agreement brought about pay parity between the Victorian and New South Wales police forces and provided for progressive pay increases each year over the 5-year period of the agreement. The Victorian Auditor-General in a Report on Public Sector Agencies, June 2002, reported that the agreement would require supplementary funding of around $610 million over its five year period to meet the increases in salaries and associated costs.\(^{240}\)

The Committee was advised by the Department that the major discrepancies in the pay policy and remuneration arrangements now in place for police officers, as compared to those in place for public servants working for Victoria Police, are causing significant and ongoing morale problems. WorkCover costs and claims for public servants which could be influenced by this situation are continuing to present major difficulties to Victoria Police in maximising the efficiency and effectiveness of employees.\(^{241}\)

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\(^{238}\) Hon. A. Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 2 July 2002, p.512

\(^{239}\) Ibid

\(^{240}\) Victorian Auditor-General’s Office, Report on Public Sector Agencies, June 2002, p.216

\(^{241}\) Department of Justice response to the Committee’s 2002-03 estimates questionnaire, p.34
The Department further advised that in recognition of the major issues arising from the pay and classifications of its staff, including an ageing workforce and difficulties in attracting and retaining younger employees, it is committed to a career structure and work organisation review as part of the Victorian Public Service (Non-Executive Staff) Agreement 2001.

The Committee acknowledges the actions of the Department in attempting to address pay structures, WorkCover and morale issues for public servants providing administrative support for police operations.

**9.4.2 Key staffing issues - Department of Justice**

The Department advised the Committee that at 30 June 2002 it had an estimated 4,144 effective full time staff excluding statutory appointments such as Judges, Magistrates and members of Tribunals. Of this number, around 547 staff were temporary and on fixed term contracts.

The Department further advised that by 30 June 2003 the number of effective full time staff would be increased to around 4,356 officers, with temporary staff numbers reduced marginally to 484 officers. The use of temporary staff on fixed term contracts is designed to address unusual extra workloads or where there are shortfalls in areas of specialist expertise such as Information Technology. Contractors are replaced with permanent staff where possible.
Detailed below is a comparison of estimated staff numbers at 30 June 2002 along with projected numbers at 30 June 2003.

**Exhibit 9.4 Department of Justice - Estimated Equivalent Full Time Staff**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>30 June 2002 (estimate)</th>
<th>30 June 2003 (estimate)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enforcing Correctional Orders</td>
<td>1,898.9</td>
<td>1,971.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Legal Support for Government</td>
<td>231.6</td>
<td>229.1</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>102.2</td>
<td>102.1</td>
<td>-</td>
</tr>
<tr>
<td>Protecting Consumers</td>
<td>279.7</td>
<td>282.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>1,212.2</td>
<td>1,227.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Enforcing Court Orders</td>
<td>231.0</td>
<td>333.7</td>
<td>44.5</td>
</tr>
<tr>
<td>Public Safety</td>
<td>68.7</td>
<td>71.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td>119.6</td>
<td>137.9</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,143.9</strong></td>
<td><strong>4,355.6</strong></td>
<td><strong>5.1</strong></td>
</tr>
</tbody>
</table>

Source: Department of Justice response to the Committee's 2002-03 estimates questionnaire, p.30

Comparative figures were not available for 2001 as there were changes to the output structure in conjunction with organisational restructuring which occurred in 2001-02. However, the Committee’s previous report on the 2001-02 Budget Estimates disclosed there were around 3,776 effective full time staff within the Department of Justice at 30 June 2001.242

The Department advised the Committee that the increase in staffing numbers in comparison with June 2001 could be attributed to additional staff required in correctional facilities due to growth in prisoner numbers, and the Government’s prison expansion program, the introduction of new offender diversion programs and the recruitment of additional Sheriff’s Officers and others as part of the Government’s 2001-02 road safety initiatives.243 Staff numbers are expected to expand further in 2002-03 due to further demands arising from an increasing prison population, further

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243 Department of Justice response to the Committee’s 2002-03 estimates questionnaire, p.32
expansion of diversion programs and projected large increases in traffic infringements requiring additional administration.

9.5 Attorney-General portfolio

The Attorney-General has responsibility for a range of outputs within four output groups, namely Legal Support for Government, Dispensing Justice, Enforcing Court Orders and Achieving Equal Opportunity. Outputs for which the Attorney-General has responsibility for amounted to $459.5 million or 22.5 per cent of the Department’s 2002-03 Budget.

These outputs and corresponding funding allocations for 2002-03 are shown below:

Exhibit 9.5 Attorney-General Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Attorney-General</th>
<th>2002-03 Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Support for Government</td>
<td>Legal Policy</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Law Reform</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>Legal Advice to Government</td>
<td>8.9</td>
</tr>
<tr>
<td></td>
<td>Privacy Regulation</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>Native Title Framework</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>State Electoral Roll and Elections</td>
<td>43.4</td>
</tr>
<tr>
<td></td>
<td>Registration of Births, Deaths and Marriages</td>
<td>6.2</td>
</tr>
<tr>
<td>Dispensing Justice</td>
<td>Public Prosecutions</td>
<td>24.8</td>
</tr>
<tr>
<td></td>
<td>Forensic Evidence</td>
<td>10.8</td>
</tr>
<tr>
<td></td>
<td>Matters in the Supreme Court</td>
<td>39.0</td>
</tr>
<tr>
<td></td>
<td>Matters in the County Court</td>
<td>53.3</td>
</tr>
<tr>
<td></td>
<td>Matters in the Magistrates' Court</td>
<td>77.4</td>
</tr>
<tr>
<td></td>
<td>Matters in the Children's Court</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Matters in the Coroner's Court</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>Matters in the Civil and Administrative Tribunal</td>
<td>28.4</td>
</tr>
<tr>
<td></td>
<td>Alternative Dispute Resolution</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Legal Aid</td>
<td>32.5</td>
</tr>
<tr>
<td></td>
<td>Victims Support</td>
<td>9.7</td>
</tr>
</tbody>
</table>
### Exhibit 9.5 (continued)

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output</th>
<th>2002-03 Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enforcing Court Orders</td>
<td>Traffic Fines Processing</td>
<td>55.1</td>
</tr>
<tr>
<td></td>
<td>Enforcement of Court Orders and Warrants</td>
<td>31.2</td>
</tr>
<tr>
<td></td>
<td>Asset Confiscation Order Processing</td>
<td>2.0</td>
</tr>
<tr>
<td>Achieving Equal Opportunity</td>
<td>Discrimination Prevention and Redress</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>Advocacy and Guardianship</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>459.5*</td>
</tr>
</tbody>
</table>

Note: * Budget Paper No. 3, 2002-03 records the total budget for these output groups as $459.3 million. Variance of $200,000 is on account of rounding off total output costs for each output within the Dispensing Justice output group.

Source: Budget Paper No. 3, 2002-03 Budget Estimates, pp.205-216, pp.221-222

### 9.5.1 2002-03 outlook for the portfolio

Key initiatives for 2002-03 include:

- further upgrading of court facilities throughout Victoria, particularly in the regional centres of Bendigo, Wangaratta, Horsham and Mildura;

- an interactive on-line dispute resolution model will be developed and piloted in Consumer and Business Affairs Victoria and Dispute Settlement Centre Victoria as a mediation option for resolving neighbourhood or community disputes;

- enhancement of a computer system for Victorian Legal Aid;

- continuation of the Criminal Justice Enhancement Program which is designed to reduce the time taken to dispose of matters in courts and tribunals through the development of sophisticated information technology applications; and

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• articulation of a Justice Statement that will determine the key principles and objectives for a justice system that is fair, accessible and understandable.

9.5.2 Analysis of the 2002-03 Budget

In comparison with the 2001-02 Budget, the budget allocation for output groups increased by $82.0 million or 21.7 per cent in 2002-03. Key factors in the increase in funding for specified outputs included:

• the State Electoral Roll and Elections received additional funding of $27.1 million in the expectation that an election will be held during the financial year;

• the Dispensing Justice output group received an additional $25 million to cover a combination of wage and salary increases, funding of the Justice Statement initiative, increased funding to Legal Aid, Victims Support, and Magistrates Courts and an expected increase in the capital asset charge as a result of continued investment in Court infrastructure; and

• the Enforcing Court Orders output group budget increased by $28.7 million in order to manage an expected increase in enforcement activities as initiatives are progressively implemented.

9.5.3 Performance measures

The output groups under the responsibility of the Attorney-General have undergone moderate change in 2002-03, with five new performance measures introduced, another six amended and six discontinued.

The Committee's review of performance measures in 2002-03 shows the following findings:

245 Ibid, p.42–43
Chapter 9 : Department of Justice

- legal advice to the Government, performance measures relate to the level of timeliness and quality of legal advice. These measures have a target expected outcome of ‘high’ in terms of client satisfaction with the timeliness and quality of advice given. These targets are meaningless because they do not indicate exactly what the target of ‘high’ is meant to represent. The performance measure should be based on a percentage of the stakeholders’ satisfaction rate;

- regarding the forensic evidence output, two new performance measures relate to the completion of autopsies and post mortems within agreed periods. The Committee is pleased that these measures have been included in 2002-03;

- one performance measure for matters in the Supreme Court — criminal cases disposed of within 12 months of completion — has a target of 80 per cent, which is consistent with the 2000-01 actual, the 2001-02 target and the 2001-02 expected outcome. The Committee believes that the targets should provide an incentive for performance improvement and, accordingly, that the target for 2003-04 should be reviewed to reflect that previous targets have been consistently achieved;

- a key timeliness performance measure for the Dispensing Justice output group relates to matters finalised within target elapsed time benchmarks. The Committee believes that better accountability would result from the Budget Papers specifically stating what are the benchmarks, as occurs for similar performance measures for two outputs: matters in the Supreme Court and matters in the County Court;

- regarding matters in the County Court, a performance measure, civil cases disposed of within 12 months of commencement, has a 2002-03 target of 50 per cent. Given the low level of the target, the Committee believes this measure should be stratified so the Budget Papers reveal the timeliness rates for the remaining 50 per cent of cases that are not included in the original target (for example, 18 months and 24 months);
• regarding the enforcement of court orders and warrants, a key timeliness performance measure, clearance of court orders and warrants within one year, has a 2002-03 target of 41 per cent. The Committee believes that such a low target does not provide an appropriate level of accountability and, accordingly, this measure should be stratified to provide a better timeliness indicator (for example, 18 months and 24 months);

• key performance measures of the discrimination prevention and redress output have targets that have not changed since 2000-01. Despite achieving the target in each of the past two years, these targets should be reviewed for 2003-04 to ensure targets provide an incentive for performance improvement; and

• the quality performance measure of the advocacy and guardianship output, user satisfaction rating, has a 2002-03 target of 80 per cent. Despite an expected outcome of 85 per cent in 2001-02, the target should be reviewed in 2003-04 to better reflect actual performance and to provide an incentive for performance improvement.

The Committee believes the Department of Justice should review the performance measures for the Attorney-General’s portfolio to allow presentation of better performance information and to set targets that provide more incentive for performance improvement.

Accordingly, the Committee recommends that:

Recommendation 9.1

The Department of Justice:
(a) change the unit of measure for client satisfaction with the timeliness and quality of legal advice provided to Government from a level to a specific percentage;
(b) review performance targets that have been achieved in previous years to provide incentives for performance improvement;
include actual benchmarks rather than just the term 'benchmarks' in the description of performance measures, to better indicate the standards being measured.

9.5.4 Key issues impacting on the 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 2002-03.

(a) Rising road toll

The Road Safety Strategy 2001-06 has been reviewed and a range of new ‘arrive alive’ initiatives have been endorsed by the Government. In conjunction with the road safety promotion strategies, Victoria’s ‘booze’ buses will be upgraded and expanded and new and converted digital red light and speed cameras will be installed at key intersections. These initiatives, in conjunction with a range of measures introduced in the 2001-02 Budget, are expected to lead to a massive increase in traffic infringement notices issued. In 2001-02 around 903,200 infringement notices were processed under the Traffic Fines Processing output. In 2002-03 a target to process 1.7 million infringement notices has been set, which is projected to result in an increase in revenue in 2002-03 of $120.3 million.246

The Committee was advised by the Minister for Police and Emergency Services that, if drivers choose to break road rules, the only way to combat this is through enforcement activities of Victoria Police. This emphasis on enforcement is designed to increase a perception among drivers that there is an increased likelihood of being caught if they speed, drink drive or otherwise break road rules.247

246 Correspondence received from the Attorney-General dated 15 August 2002
247 Hon. A. Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 2 July 2002, p.504
Victoria’s road toll, according to the 2001-02 Budget Statement Budget Paper No. 2, costs the community around $1.8 billion per annum. Overall in 2001, there were 421 fatalities on Victorian Roads. If the Government were to achieve its objective of reducing annual deaths and injuries on Victorian roads by 20 per cent over the next five years to 2005-06, it could potentially save the community around $360 million per annum.\textsuperscript{248} Stronger enforcement activities are seen by the Government as a key factor in achieving this reduction, with the additional revenue generated from such activities acting to offset the costs of the road toll and the expenses associated with the road safety campaign.

The Minister for Police and Emergency Services advised the Committee that year to date figures indicated that there had been a 10 per cent reduction in road fatalities in metropolitan Melbourne. However, there was also a corresponding 30 per cent increase in fatalities in rural Victoria. The conclusion was that speed cameras were influencing driving habits in Melbourne but had not impacted on country drivers.\textsuperscript{249}

The Committee acknowledges that stronger enforcement of traffic regulations is a key strategy of the Government in attempting to reduce the road toll and that the additional revenue generated is not the primary focus of the strategy.

Nevertheless, the extent to which this strategy proves to be effective in the longer term in reducing the road toll by 20 per cent needs to be carefully evaluated as compared to other measures and strategies designed for the same purpose. There is also a need to communicate the impact of the enforcement strategy to the public who currently may view the enforcement strategy as a revenue raising exercise only.

With regard to measuring the effectiveness of the road safety strategies currently in place, there has been a general acknowledgement by the Government and road safety authorities of the need for a range of more meaningful and comprehensive

\textsuperscript{248} Budget Paper No. 2, \textit{2001-02 Budget Statement}, p.115
\textsuperscript{249} Hon. A. Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 2 July 2002, p.505
performance measures and management information to achieve this purpose. Examples include measures to assess the behavioural change in Victorian drivers with respect to speeding and drink driving and better analysis of injuries and fatalities occurring and the factors involved.

The Minister for Police and Emergency Services advised the Committee that road safety Agencies have been working on a new range of measures and a report will be prepared for Cabinet consideration later in 2002.

(b) Improving access to justice

The Improving Access to Justice initiative is focused on improving community access to justice services, particularly to legal aid, victim support services and alternative dispute resolution. In 2002-03, under this initiative, it is intended to develop a Justice Statement. This Statement will outline the key principles and objectives needed to build a justice system that is fair, accessible and understandable from a community viewpoint.

The Department envisages that the Statement will lead to more effective resource planning, operational enhancements and the development of sophisticated information technology applications over a five year period which will result in the more efficient and timely disposition of court and tribunal matters.

Funding has also been provided for the forming of a significant partnership between the Dispute Settlement Centre of Victoria and the Magistrates’ Court to further develop methods of diverting neighbourhood and community disputes to mediation or other alternative dispute resolution mechanisms where appropriate. As part of this initiative there will be research and development of leading edge technical and administrative facilities for interactive on-line dispute resolution in Consumer and Business Affairs Victoria and the Dispute Settlement Centre of Victoria. If successful, this development could be extended across other state Departments, Local Government and community Agencies.

The Committee welcomes the Government’s initiatives aimed at improving public access to justice. However, based on current performance information it is difficult to judge the extent to which
existing problems are identifiable. For example, in Budget Paper No. 3, 2002-03 Budget Estimates, a timeliness performance measure was set for the Matters in the Victorian Civil and Administrative Tribunal output whereby 90 per cent of matters referred to Tribunals were to be finalised within target elapsed time benchmarks. The actual performance for 2000-01 was recorded as 90 per cent, the expected outcome for 2001-02 was 90 per cent and the target set for 2002-03 was 90 per cent.\(^\text{250}\)

Similarly, under the output Alternative Dispute Resolution which refers to services for people referred to the Dispute Settlement Centre of Victoria, a timeliness benchmark specified that 82 per cent of matters should be finalised within elapsed time benchmarks, the expected outcome for 2001-02 was 82 per cent and a target of 82 per cent was set for 2002-03. Obviously a low target of 82 per cent provides some indication there are delays in finalising many matters within elapsed time benchmarks.\(^\text{251}\)

The Committee considers that if the Department’s measures for the timely provision of access to justice are to be judged successful, they should be capable of measurement. For example, the Budget Papers should describe what the ‘time elapsed benchmarks’ represent in order to provide some perspective as to the time frames involved in resolving matters before the Civil and Administrative Tribunal and the Disputes Settlement Centre of Victoria. In addition, if the proposed measures are to be seen as reducing times taken to finalise matters then the ‘time elapsed benchmarks’ should be reduced further and targets raised to reflect a higher level of resolution of matters within the established time frames.

\(^{250}\) Budget Papers No. 3, 2002-03 Budget Estimates, p.212
\(^{251}\) Ibid, p.213
Accordingly, the Committee recommends that:

Recommendation 9.2

The Department of Justice:

(a) provide an explanation in the Budget Papers and in its annual report as to what the elapsed time benchmarks represent in respect of matters finalised by courts, tribunals and alternative dispute resolution judicial bodies; and

(b) adjust timeliness targets to reflect expected efficiency gains from the Department’s actions.

(c) Matters in the Children’s Court

In 2001-02 a new benchmark was established for the output Matters in the Children’s Court whereby 96 per cent of matters heard in both the Criminal and Family Division of the Court were to be finalised within time elapsed benchmarks. The Committee sought to clarify what the time elapsed benchmarks represented and was advised by the Attorney-General that the elapsed benchmarks for both the family and criminal divisions of the Court were for matters to be finalised within 13 weeks from the issue of proceedings to the date of the contested hearings. A matter does not proceed beyond the contested hearing except where the decision of the Children’s Court is appealed.

For matters involving child protection cases heard in the family division of the Children’s Court it is critical that the period of time that elapses between the first and final hearing of protection applications is no longer then necessary in order to minimise uncertainty and to alleviate any negative impacts on the children or young people involved and their families. The Department of Human Services advised the Committee that it accepted that delays were occurring in the Children’s Court in finalising some protection applications and that it was committed to working with

252 Budget Paper No. 3, 2001-02 Budget Estimates, p.176
the Children’s Court on a range of issues aimed at improving the processes involved.

The Department of Human Services further advised the Committee that although there were many reasons for delays in the resolution of matters before the Children’s Court leading to multiple adjournments before a final hearing, it was important to note that adjournments can be appropriate if they were likely to be in the best interests of the child.

The Attorney-General also informed the Committee that as part of a review undertaken by the Department of Treasury and Finance into information provided by the Magistrates’ Court of Victoria, a number of data improvement projects had been implemented to improve the quality of performance indicators and measures. This process will be extended to the Family Division of the Children’s Court as part of the work undertaken in relation to the Justice Statement on improving community access to justice services.

The Committee acknowledges the work being undertaken by the Department of Justice, the Children’s Court and the Department of Human Services in improving the access to quality of information provided to the Court and timeliness of decision making by the Children’s Court. This work is particularly important for the future, given the increase in the 2002-03 Budget for funding of child protection services. It could be expected that this increase will ultimately lead to an increase in the workload of the Family Division of the Children’s Court.

Accordingly, the Committee recommends that:

**Recommendation 9.3**

The Department of Justice should include in its annual report commentary and performance information about the effectiveness of the actions being taken to further improve processes and timeliness of decision making within the Children’s Court.
(d) Resolution of native title claims

Under the Commonwealth Native Title Act, native title claims can be resolved through the consent of parties, an Indigenous Land Use Agreement, or a combination of the two. To assist in the resolution of native title claims the Government released Guidelines for Native Title Proof in Victoria in October 2001. Under these guidelines the mediated settlement of native title claims is a priority. However, the complexity of claims and the time taken to settle them has been recognised by the Department and its Native Title Unit has identified at least 10 stages to be undertaken in any mediation process.

The Attorney-General advised the Committee that the introduction of the guidelines has been a very successful aid to the Government in managing native title negotiations since October 2001. Release of the guidelines guaranteed the co-operation of Mirimbiak, the Native Title representative body in Victoria, in providing the Government with ‘connection’ reports detailing evidence of the connection of aboriginals to land under native title claims. The representative body had previously withheld co-operation with the Government due to the absence of any policy.

Since the release of the guidelines, two connection reports have been received by the Department. Further research is also underway into a further 6 claims. The Committee was advised that the Native Title Unit has a total of 24 native title claims on hand in various stages of negotiation.

Under the Native Title Framework output in Budget Paper No. 3, a target of twelve Indigenous Land Use Agreements to be undertaken was set for 2001-02. In addition, it was anticipated that two Native Title claims would be settled in 2001-02.253 Both of these performance measures were discontinued in the Budget Papers for 2002-03. The substitute performance measures introduced for 2002-03 involved setting a target of four native title claims for which evidence had been assessed and resolving 100 per cent of claims in 2002-03.254 With respect to the last

253 Budget Paper No. 3, 2001-02 Budget Estimates, p.171
254 Budget Paper No. 3, 2002-03 Budget Estimates, p.207
measure the Committee notes that it is meaningless to state that it is intended to resolve 100 per cent of claims for which evidence had been assessed without an indication of how many claims were in progress. It could only be presumed that if the target of four native title claims for which evidence had been assessed was achieved in 2002-03, all these claims would be resolved.

The targets set in the 2001-02 Budget Papers for Indigenous Land Use Agreements to be undertaken were not met because of the length of time necessary for negotiations between parties. In addition, entering into an Indigenous Land Use Agreement does not mean that a native title claim is settled. The Attorney-General advised the Committee that by the end of June 2002, two claims were in advanced stages of negotiation towards being settled. Acknowledgement was also made of the time required by Government Agencies involved in land management, principally the Department of Natural Resources and Environment, to consider all the implications of possible native title agreements. The detailed attention to claims was seen as critical, given that the settlement of native title claims through indigenous land use agreements would most likely set a number of precedents in areas like national parks management, leading to a need to develop new policies.

The delays in settling claims were also attributed in part to the extensive efforts made by the Department of Justice in assessing aboriginal connection reports accurately and fairly in line with Government policy. This has led to an extended process over many months which was viewed by the Attorney-General as a more comprehensive assessment of native title proof than any similar process anywhere in Australia.

The Committee is aware that settlement of native title claims can give rise to a range of implications, including financial implications for the State’s Budget. Budget Paper No. 2, 2002-03 Budget Statement refers to a contingent liability of the State for native title claims lodged with the Federal Court under the Native Title Act 1993. The Government acknowledges its commitment to resolving claims through mediation, where possible. However, the
Government did not consider it was feasible at that time to quantify any future liability.255

The Committee acknowledges the extreme sensitivity and complexity of matters associated with native title claims, often leading to long delays in settling such claims. Nevertheless, the implications for the public and the Government arising from the settlement of some claims can be very significant and should be recognised as a whole-of-government liability as soon as it is practical to do so after negotiations and mediation have been completed. The Committee also considers it is important in ascertaining potential future liabilities for the Department of Justice to provide information on the volume of claims received and the progress made in resolving them.

Accordingly, the Committee recommends that:

Recommendation 9.4

The Department of Justice:
(a) introduce performance measures that indicate the extent to which all native title claims received have progressed to the stage of assessing evidence;
(b) provide details of the volume and percentage of claims for which evidence has been assessed that were expected to be resolved within the forthcoming financial year; and
(c) provide details to the Department of Treasury and Finance, as soon as practical, of the estimated maximum liability likely to arise from negotiated claims. These details would be included as a contingent liability in the notes to the financial statement for the Victorian Government (Budget) Sector.

255 Budget Paper No. 2, 2002-03 Budget Statement, p.127
9.6 Police and Emergency Services portfolio

The Minister for Police and Emergency Services has responsibility for seven key output groups within the Department of Justice. These output groups account for $1247.7 million or 61.1 per cent of the Department's 2002-03 Budget.

The outputs and corresponding funding allocations for 2002-03 are shown below:

**Exhibit 9.6 Police and Emergency Services Portfolio - Output Groups and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Police and Emergency Services</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety Policy</td>
<td>Crime and Violence Prevention</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>Emergency Readiness Support</td>
<td>6.5</td>
</tr>
<tr>
<td>Emergency Prevention and Response</td>
<td>Metropolitan Fire and Emergency Services</td>
<td>18.8</td>
</tr>
<tr>
<td></td>
<td>Rural and Regional Fire Services</td>
<td>35.6</td>
</tr>
<tr>
<td></td>
<td>Statewide Emergency Services</td>
<td>28.6</td>
</tr>
<tr>
<td>Crime Prevention</td>
<td>Police Presence in the Community</td>
<td>340.1</td>
</tr>
<tr>
<td></td>
<td>Community Safety Programs</td>
<td>44.3</td>
</tr>
<tr>
<td>Incident, Emergency and Event Management</td>
<td>Response to Readiness</td>
<td>5.6</td>
</tr>
<tr>
<td></td>
<td>Response to Incidents</td>
<td>77.7</td>
</tr>
<tr>
<td></td>
<td>Event Management</td>
<td>44.2</td>
</tr>
<tr>
<td>Crime Identification and Investigation</td>
<td>Investigation of Crimes against the Person</td>
<td>120.6</td>
</tr>
<tr>
<td></td>
<td>Investigation of Crimes against Property</td>
<td>156.3</td>
</tr>
<tr>
<td></td>
<td>Investigation of Illegal Drug Activity</td>
<td>68.9</td>
</tr>
<tr>
<td>Road Safety</td>
<td>Road Safety Strategies and Awareness</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Road Traffic Law Enforcement</td>
<td>75.6</td>
</tr>
<tr>
<td></td>
<td>Road Traffic Incident/ Collision Management</td>
<td>17.5</td>
</tr>
<tr>
<td>Supporting the Judicial Process</td>
<td>Providing Justice Services</td>
<td>166.9</td>
</tr>
<tr>
<td></td>
<td>Managing People in Police Custody</td>
<td>30.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1,247.7</strong></td>
</tr>
</tbody>
</table>

**9.6.1 2002-03 outlook for the portfolio**

Key initiatives for 2002-03 include:

- development of a five year strategic plan for Victoria Police. This was one of the main recommendations arising from the

- provision of $26 million to provide for new police stations in Footscray, Coburg and 12 replacement stations in small country towns;

- intelligence-led policing involving partnerships between Crime Prevention Victoria, Victoria Police and the community to determine from the latest evidence what works best in preventing crime. In addition, detailed analyses of local crime trends will be regularly undertaken using on-line up-to-date crime statistics to build customised crime reduction strategies around specific target zones and target groups;

- reducing the road toll through initiatives such as new red light and speed detection cameras, the upgrading and purchase of additional booze buses and further strengthening of the legislative framework to discourage speeding and drink driving; and

- development of a state-wide Integrated Public Safety Communications Strategy to progressively improve the operational capabilities of the State’s Emergency Service Organisations.

9.6.2 Analysis of the 2002-03 Budget

Overall, the budget for Police and Emergency Services for 2002-03 has had an increase of 12.5 per cent to $1,247.7 million, representing additional funding of $138.8 million as compared to the 2001-02 budget allocation of $1,108.9 million.

Most of the increase under the various output groups could be attributed to the increased cost of salaries and wages, including the costs associated with the employment of an additional 800 police officers. The Emergency Prevention and Response output group increased by $17.4 million or 26.5 per cent, mainly reflecting costs associated with the Government acquisition of the call taking and dispatch service previously operated by Intergraph Public Safety
Pty Ltd, along with a range of new communications projects under the Statewide Personal Alerting Strategy. Also included is the development of a mobile data network and the Melbourne Metropolitan Radio Communications Project which involves upgrading emergency services radio system in Metropolitan Melbourne.

9.6.3 Performance measures

The Committee notes there has been minimal change to the performance measures for output groups of the Police and Emergency Services portfolio for 2002-03. The Department has included three new performance measures, amended three measures and discontinued 13 measures from 2001-02. The Department has also advised that a review of all output structures and performance measures relating to Victoria Police will be conducted in 2002-03, with the results to be incorporated in the 2003-04 budget cycle.

The Road Safety output group underwent an Expenditure Review Committee sponsored output evaluation and price review in 2001-02, with the following action required of the Department of Justice:

- further development of objectives and performance indicators specific to each Department’s outputs within the whole-of-government road safety outcomes, objectives and targets;
- joint reporting against whole-of-government objectives through the Ministerial Road Safety Council;
- the development of performance indicators that illustrate the effectiveness of strategies targeted at key areas; and
- the development of a new set of performance indicators for the Victoria Police road traffic incident management output and road safety strategies and awareness output.

\[256\] Department of Justice, Response to the Committee’s 2002-03 estimates questionnaire, p.27
It is interesting, given the significance of these recommendations, that the performance measures in the Road Safety output group have hardly changed for 2002-03, with just two measures amended and three discontinued. The Department advised that the road safety Agencies have been working to develop more meaningful performance measures to assess behavioural change in Victorian drivers, as well as indicators of fatalities and injuries. The Committee encourages the development of these performance indicators.

Other issues noted by the Committee in its review of performance measures include the following findings:

- the rural and regional fire services output has a timeliness performance measure, response to road accident rescue calls meeting benchmark times, but no measures relate to the response times for rural fire fighting services. The Department has advised that the Country Fire Authority has comprehensive performance information in this area. The Committee would welcome the presentation of performance information for such a significant activity;

- a performance measure referred to as “service capacity” for the two outputs under the Public Safety Policy output group has a targeted number of hours. The Committee believes that the number of hours spent on an activity is an input and that the Department needs to develop performance information on activities’ outcomes and key targets; and

- the Crime Prevention output group and Crime Identification and Investigation output group are vital activities of the Victoria Police, yet the performance measures for these output groups focus on the number of hours spent on providing a police presence, undertaking community safety activities and investigating crime. The Minister has advised that these measures reflect inputs and that the development of measures that focus on outputs and outcomes is necessary. The Committee supports this view and encourages such development of performance measures.
Accordingly, the Committee recommends that:

**Recommendation 9.5**

The Department of Justice:

(a) further develop the performance measures in the Road Safety output group in line with the recommendations of the Expenditure Review Committee output evaluation and price review;

(b) develop and include performance measures in the Budget Papers that assess behavioural change patterns in Victorian drivers that can be linked to a reduction in the level of fatalities and injuries caused by road accidents;

(c) include a performance measure that focuses on response times for rural fire fighting services; and

(d) develop performance measures that focus on key targets and outcomes, to complement the existing performance measures that relate to the number of hours spent on public safety and crime prevention, identification and investigation.

**9.6.4 Key issues impacting on the portfolio**

The Department’s response to the Committee’s questionnaire, the estimates hearing with the Minister for Police and Emergency Services and subsequent correspondence from the Minister identified the following key issues that will impact on the portfolio and the Budget Estimates for 2002-03:

(a) **Incidence of crime**

The Minister for Police and Emergency Services advised the Committee that during the 12 month period from 1 July 2001 to 30 June 2002 Victoria Police recorded 440,835 criminal offences, which was 2.8 per cent less than the 453,512 offences recorded in 2000-01. Taken as a percentage per 100,000 head of population the
crime rate fell from 9,485 offences per 100,000 population to 9,082 per 100,000 population. This rate per 100,000 population, according to the Australian Bureau of Statistics, indicates that Victoria has a crime rate 19.7 per cent below the national average, the lowest rate of all States and Territories in Australia. The overall clearance rate (the rate at which reported crimes are resolved) for reported crimes increased during 2001-02 to 37.9 per cent, an increase of 1.6 per cent as compared to 2000-01. In part, the increase in resolving crimes could be attributed to the engagement of an additional 800 police officers.

The Minister also provided the Committee with details of recorded crime over the 6 year period commencing 1996-97, which is shown in the following Exhibit:

**Exhibit 9.7 Recorded Crime from 1996-97 to 2001-02**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crime against the person</td>
<td>32,148</td>
<td>33,180</td>
<td>34,188</td>
<td>31,522</td>
<td>34,494</td>
<td>36,630</td>
</tr>
<tr>
<td>Crime against property</td>
<td>332,929</td>
<td>336,204</td>
<td>348,720</td>
<td>358,660</td>
<td>372,751</td>
<td>355,929</td>
</tr>
<tr>
<td>Drug offences</td>
<td>4,889</td>
<td>17,673</td>
<td>18,500</td>
<td>16,110</td>
<td>14,258</td>
<td>12,914</td>
</tr>
<tr>
<td>Other crime</td>
<td>31,459</td>
<td>33,686</td>
<td>35,406</td>
<td>32,201</td>
<td>32,009</td>
<td>35,362</td>
</tr>
<tr>
<td>Total</td>
<td>411,425</td>
<td>420,743</td>
<td>436,814</td>
<td>438,493</td>
<td>453,512</td>
<td>440,835</td>
</tr>
</tbody>
</table>

Source: Correspondence received 5 August 2002 from the Minister for Police and Emergency Services, p.1

Offence category refers broadly to the classification of 27 offence categories under four broad categories – for example crime against the person, includes six classes of criminal offences, namely homicide, rape, sex (non-rape), robbery, assault (including domestic violence) and kidnap/abduction.

The 5 year average growth rate from 1997-98 to 2001-02 is as follows:

- Crime against the person Up 2.5 per cent
- Crime against property Up 1.4 per cent
- Drug offences Down 7.5 per cent
- Other crime Up 1.2 per cent
Detailed in Exhibit 9.8 are the major variances per 100,000 population in crime classification under each category or 2001-02 as compared to 2000-01.

### Exhibit 9.8 Crimes against the Person

<table>
<thead>
<tr>
<th>Category</th>
<th>2001-02 to 2000-01 Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crimes against the Person</td>
<td>Up 6.2 per cent overall</td>
</tr>
<tr>
<td>Sex (non-rape)</td>
<td>Down 10.4 per cent</td>
</tr>
<tr>
<td>Homicide</td>
<td>Up 4.8 per cent (208 homicides 2000-01, 218 homicides 2001-02)</td>
</tr>
<tr>
<td>Rape</td>
<td>Up 2.7 per cent</td>
</tr>
<tr>
<td>Assaults (including domestic violence) *</td>
<td>Up 13.3 per cent</td>
</tr>
<tr>
<td>Crimes against property</td>
<td>Down 4.5 per cent overall</td>
</tr>
<tr>
<td>Arson</td>
<td>Up 17.1 per cent</td>
</tr>
<tr>
<td>Theft of motor vehicle</td>
<td>Down 12.0 per cent. (in 2000-01 motor vehicle theft had increased by 30 per cent over the previous 2 years)</td>
</tr>
<tr>
<td>Handle stolen goods</td>
<td>Down 10.9 per cent</td>
</tr>
<tr>
<td>Robbery offences</td>
<td>Down 13.3 per cent</td>
</tr>
<tr>
<td>Aggravated burglaries</td>
<td>Down 13.2 per cent</td>
</tr>
<tr>
<td>Residential burglaries</td>
<td>Down 8.1 per cent</td>
</tr>
<tr>
<td>Other burglaries</td>
<td>Down 11.4 per cent</td>
</tr>
<tr>
<td>Drug offences</td>
<td>Down 9.4 per cent overall</td>
</tr>
<tr>
<td>Cultivate, manufacture, traffic</td>
<td>Down 16.7 per cent</td>
</tr>
<tr>
<td>Other crime</td>
<td>Up 10.5 per cent overall</td>
</tr>
<tr>
<td>Possession, storage or use of weapons or explosives</td>
<td>Up 21.2 per cent</td>
</tr>
<tr>
<td>Harassment</td>
<td>Up 17.1 per cent</td>
</tr>
</tbody>
</table>

Note: * Of major concern in relation to the increase in assaults was the 37.8 per cent increase in the usage of weapons in the commission of assaults. Weapons categories included bottles/glass (+48.4 per cent), firearms (+46.0 per cent), bat/bar (+36.7 per cent) and knives (+33.1 per cent).257

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(b) Interpretation and use of crime statistics

Crime statistics, which are extracted from the computer database known as Law Enforcement Assistance Program, are at best a very broad indication of crime trends within Victoria. According to the Parliamentary Drugs and Crime Prevention Committee, increases in crime statistics do not necessarily mean that the actual level of crime has increased.\textsuperscript{258} For example, many companies are reluctant to report fraud offences to the police, preferring to deal with such matters internally and thereby avoiding publicity, especially if it could impact upon share value. In addition, many sexual offences and instances of child abuse are not reported, in contrast to theft, particularly motor vehicle theft, and burglary, which are invariably reported to police due to insurance requirements.

The Drugs and Crime Prevention Committee also reported that an increase in crime statistics can be influenced by other facts such as:\textsuperscript{259}

- greater police numbers leading to an increase in the detection of offences which may not otherwise have come to police attention;
- advances in computer technology and better record keeping;
- improvements in technology such as DNA testing;
- increased public confidence in the ability of police to solve and reduce crimes; and
- operational decisions by police at periodic intervals to concentrate on certain offences, such as prostitution, drug offences or street begging which invariably result in an increase in recorded offences.

The Committee acknowledges that most of these factors will always be present and must be taken into account when drawing conclusions from crime statistics. However, the Drugs and Crime

\textsuperscript{258} Drugs and Crime Prevention Committee – Inquiry into Crime Trends – Fourth Report May 2003, p.5-8

\textsuperscript{259} Ibid
Prevention Committee also drew attention to other factors, which impact on the accuracy of crime statistics, namely:\(^{260}\)

- offences are only recorded on the database when a crime report has been completed. This can mean that offences committed and reported in prior years may only be recorded in a subsequent year when the crime report has been completed;

- even though multiple charges involving various categories of offences may be laid by police for a single incident, only the most serious offence is recorded in the police data-base. This process obviously leads to under-reporting of other crime categories;

- Victoria Police offence statistical recording and reporting categories do not necessarily conform to legal offence definitions;

- not all crime reported to the police will necessarily be recorded. Police have considerable discretion as to whether charges should be laid or whether to overlook an offence or to issue a warning only to the offender. Where the discretion exists, there will not be consistency across the Police Force as to whether offences shall be recorded or otherwise; and

- concerns as to whether all crime reported to the Police results in reports entered in the data-base.

A 1996 Special Report of the Auditor-General stated that following an audit survey of the Police Force, around 35 per cent of police officers did not believe that the information contained on the LEAP system was accurate and reliable.\(^{261}\)

The Chief Commissioner of Police in mid-2001 initiated an independent review by the Australian Institute of Criminology into the policies, procedures and practices relating to the collection, collation and storage of crime data. The final report

\(^{260}\) Ibid

was originally intended to be provided to the Chief Commissioner by 1 December 2001, however a copy of the report has yet to be released publicly. In relation to this, the Chief Commissioner advised the media on 11 October 2002 that the Australian Institute of Criminology had found that the crime statistics were accurate, procedures were effective and the level of error was negligible. However, there were a number of opportunities for a more systematic approach to data collection.

(c) Implications arising from crime statistics

The on-going introduction of crime reduction strategies and increased safety on streets and in homes is a key strategic direction of Victoria Police in 2002-03. As part of this strategy particular attention is to be given to the collection and analysis of police data in order to build crime detection strategies around specific target zones. Funding was also provided in 2002-03 to develop information technology applications for intelligence management, which in part relies upon accurate and complete recorded information on reported crimes.

The Minister advised the Committee that a new intelligence-led approach to policing is being introduced, which relies on up to date data identifying where crimes are being committed, and the times and circumstances under which they are committed. The Minister also advised the Committee that as part of this approach, police will be made more accountable for the reduction and prevention of crime in their respective areas. Again, the measurement of the effectiveness of local police in achieving these aims will be heavily reliant on the timeliness and accurate recording of crime statistics.

The Committee also considers that apart from the use of crime statistics by the Police, the community needs to be confident of the integrity of crime statistics providing a degree of assurance over time that Victoria is becoming a safer place to live.
Accordingly, the Committee recommends that:

**Recommendation 9.6**

Once the outcome of the Police Chief Commissioner’s Review of Crime Statistics is known, any recommendations aimed at improving the collection and use of crime statistics in Victoria should be acted on by the Government as soon as possible.

(d) Utilisation of crime statistics

One of the most important purposes for which crime statistics can be utilised is to target areas where crime is increasing and to take remedial action. In this respect the Committee is pleased to note the following major strategic initiatives under way by Victoria Police in 2002-03.

(i) Domestic violence

As referred to earlier, the incidence of assault is increasing and accounts for over 60 per cent of all crimes against a person that are recorded by police. A substantial number of assaults occur in homes as a result of domestic disturbances and mostly involve women.

In August 2001, the Chief Commissioner of Police initiated a review of the way police respond to violence against women. The report was finalised in March 2002 and its 25 recommendations are currently being implemented. Initiatives contained in the 2002-03 Budget to address family violence include improved training and education for police recruits and lower ranked police officers, specific training courses for family violence liaison officers and support for local area initiatives involving domestic violence.

The Government will provide an additional $3.4 million over the next 3 years to improve and increase housing and support for women in situations of family violence and to improve the Family Violence Network Program. The Department of Justice has also received an additional $1.65 million over 3 years from 2002-03 to
develop pilot programs for men who are violent towards their family members.

(ii) Improving public safety and reducing crime

The Safer Streets and Homes strategy, costing $11 million, was released on 8 April 2002. The strategy targets a reduction in common crimes including car theft, gang violence, graffiti and burglary. Initially the strategy will focus on three key areas:

- $4.4 million to reduce offending and violence by young people by addressing issues such as youth gangs, absence from school, the use of weapons and arrest referral programs. Young people are significantly more likely than all other age groups to be either a victim of crime and violence and to be involved in crime;

- $3.2 million to improving safety in streets and neighbourhoods, local shopping centres, regional and central business districts, entertainment precincts and on public transport; and

- $800,000 to help prevent family violence and to assist those persons who have experienced family violence especially children and young people.

As part of the strategy particular attention will be given to the use of weapons in assaults, which as previously referred to, increased by 37.8 per cent in 2001-02. A Weapons Community Education Campaign costing $550,000 was launched in August 2002. The strategy is directed at the increasing tendency of young people to carry weapons and aims to highlight the illegality and dangers of doing so. Victoria Police has been issued with 420 new handheld metal detectors to target persons in possession of knives and other weapons.

In addition in these major initiatives, there are also other on-going crime prevention initiatives targeting areas of major concern, including motor vehicle theft under the Operation Vehicle Watch program. The Police Commissioner has established a taskforce of detectives dedicated to robbery investigations in each region of Victoria. The Minister advised the Committee that these targeting
programs have resulted in a reduction in the incidence of these crime categories.262

The Committee strongly endorses the actions of Victoria Police in targeting major categories of crime for special attention, in conjunction with introducing a range of crime prevention strategies. These actions further emphasise the importance of having accurate, timely and comprehensive crime statistics available in order that the impact of the strategies can be accurately and progressively assessed.

Accordingly, the Committee recommends that:

Recommendation 9.7

In order to ensure accountability and transparency of programs undertaken by Victoria Police, an assessment of the impact of crime prevention and reduction strategies, supported by crime statistics, need to be included in the annual report of Victoria Police.

(e) Statewide Integrated Public Safety Communications Strategy

In December 2001, the Minister for Police and Emergency Services announced a Statewide Integrated Public Safety Communications Strategy extending over 10 years from 2002-03, which will rebuild and upgrade emergency services and Victoria Police emergency service telecommunication systems in Victoria.263 The first three key projects under the strategy, namely the Mobile Data Network, Statewide Personnel Alerting System and the Mobile Radio project are designed to bring emergency services telecommunications into the digital age and enable police, emergency services officers and volunteers to receive information more quickly, directly and securely.

262 Hon. A. Haermeyer, MP, Minister for Police and Emergency Services, transcript of evidence, 2 July 2002, p.509
263 Media Release by the Minister for Police and Emergency Services, dated 2 December 2001
The Committee was advised that the Mobile Data Network project,\textsuperscript{264} which involves many metropolitan police and ambulance vehicles being fitted with mobile data terminals, which are intended to result in the faster dispatch of incident information, reduce radio congestion and provide instant access to critical information held on various databases. The estimated cost of the project over 7 years is $100 million.

The Statewide Personnel Alerting System\textsuperscript{265} replaces fragmented agency alerting systems currently in operation in regional and rural areas within the Country Fire Authority, the Victorian State Emergency Service and Rural Ambulance Victoria. The new system will alert and dispatch emergency personnel from these Agencies, either individually or en-masse to emergencies throughout rural and regional Victoria. The system also allows for incident updates and warnings to be sent directly to operational personnel in the field. The total cost of the system is also estimated at $100 million over seven years, commencing from 2002-03.\textsuperscript{266}

The Metropolitan Mobile Radio Project involves upgrading emergency services radio systems in metropolitan Melbourne and involves replacing the existing ageing analogue-based mobile radio networks currently in use.\textsuperscript{267} The new system is designed to alleviate radio congestion and will allow police, fire brigade and ambulance units to access information and assistance more readily. More than $130 million will be provided for the project over 10 years.\textsuperscript{268}

With respect to call taking and dispatch of emergency services in the metropolitan area of Melbourne, the Government acquired the service from Intergraph Public Safety Pty Ltd (Intergraph) in September 2002 upon expiration of the contractual arrangements with the Emergency Services Organisations. The Committee was advised by the Minister that the contract provided the Government with a nominal $1,000 buy back clause from Intergraph for the core assets of the system. However, there was

\begin{flushleft}
\textsuperscript{264} Source: 2002-03 Victorian Budget – Fact Sheet
\textsuperscript{265} Ibid
\textsuperscript{266} Ibid
\textsuperscript{267} Ibid
\textsuperscript{268} Ibid
\end{flushleft}
also a requirement to purchase a range of other assets and intellectual capital items to support the system’s performance, especially in peak demand times. The purchase, at the time of preparing this report, was being negotiated with Intergraph by a Government negotiating team and was expected to cost between $5 million and $8 million.

Ongoing servicing support, system administration and upgrades of the call taking and dispatch technology will be undertaken by Intergraph under a 3 year facilities management agreement entered into on 5 September 2002, at an estimated cost of $15.07 million.

The Committee notes that a primary focus of the Statewide Integrated Public Safety Communications Strategy is to substantially upgrade existing communications technology and in doing so, improve the response times of emergency service organisations and Victoria Police to emergencies and calls for assistance.

At present, only the Metropolitan Ambulance Service and the Metropolitan Fire and Emergency Services Board have published benchmarks set in respect of times taken to respond to emergencies. The State Emergency Services has benchmark times restricted to responding to road accidents, while Victoria Police benchmarks relate only to the aggregate hours expended on various activities such as crime investigation. There are no published benchmarks as to the ability of Victoria Police to quickly respond to crime reports and calls for assistance.

The Country Fire Authority, according to information provided to the Committee, has performance measures in place for both its regional and rural firefighting services that are based on five hazard classes, with variances reflecting the relative seriousness of the hazard. For example, high hazards are intended to have shorter response times. As an illustration, rural fire brigades are intended to respond within 10 minutes to fires within townships or urban areas where the population is less than 5,000 persons. In sparsely populated areas the response time is 20 minutes. Despite the existence of these benchmarks, neither the Budget Papers or the annual report of the Country Fire Authority contain details of
performance against the benchmarks. Similarly, Rural Ambulance Victoria does not publish performance details regarding its ambulance response times against benchmarks.

The Committee considers that in view of the large public investment in the Public Safety Communications Strategy, the success of the strategy should be measurable as this performance information would also be invaluable for monitoring the efficiency of Victoria Police and Emergency Services in providing timely responses, thereby minimising damages and losses and maximising the potential saving of lives. Such information would also be relevant to the five year strategic plan currently under development by Victoria Police.

Accordingly, the Committee recommends that:

**Recommendation 9.8**

In conjunction with the progressive implementation of the public safety communications strategy, attention also be directed by the Department of Justice to the ability of IT systems to capture data relevant to the compilation of meaningful performance information. The Department should also ensure that this information is reported in its annual reports and the Budget Papers to demonstrate the efficiency and effectiveness of the new communications strategy.

### 9.7 Corrections portfolio

The Minister for Corrections has responsibility for three outputs within the output group ‘Enforcing Correctional Orders’. This output group accounts for $288.3 million or 14.1 per cent of the Department’s 2002-03 Budget.

These outputs and corresponding funding allocations are shown below:
Exhibit 9.9  Corrections Portfolio - Output Group and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Corrections</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enforcing Correctional Orders</td>
<td>Correctional System Management</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>Prisoner Supervision and Support</td>
<td>229.9</td>
</tr>
<tr>
<td></td>
<td>Community Based Offender Supervision</td>
<td>25.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>288.3</td>
</tr>
</tbody>
</table>

9.7.1  2002-03 outlook for the portfolio

The key strategies for the portfolio in relation to the output group ‘Enforcing Correctional Orders’, include:269

- implementation of the whole-of-government strategy aimed at reducing the rate of re-offending across the corrections system. This includes diverting low risk offenders to community supervision and treatment orders instead of custodial sentences, enhancing prisoner support programs and expanding pre and post release support services to reduce the likelihood of released prisoners returning to the correctional system;

- the ongoing expansion of existing prison facilities to meet the projected growth in prisoner numbers. It is anticipated that an additional 297 permanent prison beds will be available in 2002-03;

- providing an allocation of $2.4 million ($9.6 million over 4 years) for the Public Correctional Enterprise (CORE) to assume responsibility for custodial services at the new County Court, the Supreme Court and higher courts in Geelong;270

269 Budget Paper No. 3, 2002-03 Budget Estimates, p.189
270 Budget Paper No. 2, 2002-03 Budget Statement, p.196-198
• $3.4 million for the replacement and upgrade of existing technology assets in the Correctional Services Prisoner Information System.271

9.7.2 Analysis of the 2002-03 Budget

The budget allocation for the Enforcing Correctional Orders output group reflects an increase of $35.6 million in comparison with the 2001-02 Budget. The increase in funding can largely be attributed to the planned increases in the capacity of the prison system in conjunction with the expansion of rehabilitation and diversion programs for offenders. As a result of these programs a need arose for more Community Corrections officers and more specialist programs staff, including psychologists.

The Department further advised the Committee that the anticipated increase in the prisoner population in 2002-03 will also impact on the number of prison officers required.

9.7.3 Performance measures

There have been no changes to the performance measures within the Enforcing Correctional Orders output group for 2002-03. The Committee nevertheless believes there is a need for significant change to these performance measures to appropriately assess key Government targets and outcomes.

The Committee has identified the following major deficiencies:

• a key outcome for the Government is to minimise the imprisonment rate of the adult population in Victoria, but no performance measures relate to this significant policy objective;

• reducing the community corrections rate of the Victorian adult population is also a key policy objective of the Government. Again, no performance measures relate to the level of achievement in this area;

271 Ibid. p.199
• the Government has implemented a Corrections Long-Term Management Strategy, which includes initiatives to reduce the incidence of re-offending. There are no performance measures relating to the success of diversion, rehabilitation and pre-and post-release support programs in order to assess the outcomes of these initiatives and their impact on the rate of re-offending;

• a performance measure of the prisoner supervision and support output — the proportion of benchmark measures in prison services agreement achieved — has a 2002-03 target of 90 per cent. The Committee believes this measure does not provide an appropriate level of accountability for the operations of Victoria's public and private prisons. Accordingly, this measure should be broken down to measure key performance criteria in the service agreements, with public and private prisons categorised separately;

• the use of drugs in Victoria's prisons has been identified as a major problem and has resulted in the launch of the Victorian Prison Drug Strategy, but no performance measures in the Budget Papers relate to minimising drug use or, more specifically, to the strategy’s key targets and outcomes; and

• one performance measure — average daily prison design capacity use rate — has a 2002-03 target of 117 per cent, but this measure includes only the capacity of permanent prison beds and not relocatable units (which the prison systems uses). The Committee believes this measure should include all relocatable beds, so as to provide a more accurate measure of Victoria's prison capacity.

The Committee believes that significant improvement of the existing performance measures is necessary. Currently, the measures do not provide adequate performance information to assess key targets and outcomes of the Corrections portfolio.
Accordingly, the Committee recommends that:

**Recommendation 9.9**

The Department of Justice review the performance measures in the Enforcing Correctional Orders output group to ensure they are linked to the portfolio’s evaluation framework to measure progress against portfolio aims and objectives.

### 9.6.4 Key issues impacting on the portfolio

**(a) Prison accommodation in Victoria**

Over the past four years average prisoner numbers have increased significantly by around 46 per cent from 2,432 prisoners at June 1996 to 3,540 prisoners at 30 June 2002. This increase has resulted in a chronic shortage of permanent beds and overcrowding in Victorian prisons. As a result of this situation, increasing numbers of sentenced prisoners and prisoners on remand have been held in police cells for up to 30 days pending availability of accommodation in the prison system.

The temporary retention of prisoners in police cells was subject to a report by the Victorian Ombudsman in May 2002.\(^\text{272}\) The report identified widespread dissatisfaction among both police and prisoners as to this practice, which also restricted police from undertaking the various policing functions for which they had been trained. The majority of cells in police stations were also identified as totally unsuitable for the long-term retention of prisoners, thereby creating a range of other significant problems mainly associated with health and safety.

Despite the relative stability of the crime rate in Victoria over the past five years, with a 6 per cent increase since 1995-96 as compared with a population increase of 3.5 per cent over the same period, the prison population has increased by 46 per cent, a far greater rate than the recorded crime rate. Nevertheless, compared to other Australian States and Territories, the imprisonment rate in

Victoria of 88 prisoners per 100,000 head of population is the lowest in Australia, with a national average per 100,000 head of population of 144 prisoners.

Reasons for the increase in the prison population are varied, but include the following aspects:

- changes in legislation relating to sentencing laws, parole provisions and bail conditions, all of which made it more likely serious offenders would be sent to prison, often for longer terms;

- the ‘truth in sentencing’ provisions introduced by the previous Government which were designed to reflect community values and expectations of longer sentencing/ mandatory sentencing for violent crimes. Victoria now has the highest average sentence rate of any State in Australia;

- the increase in violent crime attributed predominantly to drug addiction;

- breaching of court orders;

- the increasing use of weapons in the committal of assaults on persons and in robberies, resulting in an increased likelihood of offenders receiving jail sentences;

- increased time spent by prisoners waiting in remand prior to sentencing;

- an increasing failure of persons to pay court imposed fines; and

- an increase in the incidence of recidivism, which relates to released prisoners returning to prison after committing further crimes within 2 years of being released. It is understood that the recidivism rate is around 60 per cent. The Minister advised the Committee in July 2002 that recidivism was increasing by 3 per cent per annum.
equivalent to an extra 150 offenders a year returning to prison.273

In response to the pressure on the prison system the Minister informed the Committee of the progress made in implementing the prison infrastructure program which involves initially providing extra temporary prison beds, followed by an expansion of permanent prison beds in existing prisons and the construction of three new prisons.274 The new prisons include a 600 bed metropolitan remand facility costing around $100 million, a 300 bed medium security metropolitan prison costing around $40 million, and a 120 bed minimum security prison at Beechworth. These facilities are expected to be available in 2004. In 2002-03 an additional 297 beds will become available as a result of expanding existing prison facilities.

The Committee acknowledges the critical importance of providing additional permanent prison beds, especially given that existing prisons contain prisoner numbers in excess of those for which they were designed. Ideally prisons should be maintained at up to 95 per cent capacity. However Budget Paper No. 3 refers to an expected capacity utilisation rate for all prisons in 2001-02 of 120 per cent. A target of 117 per cent has been set for 2002-03.275

Notwithstanding the costs associated with providing additional infrastructure, which is estimated at $165.7 million over 4 years, the annual cost of maintaining each prisoner is between $50,000 to $55,000 according to information provided to the Committee by the Minister.276

It was apparent to the Committee that although additional prisoner accommodation over the next few years is critical, every effort must be made by the Department to contain the growth in prisoner numbers.

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273 Hon. A. Haermeyer, MP, Minister for Corrections, transcript of evidence 2 July 2002, p.491
274 Ibid, p.492
275 Budget Paper No. 3, 2002-03 Budget Estimates, p.217
276 Hon. A. Haermeyer, MP, Minister for Corrections, transcript of evidence, 2 July 2002, p.491
Strategies available to contain prisoner numbers include:

- promoting an expectation in the community that as a result of increased police numbers, a more visible police presence, smarter policing strategies, methodology and technology and more community confidence in the police force that there is an increased chance of offenders being detected. To some extent this is being achieved as the clearance rate for crimes is increasing. This strategy is also very evident with the Government's road safety campaign;

- crime prevention strategies;

- reducing the incidence of re-offending by released prisoners through targeted programs, including assisting with housing and employment;

- bail advocacy and support services;

- an effective drug rehabilitation strategy. A prisoner survey in 2000 found that 80 per cent of prisoners reported that drug problems related to the reason for their imprisonment;

- expansion of community based orders as an alternative to prison sentences;

- enhanced education and skill development opportunities for prisoners; and

- targeting of prisoners for intensive rehabilitation programs where their crimes have had significant impact upon their victims, such as physical violence and sex offenders.277

The Committee acknowledges that Budget Paper No. 3 outlines the Government's intention to reduce offending and re-offending rates and the number of former prisoners returning to prison. It intends to achieve this objective through the implementation of a revitalised whole-of-government strategy which will divert low risk offenders from custodial sentences to appropriate and effective community supervision and treatment orders, enhancing

277 Budget Paper No 3, 2002-03 Budget Estimates, p.189
prison based prisoner support programs and expanding pre and post release supports for prisoners.

The Minister advised the Committee that it was estimated by the Department that as a result of the diversion, rehabilitation and pre-release program initiatives progressively being introduced at a cost of $43.5 million over 4 years,\textsuperscript{278} the projected growth in the prison population will be reduced by around 600 persons.\textsuperscript{279} Emphasis is also being given to evaluating the effectiveness of programs provided in prisons which are aimed at rehabilitation.

Initiatives to be undertaken in 2002-03 include:

- introduction of a program costing $3.5 million known as ‘Bridging the Gap’. The program focuses on providing a range of post release services, including housing, alcohol and drug services and dealing with mental health issues;

- completion of a study by Corrections and the Department of Education and Training into education and training in Victorian prisons and options for the future;

- completion of a review of Victoria’s temporary leave program for prisoners; and

- reviewing the effectiveness of the Victorian Prison Drug Strategy 2001-04. The strategy includes new measures preventing drugs from entering prisons and improved efforts to deter trafficking and use inside prisons.

The Committee accepts that in the short-term pressures will remain on prisoner accommodation, particularly in view of community expectations of longer sentencing for violent crimes, coupled with a marginally increasing number of prison sentences being given by Magistrates. Also, around 50 per cent of sentences handed out in higher courts involve prison terms. Nevertheless, acknowledgment is made of the numerous strategies and programs projected or in place within the Department aimed at containing the need to imprison offenders. It is also recognised

\textsuperscript{278} Hon. A. Haermeyer, MP, Minister for Corrections, transcript of evidence, 2 July 2002, p.495
\textsuperscript{279} Ibid, p.491
that the effectiveness of these programs need to be evaluated over a period of time.

Accordingly, the Committee recommends that:

**Recommendation 9.10**

Strong emphasis be given to the ongoing research, development and monitoring of programs that contribute to containing the growth in prisoner numbers in future years. Particular attention needs to be given to:

(a) the capture of qualitative information from the respective programs in order to assess their effectiveness over time;

(b) ongoing research of relevant programs both within Australia and overseas;

(c) the causes of increasing recidivism and options available to address the problem;

(d) reasons why less than 75 per cent of community corrections orders are successfully completed and what action needs to be taken to address the ongoing high rate of failure to complete these orders, which are an alternative to prison;

(e) the development of strategies to reduce the incidence of first offenders returning to the prison system; and

(f) the adequacy of funding directed to rehabilitating the very high percentage of prisoners committing drug related crimes and their ability to access treatment.

**9.8 Consumer Affairs portfolio**

The Minister for Consumer Affairs has responsibility for the output group, Protecting Consumers, within the Department of Justice. This output group, which contributes to the Department’s
objective of improving public access to consumer protection services and accounts for $45.3 million, or 2.2 per cent of the Department’s Budget of $2,040.6 million for 2002-03.

The outputs for this output group and the funding allocations for 2002-03 are shown below:

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Corrections</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting Consumers</td>
<td>Consumer Awareness and Protection</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>Business Licensing and Registration</td>
<td>15.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>45.3</strong></td>
</tr>
</tbody>
</table>

**9.8.1 2002-03 outlook for the portfolio**

Under this portfolio, a key strategy that is continuing to be implemented in 2002-03, is the Consumer Justice Strategy. This strategy involves targeted education and information campaigns directed at the most vulnerable consumers in order to ensure they are aware of their rights and responsibilities and are assisted by Consumer Affairs in asserting those rights. In addition, ongoing campaigns are undertaken to target traders who breach consumer laws and take advantage of consumers who may be unaware of their rights.

The Department advised the Committee that consumer awareness surveys undertaken in 2001-02 had indicated Consumer Affairs needed to develop new strategies to get information to those vulnerable persons who needed it most.

Measures planned for 2002-03 include:²⁸⁰

- revising Consumer Affairs services, particularly in relation to language accessibility;

²⁸⁰ Department of Justice response to the Committee’s 2002-03 estimates questionnaire, p.16
implementing a more effective communications strategy to ensure that the consumer protection message reaches relevant parts of the community;

• forming a closer partnership with funded community groups; and


9.8.2 Analysis of the 2002-03 Budget

The Budget allocation for the Protecting Consumers output group for 2002-03 increased by $5.2 million or 13 per cent. The increase was attributed to increased wage and salary costs arising from Enterprise Bargain Agreements, as well as additional funding to strengthen alternative dispute resolution mechanisms including establishing an online alternative dispute resolution service.

9.8.3 Performance measures

The performance measures contained in the Protecting Consumers output group for 2002-03 have remained unchanged from 2001-02. In line with its comments on the 2001-02 Budget Estimates, the Committee believes the performance measures for this output group are very basic in relation to the operations of the Consumer Affairs portfolio. The Committee's analysis of the 2002-03 performance measures shows the following findings:

• one performance measure within the Protecting Consumers output group — preventative and remedial advices provided and residential tenancy bond transactions completed — has a 2002-03 target of 647,000. The Committee notes, however, that the measure incorporates two distinct activities (preventative and remedial advice provided, and residential tenancy bonds completed). The Committee believes that separate measures for these two activities would allow for the Budget Papers to provide more effective performance information;
one timeliness measure is used for both outputs under the Protecting Consumers output group, namely, services provided within elapsed time standards. The Committee notes that the 2002-03 target is consistent with the 2000-01 actual performance, the 2001-02 target and the 2001-02 expected outcome. Accordingly, the Committee believes these targets should be reviewed in 2003-04 to provide an incentive for performance improvement. In addition, the Committee believes the Budget Papers should explicitly state the elapsed time standards, so as to provide more effective performance information; and

a major strategy within the Consumer Affairs portfolio is the Consumer Justice Strategy. No performance measures focus on (a) the number of education programs and information conducted compared to the targets, (b) the level of customer satisfaction with the programs and campaigns, or (c) the programs' effectiveness in identifying and addressing poor trading practices. While the Department has advised that information and education campaigns represent only one element of the strategy, the Committee believes this activity is fundamental in achieving the strategy’s key targets and outcomes and, accordingly, it encourages the development of performance measures in this instance.
Accordingly, the Committee recommends that:

**Recommendation 9.11**

The Department of Justice:

(a) divide one performance measure — namely, preventative and remedial advice provided and residential tenancy bond transactions completed — into two measures that relate to the two separate activities;

(b) review performance targets within the Protecting Consumers output group to ensure an incentive exists for continuous performance improvement; and

(c) develop performance measures, based on key targets and outcomes within the Consumer Justice Strategy, that focus on the number of education programs conducted, the level of customer satisfaction with the programs and campaigns, and the programs’ effectiveness in identifying and addressing poor trading practices.

### 9.8.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Consumer Affairs identified the following issues that will impact upon the portfolio during 2002-03.

(a) **Estate Agents Strategy**

A key priority of the portfolio in 2002-03 is the implementation of the Estate Agents Strategy, provided legislation is passed introducing a range of reforms. The Government has taken action on real estate agents following widespread public concern about a range of practices including:

- dummy and fictitious bids;
• failure to disclose auction conditions at the onset of an auction, including whether the auctioneer and the vendor may lodge bids;

• harassing or coercing of other bidders by buyers’ advocates;

• underquoting and overquoting of property values by estate agents;

• excessive commissions;

• professional misconduct by estate agents and auctioneers; and

• inadequate, misleading or illegal contracts of sale.

The Minister advised the Committee that a system of random inspection by officers from Consumer Affairs at weekend auctions has been taking place and any instances detected of dummy bidding or other unethical practices would result in prosecution.281

In addition to the above actions, the Minister in May 2002 established an Estate Agents Resolution Service to investigate and resolve disputes between estate agents and consumers.

The Committee acknowledges the actions taken by Consumer Affairs to address the range of public concerns arising from sections of the real estate industry.

Chapter 10: Department of Natural Resources and Environment

Key Findings:

10.1 The Department of Natural Resources and Environment’s budget allocation for 2002-03 is $1,119.4 million representing a $107.9 million or 10.7 per cent increase from the 2001-02 budget allocation.

10.2 The Department of Natural Resources and Environment indicated that there are a number of factors that make it difficult to recruit and retain employees specialising in areas such as Science, Forestry, Information Technology, Financial Management and Water Engineering.

10.3 The construction of the Wimmera-Mallee pipeline is designed to provide a more secure and higher quality water supply for domestic and stock use.

10.4 Full retail competition in the electricity industry was achieved from January 2002. It will be important for the Government to monitor the implementation process to ensure that identified benefits flow through to consumers.

10.1 Departmental overview

The Department of Natural Resources and Environment provides support to the portfolios of Environment and Conservation; Agriculture; Aboriginal Affairs; and Energy and Resources.

10.2 Output management framework

The Department’s 2002-03 output management framework is shown in Exhibit 10.1.
## Exhibit 10.1 Department of Natural Resources and Environment Output Management Framework

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>9.5</td>
<td>9.9</td>
<td>13.6</td>
<td>43.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>182.2</td>
<td>196.5</td>
<td>205.6</td>
<td>12.8</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>217.1</td>
<td>223.8</td>
<td>247.8</td>
<td>14.1</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>179.5</td>
<td>194.0</td>
<td>186.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Energy and Greenhouse Policy Advice</td>
<td>34.2</td>
<td>34.6</td>
<td>39.2</td>
<td>14.6</td>
</tr>
<tr>
<td>Environment Protection</td>
<td>54.3</td>
<td>55.3</td>
<td>54.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Fisheries</td>
<td>37.2</td>
<td>35.1</td>
<td>40.5</td>
<td>8.9</td>
</tr>
<tr>
<td>Forests and Fire Management</td>
<td>194.4</td>
<td>203.8</td>
<td>208.2</td>
<td>7.1</td>
</tr>
<tr>
<td>Land Management and Information</td>
<td>87.5</td>
<td>103.5</td>
<td>106.6</td>
<td>21.8</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>15.6</td>
<td>16.9</td>
<td>17.3</td>
<td>10.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,011.5</strong></td>
<td><strong>1,073.4</strong></td>
<td><strong>1,119.4</strong></td>
<td><strong>10.7</strong></td>
</tr>
</tbody>
</table>


As shown in Exhibit 10.1, the Department’s budget allocation for 2002-03 is $1,119.4 million, representing a $107.9 million (or 10.7 per cent) increase from the 2001-02 allocation.
10.3 Financial analysis

The Department’s statement of financial performance is shown in Exhibit 10.2.

Exhibit 10.2 Department of Natural Resources and Environment
Statement of Financial Performance

| Departmental Output Groups | 2001-02 Budget ($ million) | 2001-02 Estimated Actual Budget ($ million) | 2002-03 Budget ($ million) | Variation (col 3-1) (%)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from ordinary activities</td>
<td>990.9</td>
<td>1,051.8</td>
<td>1,114.4</td>
<td>12.5</td>
</tr>
<tr>
<td>Expenses from ordinary activities</td>
<td>1,011.5</td>
<td>1,073.3</td>
<td>1,119.4</td>
<td>10.7</td>
</tr>
<tr>
<td>Result from ordinary activities and net result for the reporting period</td>
<td>-20.6</td>
<td>-21.5</td>
<td>-5.0</td>
<td>312.0</td>
</tr>
</tbody>
</table>

Administered items

| Administered items | 2001-02 Budget ($ million) | 2002-03 Budget ($ million) | Variation
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered revenue</td>
<td>281.0</td>
<td>504.3</td>
<td>26.9</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>281.0</td>
<td>505.3</td>
<td>29.5</td>
</tr>
<tr>
<td>Surplus/deficit</td>
<td>0.0</td>
<td>-1.0</td>
<td>-7.1</td>
</tr>
</tbody>
</table>

Sources:  Budget Paper No. 3, 2002-03 Budget Estimates, tables 2.6.2 and 2.6.5, p.74, 279.

The Department advised the Committee of the following matters:

- the increase in revenue from ordinary activities was mainly due to the reclassification of approximately $110 million of section 29 appropriation revenue. The published Budget did not reflect changes in accounting policy that required the reclassification of section 29 receipts as administered funds, rather than controlled funds, and the subsequent drawing down of controlled appropriations for section 29 funds. The Department also received funding from the Treasurer’s
Advance for matters such as the Snowy River, fire suppression and salary increases;\(^{282}\)

- the above increases were partly offset by (1) the carryover of unspent appropriations and (2) the reclassification of revenue from the sale of goods and services and Commonwealth grants as administered transactions rather than controlled transactions;\(^{283}\) and

- the increase in expenditure from ordinary activities relates mainly to additional funding for the Victorian Public Service Enterprise Agreement and the transfer of capital grants from ‘asset investment’ to ‘payments for outputs’ and ‘funding from the Treasurer’s Advance’.\(^{284}\)

Both the revenue and expenses shown as administered items increased due to the reclassification of certain items as administered transactions from controlled transactions following the Government’s adoption of the Model Financial Report for Victorian Government Departments.\(^{285}\)

### 10.3.1 Other revenue and other expenses

In the past, the Committee has indicated its concern regarding the level of disclosure of material amounts in the ‘other revenue’ and ‘other expenses’ categories in departmental statements of financial performance. Accordingly, the Committee recommended that all material revenue and expense items be disclosed in the Budget Papers each year.\(^{286}\)

The Department adopted the Committee’s recommendations in preparing the 2002-03 Budget Estimates. The Committee’s analysis of the 2002-03 Budget Estimates for the Department found that:

\(^{282}\) Department of Natural Resources and Environment’s response to the Committee’s 2002-03 Budget estimates questionnaire, p.23
\(^{283}\) Ibid
\(^{284}\) Ibid
\(^{285}\) Budget Paper No. 3, 2002-03 Budget Estimates, p.278
• the amount of revenue under ‘other revenue’ has decreased from $128.5 million in the 2001-02 Budget to $1.1 million in 2002-03;

• the amount of expenditure under ‘other expenses’ has decreased from $287.8 million in the 2001-02 Budget to nil in 2002-03; and

• revenue items such as taxes, fines and fees, and expenditure on grants are now separately disclosed in the Budget Papers.

10.4 Human resources

The Department advised the Committee that it had 4,461 equivalent full time (EFT) staff (permanent, fixed term and temporary) as at 28 February 2002 and estimated that this number would increase to 4,528 in 2002-03. Exhibit 10.3 details the allocation of these staff by output group.

Exhibit 10.3 Department of Natural Resources and Environment’s – Equivalent Full Time staff, by Output Group

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>28 February 2002 (actual)</th>
<th>2002-03 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>48</td>
<td>54</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,475</td>
<td>1,473</td>
</tr>
<tr>
<td>Catchment and Water</td>
<td>702</td>
<td>704</td>
</tr>
<tr>
<td>Conservation and Recreation</td>
<td>308</td>
<td>308</td>
</tr>
<tr>
<td>Energy and Greenhouse Policy Advice</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Fisheries</td>
<td>237</td>
<td>268</td>
</tr>
<tr>
<td>Forests and Fire Management</td>
<td>826</td>
<td>878</td>
</tr>
<tr>
<td>Land Management and Information</td>
<td>703</td>
<td>677</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>140</td>
<td>144</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,461</strong></td>
<td><strong>4,528</strong></td>
</tr>
</tbody>
</table>

Source: Department of Natural Resources and Environment’s response to the Committee’s 2002-03 budget estimates questionnaire, p.17

In addition, a further 553 EFT staff (as at 28 February 2002) were employed as summer project fire fighters engaged in fire prevention and suppression activities on public lands throughout Victoria. The employment of these fixed-term staff is an annual seasonal occurrence.
The Department indicated that the overall expected EFT staff increase of 67 from February 2002 is mainly due to:

- an increase in staffing in the Forests and Fire Management output group for the implementation of the Our Forests Our Future initiative;

- an increase in staffing in the Fisheries output group due to the establishment of the marine parks; and

- a decrease in staffing in the Land Management and Information output group due to the completion of the Titles Automation Project and restructuring in the Land Registry.  

10.4.1 Difficulties in recruiting staff

In response to the Committee’s 2003-03 Budget Estimates questionnaire, the Department indicated that it was generally able to recruit staff to meet operational needs, but encountered difficulties in securing and retaining employees in some of the more specialised areas such as science, forestry, information technology, financial management and water engineering. This occurred because of:

- significant competition in the market;

- an inability to offer remuneration levels found in industry; and

- the difficulty in attracting staff to work in some geographic locations, particularly some country locations.  

In relation to staff shortages, the Minister for Agriculture informed the Committee that the Agriculture output group had 69 vacancies at its regional offices at mid-July 2002. Many of the vacancies were at the Department’s research institutes and research centres, primarily in the areas of science and technical roles.  

287 Department of Natural Resources and Environment’s response to the Committee’s budget estimates questionnaire, p.18  
288 Ibid, p.19  
289 Hon. K. Hamilton, MP, Minister for Agriculture 2002, Response to questions on notice, p.1
Committee is concerned at the level of vacancies in this important area, given that the vacancy level is nearly 5 per cent of the output group’s estimated staffing levels for 2002-03 and that the majority of the vacancies are located in rural areas.

The Department advised the Committee it had adopted strategies to address shortfalls in staff and expertise, including:

- greater participation in formal graduate recruitment programs and the continued application of cadetship programs;
- marketing of the Department to future graduates through increased links to educational institutions;
- the adoption of a policy to support the direct employment of staff rather than Agency contract persons; and
- the continued operation of departmental programs designed to improve the general leadership and management skills of staff.

In addition, in mid-late 2002 the Department will commence work on a career development strategy that will provide a more structured approach to career development in the Department. The strategy will be linked to succession planning and broad capacity development strategies designed to meet both departmental and individual staff needs.\(^{290}\)

The Committee considers that the Department has adequate strategies in place to address its shortfall in staff shortages and expertise. However, it is important that the Department continues to monitor the effectiveness of these strategies, particularly in maintaining staffing levels and expertise at the Department’s rural research institutes and research centres to ensure that this important work continues.

\(^{290}\) Department of Natural Resources and Environment’s response to the Committee’s Budget Estimate questionnaire, p.20
10.5 Environment and Conservation portfolio

The Minister for Environment and Conservation has sole responsibility for five key output groups within the Department of Natural Resources and Environment. These output groups account for $803.2 million, or 71.8 per cent of the Department’s 2002-03 Budget. Exhibit 10.4 shows the outputs and their corresponding funding allocations for 2002-03.
## Exhibit 10.4 Environment and Conservation Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Environment and Conservation</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forests and Fire Management</strong></td>
<td>Fire prevention and planning</td>
<td>23.3</td>
</tr>
<tr>
<td></td>
<td>Fire operations</td>
<td>32.9</td>
</tr>
<tr>
<td></td>
<td>Sustainable forest management services</td>
<td>69.8</td>
</tr>
<tr>
<td></td>
<td>Sustainable forest production and industry development</td>
<td>82.2</td>
</tr>
<tr>
<td><strong>Environment Protection</strong></td>
<td>Policy frameworks, regulations and services to enhance air quality</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>Policy frameworks, regulations and services to enhance water quality</td>
<td>18.3</td>
</tr>
<tr>
<td></td>
<td>Policy frameworks, regulations and services to protect groundwater and the land environment from pollution</td>
<td>2.7</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>19.8</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>24.4</td>
</tr>
<tr>
<td></td>
<td>Land information</td>
<td>82.2</td>
</tr>
<tr>
<td><strong>Conservation and Recreation</strong></td>
<td>Services for the management and governance of Victoria’s parks</td>
<td>140.4</td>
</tr>
<tr>
<td></td>
<td>Biodiversity conservation, use and ecosystem services</td>
<td>18.5</td>
</tr>
<tr>
<td></td>
<td>Nature and heritage recreation and tourism services</td>
<td>27.4</td>
</tr>
<tr>
<td><strong>Catchment and Water</strong></td>
<td>Catchment information services</td>
<td>8.5</td>
</tr>
<tr>
<td></td>
<td>Community land and water management</td>
<td>158.1</td>
</tr>
<tr>
<td></td>
<td>Catchment and water resource allocation and access</td>
<td>81.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>803.2</td>
</tr>
</tbody>
</table>
10.5.1 2002-03 outlook for the portfolio

Key portfolio initiatives planned for 2002-03 include:

- significant changes for forestry in Victoria following the release of the Government’s Our Forests, Our Future policy. The policy aims to ensure forests, the timber industry and their communities are protected for the long-term. Specific initiatives in this area include a voluntary reductions scheme to buy back timber licences, assistance to workers and affected communities, and the establishment of a new entity, VicForests, to manage the State’s forests on a sustainable and commercial footing;

- the allocation of funding, subject to matching Commonwealth funding, to commence the construction of the Wimmera-Mallee pipeline;

- the implementation of the Box-Ironbark Forests Adjustment Package, which aims to protect box-ironbark forests and woodlands and to assist communities and industries through a transition process; and

- the commencement of the development of the Land Exchange, which aims to provide businesses and the community with a single point of on-line access to integrated State and Local Government land information and transactions.

10.5.2 Analysis of the 2002-03 Budget

The allocation to output groups under the responsibility of the Minister for Environment and Conservation has increased by $70.4 million (9.6 per cent) to $803.2 million in 2002-03. The major funding allocations contained in the 2002-03 Budget are:

- $80 million over four years ($25 million in 2002-03) to fund the Government’s commitments under the Our Forests, Our Future policy;

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291 Budget Paper No. 3, 2002-03 Budget Estimates, p.235-236
292 Budget Paper No. 2, 2002-03 Budget Statement, p.201-206
$20.8 million over four years to implement the Government’s response to the Environment Conservation Council’s recommendations on box–ironbark forests and woodlands. A major portion of the funding is for a structural adjustment package for affected forest industry workers and businesses, establishment costs for parks, State forests and reserves, and ongoing public land management;

$76.8 million over 10 years ($7.8 million in 2002-03), subject to matching support from the Commonwealth and confirmation of the feasibility of the project through detailed design, for the construction of a pipeline system in the Wimmera–Mallee region to provide a more secure and higher quality water supply for domestic and stock use;

$24 million over three years ($11.2 million in 2002-03) to commence the development of the Land Exchange on-line land information and transaction system; and

$10.6 million over three years for the Victorian River Health program, which is targeted at improving environmental flows in priority stressed rivers, restoring in-stream habitats.

10.5.3 Performance measures

The output groups have not changed, but major changes have been made to the outputs and performance measures within the Conservation and Recreation output group and the Land Management and Information output group.

The Committee’s review of performance measures under the Environment and Conservation portfolio shows the following findings:

a key responsibility of the catchment information services output is the provision of information on catchment and water management to assist key stakeholders in managing and protecting these resources. No qualitative performance measure focuses on stakeholder satisfaction with these services;
• a number of performance measures of the community land and water management output relate to areas protected from salinity. Given the significance of the State’s salinity problem, the Committee believes these measures provide effective performance information. A key performance measure that is not included, however, is the percentage of Victorian agricultural land at risk of irrigation salinity and dryland salinity. This measure would show the overall impact of Government initiatives to manage the State’s salinity problem;

• one performance measure — the number of rivers with programs being implemented to improve environmental flow regimes — has a 2002-03 target of two. The Committee believes the performance measures should focus on the programs’ impact in improving environmental flows, rather than on the number of rivers subjected to these programs;

• a number of performance measures of the community land and water management output relate to the completion, accreditation, review and renewal of Regional Catchment Management Strategies. The performance measures do not, however, provide information on the achievement of the strategies’ key targets and outcomes;

• a key performance measure of the catchment and water resource allocation and access output — water supplies meeting agreed water quality standards — has a 2002-03 target of 85 per cent. The Committee believes the maintenance of water quality standards represents a fundamental responsibility of the Government and, accordingly, encourages the Government to expand this measure to provide more detailed performance information for presentation in the Budget Papers;

• one performance measure — implementation of new drinking water quality framework — has a 2002-03 target of June 2003. It will be important to subject key targets and outcomes within this framework to performance assessment through 2003-04 and beyond;
• a number of performance measures of the services for management and governance of Victoria's parks relate to the number of threatened native species specifically targeted for conservation measures. While the Committee believes these measures are relevant in providing information on the number of threatened species subject to conservation measures, the performance measures do not focus on the success of these measures in removing each species from the threatened category;

• a number of qualitative performance measures of the services for management and governance of Victoria's parks relate to community perceptions of Parks Victoria. The Committee believes these are important measures in understanding the satisfaction of the Government's key stakeholders. There is a need for a note to accompany these measures in the Budget Papers to explain the method by which community perceptions are obtained;

• one performance measure — items listed under the Flora and Fauna Guarantee Act with action statement prepared — has a 2002-03 target of 40. This measure would provide better performance information if a percentage target were used instead of a numerical target;

• a number of performance measures within the Environment Protection output group relate to statutory compliance as a proportion of assessments and have a percentage target. The Committee notes, however, that the 2002-03 target for these measures is identical to the 2001-02 target and was at least achieved in 2000-01 and 2001-02. The Committee considers that performance targets should provide an incentive for performance improvement and, when achieved, should be adjusted;
• an important responsibility of the Environment Protection output group relates to the setting and enforcement of goals and standards, particularly in relation to air and water quality. The Committee notes that a key performance measure focuses on compliance with air and water quality standards as a proportion of samples collected. The importance of measuring air and water quality necessitates expanding this measure to provide more detailed performance information for presentation in the Budget Papers;

• one performance measure — funding EcoRecycle Victoria and Regional Waste Management Groups — has a 2002-03 target of $13.2 million. The Committee believes that the level of funding to these important entities does not constitute appropriate performance measurement and that measures should be based around key targets and outcomes that form a component of the funding criteria;

• another performance measure — Forest Management Areas (FMA) subject to the code of the Forest Practice Audit — has a 2002-03 target of four. The Committee believes that performance measures should focus on the conclusions raised from the audit, rather than on the audit process; and

• a number of timeliness performance measures of the land information output have a 2002-03 target that is identical to the 2001-02 target and expected outcome, and lower than the 2000-01 actual performance. The Committee believes these targets should be reviewed to ensure they provide an incentive for further performance improvement.

Further development of performance measures under the Environment and Conservation portfolio is necessary in order to properly measure performance against identified outputs and outcomes.
Accordingly, the Committee recommends that:

**Recommendation 10.1**

The Department of Natural Resources and Environment undertake a review of the adequacy of existing performance measures in terms of whether the measures and targets properly reflect Government outcomes and key objectives of the respective programs. Where necessary, management information systems should be implemented to capture relevant information required for performance measures.

### 10.5.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Environment and Conservation identified key issues that will have an impact on the Budget estimates and the portfolio for 2002-03.

**(a) Forest Industry Reform Package — Our Forests Our Future**

In February 2000, the Victorian Government announced significant changes to forestry in Victoria with the release of the Our Forests Our Future policy. The policy focuses on changes to the timber licensing system, timber industry development and forest management.\(^{293}\)

The Government has initiated a broad range of reviews and projects to investigate the management frameworks and identify improved processes. A key review was the Licence Review Project. In March 2001, in anticipation of the expiry of long-term sawlog licences, the Minister for Environment and Conservation initiated a process to review sustainable yield figures and the licensing of sawlogging in State forests.\(^{294}\)

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\(^{293}\) Department of Natural Resources and Environment’s response to the Committee’s budget estimates questionnaire, p.8

\(^{294}\) Ibid
A review of the Department’s data showed that sawlog supply levels must be reduced by one third across the State to achieve sustainable forest management. Reductions will be most significant in east Gippsland, central Gippsland and the Midlands Forest Management Areas.\(^{295}\)

To implement these reforms, the Department will develop new ways of doing business in the forestry industry, which will help achieve environmental and community aspirations as well as the long-term viability of the timber industry. The reforms will focus on five key areas:

- managing industry transition;
- supporting community adjustment;
- establishing a new forest management entity to separate the commercial from the regulatory functions of the Government;
- implementing the recommendations of the Expert Data Reference Group; and
- improving forest stewardship.\(^{296}\)

The 2002-03 Budget provides $80 million over four years ($25 million in 2002-03) to fund for this initiative.\(^{297}\)

Accordingly, the Committee recommends that:

**Recommendation 10.2**

Given the substantial expenditure budgeted for the Our Forests Our Future initiative over the next four years, the Department of Natural Resources and Environment monitor the implementation of the initiative to ensure:

(a) an effective implementation process is followed;

\(^{295}\) Ibid
\(^{296}\) Ibid
\(^{297}\) Budget Paper No. 2, 2002-03 Budget Statement, p.201
(b) emerging issues are identified and addressed; and
(c) a comprehensive monitoring and reporting process, including appropriate performance measures, is implemented to allow for an assessment of the strategy’s success.

(b) Construction of the Wimmera-Mallee pipeline

Water for domestic and stock use is provided to the Wimmera-Mallee area of Victoria from water storages situated in the Grampians. The water is transferred via a system of approximately 17,500 kilometres of open earthen channels. The water travels through hot, dry country and often sandy soils, so about 90 per cent of the water that leaves the Grampians is lost through evaporation.298

A new pipeline to 9,000 service points and 40 towns throughout the Wimmera-Mallee region will replace the existing 17,500 kilometres of open channels. Converting the open channels to a pipeline system will release up to 93,000 megalitres of water for return to the environment (particularly stressed river systems) and for potential new developments such as agricultural and mineral sand exploration.299

The construction of the Wimmera-Mallee pipeline will provide a more secure and higher quality water supply for domestic and stock use. The Victorian Government will contribute $77 million over 10 years to construct the pipeline, subject to Commonwealth matching funding and the package’s feasibility as determined through detailed design.300

The Committee welcomes this Government initiative, which aims to address the long-term water supply of one of the most arid areas of the State.

299 Ibid, p.10
300 Government of Victoria, op.cit., p.89–90
(c) Improving the health of Victoria’s rivers

Victoria’s system of water allocation, use and management is premised on healthy rivers. A decline in the quality of the resource base will put at risk the current and potential investment in irrigated agriculture and value-adding industries, and could lead to significant costs to both the Government and private industry. 301

Around one third of all Victoria’s rivers are in a poor or very poor condition, while only 22 per cent are in a good or excellent condition. As rivers degrade, Victoria is losing a significant part of its natural infrastructure and risking the benefits of those rivers. 302

The Government’s commitment to improving the health of Victoria’s rivers and waterways will be targeted at:

- improving environmental flows in priority stressed rivers;
- restoring riparian, fish and instream habitats;
- enhancing monitoring and evaluation; and
- improving the health of the River Murray.

These initiatives also complement the Government’s commitment to increase flows in the Snowy River and the tri-government Snowy–Murray agreement. 303 The 2002-03 Budget provides $25.6 million over three years for these initiatives. 304

The Committee strongly supports the Government’s proposed action to improve the health of the State’s rivers, particularly the Snowy River and the River Murray.

(d) Marine national parks

After protracted delays, in June 2002 the Victorian Parliament passed legislation to enable the creation of 13 marine national parks and 11 sanctuaries along the Victorian coastline. The marine

301 Department of Natural Resources and Environment’s response to the Committee’s budget estimates questionnaire, p.11
302 Ibid
303 Ibid
304 Budget Paper No. 2, 2002-03 Budget Statement, p.201-204
national parks and sanctuaries came into existence on 16 November 2002. The legislation attempts to strike a balance between the need to protect the marine environment and the need to protect those people whose livelihood may be affected by the initiative.

The 2001-02 Budget provided $37.5 million over four years to implement the package, including the establishment and ongoing management of protected marine areas, performance assessment and monitoring of protected marine areas, the relocation of fishing effort, aquaculture industry development and fisheries industry adjustment.\textsuperscript{305} The 2002-03 Budget provides a further $3.2 million over three years to cover increased implementation costs.\textsuperscript{306}

The Committee is pleased that the legislation will be phased in and the fishing industry will be assisted to make the necessary adjustments.

(e) Land exchange program

Local Government, numerous State Government Agencies and the property market are seeking to improve access to land information and to improve service delivery. Most land information content providers are developing or considering developing on-line services. However, these efforts have been undertaken in isolation without State Government facilitation, and there is the risk of substantial duplication and data fragmentation.

The Department has recognised the need to adopt an integrated approach to electronic property information across the State and to improve access to property information and transaction provision (which currently imposes considerable costs and time delays on industry, the Government and the community). The Committee was advised the Department will address these issues through the implementation of the Innovation Economy program, which will:

- provide access to State and Local Government land-related information transactions via the Internet. Key components will include an electronic conveyancing system for

\textsuperscript{305} Budget Paper No. 2. 2001-02 \textit{Budget Statement}, p.259-260
\textsuperscript{306} Budget Paper No. 2. 2002-03 \textit{Budget Statement}, p.201-202
transferring ownership in land, a digital vendor statements certificates system and an on-line application/ planning permit process; and

- integrate applications and provide a single point of access for information and transactions for every piece of land in Victoria.\textsuperscript{307}

The 2002-03 Budget provides $24 million over three years ($11.2 million in 2002-03) to develop the Land Exchange on-line land information and transaction system.\textsuperscript{308} The Committee is pleased with the Department’s proposal to centralise the State’s land information and to use electronic on-line technology for dissemination to the many parties who need access to the information.

10.6 Energy and Resources portfolio

The Minister for Energy and Resources has responsibility for three output groups within the Department of Natural Resources and Environment. These output groups account for $97 million, or 8.7 cent of the Department’s 2002-03 Budget. Exhibit 10.5 shows the outputs and their corresponding funding allocations for 2002-03.

\textsuperscript{307} Department of Natural Resources and Environment’s response to the Committee’s Budget Estimate questionnaire, p.10
\textsuperscript{308} Budget Paper No. 2, 2002-03 Budget Statement, p.205-206
### Exhibit 10.5  
**Energy and Resources Portfolio - Output Groups and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Energy and Resources</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy and Greenhouse Policy Advice</td>
<td>Greenhouse policy services</td>
<td>32.3</td>
</tr>
<tr>
<td></td>
<td>Energy policy services</td>
<td>6.9</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Sustainable fisheries use services</td>
<td>18.4</td>
</tr>
<tr>
<td></td>
<td>Industry and community compliance services</td>
<td>18.7</td>
</tr>
<tr>
<td></td>
<td>Aquaculture and fishing industry development</td>
<td>3.4</td>
</tr>
<tr>
<td>Minerals and Petroleum</td>
<td>Minerals and petroleum regulation services</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Minerals and petroleum industry development and information</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>97.0</strong></td>
</tr>
</tbody>
</table>

#### 10.6.1 2002-03 outlook for the portfolio

The major strategies of the Energy and Resources portfolio for 2002-03 are:

- to ensure Victorians continue to enjoy secure supplies of competitively priced energy, while helping to mitigate the enhanced greenhouse effect and the risk from subsequent global warming;

- to support the development of technologies to reduce greenhouse gas emissions by promoting the efficient and sustainable supply and use of energy;

- to continue the introduction of retail competition for the Victorian gas industry; and

- to continue the development of regional geological information sets and data, encouraging further exploration for minerals and petroleum resources.
10.6.2 Analysis of the 2002-03 Budget

The major funding allocations contained in the 2002-03 Budget are:

- $12 million over three years for a Centre for Energy and Greenhouse Technologies. The centre, which will be headquartered in Gippsland, will facilitate innovative sustainable energy projects in fields such as renewable energy sources, energy efficient technologies and the more efficient use of fossil fuels;

- $2.8 million over four years for the Co-operative Research Centre for Clean Power from Lignite. Funded by the Commonwealth Government, the Victorian Government, industry and academia, the centre was established to develop technologies to reduce the quantity of greenhouse gases during the burning of lignite (brown coal) in coal fired power stations, particularly in the Latrobe Valley;

- the allocation of $118 million to a Special Power Payment Scheme, to ensure consistency between electricity bills paid by rural, regional and outer suburban customers and those paid by similar metropolitan customers; and

- the continuation of funding over the next four years for key investment initiatives commenced in 2001-02 to deliver the Government's commitment to sustainable energy. These initiatives include strategic policy advice for energy markets and the encouragement of exploration for minerals and petroleum resources.

10.6.3 Performance measures

In 2002-03, no changes have been made to the output structure of the Energy and Resources portfolio. The Committee notes only minimal change has occurred to the performance measures under the portfolio, with an increase from 69 measures in 2001-02 to 70 in

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309 Budget Paper No. 2, 2002-03 Budget Statement, p.201-205
2002-03. Seven new performance measures have been introduced and six have been discontinued from 2001-02.

The Committee's review of performance measures shows the following findings:

- a major objective of the greenhouse policy services output is to develop and implement a whole-of-government greenhouse response. The performance measures of the output relate to reporting processes rather than the effectiveness of the Government's greenhouse-related initiatives in achieving key targets and outcomes of the Victorian Greenhouse Strategy;

- a significant aim of the energy policy services output is to provide policy advice for a secure and cost-effective energy supply for the State. No performance measures focus on the key deliverable, that is, the capacity of Victoria's energy supply to meet the needs of Victorians throughout the year;

- a performance measure located in both outputs of the Energy and Greenhouse Policy Advice output group is the number of other key deliverables and projects managed on time, in line with planned and agreed project timetables. The Committee believes the Department should identify the key deliverables and measure them against specific targets;

- for a number of performance measures in the Fisheries output group, the 2001-02 target, 2001-02 expected outcome and 2002-03 target are shown as greater than a base percentage. While the Committee is comfortable with the target being presented in such a manner, it believes that more effective performance analysis occurs when actual performance achieved is shown as a specific percentage;

- a key performance measure of the minerals and petroleum regulation services output is the number of completed audits of high or critical sites. The Committee believes this performance should be expanded to include the results of these audits, in the form of (a) the number of high or critical sites with a compliant audit opinion; and (b) the number of high or critical sites with an exception audit opinion; and
• a performance measure of the minerals and petroleum industry development and information output relates to the number of targeted industry information packages released. The Committee believes this measure should be accompanied by a further qualitative measure on the industry’s satisfaction with the quality of the information packages produced.

The Committee believes that further development of performance measures within the Energy and Resources portfolio is necessary to ensure they better reflect the achievement of the portfolio’s key targets and outcomes, rather than focusing on reporting processes.

10.6.4 Key issues impacting on the 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. These issues will have an impact on the Budget estimates and the portfolio for 2002-03.

(a) Retail competition in electricity

Full retail competition was achieved in the provision of electricity from 13 January 2002 and full retail contestability in gas from 1 October 2002.\textsuperscript{310} From 13 January 2002, all customers have been able to choose from packages offered by different electricity retailers. Retail prices remain subject to Government oversight and minimum retail service standards will remain regulated by the Essential Services Commission.

The Government has allocated $118 million to assist householders, small businesses and farmers in outer suburban and regional and rural areas. The rebate is designed to ensure the average power bill paid by these customers is generally no more than the highest average bill in the city for customers on equivalent tariffs.\textsuperscript{311} The $118 million rebate package includes additional assistance for


\textsuperscript{311} Budget Paper No. 2, 2002-03 Budget Statement, p.201
small business and farm customers on higher consumption tariffs who have unusually high levels of off-peak use.³¹²

(b) Victorian Greenhouse Strategy

In June 2002, the Minister for Energy and Resources released the Victorian Greenhouse Strategy. The strategy commits the Government to ensuring Victoria contributes to national and international efforts to address the threat of climate change and pursues this commitment in a manner consistent with the directions set in the Growing Victoria Together policy.³¹³

The launch of the strategy follows major Government initiatives earlier in the year to demonstrate leadership in greenhouse gas abatement. Those initiatives included the 15 per cent Government energy consumption reduction target and the 5 per cent Government purchase of green power.

Other actions by the Government include: the requirement to disclose greenhouse information on electricity bills (following legislation to achieve that result); the commitment to establishing a centre for energy and greenhouse technologies to provide an enhanced capacity for identifying and adopting best practice technologies in the generation and use of energy; and the abatement of greenhouse gas emissions.³¹⁴

The funding for the greenhouse policy services output under the Energy and Greenhouse Policy Advice output group has been increased from $26.8 million in 2001-02 to $32.3 million in 2002-03.³¹⁵ The Committee is pleased with the priority given by the Government to this important area as demonstrated by the release of the Victorian Greenhouse Strategy and the increased Budget allocation for 2002-03.

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³¹² Ibid
³¹³ Department of Natural Resources and Environment, *Victorian Greenhouse Strategy 2002*, Melbourne
³¹⁵ Budget Papers No. 3, 2002-03 *Budget Estimates*, p.255–6
Accordingly, the Committee recommends that:

**Recommendation 10.3**

The Department of Natural Resources and Environment develop a comprehensive performance monitoring and reporting process to identify the success of the Victorian Greenhouse Strategy in achieving its objectives.

### 10.7 Agriculture portfolio

The Minister for Agriculture has responsibility for the Agriculture output group within the Department of Natural Resources and Environment. This output group accounts for $205.6 million, or 18.4 per cent of the Department’s 2002-03 Budget. Exhibit 10.6 shows the outputs and their corresponding funding allocations for 2002-03.

**Exhibit 10.6** Agriculture Portfolio - Output Group and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Agriculture</th>
<th>2002-03 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>51.3</td>
</tr>
<tr>
<td></td>
<td>Development of next generation technologies for sustainable agriculture</td>
<td>122.8</td>
</tr>
<tr>
<td></td>
<td>Community, farm and industry development services</td>
<td>31.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>205.6</strong></td>
</tr>
</tbody>
</table>

**10.7.1 2002-03 outlook for the portfolio**

The major Government initiatives contained in the 2002-03 Budget, are:\[316\]

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[316] Budget Paper No. 2, 2002-03 Budget Statement, p.201-206
• the provision of $3.2 million over four years to establish the Victorian Agribusiness Networks. This initiative aims to identify new opportunities, develop regional Victoria’s business capabilities and support the State’s 37,000 farmers, regional communities and the food sector;

• the enhancement of the Department’s rural service delivery by consolidating its service facilities in Bairnsdale and Bendigo, at a cost of $10.8 million over three years;

• the establishment of FarmBis, a joint Commonwealth–State initiative to assist farmers to improve their business management skills, at a cost of $8 million over two years; and

• the provision of $4.4 million over four years to boost Victoria’s capacity to prepare, detect and respond to plant and animal pests and diseases.

Other Government measures contained in the Budget that will assist the agricultural sectors include the construction of the Wimmera–Mallee pipeline, initiatives to address the long-term health of the Gippsland Lakes and the introduction of a fox management program.

10.7.2 Analysis of the 2002-03 Budget

Funding for the Agriculture output group for 2002-03 is $205.6 million, representing an increase of $23.4 million (or 12.8 per cent) from the 2001-02 level of funding. This additional funding reflects increases for the following outputs:

• services to improve market access, market development and consumer confidence in food and agricultural products — an increase of 17.4 per cent to $51.3 million;

• the development of technologies for sustainable agriculture — an increase of 5 per cent to $122.8 million; and

• community, farm and industry development services — an increase of 46.5 per cent to $31.5 million.
10.7.3 Performance measures

The Committee notes that the outputs within the Agriculture output group are unchanged in 2002-03. For the relevant outputs, the Department had established 25 performance measures in 2002-03 compared with 24 in 2001-02.

The Minister advised that the three major objectives of the portfolio relate to:

- the provision of services to improve market access, market development and consumer confidence;
- the development of next generation technologies for sustainable agriculture; and
- community, farm and industry development.

The outputs within the Agriculture output group focus on each of these objectives.

The Committee's review of performance measures under the Agriculture output group shows that they focus on the numbers of projects/programs/initiatives being implemented rather than the achievement of key targets and outcomes of major strategies within each output. A performance measure of the community, farm and industry development services output, for example, is the number of projects in progress rather than a measure of the projects' impact in implementing best practice systems that underpin sustainable and productive food and agriculture industries.

Accordingly, the Committee recommends that:

Recommendation 10.4

The Department of Natural Resources and Environment review the performance measures within the Agriculture output group to ensure they focus on measuring the impact of Government initiatives and strategies in achieving the objectives of the output group.
10.7.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Agriculture identified the following key issues. These issues will have an impact on the budget estimates and the portfolio for 2002-03.

(a) Redevelopment of Royal Melbourne Showgrounds

The 2002-03 Budget provides $100.7 million over three years to redevelop the Royal Melbourne Showgrounds at Ascot Vale. After a long period of negotiation, the Government has agreed to a joint partnership with the Royal Agricultural Society to:

- refurbish the showgrounds so people who attend and work there have good occupational health and safety protection;
- provide an opportunity to present the royal show in a more professional manner; and
- have the use of the showgrounds for 52 weeks of the year for events other than the Royal Agricultural Show, which is a 10-day event.

The memorandum of understanding between the Government and the Royal Agricultural Society deals with two matters:

- first, the refurbishment and redevelopment of the showgrounds, including a change to the show ring to make it smaller and better focused and to provide new grandstands; and
- second, a feasibility study into, and a continuing conceptual plan for, land at the showgrounds that has not been included in the first stage and is not subject to ongoing work.

The Minister stated that there are two parcels of valuable land at the showgrounds, and a number of agribusinesses have expressed interest in establishing businesses on these sites.

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317 Budget Paper No. 2, 2002-03 Budget Statement, p.205
319 Ibid
The Committee welcomes this initiative, which it believes will revitalise the infrastructure of the showgrounds, which have long needed upgrading. The Committee notes that the final design for the redevelopment is not expected to be finalised until late 2003.

(b) Training for farmers

The 2002-03 Budget provides funding ($8 million for a further two years) to continue the FarmBis program.\(^{320}\) This joint Commonwealth–State program seeks to improve the financial self-reliance and competitiveness of the farming sector by providing grants to individual farmers or group of farmers undertaking training in farm business management skills.\(^{321}\)

The initial program was introduced as part of national reforms to drought policy in 1992 to foster a goal of self-reliance by landholders in times of drought. The States agreed to the removal of subsidies, such as those on purchased feed and on transport for feed and livestock. The new program, named FarmBis, was introduced in 1998 to assist farmers to improve their business management skills.\(^{322}\)

The Victorian Government conducted a review of the program in 2001-02 and found a strong role for Government support of rural education, where community access is often more difficult and costly. It determined that Government support to defray the cost and promote access in farm education and training is warranted.\(^{323}\)

The Committee regards this type of assistance to the farming community as vital. Training in farm business management skills is particularly important, especially in times where farmers have to make important decisions to cope with the current drought conditions affecting many rural parts of the State.

\(^{320}\) Budget Paper No. 2, 2002-03 Budget Statement, p.201
\(^{321}\) Department of Natural Resources and Environment’s response to the Committee’s estimates questionnaire, p.9
\(^{322}\) Ibid
\(^{323}\) Ibid
(c) Property consolidation

The Department’s services in Bendigo and Bairnsdale are delivered from a total of six sites. This disaggregation of services has resulted in significant deficiencies in the Department’s regional coordinated service delivery approach and contributed to inefficiencies in infrastructure provision and use, including duplication of information technology. There are also emerging occupational health and safety issues that must be addressed at both sites.\(^{324}\)

The Department will address these service delivery deficiencies and operational inefficiencies by:

- consolidating the four separate Bairnsdale locations into one existing site, in accordance with enhanced service delivery requirements and Victorian Government accommodation standards; and

- consolidating the two separate Bendigo locations and extending the existing office facility for new programs such as the National Action Plan for Salinity Program.\(^{325}\)

The 2002-03 Budget provides funding totalling $10.8 million over three years for the two consolidations.\(^{326}\) The Committee considers that the proposed consolidation of the departmental offices at Bendigo and Bairnsdale will address the current inefficiencies of maintaining several locations.

Accordingly, the Committee recommends that:

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\(^{324}\) Ibid, p.10
\(^{325}\) Ibid
\(^{326}\) Budget Paper No. 2, 2002-03 Budget Statement, p.205
Recommendation 10.5

The Department of Natural Resources and Environment, within a year, undertake a review of the consolidation of services at Bendigo and Bairnsdale to determine the success of the project and whether the intended outcomes have been achieved.

10.8 Aboriginal Affairs portfolio

The Minister for Aboriginal Affairs has responsibility for the Aboriginal Reconciliation and Respect output group within the Department of Natural Resources and Environment. This output group accounts for $13.6 million, or 1.2 per cent of the Department’s 2002-03 Budget. Exhibit 10.7 shows the outputs and their corresponding funding allocations for 2002-03.

Exhibit 10.7 Aboriginal Affairs Portfolio - Output Group and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Aboriginal Affairs</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aboriginal Reconciliation and Respect</td>
<td>Indigenous community building</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>Reconciliation through partnerships of the Government and Aboriginal communities</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>Addressing the disposition of Aboriginal land and culture</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>13.6</td>
</tr>
</tbody>
</table>

10.8.1 2002-03 outlook for the portfolio

Aboriginal Affairs Victoria (AAV) is the Agency responsible for delivering Aboriginal services. The major objectives of AAV include promoting the social, economic and cultural development of Victoria’s Aboriginal communities and improving the coordination and monitoring of Government policy development for program and service delivery to Victoria’s Aboriginal people.

The Government and the indigenous community have identified indigenous disadvantage as a key target area in 2002-03.
Accordingly, the Department will implement programs in this regard, including:

- the Victorian Indigenous Family Violence Strategy, which supports and resources the prevention and reduction of, and response to, the high levels of family violence in indigenous communities throughout Victoria;

- the Stolen Generations Initiative, which will help establish a stolen generations organisation that provides counselling, support, self-help and advocacy, family tracing and reunion services to meet the complex less social and emotional needs of members of the stolen generation; and

- the Indigenous Community Capacity Building Program, which provides grants funding and organisational support to increase the stability, effectiveness and functioning of local Aboriginal community organisations.

The Budget allocation for the Aboriginal Reconciliation and Respect output group for 2002-03 is $13.6 million. This amount represents an increase of $4.1 million (or 43.2 per cent) on the Budget allocation in 2001-02. The additional funding is provided for the Indigenous community initiatives and the VPS Enterprise Agreement. Further, staffing levels for Aboriginal Affairs Victoria are expected to be 50 in 2002-03 compared with 44 in 2001-02.

10.8.2 Performance measures

The Aboriginal Reconciliation and Respect output group has undergone a significant level of change from 2001-02, with three new outputs being introduced and the performance measures being overhauled. Accordingly, all of the 21 performance measures (excluding output costs) are new measures in 2002-03.

A review of the performance measures used in 2002-03 reveals the following issues:

327 Department of Natural Resources and Environment’s response to the Committee’s budget estimates questionnaire, p.8–9
• seven performance measures have been classified as new measures in 2002-03, yet these measures either have been carried forward from 2001-02 without change or incorporate minor alterations;

• the outputs are directed towards the Government working in partnership with the Aboriginal community and holding formal consultation processes, yet no measures relate to the Aboriginal community’s satisfaction with the process, programs or Government’s policies;

• the performance measures focus on the processes adopted by Government to improve outcomes for Aboriginal people, rather than the achievement of desired outcomes and key targets of strategies such as the Indigenous Partnership Strategy, the Victorian Aboriginal Cultural Heritage Strategy and the Victorian Public Sector Indigenous Employment Strategy;

• one performance measure — the proportion of Indigenous Family Violence Community Initiatives fund grants endorsed by the Indigenous Family Violence Task Force — has a 2002-03 target of 90 per cent, which raises the question of why the task force would not endorse all initiatives of this nature;

• one performance measure — high priority cyclical building maintenance works completed within stipulated timeframes — has a 2002-03 target of 100 per cent. This measure should be accompanied by a note in the Budget Papers to outline the nature of this process and the building types; and

• another performance measure—annual Aboriginal Affairs report tabled in Parliament—has a performance target of one. The relevance and need for such a measure should be questioned.

In addition, in its reports on the 2000-01 and 2001-02 Budget Estimates, the Committee raised its concern that performance measures, as typified by the examples referred to above, have not focused on the quality and outcomes of vital services in Aboriginal
health, education and justice. The Minister advised that Victoria has developed a whole-of-government monitoring and reporting framework for Aboriginal Affairs, containing performance indicators and benchmarks to measure progress against desired outcomes of the Government’s policy objectives.

Accordingly, the Committee recommends that:

**Recommendation 10.6**

The performance measures in the Budget Papers relating to the Aboriginal Affairs portfolio should be closely aligned to the quality and outcome measures that were developed for the whole-of-government monitoring and reporting framework for Aboriginal Affairs.

### 10.8.3 Key issues impacting on the 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. These issues will have an impact on the Budget Estimates and portfolio for 2002-03.

(a) **Review of the Aboriginal Lands Act**

In terms of the whole-of-government policy on Aboriginal affairs, the Government intends to review the *Aboriginal Lands Act* 1971. The Act refers to Lake Tyers and Framlingham, which were the first grants of lands to Aboriginal people in Australia. The original Act set up shares for all the people on those two missions in 1972. In the 30 years since, the families who were part of that group have dispersed and people have died. Consequently, there is a need to enable annual general meetings to be held to encompass the direction of the spirit of those land grants. The revised legislation is in its final form. The Minister advised the Committee that the recommendations have been referred to the Lake Tyers and
Framlingham communities for their response before the Act is finalised.  

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**Key Findings**

11.1 There has been a substantial change to the Department of Premier and Cabinet’s output group structure in 2002-03 with a reduction in the number of output groups from seven in 2001-02 to four in 2002-03.

11.2 The Department of Premier and Cabinet has reduced its workforce by 9 per cent between June 2001 and June 2002.

11.3 The structure of information presented in the 2002-03 Budget Paper No. 3 for the Premier's portfolio has changed for the third time in as many years.

11.4 An annual report will be presented to the Parliament on the Growing Victoria Together framework including progress made on key targets and outcomes.

11.5 The Joint Government Enterprise with responsibility for identifying and funding water savings projects in Victoria and NSW to offset increased flows in the Snowy and Murray Rivers has not been established.

11.6 The Multicultural Affairs budget allocation increased by 36 per cent from 2001-02 with the expansion of the Community Grants Program and increased number of interpreters employed.

11.7 In relation to the Multicultural Affairs portfolio, the Budget Papers contain no costing information on comparative amounts for the 2000-01 actual amount, 2001-02 target and 2001-02 expected outcome.

11.8 Appropriate accountability structures and processes will need to be established to ensure the 10-year arts policy for Victoria is monitored and effectively implemented.
11.9 Attendance at the Victorian Arts Centre Trust increased by 20 per cent in 2001-02. Visitation to the State Library decreased by 12 per cent over the same period due to the disruptions created by redevelopment works.

11.10 Performance measures of the women’s policy output group are input orientated, rather than measuring the outputs and outcomes of Government policy and initiatives.

11.1 Departmental overview

The Department provides services to four ministerial portfolios including the Premier, Multicultural Affairs, Arts and Women’s Affairs.

11.2 Output management framework

The Department’s 2002-03 output management framework is shown in the following Exhibit:

Exhibit 11.1 Department of Premier and Cabinet - Output Management Framework

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice and Projects</td>
<td>33.7</td>
<td>35.8</td>
<td>39.0</td>
<td>15.7</td>
</tr>
<tr>
<td>Community Engagement and Government Information</td>
<td>33.4</td>
<td>32.1</td>
<td>31.5</td>
<td>-5.7</td>
</tr>
<tr>
<td>Arts and Cultural Development</td>
<td>302.5</td>
<td>289.5</td>
<td>310.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Public Sector Employment and Governance</td>
<td>16.0</td>
<td>16.9</td>
<td>15.6</td>
<td>-2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>385.6</strong></td>
<td><strong>374.3</strong></td>
<td><strong>397.0</strong></td>
<td><strong>3.0</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.284
As shown in Exhibit 11.1, the Department’s budget allocation for 2002-03 is $397 million representing an $11.4 million or 3 per cent increase from the 2001-02 budget allocation.

The Committee notes there has been a substantial change to the Department’s output group structure in 2002-03, with a reduction in the number of output groups from seven in 2001-02 to four in 2002-03. The Department advised that certain outputs used in 2001-02 had no direct linkage to objectives or the role of the Department and it was difficult to attribute clear responsibilities and accountabilities. Accordingly, the reduction in output groups has been achieved through the incorporation of:

- the Multicultural Affairs and Women’s Policy output groups into the Community Engagement and Government Information output group; and
- the Public Sector Employment and Conduct output group into the Public Sector and Governance output group.

These changes were made to ensure that outcomes align with the core roles and objectives of the Department, the Growing Victoria Together Strategy, address recommendations from the 2001 Output Review for Arts Victoria, highlight the leadership role of the Department and promote improved accountability in the development of whole-of-government initiatives.

11.3 Financial analysis

The statement of financial performance of the Department is shown in the following Exhibit:

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329 Response by Department of Premier and Cabinet to the Committee’s 2002-03 estimates questionnaire, p.5
330 Ibid, p.4
Exhibit 11.2 Department of Premier and Cabinet – Statement of Financial Performance

<table>
<thead>
<tr>
<th>Statement of Financial Performance ($ million)</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>522.2</td>
<td>522.0</td>
<td>537.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>484.0</td>
<td>475.6</td>
<td>508.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Net result for the reporting period</td>
<td>38.2</td>
<td>46.5</td>
<td>28.1</td>
<td>26.4</td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>2.3</td>
<td>2.6</td>
<td>2.7</td>
<td>17.4</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>2.3</td>
<td>2.6</td>
<td>2.7</td>
<td>17.4</td>
</tr>
<tr>
<td>Surplus/Deficit</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
</tbody>
</table>

Sources: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.7.2, p.299 and Table 2.7.5, p.304

The Committee notes there are only moderate variations between the estimated and estimated actual amounts for both revenue and expenses from ordinary activities in 2001-02. The surplus from ordinary activities ($46.5 million) has arisen primarily from the fact that funding for capital projects is brought to account by the Department as revenue, whereas the actual outlays are recorded as assets in the Balance Sheet.331

11.3.1 Other revenue and other expenses

The Committee’s analysis of the Budget Papers found that:

- the amount under the heading ‘other revenue’ has decreased from $60.3 million in the 2001-02 to $11.3 million in 2002-03. Revenue items such as revenue received for the sale of goods and services, $40.7 million, and resources received free of charge, $14 million, have been separately disclosed in 2002-03; and

- the level of expenditure under ‘other expenses’ has decreased from $169.6 million in 2001-02 to $900,000 in 2002-03.

331 Ibid, p.35
03. This has resulted from the disclosure of grant payments, $162.1 million, as a separate expenditure item.

### 11.4 Human resources

The Department estimated that it would have 580.1 Equivalent Full Time (EFT) staff at 30 June 2002 compared with the actual number of 636.9 EFT staff at 30 June 2001.

**Exhibit 11.3** Department of Premier and Cabinet - Equivalent Full Time Staff (Permanent, Temporary and Fixed Term) by Division

<table>
<thead>
<tr>
<th>Division</th>
<th>30 June 2001 (actual)</th>
<th>30 June 2002 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic, Economic and Social Policy</td>
<td>66.7</td>
<td>64.8</td>
</tr>
<tr>
<td>Governance, Resources and Infrastructure</td>
<td>147.1</td>
<td>185.0</td>
</tr>
<tr>
<td>DPC Executive</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Office of the Premier</td>
<td>48.1</td>
<td>53.3</td>
</tr>
<tr>
<td>Office of Women’s Policy</td>
<td>10.6</td>
<td>15.6</td>
</tr>
<tr>
<td>Arts Victoria</td>
<td>116.6</td>
<td>103.7</td>
</tr>
<tr>
<td>Multicultural Affairs</td>
<td>7.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Ministerial and Parliamentary</td>
<td>117.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Ministers Salaries and Allowances</td>
<td>19.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Office of Chief Parliamentary Counsel</td>
<td>30.4</td>
<td>31.6</td>
</tr>
<tr>
<td>Office of the Governor</td>
<td>25.5</td>
<td>26.8</td>
</tr>
<tr>
<td>Office of Public Employment</td>
<td>19.2</td>
<td>13.6</td>
</tr>
<tr>
<td>Office for Workforce Development</td>
<td>0</td>
<td>8.0</td>
</tr>
<tr>
<td>Office of the Ombudsman</td>
<td>24.4</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>636.9</strong></td>
<td><strong>580.1</strong></td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet, correspondence received 29 August 2002

Exhibit 11.3 shows the Department has reduced its workforce by approximately 9 per cent, 56.8 EFT staff, over the 12 month period. The Department advised that this reduction resulted from the following:  

- the relocation of ministerial staff to their relevant Agency due to machinery of government changes;

- the conclusion of Centenary of Federation initiatives and the Metropolitan Ambulance Service Royal Commission;

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332 Correspondence received from the Department of Premier and Cabinet, dated 29 August 2002
the establishment of the Office of Community Building and the Infrastructure Planning Council; and

increased graduate recruitment and the transfer of corporate services staff from the Department of Treasury and Finance.

11.5 Premier’s portfolio

The Premier has responsibility for three output groups that account for $79.1 million in 2002-03, which represents a 1.9 per cent increase from the budgeted $77.6 million in 2001-02.

The output groups, outputs and corresponding funding allocations for 2002-03 are shown below:

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Premier</th>
<th>Output Cost ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy and Advice</td>
<td>Strategic Policy Advice</td>
<td>29.0</td>
</tr>
<tr>
<td></td>
<td>Policy Leadership Projects</td>
<td>10.0</td>
</tr>
<tr>
<td>Community Engagement and Government Information</td>
<td>Community Support Fund</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>Government Information Services</td>
<td>22.3</td>
</tr>
<tr>
<td></td>
<td>and Support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Protocol and Special Events</td>
<td>2.1</td>
</tr>
<tr>
<td>Public Sector Management and Governance</td>
<td>Advice and Support to the Governor</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>Public Sector Employment and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conduct Services</td>
<td>2.7</td>
</tr>
<tr>
<td></td>
<td>Ombudsman Services</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>Chief Parliamentary Counsel Services</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>79.1</td>
</tr>
</tbody>
</table>

The Committee notes that only one material variation has occurred from 2001-02. This variation involves various Expenditure Review Committee initiatives and funding for the Constitutional Commission, $1.6 million, under the Strategic Policy Advice and Projects output group.
11.5.1 2002-03 outlook for the portfolio

The Department of Premier and Cabinet has identified a number of key tasks for the Premier’s portfolio in the 2002-03 financial year. These tasks include:

- developing the economic aspects of the Growing Victoria Together initiative and accounting for the social and environmental considerations;
- assessing potential social capital trends and providing policy choices that integrate economic, social and environmental directions;
- establishing the Australian Graduate School of Government and developing approaches that improve workforce planning, training and management performance; and
- developing and implementing an Electronic Records Centre of Excellence.

11.5.2 Performance measures

For the 2002-03 Budget Estimates, the Department’s Internal Audit Committee reviewed performance measurement information to ensure it provided appropriate data on the efficiency, effectiveness and timeliness of outputs. As a result, performance measures have been revised to ensure:

- appropriate resource allocation measures relating to the achievement of performance targets, including budget and time allocation;
- alignment with the Growing Victoria Together strategy; and
- systematic performance measures that provide a more effective comparison of performance over time.

In line with its review of outputs and performance measures, the Department has introduced 37 new measures for 2002-03. The

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333 Budget Paper No 3, 2002-03 Budget Estimates, p.283
Committee’s review of performance measures under the Premier’s portfolio revealed:

- a number of performance measures in the Public Sector Employment and Conduct Services output are listed as new measures in 2002-03 despite containing exactly the same wording as the measures for 2001-02. The Premier has advised that this situation arose from a transfer of some functions to the Office of Workforce Planning resulting in the performance measures measuring different areas. The Committee believes the current treatment of the performance measures is confusing and should be accompanied by an explanatory note in the Budget Papers;

- within the Community Engagement and Government Information output group, a key output is the management of the Community Support Fund and the Office of Community Building. The Committee believes that each initiative is significant and promoted as a key Government policy initiative, yet the performance measures do not differentiate between the two strategies. This makes it difficult to determine budgeted activity levels and other key measures of performance for each initiative;

- a key responsibility of policy leadership projects output is to manage the implementation of the Growing Victoria Together (GVT) strategy. Accordingly, a significant initiative in measuring the efficiency and effectiveness of the strategy is the development of a GVT outcomes report for the public. While the Committee commends the Government for developing the report, the performance measures in the Budget Papers only relate to the timely development of the report and not to measuring the outcomes contained in the GVT outcomes report;

- two qualitative performance measures of the Policy Leadership Projects output relate to the satisfaction with policy leadership project outcomes and strategic people

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334 Correspondence received from the Premier, dated 29 August 2002, p.3
management briefs. The descriptions of these measures do not identify the relevant stakeholder;

- two qualitative performance measures of the Government Information Services and Support output relate to the satisfaction of Departmental clients/ stakeholders and public clients. The 2002-03 target for both measures is identical to the 2000-01 actual performance, 2001-02 target and the 2001-02 expected outcome. The Committee believes that performance targets should be set at a level that provides an incentive for performance improvement, particularly when the target has been achieved in prior years;

- one performance measure — the level of public support for all special events that are a Departmental responsibility — has a 2002-03 target of 95 per cent. The Committee believes this target should be reviewed to ensure it provides an incentive for continued performance improvement. Further, the Budget Papers should contain a note to explain the method by which public satisfaction ratings are obtained; and

- two new performance measures of public sector employment and conduct services relate to satisfaction with activities and programs. They have a 2002-03 target of 80 per cent. The Committee encourages the Department to review each target for 2003-04 to ensure it is realistic and provides an incentive for performance improvement.
Accordingly, the Committee recommends that:

**Recommendation 11.1**

The Department of Premier and Cabinet:

(a) in the event that performance measures focus on satisfaction levels, the identification of the satisfied party should be specified;

(b) develop performance measures that focus on the achievement of outcomes within the Growing Victoria Together Strategy, rather than focusing on the reporting processes involved; and

(c) review the targets of performance measures introduced in 2002-03 to ensure they are realistic and that they provide incentive for performance improvement in subsequent years.

The Committee’s review of the 2002-03 Budget Paper No. 3 shows that the structure of information presented for the Premier’s portfolio has changed for the third time in as many years:

- in 2000-01, each output group was accompanied by key Government outcomes to which the output group contributed;

- in 2001-02, key Government outcomes were removed and replaced with departmental objectives to which the output group contributed; and

- in 2002-03, the primary focus has shifted from departmental objectives to a combination of Government outcomes, departmental objectives and output groups’ contribution to the Government’s Growing Victoria Together strategy.

It is disappointing that the links between base performance data presented in the performance measures and key Government outcomes and departmental objectives have changed from year to year.
Accordingly, the Committee recommends that:

**Recommendation 11.2**

The Department of Premier and Cabinet ensure appropriate and consistent performance assessment information is contained in Budget Paper No. 3 for the Department from year to year.

11.5.3 Key issues impacting on the 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 budget estimates and the portfolio for 2002-03.

(a) Growing Victoria Together framework

The Committee notes the Growing Victoria Together framework was released in November 2001. The framework outlines the Government’s vision for Victoria over the next decade and identifies important issues that will guide resource allocation over the medium and long-term.

The Premier advised the Growing Victoria Together Strategy aims to balance economic, environmental and social responsibilities as a basis for improving the quality of life for all Victorians. Accordingly, the Government has identified 11 key areas as significant in the achievement of the strategy:

- valuing and investing in lifelong education;
- high quality health and community services;
- sound financial management;
- safe streets, homes and workplaces;
- growing and linking all of Victoria;
- promoting sustainable development;

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335 Hon. S. Bracks, MP, Premier, transcript of evidence, 17 May 2002, p.2
• more jobs and thriving, innovative industries across Victoria;
• building cohesive communities and reducing inequalities;
• protecting the environment for future generations;
• promoting rights and respecting diversity; and
• government that leads and listens.

In 2002-03, the Government has allocated funding for initiatives specific to these key areas and requires Departments to assess their contribution to outcomes of the strategy so that progress can be measured and reported on a whole-of-government basis. Accordingly, the Premier advised that the Government will present an annual report to the Parliament on the progress of the strategy in terms of achieving key targets and outcomes.\footnote{Hon. S. Bracks, MP, Premier, transcript of evidence, 17 May 2002, p.10}

While the Committee commends the Government on its undertaking to report annually to the Parliament, it will be important that the structure and contents of this report are monitored to ensure it meets the needs of the Parliament and the community.

Accordingly, the Committee recommends that:

Recommendation 11.3

After the release of the Growing Victoria Together annual report, the Department of Premier and Cabinet survey key stakeholders (i.e. Members of Parliament and community representatives) to ensure the contents and structure of the annual report meet the needs of the Parliament and the community.

(b) Victorian Electronic Records Strategy - Centre of Excellence

In 2002-03, the Government allocated $8.2 million ($2.7 million in output and $5.5 million capital expenditure) over two years for the

\footnote{Hon. S. Bracks, MP, Premier, transcript of evidence, 17 May 2002, p.10}
implementation of the Victorian Electronic Records Strategy (VERS) Centre of Excellence.

The Centre will be located at the Public Record Office Victoria and be responsible for overseeing the rollout of VERS across Government. The Centre will:

- provide resources, advice and guidance to Victorian government Agencies;
- conduct continued research into the long-term preservation of electronic records; and
- oversee the construction of an electronic records depository at the Public Record Office Victoria.\(^{337}\)

The Committee considers the implementation of the strategy is significant given that most Government documents are created and managed electronically, but are printed and managed as paper documents for exchange and archiving. In addition, the growing use of email and the internet points to a future where the majority of activity is conducted electronically.\(^{338}\)

The Committee welcomes this initiative as it will ensure a consistent approach is developed to electronic records retention within Government.

(c) Australian Graduate School of Government

The Premier advised that increasing job mobility, outsourcing and the dramatic downsizing of the Victorian public service during the 1990s has increased the need for a properly resourced school of government.\(^{339}\) Accordingly, in February 2001, the Premier announced plans to work with the University of Melbourne and other universities to develop a world class school of government. The school, which also has support from the New South Wales, Queensland and Commonwealth governments, will be based in Melbourne and deliver its core services in major centres across Australia.

\(^{337}\) Victorian Public Record Office webpage

\(^{338}\) Ibid

\(^{339}\) Hon. S. Bracks, MP, Premier, transcript of evidence, 17 May 2002, p.29
The Premier also advised that a consultant engaged to prepare a business plan for the school found:

- a widely perceived gap in the current development programs for public sector management;
- strong support and market demand for a national graduate school of government; and
- that the business plan for the school was viable if start-up contingency funding was made available by Governments.\(^{340}\)

Accordingly, the Government allocated $3.8 million over 4 years ($2.4 million in 2002-03) to support the initial establishment costs associated with the school.

(d) The corporatisation of the Snowy Mountains Hydro-Electric Authority and the Joint Government Enterprise

A significant initiative undertaken by the Government relates to restoring water flows equivalent to 21 per cent of Snowy River average annual natural flows over the first 10 years. The restoration of 28 per cent of average annual natural flows is the longer term target.

The Premier advised that a tri-governmental agreement, between the Victorian, New South Wales (NSW) and Commonwealth Governments, was reached in 2000. Key components of the agreement include:

- securing an intergovernmental funding package of $375 million over 10 years, of which Victoria will contribute $150 million;
- the commencement of 4 water savings projects in consultation with the community;
- the conduct of a trial on river management works in the Snowy River; and

\(^{340}\) Ibid
• the establishment of Snowy Hydro Limited under the Corporations Law to manage the operation of the scheme from 28 June 2002.\footnote{Correspondence received from the Premier, dated 29 August 2002, p.2}

In 2001-02, the Government allocated $15 million for the establishment of a Joint Government Enterprise (JGE) with responsibility to identify and fund water savings projects in Victoria and NSW in order to offset increased flows in the Snowy and Murray Rivers. However, the Premier advised the JGE has not been established and accordingly the $15 million budgeted in 2001-02 has yet to be allocated. Currently, ongoing discussions with the NSW Government are proceeding to determine the potential structure and governance arrangements to be implemented.\footnote{Ibid}

The Committee supports the Government’s initiative in returning water flows to one of Victoria’s most significant environmental assets. It will be important that the structure and governance arrangements of the JGE ensures effective operations and the timely, relevant and accurate flow of performance information to all levels of the JGE and the NSW and Victorian Governments.
Accordingly, the Committee recommends that:

**Recommendation 11.4**

The Government, in co-operation with the NSW Government, develop and implement an effective governance framework for the Joint Government Enterprise which includes:

(a) comprehensive corporate and business plans containing high level objectives that are consistent with Government policy; and

(b) an effective performance monitoring system that provides complete, accurate and timely performance information that can be compared to key targets and desired outcomes.

### 11.6 Multicultural Affairs portfolio

In 2001-02, Multicultural Affairs was a separate Output Group. However, given the Government’s emphasis on engaging with the community, this output group became a component of the Community Engagement and Government Information output group in 2002-03.

The Multicultural Affairs output has a budget allocation of $5.3 million in 2002-03, representing a $1.4 million or 35.9 per cent increase from the $3.9 million allocated in 2001-02.

The output and corresponding budget for 2002-03 is shown below:

**Exhibit 11.5** Multicultural Affairs Portfolio - Output Group and Output Cost for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the responsibility of the Minister for Multicultural Affairs</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Engagement and Government Information</td>
<td>Multicultural Affairs</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5.3</strong></td>
</tr>
</tbody>
</table>
11.6.1 2002-03 outlook for the portfolio

The Premier advised that funding allocated to the portfolio in 2002-03 will build on the Government’s commitment to support and improve the role of the Victorian Multicultural Commission through the continuation and expansion of the Community Grants Program. This program provides support to ethnic and community-based organisations for activities and projects such as multicultural festivals and events, ethnic schools, community partnerships and ethnic community buildings.

In addition, a number of new initiatives will be introduced in 2002-03 to improve access to services for ethnic groups. Specific initiatives include:

- the establishment of regional and metropolitan TAFE courses to expand capacity to train accredited interpreters;
- piloting new and innovative technologies in the provision of language services;
- a greater use of bilingual employees and information and awareness projects; and
- improving language services for rural and regional communities.

11.6.2 Analysis of the 2002-03 Budget

The Multicultural Affairs output budget increased from $3.9 million in 2001-02 to $5.3 million in 2002-03 (35.9 per cent). This increase resulted from:

- the expansion of the Community Grants Program; and
- an expansion of services, including increasing the number and quality of interpreters, with particular emphasis on regional areas.

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11.6.3 Performance measures

The Committee notes that the performance measures within the Multicultural Affairs portfolio have remained unchanged from 2001-02 except for a new performance measure, the number of language service projects implemented. The Committee’s analysis of the Multicultural Affairs output revealed:

- the 2002-03 Budget for the output is $5.3 million, but the Budget Papers contain no costing information that show comparative amounts for the 2000-01 actual amount, 2001-02 target and 2001-02 expected outcome. The Premier advised that this situation resulted from a realignment of the Department’s objectives in line with the Growing Victoria Together strategy, but the Committee believes the Department should make every effort to ensure comparative data are presented where possible;

- an important activity of the portfolio is the conduct of forums and consultations with community groups. While there is a performance measure showing the number of forums and consultations held, a key qualitative assessment of this initiative is community groups’ satisfaction with the process, for which no performance measure has been developed;

- a quantitative measure of the Victorian Multicultural Commission has a 2002-03 target of 100 per cent of grant funds allocated. The Committee believes performance information should be extended to incorporate the commission’s grants program’s achievement of key targets and outcomes, rather than just the allocation of the funds; and

- another performance measure — the number of language services projects implemented — has a target of four in 2002-03. The Committee believes that performance measures should not just state the number of projects implemented but

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344 Hon. S. Bracks, MP, Premier, transcript of evidence, 17 May 2002, p.6
also focus on the achievement of key targets and outcomes for the provision of language services.

The Committee believes that the performance measures of the Multicultural Affairs output should be expanded and enhanced. Accordingly, the Committee recommends that:

**Recommendation 11.5**

The Department of Victorian Communities:

(a) ensure comparative costing data relating to the Multicultural Affairs portfolio is provided, where possible, in the Budget Papers, even if departmental objectives are realigned;

(b) develop a performance measure that focuses on the satisfaction of community groups with the forums and consultations conducted by the Multicultural Affairs portfolio; and

(c) develop performance measures that focus on the Multicultural Affairs portfolio’s key targets and outcomes, rather than the current practice whereby the number of services and projects delivered is the major measure of performance.

11.6.4 Key issues impacting on the 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 Budget Estimates and the portfolio for 2002-03.

(a) Community Grants Program

The Community Grants Program is designed to support ethnic and community-based organisations for activities and projects that
meet the priority needs of Victoria’s culturally and linguistically diverse communities.\(^\text{345}\)

The Premier advised that grants are allocated in several categories such as organisational support, community building, multicultural festivals, community partnership and ethnic schools programs. The importance of the program is demonstrated by the fact that 1,417 grant applications were received in 2001-02, representing an increase of approximately 100 from 2000-01.\(^\text{346}\)

In 2002-03, additional funding of $2.7 million has been allocated for the program over four years, thereby increasing it to $1.5 million per year. \(^\text{347}\) The Committee believes that the amount of funding allocated to the program, requires that performance be monitored against key targets and desired outcomes.

(b) **Publicising departmental services among ethnic communities**

The Committee notes a key responsibility of the Victorian Office of Multicultural Affairs (VOMA) is to advise Departments and Agencies on the most effective means to communicate with ethnic communities. The Premier advised that the provision of this advice by VOMA and the Strategic Communication and Government Information Branch of the Department, has resulted in the production of more effective translated materials and improved utilisation of the ethnic media.\(^\text{348}\)

The Committee was also advised that data compiled on media expenditure for the three months February to April in 2001 and 2002 showed:

- overall media expenditure increased by 5.4 per cent; and
- expenditure on ethnic media increased by 29.2 per cent.

In addition, the proportion of campaign media expenditure utilised for ethnic media for the 2001 calendar year was

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\(^{345}\) Media release by the Minister for Multicultural Affairs and Office of the Premier, dated 19 July 2001


\(^{347}\) Media release from the Office of the Premier, dated 9 May 2002

\(^{348}\) Correspondence received from the Premier, dated 8 July 2002
5.5 per cent, exceeding the minimum target set by the Government.\textsuperscript{349}

The Committee is pleased to note the additional resources directed towards the ethnic media. However, it will be important for the Government to ensure this additional expenditure is effectively utilised.

Accordingly, the Committee recommends that:

**Recommendation 11.6**

*The Department of Victorian Communities:*

(a) monitor the effectiveness of ethnic media expenditure to ensure funds are allocated to high priority areas; and

(b) measure the satisfaction of ethnic communities with the methods used by Departments and Agencies to publicise their services.

### 11.7 Arts portfolio

The Minister for the Arts has sole responsibility for the Arts and Cultural Development output group that accounts for $310.9 million or 78.3 per cent of the Department’s 2002-03 Budget. The Arts and Cultural Development output group has the following outputs:

**Exhibit 11.6 Arts Portfolio - Output Group and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for the Arts</th>
<th>Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Cultural Development</td>
<td>Arts Development and Access</td>
<td>24.6</td>
</tr>
<tr>
<td></td>
<td>Infrastructure and Cultural Facilities</td>
<td>80.8</td>
</tr>
<tr>
<td></td>
<td>Portfolio Services and Policy</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Arts Portfolio Agencies</td>
<td>203.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>310.9</strong></td>
</tr>
</tbody>
</table>

\textsuperscript{349} Ibid
11.7.1 2002-03 outlook for the portfolio

The Committee notes that on completion of Federation Square, both the Australian Centre for the Moving Image and the Ian Potter Centre will be opened to the public. In addition, works will also continue on the redevelopment of the National Gallery of Victoria and the State Library.

Other major initiatives planned for 2002-03 under the Arts Portfolio include:\textsuperscript{350}

- $17.2 million (over 4 years) to the Melbourne Museum to improve the experience of visitors, improve research and maintain new Exhibitions and collections;

- $8.2 million (over 2 years) towards the establishment of the Electronic Records Centre of Excellence, and the first step in the implementation of the Public Record Office of Victoria’s electronic records strategy across Government;

- $4.1 million (over 4 years) to the State Library of Victoria to open redeveloped spaces;

- $2 million (over 4 years) for Arts Victoria’s Regional Infrastructure Fund to support the development of arts facilities in regional Victoria;

- $8.4 million (over 4 years) for the enhancement of facilities at the Victorian Arts Centre;

- $54 million (over 5 years) for the $61 million Yarra Precinct Integration Project to build the Dame Elizabeth Murdoch Recital Hall and a home for the Melbourne Theatre Company in Southbank; and

- the completion of a 10 year policy plan for the Arts.

\textsuperscript{350} Budget Paper No. 2, 2002-03 Budget Statement, p.207-209
11.7.2 Analysis of the 2002-03 Budget

The Committee's analysis of the funding allocation for the Arts and Cultural Development output group shows an increase of $8.4 million or 2.8 per cent from 2001-02.

The major reasons for the change include:

- an increase of $22.3 million (from $180.7 million to $203 million) for the Arts Portfolio Agencies output; and

- a decrease of $11.8 million (from $92.6 million to $80.8 million) in the Infrastructure and Cultural Facilities output.

11.7.3 Performance measures

The Committee notes that the structure of the Arts and Cultural Development output group has changed for 2002-03. Accordingly, two outputs (Arts Product and Development and Audience Access) have been combined into one output: Arts Development and Access. In addition, 16 new performance measures have been introduced for 2002-03 while a number of measures have been altered to reflect changes in collecting data and service delivery.

The Committee's review of 2002-03 performance measures revealed:

- one performance measure — All Other Applications Processed for Ministerial Consideration — has a 2002-03 target of 40 per cent, yet the actual performance in 2000-01 was 41 per cent and the expected outcome for 2001-02 is 43 per cent. The Committee considers that targets should provide for performance improvement and, accordingly, encourages the Department to review the adequacy of this target for 2003-04; and

- one performance measure — Public Record Office Victoria: electronic records maintained in accordance with PROV standards — has a 2002-03 target of 13 per cent. The Committee believes the Budget Papers should contain a note to explain why the target is so low and to outline the definition and relevance of PROV standards.
The Committee believes the performance measures under the Arts portfolio have been enhanced, but further improvements are necessary.

Accordingly, the Committee recommends that:

**Recommendation 11.7**

(a) The Department of Premier and Cabinet:
   (i) use performance targets that encourage performance improvement from year to year; and
   (ii) use performance measures that are categorised into metropolitan, regional and rural in relation to the funding arrangements for organisations, project companies and artists.

(b) The Department of Victorian Communities include a note in the Budget Papers to explain the low performance target and the relevance and definition of ‘PROV standards’ within the performance measure titled the Public Record Office Victoria: electronic records maintained in accordance with PROV standards.

11.7.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearings process have identified the following key issues for the Arts portfolio that will impact on the Budget Estimates for 2002-03.

(a) Development of a 10 year policy for the Arts

The Minister informed the Committee that arts and culture play a pivotal role in the fabric of the State. Accordingly, as part of its commitment to a rich and vibrant cultural life, the Government
commenced the development of a 10 year arts policy plan for Victoria.  

This policy plan will provide a long-term framework for the Government’s support for the arts with its scope including the performing arts, visual arts, community arts, digital media and literature.

The Committee was advised that extensive research and consultation has occurred in the development of the plan, including:

- an analysis of industry statistical data and research trends;
- submissions from peak arts industry groups representing specific industry sectors;
- a series of key roundtables with arts industry practitioners on identified key issues and themes; and
- submissions from the arts and wider community through an e-consultation process.

The Department advised that an indicative policy framework has been developed and that consultation with other Departments on the framework is occurring. In addition, the project is on schedule and milestones contained in the project plan will be met.

The Committee welcomes the Government’s initiative of developing a long-term plan for the Arts. However, it is essential that appropriate accountability structures and processes are established to ensure the policy plan is monitored and effectively implemented.

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351 Minister for the Arts’ Foreword to A New Arts Policy for Victoria progress report of May 2002
352 Department of Premier and Cabinet’s response to the Committee’s 2002-03 questionnaire, p.14
Accordingly, the Committee recommends that:

**Recommendation 11.8**

The framework governing the 10 year policy plan for the arts include:

(a) the development of high level objectives and key performance targets that are consistent with Government policy on the arts; and

(b) provide detailed information in the annual report of the Department of Premier and Cabinet on progress made against the 10 year plan.

(b) **Yarra precinct arts integration project**

The Committee notes that continued lobbying has occurred over many years for the construction of an international quality recital hall in Melbourne. This lobbying was based on the premise that Victoria was not attracting important arts and classical music companies to visit and perform in Australia. In addition, the Melbourne Theatre Company was not based in a permanent location. Accordingly, the Yarra precinct arts integration project ($61 million over 5 years) will construct the Dame Elizabeth Murdoch International Recital Hall, provide a permanent home for the Melbourne Theatre Company and ensure a pedestrian connection between the arts precinct and Southbank.  

The Minister advised the $61 million allocated to the project includes an $18 million contribution by Crown Casino and $7 million by the University of Melbourne, ballet and various philanthropic organisations. The Minister informed the Committee that these facilities will provide one of the greatest arts precincts in the world.  

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353 Budget Paper No 2, 2002-03 Budget Estimates, p.209
354 Hon. M. Delahunty, MP, Minister for the Arts, transcript of evidence, 18 June 2002, p.221-222
The Committee welcomes the construction of these facilities in order to enhance Melbourne’s existing arts amenities. However, given the substantial projected cost and the five year construction period, the Committee recommends that:

**Recommendation 11.9**

The Department of Premier and Cabinet adopt an appropriate project management and reporting framework to ensure the development of the Yarra precinct arts integration project is completed within time and budget constraints.

*(c) Visitor numbers at various cultural institutions*

In its report on the 2001-02 Budget Estimates (pages 440 and 441), the Committee noted a 19 per cent decline in the number of visitors to Victorian arts Agencies in 2000-01. This decline primarily concerned the Victorian Arts Centre and the State Library of Victoria.

In relation to visitor numbers in 2001-02, the Minister advised:

- attendance at the Victorian Arts Centre Trust increased by 406,063 or 20 per cent to 2,410,000 in 2001-02; and
- visitation to the State Library has decreased by 12 per cent in 2001-02 due to disruptions caused by redevelopment works, however, there has been an increase in on-line access which demonstrates a new trend in the method people are utilising the Library as a source of information.\(^{355}\)

The Committee was advised that in light of the changed circumstances created by the redevelopment works, the Library Board of Victoria has reviewed its marketing plan and prepared a new plan for 2002-03.\(^{356}\)

The Committee is pleased to note the attendance levels at the Victorian Arts Centre Trust have improved significantly from

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\(^{355}\) Correspondence received by the Minister for Arts, dated 5 August 2002

\(^{356}\) Ibid
2000-01, however, the level of visitation to the State Library remains a concern.

Accordingly, the Committee recommends that:

**Recommendation 11.10**

The visitation levels of the State Library be closely monitored, and the effectiveness of key strategies in the 2002-03 marketing plan be regularly evaluated.

### 11.8 Women’s Affairs portfolio

The Minister for Women’s Affairs has responsibility for the Women’s Policy output under the Community Engagement and Government Information output group. The 2002-03 Budget for this output is shown below:

**Exhibit 11.7 Women’s Affairs Portfolio Output Group and Output Cost for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the responsibility of the Minister for Women’s Affairs</th>
<th>2002-03 Output Cost ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Engagement and Government Information</td>
<td>Women’s Policy</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Exhibit 11.7 shows the 2002-03 Budget is $1.8 million and represents an increase of $200,000 or 12.5 per cent from 2001-02.

**11.8.1 2002-03 outlook for the portfolio**

The major objective of the Women’s Policy output is to monitor the implementation of Government initiatives and programs for women, and co-ordinate a whole-of-government approach to women’s issues.

The priorities for the Office of Women’s Policy in 2002-03 are to implement relevant components of the Growing Victoria Together framework.
The Minister has advised that the Government has a number of priorities in the Women’s Affairs portfolio for 2002-03, including:

- implementing the Women’s Safety Strategy;
- advancing women’s leadership;
- progressing work and family issues; and
- continuing the community engagement program.357

11.8.2 Performance measures

The performance measures relating to the Women’s Affairs portfolio have remained unchanged from 2001-02. The Committee’s review shows that the performance measures of the women’s policy output are input and process orientated, rather than measuring the outputs and outcomes of Government policy and initiatives.

The performance measures in the Budget Papers do not reflect key targets and outcomes of the important initiatives outlined. This is disappointing, given that in its report on the 2001-02 Budget Estimates, the Committee recommended a review of performance measures for this portfolio.

Accordingly, the Committee reiterates that:

Recommendation 11.11

The Department of Victorian Communities review the performance measures to ensure they focus more on measuring key targets and outcomes within the Women’s Affairs portfolio.

11.8.3 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and the estimates hearing with the Minister for Women’s Affairs

357 Hon. M. Delahunty, MP, Minster for Women’s Affairs, transcript of evidence, 18 June 2002, p.212
identified the following key issues that will impact on the budget estimates and the portfolio for 2002-03.

(a) Development of Women's Safety Strategy

The Committee notes that a Women's Safety Coordinating Committee was established, in October 2000, to develop a whole-of-government strategy aimed at providing a consistent and coordinated response to violence against women.

The Minister advised that women's safety is a significant issue for women regardless of employment, location or economic status. Accordingly, the Office of Women's Policy has directed significant resources towards identifying methods to prevent or minimise violence against women.

In 2001-02, the Government released two papers relating to women's safety:

- Key Directions in Women's Safety provides a co-ordinated approach to reducing violence against women; and

- Taking responsibility: a framework for developing best practice in programs for men who use violence towards family members presents a range of strategies aimed at strengthening prevention responses and in responding appropriately to people who are violent.

In 2002-03, the Government has allocated $3.4 million (over 3 years) to increase housing options available for women in situations of family violence and improve the capacity of local communities to prevent and respond to violence against women.

The Committee considers violence against women to be a significant community issue and supports the development of a whole-of-government strategy which aims to provide a consistent and coordinated response to this important issue. It will be important, however, for the strategy to be monitored to ensure that key targets and objectives are being met.

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358 Hon. M. Delahunty, MP, Minister for Women's Affairs, transcript of evidence, 18 June 2002, p.214
359 Ibid, p.215
Accordingly, the Committee recommends that:

**Recommendation 11.12**

Formal reporting protocols be established within the Women's safety strategy to ensure that key performance targets are established and are regularly compared to actual performance.

**(b) Women's community leadership grants program**

The women's community leadership grants program aims to provide recognition and support for leadership activities undertaken by women and is conducted in partnership with other Departments.

In order to be eligible for the grants, applicants must satisfy the following criteria:

- applicants for grants must be women;
- applicants may apply individually or as a group;
- applicants cannot be State or Federal Government employees;
- grants must be used to undertake leadership training and development or to undertake leadership projects at a local level;
- the activities or projects undertaken must provide a benefit to Victoria;
- applicants must demonstrate how the activities or projects they propose to undertake would enhance their individual leadership skills or the leadership capacity of their group; and
- applicants must not be past or current recipients of Victorian Government leadership grants.

The Minister advised that $90,000 has been allocated to the scheme in 2002-03 and that grants provide funds of up to $2,000 for
individuals and up to $5,000 for groups. Grants categories include: emergency services; economics; health and community services; housing; disability; family support; family and domestic violence; and consumer protection.
CHAPTER 12: DEPARTMENT OF TOURISM, SPORT AND THE COMMONWEALTH GAMES

Key Findings:

12.1 The Department of Tourism, Sport and the Commonwealth Games budget allocation for 2002-03 is $100.6 million, representing a $9.6 million or 8.7 per cent decrease from the 2001-02 allocation.

12.2 A number of potential issues may have an impact on the Department of Tourism, Sport and the Commonwealth Games capacity to achieve its business objectives, particularly those related to staff turnover and the proportion of departmental staff who are not retained after five years of service.

12.3 As planning for the staging of the 2006 Commonwealth Games intensifies, additional funding for the Tourism portfolio budget may be required over the financial year 2002-03.

12.4 The Department of Tourism, Sport and the Commonwealth Games needs to establish performance measures and targets for specific tourism campaigns that it funds and report its performance against these measures in the Budget Papers and its annual report.

12.5 The Department of Tourism, Sport and the Commonwealth Games quality performance measures contained in the Budget Papers are poor and do not provide useful information on the effectiveness of the tourism outputs.

12.6 The Department of Tourism, Sport and the Commonwealth Games needs to expedite the development of the model leases for Victorian country racing clubs so as to ensure security of tenure to enable clubs to undertake capital works.
12.1 Departmental overview

Machinery of Government changes in early 2002 resulted in the break-up of the former Department of State and Regional Development and the subsequent creation of the Department of Tourism, Sport and the Commonwealth Games. The Department supports the four ministerial portfolios - Tourism; Sport and Recreation; Commonwealth Games; and Racing.

12.2 Output management framework

Exhibit 12.1 shows the Department’s 2002-03 output management framework.

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>57.4</td>
<td>65.4</td>
<td>48.4</td>
<td>-15.7</td>
</tr>
<tr>
<td>Tourism</td>
<td>39.6</td>
<td>52.2</td>
<td>38.4</td>
<td>-3.0</td>
</tr>
<tr>
<td>Melbourne 2006 Commonwealth Games</td>
<td>13.2</td>
<td>35.6</td>
<td>13.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Total</td>
<td>110.2</td>
<td>153.2</td>
<td>100.6</td>
<td>-8.7</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.310

As shown in Exhibit 12.1, the Department’s budget allocation for 2002-03 was $100.6 million, representing a $9.6 million or 8.7 per cent decrease on the 2001-02 allocation. The main area of change was in the Sport, Recreation and Racing output group where the allocation for 2002-03 was reduced by $9 million or 15.7 per cent from the 2001-02 allocation.
12.3 Financial analysis

The operating statement for the Department of Tourism, Sport and the Commonwealth Games is as follows:

Exhibit 12.2 Department of Tourism, Sport and the Commonwealth Games - Operating Statement

<table>
<thead>
<tr>
<th>Operating Statement</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Estimated Actual ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlled Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenue</td>
<td>110.1</td>
<td>153.2</td>
<td>100.6</td>
<td>-8.6</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>110.1</td>
<td>153.2</td>
<td>100.6</td>
<td>-8.6</td>
</tr>
<tr>
<td>Net result for the reporting period</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td></td>
</tr>
<tr>
<td>Administered Items</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>4.8</td>
<td>5.0</td>
<td>7.8</td>
<td>62.5</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>7.4</td>
<td>7.8</td>
<td>7.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Surplus/ Deficit</td>
<td>-2.6</td>
<td>-2.8</td>
<td>..</td>
<td>..</td>
</tr>
</tbody>
</table>

Sources: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.8.2 p.321 and Table 2.8.5, p.325

The Committee's analysis of the operating statement revealed that operating revenue and expenses for 2002-03 decreased by $9.5 million, leading to a balanced result for the reporting period. The main variations in departmental revenue from ordinary activities resulted from budget initiatives for 2002-03 and carry forwards being offset by net adjustments resulting from the cessation of programs, machinery of government changes and annual budget adjustments.

The main variation in departmental expenses from ordinary activities is attributable to:

- an increase in employee related expenses of $5.3 million, which reflects staffing changes associated with budget initiatives, discontinued programs, pay increases and machinery of government changes;
• an increase in purchases of supplies and services of $5.9 million, which reflects program changes associated with budget initiatives, discontinued programs, machinery of government changes and carry forwards; and

• a decrease in grants and other payments of $20.7 million, reflecting program changes associated with budget initiatives, discontinued programs, machinery of government changes and amounts carried forward.360

12.3.1 Other revenue and other expenses

Overall the Department’s financial accounts showed greater detail by comparison with the previous year as revenue items such as sale of goods and services and expenditure on grants are now separately disclosed in the Budget Papers.

The Department advised the Committee that:

• the Budget Papers understated other revenue under administered items for the 2001-02 estimate and estimated actual by $2.7 million and $2.8 million respectively, resulting in a deficit in the administered operating statement; and

• the increase in administered expenses reflects changes in the treatment of Commonwealth Grants.361

12.4 Human resources issues

The Department has estimated it will have 179.7 permanent Equivalent Full Time (EFT) staff at 30 June 2003, compared with estimated staffing of 163.7 at 30 June 2002, an overall increase of 16 staff.362

360 Department of Tourism, Sport and the Commonwealth Games response to the Committee’s 2002-03 estimates questionnaire, p.21
361 Ibid, p.20-20
362 Ibid, p.16
Exhibit 12.3 shows permanent EFT staffing at 30 June 2002 and 30 June 2003 by departmental divisions.

**Exhibit 12.3**  
**Department of Tourism, Sport and the Commonwealth Games - Estimated permanent equivalent full time staff (EFT)**

<table>
<thead>
<tr>
<th>Division</th>
<th>Permanent EFT staff</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2002</td>
<td>30 June 2003</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td>5.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Office of the Commonwealth Games</td>
<td>8.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Sport, Recreation and Racing</td>
<td>72.9</td>
<td>72.9</td>
</tr>
<tr>
<td>Tourism Victoria</td>
<td>77.8</td>
<td>77.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>163.7</strong></td>
<td><strong>179.7</strong></td>
</tr>
</tbody>
</table>

Source: Department of Tourism, Sport and the Commonwealth Games response to the Committee's 2002-03 estimates questionnaire, p.16

The increase in staffing will be in the Office of the Secretary (6) and the Office of the Commonwealth Games (10) as the build up to the staging of the 2006 Commonwealth Games gains momentum.

Exhibit 12.4 shows the ratio of permanent and fixed term staff engaged by the Department.

**Exhibit 12.4**  
**Department of Tourism, Sport and the Commonwealth Games - Equivalent Full Time Staff (Permanent and Fixed Term)**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2002 (estimated) EFT Total</th>
<th>Ratio per cent</th>
<th>30 June 2003 (estimated) EFT Total</th>
<th>Ratio per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>163.7</td>
<td>69.3</td>
<td>179.7</td>
<td>71.3</td>
</tr>
<tr>
<td>Fixed term</td>
<td>72.4</td>
<td>30.7</td>
<td>72.4</td>
<td>28.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>236.1</strong></td>
<td><strong>100.0</strong></td>
<td><strong>252.1</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Department of Tourism, Sport and the Commonwealth Games response to the Committee's 2002-03 estimates questionnaire, p.16

The Committee was advised that the Department will increase its total staffing complement in 2002-03 through the appointment of permanent staff, while the total number of fixed-term staff is estimated to remain unchanged in number while falling as a proportion of total departmental staff in 2002-03.
12.4.1 Key staffing issues

The Department advised that operational, staffing, development and service delivery issues may have an impact on the Department's ability to achieve its required business objectives. These issues include:

- recognition and reward initiatives;
- turnover rates;
- the percentage of staff with less than five years service;
- the percentage of staff who are leaving the Department within the first five years of employment; and
- ongoing process improvement initiatives.\textsuperscript{363}

The Committee believes that these issues coupled with the ageing of the workforce and the tendency towards early retirement may produce significant issues for the Department in terms of retaining staff with the required expertise to manage the Department's activities and the retention of corporate knowledge.

Many of these issues are common to other Government Agencies and have been referred to in the Committee's report on the Review of the Victorian Public Service. The recommendations contained in that report are been considered as part of a major career structure and work organisation review currently being undertaken by the Department of Premier and Cabinet. The recommendations from the review are scheduled for implementation by the Government from 1 July 2003.

\textsuperscript{363} Ibid, p.17-18
Accordingly, the Committee recommends that:

**Recommendation 12.1**

The Department of Victorian Communities liaise with the Department of Premier and Cabinet as to what interim measures it can take, pending the outcome of the Government’s Review, to develop human resources strategies to address the issues of staff turnover rates and the retention of experienced staff.

### 12.5 Tourism portfolio

The Minister for Tourism has responsibility for the Tourism output group, which accounts for $38.4 million or 38.2 per cent of the Department’s 2002-03 Budget.

The Minister for Tourism is responsible for the Tourism Marketing and Events Facilitation and the Tourism Industry and Infrastructure Development outputs under Tourism output group.

Exhibit 12.5 shows that the 2002-03 budget allocation for the output group:

**Exhibit 12.5** Tourism Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the responsibility of the Minister for Tourism</th>
<th>Output costs $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>Tourism Marketing and Events Facilitation</td>
<td>35.0</td>
</tr>
<tr>
<td></td>
<td>Tourism Industry and Infrastructure Development</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>38.4</strong></td>
</tr>
</tbody>
</table>

### 12.5.1 2002-03 outlook for the portfolio

Government priorities in 2002-03 for Tourism Victoria are to oversee:\(^{364}\)

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[^364]: Budget Paper No. 3, 2002-03 Budget Estimates, p.309
• the hosting of the 2003 Australian Tourism Exchange in Melbourne;

• the next phase of the Jigsaw campaign, with an emphasis on regional Victoria, which will be launched in March 2003;

• continued marketing in targeted overseas markets;

• an awareness program in relation to the ‘significance of tourism’;

• the implementation of strategies outlined in the Victoria’s Tourism Industry Strategic Plan 2002-2006 particularly focusing on the hosting of international conventions, conferences and major events;

• the stimulation of tourism through the marketing of key destinations and other indicators for travel;

• the creation of an increased level of direct international air services through partnerships with international carriers such as Japan Airlines and Korean Air to stimulate tourism markets in areas such as China, Korea, Thailand and Malaysia; and

• the maximisation of tourism operator participation in accredited programs.

12.5.2 Analysis of the 2002-03 Budget

The overall funding allocation for outputs under the Tourism portfolio is down by $1.2 million to $38.4 million in 2002-03. This represents a 3 per cent decrease in the funding compared with the 2001-02 allocation.

12.5.3 Performance measures

The Committee notes there have been no changes to the outputs within the Tourism output group for 2002-03. Regarding the performance measures of the outputs, nine new measures have been included and eight have been discontinued from 2001-02.
The Committee’s analysis of the performance measures used in 2002-03 shows the following findings:

- where a performance measure has been discontinued from either 2000-01 or 2001-02, the measure is included in the Budget Papers with the term ‘na’ meaning not applicable for the year(s) subsequent to its deletion. The Committee commends the Department for this initiative because it provides more comprehensive performance information and allows readers of the Budget Papers to identify performance measures discontinued from previous years;

- within the Tourism output group, the term ‘na’ is also provided where a performance measure has been added for 2002-03. The Committee believes this is confusing and should be consistent with the treatment of new measures throughout the remainder of the Budget Papers (that is, identified with the term ‘nm’ meaning new performance measure);

- three performance measures — the number of visitor nights (domestic and international) and the number of international visitors — have the same stratified 2000-01 actual figures, 2001-02 target, 2001-02 expected outcome and 2002-03 target. For example, international visitor nights were calculated at between 20-22 million in 2000-01, the same outcome for 2001-02 and an identical target for 2002-03. The Committee questions the size of the stratification in these instances because it is difficult to identify the actual level of performance. It highlights the need to reduce the stratification or set a specific target figure;

- conducting consultative industry forums, seminars and workshops is a key activity of the tourism industry and infrastructure development output. The performance measures of the output focus on the number of these activities conducted, but the Committee believes the Budget Papers should incorporate a qualitative measure relating to participants’ satisfaction with these forums; and
The Committee believes the performance measures in the Tourism output group are in need of improvement.

The Committee concludes from its review that the Department’s quality performance measures are poor and do not provide useful information on the effectiveness of the Department’s tourism outputs.

Accordingly, the Committee recommends that:

**Recommendation 12.2**

The Department of Innovation, Industry and Regional Development:

(a) use ‘nm’ to identify performance measures introduced in a particular year, which is consistent with the treatment of other output groups in the Budget Papers;

(b) change performance targets relating to visitor nights, the number of international visitors, awareness of advertising in other Australian States and the value of free ink generated, to reflect specific targets rather than stratified ranges;

(c) include a qualitative performance measure that relates to the satisfaction of participants with industry forums, seminars and workshops; and

(d) review and improve the overall quality of performance information presented in the Budget Papers.
12.5.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the estimates hearing with the Minister for Tourism identified the following key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) Tourism — Commonwealth Games related funding

The 2002-03 Budget provides $600,000 to Tourism Victoria for activities to be undertaken as part of tourism promotion at the Manchester 2002 Commonwealth Games and during the year. These activities will include international promotional activities in key Commonwealth markets, familiarisation programs with inbound operators and journalists, and local and interstate campaigns to increase interest in the 2006 Commonwealth Games. The Minister explained that this funding was for the Government’s presence at the Manchester Games and for 2006 Commonwealth Games oriented tourism marketing research in 2002-03.

At the estimates hearing with the Minister there was a considerable amount of discussion about the impact of the Commonwealth Games on the budget for the Department. The Minister and the Secretary of the Department advised the Committee that issues will become clearer as the Department’s planning for the 2006 Commonwealth Games gains momentum following the completion of the Manchester Games. As these planning issues for the staging of the Commonwealth Games in Melbourne and the associated tourism activities emerge, and as the subsequent budgetary impacts are assessed, the Department will identify funding priorities to the Expenditure Review Committee of Cabinet and may receive supplementary funding during 2002-03.

In response to questions from the Committee, the Secretary of the Department advised that the Government has asked all relevant Departments, in the light of the Manchester Games experience, to prepare a budget through each of the financial years to the staging
of the Games in 2006. Some supplementation to budget allocations may be made in this financial year based on the Expenditure Review Committee's assessment, or alternatively, Departments may absorb any additional costs that are agreed on in this year.\textsuperscript{368}

This matter raised a number of issues for the Committee, namely:

- the construction of departmental budgets;
- the source of mid-year Budget supplementation, if it is provided; and
- the timing of budget allocations.

The Committee will monitor developments in this matter and will follow up these issues as part of its review of the 2003-04 Budget Estimates.

(b) Major overseas tourism campaigns

The Committee reported in its review of the 2001-02 Budget Estimates that a budget allocation of $4 million was earmarked for advertising campaigns overseas to attract more international visitors. The key campaigns were:\textsuperscript{369}

- ‘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.

As part of the 2002-03 estimates hearing the Minister advised the Committee that:\textsuperscript{370}

- an additional 4,000 visitors per year are expected from the goldfields campaign in China;

\textsuperscript{368} Mr P Allen, Secretary, Department Tourism, Sport and the Commonwealth Games, transcript of evidence, p.170
\textsuperscript{369} Media Release issued by the Minister for Tourism, dated 1 August 2001
\textsuperscript{370} Hon. J. Pandazopoulos, MP, Minister for Tourism, transcript of evidence, 24 May 2002, p.165-166
• a 15 per cent increase in business and bookings and $300,000 worth of additional publicity are expected from the UK backpacker campaign; and

• $38 million worth of publicity is expected from the Little Penguin campaign in Japan.

The Committee is not in a position to comment on the success of these campaigns as there are no benchmarks or targets contained in the Budget Papers against which the Department’s information can be assessed. The Committee suggests that the Department consider establishing performance measures and targets for specific tourism campaigns that it funds and that it reports against these measures in the Budget Papers and its annual report.

Accordingly, the Committee recommends that:

Recommendation 12.3

The Department of Innovation, Industry and Regional Development develop performance measures and targets for specific tourism/marketing campaigns that it funds and report against those measures in the Budget Papers and in the Department’s annual report.

12.6 Sport and Recreation portfolio

Exhibit 12.6 shows that the 2002-03 budget allocation for the Sport, Recreation and Racing output group, for which the Minister for Sport and Recreation has responsibility, is $48.4 million. This allocation represents a 15.7 per cent decrease from the funding allocated in 2001-02.
Exhibit 12.6  
**Sport and Recreation Portfolio - Output Group and Output Costs for 2002-03**

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Sport and Recreation</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Major Event Facilitation</td>
<td>17.4</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Industry Development *</td>
<td>19.6</td>
</tr>
<tr>
<td></td>
<td>Sport and Recreation Facility Development</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>48.4</strong></td>
</tr>
</tbody>
</table>

Note: * The Minister for Racing has joint responsibility for this output.

Exhibit 12.7 shows the output management framework for the Sport and Recreation portfolio.

Exhibit 12.7  
**Output Management Framework for the Sport and Recreation Portfolio**

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>57.4</td>
<td>65.4</td>
<td>48.4</td>
<td>-15.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57.4</strong></td>
<td><strong>65.4</strong></td>
<td><strong>48.4</strong></td>
<td><strong>-15.7</strong></td>
</tr>
</tbody>
</table>

Note: * The Minister for Racing has joint responsibility for this output group.

The aim of the Sport, Recreation and Racing output group is to develop all facets of the sport, recreation and racing industries in accordance with identified priorities including facilitating sport and recreation opportunities for all within the community and maintaining quality sport and recreation infrastructure to support participation and events at all levels.

**12.6.1  2002-03 outlook for the portfolio**

During 2002-03 the Sport and Recreation portfolio will oversee:

- the staging of the World Masters Games;
- the continued upgrading of community level sport and recreation facilities and financial support for peak sporting bodies, regional sports assemblies and organisations that

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promote sport and recreation access and opportunities for people with a disability;

- the continuation of the Government’s safer and improved aquatic recreation initiatives including the toddler drowning prevention program;

- an increased commitment to the development of sporting excellence in the lead up to the Commonwealth Games, through the Victorian Institute of Sport;

- the continued upgrading of sport and recreation camps;

- the commencement of the Melbourne Sports and Aquatic Centre redevelopment; and

- the commencement of the MCG redevelopment.

12.6.2 Analysis of the 2002-03 Budget

The budget allocation to the Sport, Recreation and Racing output group has decreased by $9 million (15.7 per cent) to $48.4 million in 2002-03. The main area of decrease has been under the Sport and Recreation Facility Development output, which has reduced from $18.9 million in 2001-02 to $11.4 million in 2002-03.

12.6.3 Performance measures

The output structure for the Sport and Recreation portfolio in 2002-03 includes three outputs and 30 performance measures.

The Committee’s review of performance measures within the Sport, Recreation and Racing output group shows the following findings:

- a major objective of the Sport and Recreation portfolio is to maximise the range and quality of participation opportunities available. Accordingly, a key indicator of the achievement of this objective is the level of participation by Victorians in active sport and recreation activities each year.

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No performance measures in the Budget Papers focus on this outcome;

- the Minister has advised that a key strategy of the portfolio is to ensure a fair share of sport and recreational capital funding across the State, especially in regional Victoria.\textsuperscript{373} The performance measures of the sport and recreation facility development output, however, focus on the total number of projects funded and constructed, and do not measure the level of capital funding directed towards regional and rural Victoria;

- the Government has placed a high degree of importance on safer and improved aquatic recreation, yet no performance measures in the Budget Papers focus on water safety initiatives and outcomes. The Minister has advised that performance information is collected on a number of key outcomes, including:

  - the incidence of drownings;
  - public awareness of the Play it safe by the water safety message; and
  - the number of primary school children achieving the Victorian Water Safety Certificate.

The Committee believes this type of performance information, which specifically focuses on the achievement of outcomes, is far more significant than reporting on the number of aquatic projects implemented.

The Committee believes the performance measures should be further developed to focus more on the achievement of the portfolio's key targets and outcomes than the number of projects implemented and the achievement of key dates.

\textsuperscript{373} Hon. J. Pandazopoulos, MP, Minster for Tourism, transcript of evidence, 24 May 2002, p.407
Accordingly, the Committee recommends that:

**Recommendation 12.4**

The Department of Victorian Communities:

(a) include in the Budget Papers a performance measure that focuses on the level of participation of Victorians in sporting and recreation events;

(b) develop performance measures that identify the specific level of capital funding directed towards metropolitan, regional and rural Victoria; and

(c) develop outcomes-based performance measures that relate to the Government’s water safety initiatives, such as the level of drownings (overall and toddler drownings), the level of public awareness of Government initiatives and the number of children achieving the Victorian Water Safety Certificate.

12.6.4 **Key issues impacting on the portfolio**

The Department’s response to the Committee’s estimates questionnaire and the estimates hearing with the Minister for Sport and Recreation identified the following key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

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

In April 2001, the Commonwealth Government’s new Backing Australia’s Sporting Ability policy 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.\(^\text{374}\)

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\(^{374}\) Correspondence, received 10 August 2001, from the Minister for Sport and Recreation, p.2
The new Commonwealth funding arrangements will be directed at organised sport rather than recreation, leisure and other strategic avenues that have been previously funded.

During the 2001-02 estimates hearing, the Minister for Sport and Recreation outlined his concerns with the pending termination of the Commonwealth funding of the sport and recreation development grant program.\( ^{375} \)

The Minister advised the Committee at the 2002-03 Budget Estimates hearing that the State Government has been able to supplement some of the funds in some areas:

- The key areas that we are concerned about have been the Regional Sports Assembly program, the Older Adults Recreational Network and the assistance of state sporting associations, particularly through the sports development manager area ... It is with great disappointment that we have not seen any further outcome of the repositioning of the federal government’s sports policy ... \( ^{376} \)

(b) Insurance

The Minister advised the Committee that access to and the cost of public liability insurance is a significant issue for the sport and recreation industry. The Minister outlined initiatives to address these issues, including:

- legislative measures to be introduced in October 2002, which will have provisions that protect volunteers from being sued and that support waivers whereby people can accept responsibility for their own participation in risky activities;
- the announcement of a review of the law of negligence;
- the possibility of the Government establishing a safety net insurance scheme for sport and recreation organisations for which group purchasing arrangements are not available;

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\( ^{375} \) Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript, 8 June 2001, p.124-125

\( ^{376} \) Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript, 26 June 2002, p.409
• Vicsport's development of risk management resources for sport and recreation organisations;

• Vicsport's audit of insurance held by State sporting associations. The audit found that state sporting associations have a poor understanding of insurance and that insurance cover for sport and recreation organisations is not as comprehensive as it should be. An insurance education program for state sporting associations has subsequently been developed; and

• the likely adoption by sport and recreation Agencies in all Australian jurisdictions of the forthcoming Australian guidelines for managing risk in sport and recreation.  

The Committee welcomes such a comprehensive approach to improving the access to, and affordability of, insurance cover for sport and recreation organisations.

(c) Melbourne Sports and Aquatic Centre

A total of $50 million has been allocated for the redevelopment of the Melbourne Sports and Aquatic Centre with $7 million provided in 2002-03. The Minister for Sport and Recreation advised the Committee that swimming is one of the most popular events in the Commonwealth Games program but the Melbourne Sports and Aquatic Centre's current pool seats only 2,000 spectators with no room for any temporary seats to be installed without significant costly modifications to the existing building. A new 50 metre pool with seating capacity of 10,000 (3,000 permanent and 7,000 temporary) is to be developed in the Melbourne Sports and Aquatic Centre's carpark.

The Committee requested information from the Minister on whether funding for the redevelopment will be provided by the Government or through a public private partnership arrangement. The Minister advised that after a detailed investment analysis and

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377 Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript, 26 June 2002, p.410-411
378 Budget Paper No. 2, The Budget Statement, p.212
feasibility study the Government concluded that the only available method of funding the project is through public funding.379

12.7 Racing portfolio

The Minister for Racing has joint responsibility for one output - Sport and Recreation Industry Development - within the Sport, Recreation and Racing output group. This output provides strategic leadership and facilitates the development of the sport and recreation industry, with a key focus on industry regulation and probity in the horseracing sector. Outputs for which the Minister is responsible account for $19.6 million in 2002-03 and represent 19.5 per cent of the overall budget for the Department.

These outputs and corresponding funding allocations for 2002-03 are shown in Exhibit 12.8:

Exhibit 12.8 Racing Portfolio - Output Group and Output Cost for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Output under the responsibility of the Minister for Racing</th>
<th>Output costs $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sport, Recreation and Racing</td>
<td>Sport and Recreation Industry Development #</td>
<td>19.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>19.6</td>
</tr>
</tbody>
</table>

Note: # Responsibility for this output is shared with the Minister for Sport and Recreation

12.7.1 2002-03 outlook for the portfolio

The key priorities for the racing portfolio for 2002-03 include the:380

- the implementation of bookmaking profession reforms identified in the ‘Bookmaking Reforms Working Party Discussion Paper’ and of the associated legislative requirements passed in 2001-02; and

- the ongoing promotion of specific target areas within the racing industry including country racing, thoroughbred

379 Correspondence, received 19 August 2002, from the Minister for Sport and Recreation, p.8
380 Budget Paper No 3, 2002-03 Budget Estimates, p.309
breeding, equine disease management, the welfare of jockeys and participation by women and young people.

12.7.2 Analysis of the 2002-03 Budget

Funding for the Sport and Recreation Industry Development output is marginally higher (up $100,000) to $19.6 million in 2002-03.

12.7.3 Performance measures

In its report on the 2001-02 Budget Estimates, the Committee noted that the level of performance information on the Racing portfolio was inadequate. Only one performance measure existed, which related to the number of racing and bookmakers’ licences, permits, appeals and registrations processed. Accordingly, the Committee recommended that the Department develop performance measures based on key racing portfolio strategies and ensure performance measures are aligned with the key corporate strategies, objectives and expected outcomes of the Office of Racing.

In 2002-03, the Committee notes that two new performance measures have been developed for the Racing portfolio: (1) meet Government’s racing legislation program timeframes and (2) complete 2002-03 Racing Program funding commitments. The Committee welcomes the addition of these new measures.

The Committee’s review of performance measures also identified the following findings:

- the Minister has advised that 50 per cent of the racing industry is in non-metropolitan areas and that the Government is implementing its Living Country Racing program, which allocates capital funding to country racing clubs. Given the significance of country racing clubs to Victoria’s racing industry, the Committee is surprised that

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no performance measures relate to the Government’s contribution to country racing;

• a key objective of the sport and recreation industry development output is to focus on industry regulation and probity in the horse racing industry. Subsequent to a query by the Committee, the Minister has stated that the term ‘horse racing’ refers to the three codes of racing and acknowledged that the term is confusing;

• the Committee does not believe one performance measure — racing and bookmakers’ licences, permits, appeals and registrations processed — is adequate in measuring the probity activities in harness, thoroughbred and greyhound racing in Victoria; and

• the Government has made a number of reforms aimed at the bookmaking industry to encourage bookmakers into the industry and to offer operational assistance. The Committee does not consider the related performance measure — racing and bookmakers’ licences, permits, appeals and registrations processed — is adequate in terms of reporting on the reform outcomes.

The Committee is pleased to note that performance measures relating to activities of the Racing portfolio have been added in 2002-03, but enhancement of the performance measures is necessary.
Accordingly, the Committee recommends that:

**Recommendation 12.5**

The Department of Justice:

(a) develop performance measures that focus on the Government’s capital contribution to country racing. Examples may include:
- projects completed on time;
- a break-up of projects between regional and rural racing clubs assisted; and
- projects that meet all funding criteria;

(b) amend the wording in the sport and recreation industry development output to state that it includes all three codes of racing;

(c) review one performance measure — racing and bookmakers’ licenses, permits, appeals and registrations processed — to ensure it better reflects key probity criteria such as the number of applications not approved.

12.7.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s questionnaire and estimates hearing with the Minister for Racing identified the following key issues that will have an affect on the portfolio and the Budget Estimates in 2002-03.

(a) **Country Victoria racing**

The Committee enquired about the state of country racing clubs and of racing tracks and facilities in various places, and about any departmental initiatives to support country racing.

The Minister advised the Committee of the Department’s Living Country Racing Program, (announced in 2001) which is a three year program that provides annual funding of $500,000 (on a
dollar-for-dollar basis with the racing industry) for capital works projects at country thoroughbred, greyhound and harness clubs. The Minister stated that racing clubs applications for funding are assessed against specific criteria and there has been heavy demand for this assistance.383

The 2001-02 Budget provided transitional funding of $16 million ($4 million per year for 2002-03 to 2005-06) to compensate the Victorian racing industry for the impact of the additional government levy on gaming machines. The Budget Papers indicate that this compensation is to be reviewed in 2004-05.384

In its review of the 2001-02 Budget Estimates the Committee reported that security of tenure was an issue for country racing clubs because country racing clubs are located on Crown land and this causes difficulties with funding capital works.385 During the 2002-03 review of the estimates for the Racing portfolio, the Committee enquired about the outcome of the discussions with the Department of Natural Resources and Environment on the tenure of country racing clubs.

The Minister stated that the Department is also looking at how to improve the tenure of country racecourses situated on Crown land to ensure racing clubs can make appropriate capital improvements. A country racing business plan has been developed.386

The Minister indicated that he had discussions with the Minister for Environment and Conservation, and that they have agreed to establish a joint government racing industry group to examine the issue with a view to developing model leases for racing clubs under the provision of the Crown Land (Reserves) Act 1978. This process will need to address the rights and concerns of other user groups and communities. The Minister informed the Committee.

383  Ibid, p.241
that the model leases will be finalised in the near future and will become available for adoption at racing venues across the state.\textsuperscript{387}

The Committee notes from the Minister’s presentation that the Victorian racing industry employs over 40,000 people, of whom two-thirds are in regional and rural parts of Victoria, and the economic impact of the racing industry is nearly $2 billion per year, of which half is in regional and rural Victoria.\textsuperscript{388}

Accordingly, the Committee encourages the Department to expedite the development of the model leases for Victorian country racing clubs to ensure security of tenure and to enable clubs to undertake capital works that will not only benefit the industry but will also contribute to the economic well being of local communities.

(b) Bookmaking reforms

In its Report on the 2001-02 Budget Estimates, the Committee reported that the Government has undertaken significant initiatives to assist the bookmaking industry. As part of its review of the 2002-03 Budget Estimates, the Committee sought information from the Minister regarding the implementation of those reforms.

The Minister advised the Committee that a number of reforms had been implemented and that bookmakers are coming back into the industry, with growth in bookmaking turnover.\textsuperscript{389} The Minister confirmed:

- the abolition of the turnover tax;
- the introduction of revenue return to the racing industry by way of a turnover levy;
- the establishment of the bookmakers development fund; and

\textsuperscript{387} Ibid, p.243-244
\textsuperscript{388} Ibid, p.241
\textsuperscript{389} Ibid, p.243
• the conversion to fixed-dollar dividend displays instead of the old imperial odds to make bookmakers more user friendly.

The Minister also stated that a bookmaking reform working party proposed a number of changes, including:

• extending trading hours for bookmakers to allow them to commence betting at a race meeting from the official scratching time on the day of the race;

• allowing individually registered bookmakers to form partnerships for the first time subject to the approval of the Bookmakers and Bookmakers Clerks Registration Committee; and

• allowing individual bookmakers to form restricted corporations on which only bookmakers can serve as directors or hold shares.390

The Government accepted these recommendations, and recent legislative reforms provide for bookmakers to form partnerships and corporations. A media release from the Minister stated that these reforms were expected to in place before the 2002 Spring Racing Carnival.391

Regarding internet betting, the Bookmakers Association and Racing Victoria are developing a system to ensure responsible gaming and wagering, and appropriate probity checks.392

The Committee acknowledges the impact of the reforms to the bookmaking industry and encourages the Department to ensure all relevant stakeholders are consulted and that international systems, where they exist, are reviewed to develop a responsible framework for the implementation of internet betting in Victoria.

390 Ibid, p.243
391 Media Release issued by the Minister for Racing, 16 May 2002
392 Ibid
12.7.5 Performance measures

The Committee reviewed the performance measures for the Racing portfolio in Budget Paper No. 3, and found only two performance measures for the racing industry, namely:

- racing and bookmakers licences, permits, appeals and registrations processed; and
- meet government’s racing legislation program timeframes.

Given the economic and social significance of the Victorian racing industry, the Committee is disappointed that the current racing performance measures do not provide any information for the industry, key stakeholders or readers of the Budget Papers on the state of the industry or the impact of the Government’s initiatives and reforms on fostering the growth of racing in Victoria.

The Committee suggests that the Department consider the development of performance measures that would provide information on:

- the level of investment, employment and tourism generated by the racing industry;
- the impact of specific government initiatives targeted at fostering the growth of the Victorian racing industry; and
- the results of key racing events, such as the spring and autumn racing carnivals.

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393 Budget Paper No. 3, 2002-03 Budget Estimates, p.312-313
Accordingly, the Committee recommends that:

**Recommendation 12.6**

The Department of Justice develop and implement performance measures and targets that focus on:

(a) the level of investment, employment and tourism generated by the racing industry;

(b) the impact of specific Government initiatives targeted at fostering the growth of the Victorian racing industry; and

(c) report these performance measures in the Budget Papers and the Department’s annual report.

### 12.8 Commonwealth Games portfolio

The Commonwealth Games portfolio is responsible for planning, developing, coordinating and providing management services to ensure the successful preparation and staging of the 2006 Commonwealth Games in Melbourne.

Exhibit 12.9 shows funding provided in the 2002-03 Budget for the outputs within the Melbourne 2006 Commonwealth Games Output Group:

**Exhibit 12.9** Commonwealth Games Portfolio - Output Group and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs under the responsibility of the Minister for Commonwealth Games</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne 2006 Commonwealth Games</td>
<td>Melbourne 2006 Commonwealth Games</td>
<td>10.4</td>
</tr>
<tr>
<td></td>
<td>Commonwealth Games Coordination</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>13.8</strong></td>
</tr>
</tbody>
</table>

### 12.8.1 2002-03 outlook for the portfolio

The Department of Tourism, Sport and the Commonwealth Games outlined a number of strategic issues that have influenced the
development of the Department’s estimates for the 2002-03 financial year. The following issues were identified as impacting on the Commonwealth Games portfolio during 2002-03:

- ensuring continued progress on activities or projects that are accepted as necessary for the successful staging of the 2006 Commonwealth Games;

- the commencement of construction of the Commonwealth Games Athletes Village. The Department, in conjunction with Major Projects Victoria, is using an Expression of Interest process to identify the best proposal for a Games Village and will subsequently make a recommendation to the government; and

- the development a range of strategies and activities to maximise the benefits to Victoria of the Commonwealth Games. The Department is identifying, costing and planning activities for delivery prior to, and including, the Games.394

12.8.2 Analysis of the 2002-03 Budget

The 2002-03 budget allocation of $13.8 million for the output group for which the Minister for the Commonwealth Games has sole responsibility. This allocation represents a 4.5 per cent increase from the funding allocated in 2001-02.

12.8.3 Performance measures

In 2002-03, the Government has established an output group - Melbourne 2006 Commonwealth Games - that focuses on the successful preparation and staging of the 2006 Commonwealth Games. This contrasts with 2001-02, when the Melbourne 2006 Commonwealth Games output was a component of the Sport Recreation and Racing output group.

Exhibit 12.10 summarises the inclusion and deletion of performance measures under the 2002-03 Melbourne 2006 Commonwealth Games output structure.

394 Correspondence, received 15 May 2002, from the Minister for Tourism on behalf of the Department of Tourism, Sport and the Commonwealth Games
The Committee notes that the Melbourne 2006 Commonwealth Games output contains only two performance measures for 2002-03 despite a budget allocation of $10.4 million and being charged with the considerable responsibility of ensuring the successful preparation and staging of the Games. These performance measures relate to the output cost and the preparation of quarterly progress reports. The Committee does not believe these performance measures provide an adequate level of accountability for an output with significant responsibilities.

Accordingly, the Committee recommends that:

Recommendation 12.7

The Department of Victorian Communities develop performance measures that focus on key targets and outcomes reported within the quarterly progress reports that relate to the preparation and staging of the Commonwealth Games.

Recommendation 12.8

The Department of Victorian Communities expand and improve performance measures within the Melbourne 2006 Commonwealth Games output group as the staging of the Games becomes closer and the level of expenditure and activity increases.

12.8.4 Key issues impacting on the portfolio

The Department’s response to the Committee’s estimates questionnaire and the estimates hearing with the Minister for
Commonwealth Games identified the following key issues that will have an impact on the portfolio and the Budget Estimates for 2002-03.

(a) Budget allocation for the Commonwealth Games

A workshop process involving Government Departments and the Melbourne 2006 Commonwealth Games Pty Ltd (M2006), which identified the scope of activities and Government services required to deliver the Games was completed in March 2002. These activities have subsequently been costed by Departments and are being reviewed and consolidated as part of the whole of Games budget development process. The Department also expected to revise the Games budget in light of the experience with the Manchester Games before making a submission to the Government.

The Victorian Auditor-General reported in December 1999 that:

Based on revenue and expenditure projections included in the submission provided by the former bidding company to the Commonwealth Games Federation, it was estimated that the company could incur an operating loss of around $93 million (in 1998 dollars) from hosting of the 2006 Commonwealth Games in Melbourne. In addition, it was projected that the State and Commonwealth Governments would incur a cost of around $160 million from the provision of services associated with the event (the State’s share of which is $102 million) and the State would undertake related capital works at a cost of $97 million.

The Auditor-General also stated that the former Government was committed to ‘fast tracking’ the capital works program for the required sporting facilities so all major infrastructure projects required for the Games would be completed by 2001 including:

- the multipurpose venue at Melbourne Park ($65 million);
- a new State Hockey and Netball Centre ($27 million); and

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395 Correspondence from the Minister for Commonwealth Games, received 19 August 2002
396 Ibid
• a new Gymnastics Centre ($3 million).

With the exception of the multi-purpose venue which is to be used as a velodrome for the Games, the former Government stated that the ‘fast tracked’ capital works projects would have been undertaken even if the Games were not held in Melbourne. In addition to the above capital works program, $11 million was committed in the 1999-2000 Budget for the expansion of the Melbourne Sports and Aquatic Centre.

The media recently reported that organisers of the 2006 Commonwealth Games have sought funding above the most recent estimate of $500 million. Further, the total cost of related capital works is unclear. The Minister has indicated that:

• the total estimated cost of the redevelopment of the Melbourne Sports and Aquatic Centre (Stage 2) is $50 million; and

• the Government is contributing $77 million towards the Melbourne Cricket Ground redevelopment. In addition the installation of a temporary athletics track within the Melbourne Cricket Ground for the Games is expected to cost $18 million, with up to a further $17 million for ground use.

According to the Minister, ‘The MCG, the tennis centre and the Melbourne Sports and Aquatic Centre, the prime locations, will operate well into the future without the requirement of significant support from government’.

(b) Benefits and risks associated with the 2006 Commonwealth Games

The Committee was also interested to learn about the Department’s strategies and activities to maximise the benefits and

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398 Ibid
399 Ibid
400 Ibid
401 Capital of sport on track, The Age, 29 June 2002
402 Correspondence, received 19 August 2002, from the Minister for Commonwealth Games
403 Hon. J. Madden, MLC, Minister for Commonwealth Games, transcript, 26 June 2002, p.425
minimise the risks to Victoria of hosting the 2006 Commonwealth Games.

The bid company engaged a chartered accounting firm to assess the economic impact of staging the Commonwealth Games on the Victorian and Australian economies. The consultants projected that the Games would increase Victoria's gross state product by around $373 million and increase State taxation revenue by around $14.5 million as well as enhance the State's reputation as a tourism destination and Melbourne's reputation as a sporting capital. The Minister reiterated at the 2001-02 budget estimates hearing that Victoria can expect at least a $380 million boost to the economy from the Games.

The Office of Commonwealth Games Coordination and M 2006 have started developing strategies to maximise the benefits of the Games to Victoria. They are formulating an industry/business strategy, environmental framework, regional strategy and social and community strategy. The Committee welcomes the development of such strategies. The Minister provided a very general overview, at the 2002-03 estimates hearing, of the potential risks of hosting a major event such as the Commonwealth Games, and included security and transport issues.

The Committee believes that an updated cost/benefit analysis of the 2006 Commonwealth Games should be released with the forthcoming budget for the Games. There have been significant developments relating to the budget and planning of the Games since Victoria's bid was submitted. An updated cost/benefit analysis would enhance the transparency of expenditure on the Games.

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405 Ibid
406 Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript, 8 June 2001, p.128
Accordingly, the Committee recommends that:

**Recommendation 12.9**
The 2006 Commonwealth Games budget, include the cost of related capital works and an updated cost/benefit analysis.

**12.8.5 Funding of MCG redevelopment**

Approximately 18 months ago, the Commonwealth Government advised that it would contribute $90 million towards the redevelopment of the Ponsford stand (MCG) for the 2006 Commonwealth Games. The Minister stated that after the tender process had closed some conditions were attached by the Federal Workplace Relations Minister to the funding. The Committee understands that the funding was conditional upon having greater on-site scrutiny by the Office of the Employment Advocate. The Minister for the Commonwealth Games believed that the conditional funding would ‘threaten the budget’ and result in unacceptable delays to the redevelopment of the Northern Stand at the Melbourne Cricket Ground.

The State Government subsequently elected to contribute $77 million to the MCG redevelopment rather than accept the conditional Commonwealth funding. The Minister expressed the hope at the estimates hearing that the Federal Government would contribute the $90 million to another area of the Commonwealth Games.

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407 Hon. J. Madden, MLC, Minister for Commonwealth Games, transcript, 26 June 2002, p.417
408 Ibid, p.418
409 Ibid, p.419
CHAPTER 13: DEPARTMENT OF TREASURY AND FINANCE

Key Findings:

13.1 There are more than $500 million of projects being considered under Partnerships Victoria policy.

13.2 The 2002-03 Budget surplus has contributed $400 million to the Growing Victorian Infrastructure reserve.

13.3 The Growing Victoria infrastructure reserve cash funds are expected to peak on 30 June 2002 at $1,296 million, and forecast to fall to zero by 30 June 2006.

13.4 The re-insurance risks to the Government concerning its home warranty insurance arrangements were not considered under the accounting requirements to be a material risk and therefore were not reported in the 2002-03 Budget.

13.5 Even though Victoria’s superannuation liability is rising, the ratio of the liability to Gross State Product is expected to fall from 7.0 per cent in 2001-02 to 6.1 per cent in 2005-06.

13.6 Research into the effectiveness of harm minimisation measures has been commissioned by the Gambling Research Panel.

13.1 Departmental overview

The Department of Treasury and Finance provides services to four ministerial portfolios, Treasury; Finance; WorkCover; and Gaming.
13.2 Output management framework

The Department’s 2002-03 Budget output management framework is shown in Exhibit 13.1.

Exhibit 13.1 Department of Treasury and Finance - Output Management Framework

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>25.3</td>
<td>25.9</td>
<td>26.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>21.7</td>
<td>22.7</td>
<td>18.8</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>10.0</td>
<td>10.5</td>
<td>9.7</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Reform Services</td>
<td>1.9</td>
<td>2.5</td>
<td>2.2</td>
<td>15.8</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>78.9</td>
<td>114.5</td>
<td>64.2</td>
<td>(18.6)</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>37.9</td>
<td>35.0</td>
<td>36.1</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>63.3</td>
<td>72.9</td>
<td>62.8</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Total</td>
<td>239.0</td>
<td>284.0</td>
<td>220.7</td>
<td>(7.7)</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, p.329

As shown in Exhibit 13.1, the Department’s budget allocation for 2002-03 was $220.7 million representing a $18.3 million or 7.7 per cent decrease from 2001-02.

The Committee was advised that for 2002-03:

- the Strategic Policy Advice output group cost increased $1.6 million (6.3 per cent) to $26.9 million, due to a need for further policy advice;

- Financial Management Services output group cost decreased $2.9 million (13.4 per cent) to $18.8 million, mainly as a result of the cessation of tax compliance services (primarily involved in the implementation of the Commonwealth’s Goods and Services Tax across the Victorian public sector);

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410 Secretary, Department of Treasury and Finance, transcript of evidence, 22 May 2002, p.51
• Risk Management Services output group cost decreased $0.3 million (3.0 per cent) to $9.7 million;

• Reform Services output group cost increased $0.3 million (15.8 per cent) to $2.2 million;

• Resource Management Services - output costs decreased $14.7 million (18.6 per cent) to $64.2 million, mainly due to the reduction in the cost of the management of motor vehicle leases from $30 million in the 2001-02 Budget to $18.6 million in the 2002-03 Budget;

• Regulatory Services - output costs decreased $1.8 million (4.7 per cent) to $36.1 million, mainly due to efficiency savings from the Essential Services Commission following an independent review of its antecedent, the Office of the Regulator-General; and

• Revenue Management Services output cost decreased $0.5 million (0.8 per cent) to $62.8 million.

The Committee notes that there has been only one change to the Department’s output structure since 2001-02. Tax Compliance Services has been removed from the Financial Management Services output group following the implementation of the Goods and Services Tax. The remaining Tax Compliance Services have been merged into the Financial Management, Regulation and Compliance output within the Strategic Policy Advice output group.

13.3 Financial analysis

The Statement of Financial Performance for the Department is shown in Exhibit 13.2.
Exhibit 13.2 Department of Treasury and Finance - Statement of Financial Performance

<table>
<thead>
<tr>
<th>Departmental Output Groups</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised Budget ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</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>211.4</td>
<td>252.2</td>
<td>265.8</td>
<td>25.7</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>239.1</td>
<td>284.2</td>
<td>282.1</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Net result for the reporting period</strong></td>
<td>(27.7)</td>
<td>(32.0)</td>
<td>(16.3)</td>
<td>58.8</td>
</tr>
<tr>
<td><strong>Administered Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administered revenue</td>
<td>18,481.0</td>
<td>18,948.0</td>
<td>19,636.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Administered expenses</td>
<td>18,629.5</td>
<td>19,879.7</td>
<td>19,544.5</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Surplus/(Deficit)</strong></td>
<td>(148.5)</td>
<td>(931.7)</td>
<td>91.5</td>
<td>-61.6</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.9.2, p.353 and Table 2.9.5, p.358

The following reasons explain the major variations to revenue and expenses items:

- the Department’s revenue from ordinary activities will increase by $54.4 million between the 2001-02 and 2002-03 budget allocations;

- the Department’s revenue from output appropriations will decrease by $7.4 million from 2001-02 to 2002-03 mainly due to the cessation of one-off funding related to the establishment of the Essential Services Commission, the partial relocation of the State Revenue Office to Ballarat and the purchase of land valuations from the Councils;

- the Department’s revenue from other sources will increase due to a requirement for the Department to recognise the full value of the centrally managed motor vehicle facility; and

- the Department’s expenses increased by $43 million over 2002-03 and reflect higher employee entitlements ($7.4 million) and higher depreciation and amortisation

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411 Budget Paper No 3, 2002-03 Budget Estimates, p.353-354
charges ($43.5 million) which in part reflects the recognition of the full value of the Government’s motor vehicle lease facility. These increases are partly offset by a reduction in the cost of supplies and services ($9.2 million).

In regard to “administered items”, the Department conducts a large number of transactions on behalf of the State for which it cannot exercise direct control, for example, the collection of State taxation revenue and administration of the State’s superannuation schemes. The key variations over the 2001-02 and 2002-03 Budgets include:

• an increase in administered operating revenue by $1,165 million. Increases in State taxation revenue and Commonwealth Grants account for $788.9 million of this increase with a further $249.5 million due to the increase in Special Appropriations to cover higher superannuation expenses. The balance of the increase is due to the higher appropriations for payments made on behalf of the State and other revenue; and

• administered operating expenses, which show an increase of $925.8 million. The majority of the increase reflects increased taxation revenue ($626.2 million) and Commonwealth Grants revenue ($162.7 million) that is transferred to the Consolidated Fund.412

The Committee notes that there are significant variations in the Department’s Administered Items Statement. There has been a 6.2 per cent increase in ‘administered revenue’ coupled with a 4.9 per cent increase in ‘administered expenses’, resulting in an actual estimated administered surplus of $91.7 million, compared to the estimated deficit of $148.5 million in 2001-02. This reflects a $239.7 million turnaround in the Department’s financial position between 2001-02 and 2002-03 Budgets.

412 Budget Paper No. 3, 2002-03 Budget Estimates, p.357-358
13.4 Human resource issues

The Department has advised that it expects 511 Equivalent Full Time (EFT) staff at 30 June 2003. This compares with an actual EFT of 496 at 31 March 2002.

Exhibit 13.3 shows there is an estimated increase of 15 EFT staff or 3 per cent over the period. The Committee notes that only one Division is expected to have an increase in staff above 5 per cent, the Economic and Financial Policy Division. The Division’s staff numbers are expected to increase to 81 on 30 June 2003 (a 5.2 per cent increase).

Exhibit 13.3 Department of Treasury and Finance – Equivalent Full Time Staff (Permanent and Fixed Term)

<table>
<thead>
<tr>
<th>Division</th>
<th>2001-02 31 March 2002 (actual)</th>
<th>2002-03 30 June 2003 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget and Financial Management</td>
<td>136</td>
<td>141</td>
</tr>
<tr>
<td>Commercial</td>
<td>151</td>
<td>153</td>
</tr>
<tr>
<td>Economic and Financial Policy</td>
<td>77</td>
<td>81</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>89</td>
<td>93</td>
</tr>
<tr>
<td>Office of the Secretary</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>496</strong></td>
<td><strong>511</strong></td>
</tr>
</tbody>
</table>

The Committee’s analysis of information provided by the Department indicates that the EFT permanent staff at 30 June 2003 are expected to increase to 422 (from a total of 388 as at 31 March 2002), while the number of EFT fixed term staff are expected to decrease to 89 (from a total of 108 as at 31 March 2002) with the highest reduction in the Strategic Management Division.  

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413 Department of Treasury and Finance response to the Committee’s 2002-03 budget estimates questionnaire, p.8
414 Ibid, p.8
The Minister for Finance advised that the additional 34 permanent staff is due to:

- transferring 19 fixed term employees to permanent employment status; and

- 15 extra staff employed as part of the Department’s Reaching our Potential, and Research and Special Projects Units, and support for under resourced areas.  

The Department anticipates that the requirement for fixed term and contractor roles will continue to decrease.

The Department has advised that it has experienced some skill gaps over the past two years and this has been addressed by:

- significantly increasing the recruitment of graduates from particular disciplines; and

- entering into an arrangement with a specialist recruitment firm to maintain a ‘watching brief’ for high quality staff.

13.5 Treasury portfolio

The Treasurer has responsibility for four output groups that account for $93.9 million or 42.5 per cent of the Department’s output group costs in 2002-03. The 2002-03 total portfolio costs represent a 0.2 per cent decrease from the portfolio costs of the 2001-02 Budget. The Treasurer has responsibility for the following outputs:

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415 Correspondence received 6 August 2002 from the Minister of Finance, p.5
416 Ibid, p.8-9
417 Ibid, p.9
Exhibit 13.4  Treasury Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Treasurer</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Strategic Policy and Research</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Financial and Risk Management Policy Advice</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Economic, Regulatory, Environmental and Social Policy Advice*</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Inter-Government Financial Relations Policy Advice</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Policy Advice</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Budget Formulation Advice*</td>
<td>3.2</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>Financial Assets and Liabilities Management Services</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td>Taxation (State Revenue) Monitoring and Forecasting Services</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Budget Development and Production*</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>GBE Performance Monitoring Services</td>
<td>1.3</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>Infrastructure Project Management</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td>Commercial Project and Risk Management</td>
<td>1.9</td>
</tr>
<tr>
<td></td>
<td>Prudential Supervision</td>
<td>1.2</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>Revenue Management Services to Government</td>
<td>62.8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>93.9</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for these outputs is shared by the Treasurer and the Minister for Finance.

13.5.1  2002-03 outlook for the portfolio

Throughout 2002-03, the Treasury portfolio will play a lead role, sometimes in conjunction with other portfolios, in the delivery of major projects including:

- overseeing the delivery of public infrastructure projects;
- providing policy options to Government on a range of economic, financial and social issues;
- preparing for the contestable gas market; and
• leading debate nationally on issues such as Commonwealth-State relations.  

Key initiatives of the portfolio in 2002-03 include:

• increasing the level of State Revenue Office compliance activity regarding payroll tax and document return duty ($2.6 million); and

• increasing the service delivery capability of the Department ($3.5 million).

13.5.2 Analysis of the 2002-03 Budget

The 2002-03 total Treasury portfolio costs have decreased $200,000 (0.2 per cent) from the 2001-02 Budget allocation.

13.5.3 Performance measures

The one change to the Department’s output group structure for 2002-03 has been the deletion of the tax compliance services output under the Financial Management Services output group. The Committee notes, however, a significant level of change to the performance measures in output groups relevant to the Treasurer. Exhibit 13.5 shows these changes.

Exhibit 13.5 New and Deleted Performance Measures for the Treasurer’s Portfolio

<table>
<thead>
<tr>
<th>Output groups under the Treasurer</th>
<th>New performance measures 2002-03</th>
<th>Performance measures deleted 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Management Services</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td>Risk Management Services</td>
<td>9</td>
<td>19</td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Revenue Management Services</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>86</td>
</tr>
</tbody>
</table>

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418 Budget Paper No. 3, 2002-03 Budget Estimates, p.328–329  
419 Budget Paper No. 2, 2002-03 Budget Statement, p.213–214
The Committee is concerned with the level of change to performance measures in these output groups because it limits the full and transparent comparison of results over a number of years. Accordingly, the Committee believes that remedial action should involve including discontinued measures in the Budget Papers under the target for the current year. Other Departments have adopted this practice, which the Committee welcomes.

In addition, the Committee's review of the portfolio's 2002-03 performance measures revealed:

- the performance measure for a number of the outputs under the responsibility of the Treasurer — service provision rating (ministerial survey data) — has a 2002-03 target of 80 per cent. This target applies even though there are many instances where the achievement in previous years is greater or at least the same level. The Committee believes that performance targets should provide an incentive for service improvement and accordingly, encourages the Department to review these targets for 2003-04;

- the unit of measure for a number of outputs under the Strategic Policy Advice output group is a simple ‘yes/no’. The Committee believes the use of this unit of measure is not conducive to effective performance information because it confirms only the conduct of a process, not the effectiveness of the process. One performance measure, for example — Budget submissions meet Expenditure Review Committee deadlines — should be measured by a percentage target, which would provide a better indication of performance;

- one performance measure — daily management of the Public Account bank account and set-off pool balances — has a 2002-03 target of ‘daily’. The Committee questions the relevance of this measure, particularly given the obvious nature of the unit of measure;

- a key responsibility of the financial assets and liabilities management services output is to maintain the State's liabilities at prudent levels and retain the AAA credit rating. The output's performance measures, however, relate to the
number of reviews conducted to monitor the achievement of these objectives, not to the actual achievement. Accordingly, the reader of the Budget Papers is informed of whether reviews have occurred, but not whether the AAA credit rating is retained or whether the State has maintained a prudent level of liability;

• one performance measure — stakeholder satisfaction with the whole-of-Government cash and banking contract — should be accompanied by a note that identifies the stakeholders and explains the method used to measure satisfaction levels;

• a key responsibility of the Government business enterprise (GBE) performance monitoring services output is to monitor the performance of GBEs to ensure service standards are sufficient to improve the satisfaction of customers and provide an adequate level of return to the Government. In the instance of GBE dividends, the performance measures relate to the number of dividends negotiated and whether target dates for payments were met and they do not measure the adequacy of the dividend payment. The Committee notes that no measures focus on the satisfaction levels of GBE customers;

• one performance measure within the Risk Management Services output group — the education of officers responsible for infrastructure projects through the delivery of training forums — should be complemented by a qualitative performance measure that relates to officers’ satisfaction with the quality of the training forums provided;

• the performance measure — regular review of existing public private partnership (and other) contracts for both service performance and fiscal management — has a 2002-03 target of 20. The Committee believes this measure focuses on the number of reviews undertaken, not on the achievement of service performance and fiscal management targets;

• one performance measure — undertake additional unforeseen projects as requested by Ministers during the
year — has a 2002-03 target of two. The Committee questions the relevance of this performance measure and the means by which a target can be set for unforeseen circumstances. The Budget Papers should include a note to account for any unforeseen projects and thus explain the reason for the actual number of projects exceeding the target;

- a key responsibility of the prudential supervision output is to manage the State’s exposure to financial risks arising from the activities of the State’s public financial institutions (PFIs) via the implementation of a prudential supervision framework. The performance measures of the output focus on the number of reports on and reviews of the PFIs, not on the PFIs’ performance in this area; and

- a number of performance measures in the Revenue Management Services to Government output group have a 2002-03 target that is greater than or equal to a certain percentage. The Committee notes that the actual percentage achieved in 2001-02 was well above the base percentage used and that the expected outcome in 2001-02 is identical to the 2002-03 target. The Committee believes the use of a specific percentage target would provide better performance information and allow for a more effective analysis of performance over time.

The Committee believes that further improvements to performance measures are necessary with a greater focus on the achievement of outcomes and outputs rather than on processes and inputs.
Accordingly, the Committee recommends that:

**Recommendation 13.1**

The Department of Treasury and Finance:

(a) include discontinued performance measures in the current year, as occurs in other Departments, to ensure results can be compared over a number of years and to show changes to the performance measure structure each year;

(b) replace ‘yes/no’ units of measure with more specific numeric targets;

(c) ensure performance targets reflect achievement levels of previous years and provide an appropriate incentive for performance improvement;

(d) focus performance measures on the achievement of desired outcomes rather than processes and inputs;

(e) include within the Risk Management Services output group a performance measure that focuses on the satisfaction of officers with the quality of training forums;

(f) delete the performance measure that focuses on the number of unforeseen projects to be undertaken, because this cannot be measured; and

(g) accompany one performance measure — stakeholder satisfaction with the whole-of-government cash and banking contract — with a note that identifies the stakeholders and explains the method used to measure satisfaction levels.

### 13.5.4 Key Issues impacting on the 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 2002-03.

(a) Partnerships Victoria

The Committee was advised that the Partnerships Victoria budget for 2002-03 is $3.2 million, a reduction of $1.1 million or 25.6 per cent compared to 2001-02. The two key challenges concerning the implementation of the Partnerships Victoria policy are:

- ensuring other Departments have sufficient skills and suitable project managers for delivering projects; and

- ensuring that the integrity of the Partnerships Victoria policy is maintained as the number of projects grows over time. This includes ensuring that the best risk allocation profiles for projects are consistently maintained in accordance with the Partnerships Victoria guidelines.420

The Committee was advised that the Department has implemented a number of measures to ensure that there is an appropriate risk allocation in all Partnerships Victoria projects and a Partnerships Victoria Risk Allocation and Contractual Issues Guide has been prepared to provide guidance to Departments.421

The Committee was informed that developing and implementing the Partnerships Victoria policy also provided Victoria with considerable national and international recognition as a leader in the provision of public private partnerships.422 The Treasurer advised that the Partnerships Victoria policy has been emulated and reproduced by the Governments of Western Australia, New South Wales, Queensland and the Northern Territory. The United Kingdom is also considering elements of the Partnerships Victoria risk allocation model.423

420 Department of Treasury and Finance response to the Committee’s 2002-03 estimates questionnaire, p.35
421 Ibid
422 Ibid
423 Hon. J. Brumby, MP, Treasurer, transcript of evidence, 22 May 2002, p.54
The Treasurer also highlighted that the Government does not consider core services are appropriately provided through Partnerships Victoria, and emphasised that prison officers, nurses, teachers or doctors will not be employed under Partnerships Victoria. The Government will, however, construct under Partnerships Victoria new social infrastructure and provide related infrastructure such as maintenance, information technology and security systems.\footnote{Ibid}

The Treasurer advised that there are more than $500 million of projects that are being considered, including:\footnote{Ibid, and Department of Treasury and Finance response to the Committee’s 2002-03 estimates questionnaire p.57}

- Spencer Street – the redevelopment of Spencer Street Station to deliver a ‘state of the art’ inter-modal transport hub ($200-300 million);

- Wodonga Wastewater Treatment Plant - a design-build-operate upgrade project ($15 million);

- Enviro Altona - the redevelopment of the existing treatment plant;

- Berwick Community Hospital - the design, construction and provision of building maintenance services and finance;

- Fibre Optic Network - the rollout of fibre optic cable to the Regional Fast Rail destinations to cater for rail signalling and telecommunications requirements;

- Mobile Data Network - building of communications network infrastructure to carry the data transmissions of participating emergency services organisations;

- Echuca/Rochester Wastewater Treatment Plant – a design-build-operate-transfer upgrade project;

- TV and Film studio - establishment of a new film and TV studio to support the local industry and attract new
productions to Victoria ($40 million Government contribution); and

- Box Hill Hospital car park - building of a new multi-level car park and management of the operation of the new and existing car parking facilities.

The Committee emphasises the importance of monitoring and reviewing the policy to ensure achievement of appropriate outcomes for Victoria. The Committee believes that there needs to be a high level of transparency in Government decisions to implement projects under the Partnerships Victoria policy.

Accordingly the Committee recommends that:

**Recommendation 13.2**

The Department of Treasury and Finance establish a standard set of procedures to ensure that the basis for decisions to implement projects under Partnerships Victoria policy is transparent.

The Committee notes that the Department has defined two performance measures in the Risk Management Services output group that specifically relate to public private partnerships, namely:

- ‘provision of commercial and risk management advice on public private partnership projects to facilitate new infrastructure and minimise government’s exposure to risk’; and

- ‘regular review of existing public private partnership contracts for both service performance and fiscal management’.  

The Committee is concerned that these two performance measures do not sufficiently scope the Partnerships Victoria initiative so that performance of the initiative can be assessed.

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426 Budget Paper No 3, 2002-03 Budget Estimates, p.342
Accordingly, the Committee recommends that:

**Recommendation 13.3**

The Department of Treasury and Finance determine more appropriate performance measures that will provide a sound basis for the assessment of the performance outcomes of the Partnerships Victoria initiative.

(b) **Gaming revenue**

Gaming revenue in 2002-03 is expected to increase by 5.9 per cent and average 5.5 per cent per annum growth to 2005-06. The Treasurer advised that the current increases in gaming revenue growth have been the lowest in the last decade, and it is expected that a range of measures concerning problem gambling will further moderate gaming revenue growth.\(^{427}\)

The Committee notes that in 2002-03 electronic gaming machine revenue is estimated:\(^{428}\)

- to total $972.7 million, increasing $66.4 million or 7.3 per cent compared to the estimated actual receipts for 2001-02; and

- as a proportion of total ‘Gambling Taxes’, to increase to 66.9 per cent (compared to 66 per cent in 2001-02).

The Acting Treasurer advised that gaming revenue is historically low. Gaming revenue as a proportion of total revenue in 2002-03 is projected at 5.75 per cent, and is expected to increase to 6.28 per cent in 2005-06.\(^{429}\)

(c) **Policy and risk management capability**

Additional funds ($3.5 million in 2002-03) will be utilised across a range of whole-of-government initiatives to meet the Department’s expanded service delivery requirements including:

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\(^{427}\) Hon J. Brumby, MP, Treasurer, transcript of evidence, 22 May 2002, p.59  
\(^{428}\) Budget Paper No 3, 2002-03 *Budget Estimates*, p.391  
\(^{429}\) Correspondence received 6 August 2002 from the Acting Treasurer, Attachment 1, p.2
• tax compliance framework;
• analysing portfolio operations;
• advancing the Partnerships Victoria and contract management initiatives;
• undertaking risk analysis and monitoring of privately initiated non-infrastructure projects; and
• developing triple bottom line reporting and other research capacity.\textsuperscript{430}

With respect to triple line reporting this is a new concept within Australia and some overseas countries whereby organisations report on their social and environmental performance as well as their financial performance. Triple bottom line reporting is very relevant to the public sector, as most public sector Agencies deliver policies intended to achieve social justice, but also need to recognise the impact of their programs on available environment and financial resources in order to achieve sustainable development in the future.

The Committee recognises that although economic and financial performance can be readily measured through the application of standards such as the Australian Accounting Standards, similar standards do not currently exist to measure environmental and social justice performance.

The Committee in March 2002, tabled a report on the Follow-up Inquiry into Environmental Accounting and Reporting which strongly endorsed the concept of triple bottom line reporting. The Committee welcomes the Government’s initiative in developing a framework for triple bottom line reporting.

\textbf{(d) Growing Victoria Infrastructure Reserve}

The Growing Victoria Infrastructure Reserve was established in the 2000-01 Budget to provide a significant boost to Victorian budget sector infrastructure investment.\textsuperscript{431}

\textsuperscript{430} Correspondence received 6 August 2002 from the Acting Treasurer, Attachment 1, p.5
The Committee was informed the Growing Victoria Infrastructure Reserve is intended to target additional investment under the Government’s key strategies:

- Linking Victoria – major transport infrastructure projects;
- Skilling Victoria - education and training modernisation programs; and
- Connecting Victoria - information and communications technology facilities and capabilities.\(^{432}\)

The Treasurer indicated that the 2002-03 Budget surplus has contributed $400 million to the fund.\(^{433}\) The Department has advised that with the 2002-03 Budget allocation, a total of $1,575 million has been transferred to the reserve, with $1,340 million earmarked to fund asset investment projects that have been approved since the 2000-01 Budget.\(^{434}\)

The Committee’s analysis of the 2002-03 Budget Papers indicates that the cash reserves of the Growing Victoria reserve peaked on 30 June 2002 at $1,294 million, and are forecast to fall to zero by 30 June 2006, as shown in Exhibit 13.6.

The Department has advised that it is the responsibility of relevant Ministers and Departments to monitor the progress of asset investment projects as part of the Budget process. However, as part of the monitoring process, Departments report to the Department of Treasury and Finance on the progress of major projects against quarterly targets.\(^{435}\)

The Committee notes that, while the Budget Papers provide information on Growing Victoria infrastructure projects under the three key strategies over 2001-02 to 2005-06, no details have been

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\(^{431}\) Department of Treasury and Finance response to the Committee’s 2002-03 estimates questionnaire, p.40
\(^{432}\) Ibid, p.38
\(^{433}\) Hon J. Brumby, MP, Treasurer, transcript of evidence, 22 May 2002, p.61
\(^{434}\) Department of Treasury and Finance response to the Committee’s 2002-03 estimates questionnaire, p.37
\(^{435}\) Ibid, p.39
provided in the Budget Papers on the actual expenditure for specific projects since the establishment of the reserve.436

Exhibit 13.6 Growing Victoria Infrastructure Reserve

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation</td>
<td>57</td>
<td>224</td>
<td>570</td>
<td>426</td>
<td>170</td>
<td>185</td>
</tr>
<tr>
<td>Balance</td>
<td>1118</td>
<td>1294</td>
<td>724</td>
<td>298</td>
<td>128</td>
<td>0</td>
</tr>
</tbody>
</table>

The Committee believes that greater transparency relating to these expenditures is required, and accordingly recommends that:

Recommendation 13.4

The Department of Treasury and Finance provide financial details in the Budget Papers of individual projects funded from the Growing Victoria Infrastructure Reserve.

13.6 Finance Portfolio

The Committee notes that the Minister for Finance has sole or joint responsibility for five output groups that account for $119.6 million or 54.2 per cent of the Department’s total output group costs in 2002-03. The Minister for Finance has responsibilities for the following outputs:

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436 Budget Paper No 2, 2002-03 Budget Statement, Appendix B, p.219–220
Exhibit 13.7  Finance Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Finance</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Financial Management Regulation and Compliance</td>
<td>3.1</td>
</tr>
<tr>
<td></td>
<td>Economic, Regulatory, Environmental and Social Policy Advice*</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Budget Formulation Advice*</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>Statutory Insurance Advice#</td>
<td>8.2</td>
</tr>
<tr>
<td>Financial Management Services</td>
<td>Financial Reporting and Control</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>Budget Development and Production*</td>
<td>4.5</td>
</tr>
<tr>
<td></td>
<td>Portfolio Performance Review</td>
<td>4.0</td>
</tr>
<tr>
<td>Reform Services</td>
<td>Resource Management Reform</td>
<td>2.2</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>Economic Regulatory Services</td>
<td>18.4</td>
</tr>
<tr>
<td>Resource Management Services</td>
<td>Procurement Services</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>Government Accommodation Services</td>
<td>35.2</td>
</tr>
<tr>
<td></td>
<td>Government Land and Property Services</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Management of Motor Vehicle Leases</td>
<td>18.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>119.6</strong></td>
</tr>
</tbody>
</table>

Note: * Responsibility for these outputs is shared by the Treasurer and Minister for Finance.
Note: # Responsibility for this output is shared by the Minister for Finance and Minister for WorkCover

13.6.1  2002-03 outlook for the portfolio

Key initiatives of the Finance portfolio in 2002-03 include:

- ongoing operational support for the Essential Services Commission ($4.3 million); and
- refurbishment of two floors at 565 Lonsdale Street and subsequent leasing to the Victorian Government Reporting Service ($2.9 million).

13.6.2 Analysis of the 2002-03 Budget

The 2002-03 total portfolio costs have decreased $9.3 million (7.2 per cent) from the portfolio costs of the 2001-02 Budget. This

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437 Budget Paper No. 2, 2002-03 Budget Statement, p.213–214
reduction mainly reflected a decrease in the costs of motor vehicle management.

13.6.3 Performance measures

The Committee notes one change has been made to the output structure of the Finance portfolio in 2002-03. This change involves the merging of one output — taxation compliance services — into another — financial management, regulation and compliance. There have been significant changes to the performance measures under the Finance portfolio in 2002-03, with the addition of 45 new measures and the deletion of 31 measures from 2001-02.\textsuperscript{438}

The Committee is concerned at this level of turnover because without some continuity in performance information, it is impossible to undertake any trend analysis. The Minister shares the Committee’s concern, but indicated that Government’s priorities change and that change requires the flexibility to change outputs and performance measures where relevant.\textsuperscript{439} The Committee acknowledges that performance measures need to reflect the Government’s priorities, but the Committee still advocates that discontinued performance measures should remain in the Budget Papers for the following year so changes to the performance measurement structure are transparent and a clear audit trail exists.

The Committee’s review of the portfolio’s performance measures for 2002-03 revealed:

- one performance measure — monitor and influence the timeliness of Departments’ statutory lodgement obligations — has a ‘yes/ no’ unit of measure. The Committee does not believe the Department’s responsibility in this area is appropriately measured by the target of ‘yes’ and encourages the adoption of a measure that focuses on the level of compliance as a percentage and/ or number of Departments;

\textsuperscript{438} Department of Treasury and Finance response to the Committee’s 2002-03 estimates questionnaire, p.45-56

\textsuperscript{439} Hon. J. Lenders, MLC, Minster for Finance, transcript of evidence, 22 May 2002, p.150
• a key objective of the financial management regulation and compliance output is to encourage, promote and enhance sound financial management practices in the Victorian public sector. The Committee considers that a key performance measure of the achievement of this objective is the level of compliance with these practices. However, the performance measures in the Budget Papers assess only the number of reviews and reports completed, not the results from these reviews and reports;

• one performance measure used for a number of outputs — service provision rating (ministerial survey data) — has a 2002-03 target that is either identical to the 2001-02 target and 2001-02 expected outcome or smaller than these amounts. The Committee believes that performance targets should provide an incentive for performance improvement and, accordingly, encourages the Department to review the adequacy of 2003-04 targets;

• one performance measure — portfolio Minister’s satisfaction with Expenditure Review Committee and reports — has a performance target in 2002-03 of 80 per cent. The Committee believes this target should be reviewed given that the actual achievement in 2000-01 was 93 per cent, the 2001-02 target was 90 per cent and the 2001-02 expected outcome is 90 per cent;

• a number of performance measures in the resource management reform output have a 2002-03 target that relates to a greater than base percentage figure. The Committee believes more accurate performance reporting would result from a specific target level; and

• one performance measure — completion of coordination of EC4P project — has a 2002-03 target of one. The Committee does not see the need for such a measure given the presence of a timeliness performance measure — completion of coordination of EC4P project — with a 2002-03 target of September 2002.
The Committee believes the performance measures for the Finance portfolio should be reviewed to ensure they more closely reflect the achievement of desired Government outcomes and objectives, and that targets provide more incentive for performance improvement.

Accordingly, the Committee recommends that:

**Recommendation 13.5**

The Department of Treasury and Finance:

(a) review the targets for each performance measure to ensure they provide an incentive for continuous performance improvement and do not represent a carry-over from previous years;

(b) promote the use of specific performance targets rather than a stratified level that is greater than a certain base figure; and

(c) delete a performance measure — the completion of coordination of EC4P project — given that this process is already covered by another measure within the same output.

**13.6.4 Key issues impacting on the 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 2002-03 Budget.

(a) **Essential Services Commission**

The Essential Services Commission independently regulates prescribed essential utility services supplied by the electricity, gas, ports, grain handling and rail freight industries. The Commission commenced operations on 1 January 2002, subsuming the Office of the Regulator-General Victoria.
The Minister advised that some of the major activities of the Commission included:

- review of Gas Access Arrangements is scheduled to be finalised in October 2002;
- full retail competition of gas services is expected in October 2002;\(^{440}\) and
- regulation of the water industry is expected to commence 1 January 2003.

The Committee believes that the Commission should ensure that the outcomes of its major activities should be clearly reported in its annual report with highlights also contained in the Budget Papers.

(b) Insurance

The Minister for Finance advised insurance will continue to be a significant issue for the Finance portfolio during the year, with a number of elements requiring attention, including public liability insurance, builders warranty insurance, professional indemnity and insurance against acts of terrorism.\(^{441}\) The Minister informed the Committee that the Government is committed to addressing these issues and will be looking to the establishment of a consistent national approach to provide long-term solutions.\(^{442}\)

The Government, through the Department, has worked with the peak not-for-profit group called Our Community, the Municipal Association of Victoria (MAV) and the private sector to develop a public liability insurance policy for not-for-profit groups.

The Minister advised that the key to the policy development was facilitating the collection of data with Our Community and with the MAV. Analysis of the data indicated that the case records of numerous insurers were making a profit out of insuring the not-for-profit groups.\(^{443}\)

\(^{440}\) Correspondence received 6 August 2002 from the Minister for Finance, p.2  
\(^{441}\) Hon J. Lenders, MLC, Minister for Finance, transcript of evidence, 23 May 2002, p.131  
\(^{442}\) Ibid  
\(^{443}\) Ibid, p.135
The Minister also indicated that following approaches by the industry associations, and together with New South Wales, the Government has developed a 10-point plan to make builders warranty insurance a viable product.  

The Committee was advised that the re-insurance risks associated with the Government’s home warranty insurance agreements were not considered, under accounting requirements, to be a material risk and therefore were not reported in the 2002-03 Budget.

(c) Unfunded superannuation liabilities

Unfunded superannuation is the most significant liability on the State’s balance sheet. The State’s unfunded superannuation liability is projected to be $12.8 billion on 30 June 2002.

The Minister for Finance recognises that there are risks to the State’s unfunded liability position that include:

- the Government not making large enough contributions;
- possibility of wage rises being higher than actuarial assumptions; and
- lower than expected investment returns.

To mitigate these risks the Government has:

- built in a $400 million buffer against adverse shocks; and
- utilises a range of expert fund managers.

The Minister advised that through the beneficiary choice program Victoria’s unfunded superannuation liabilities have decreased by $368 million on 30 June 2001 and $538 million on 30 June 2002.

The Committee was advised that even though the superannuation liability was rising, the ratio of the liability to Gross State Product

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444 Hon. J. Lenders, MLC, Minister for Finance, transcript of evidence, 23 May 2002, p.139
445 Secretary, Department of Treasury and Finance, transcript of evidence, 23 May 2002, p.141
446 Budget Paper No 2, 2002-03 Budget Statement, p.103
447 Correspondence received 6 August 2002 from the Minister for Finance, p.7
is expected to fall from 7.0 per cent in 2001-02 to 6.1 per cent in 2005-06.\textsuperscript{448}

The Committee notes the Government’s aim of 100 per cent funding of the State’s superannuation liabilities by 2035.\textsuperscript{449}

Accordingly the Committee recommends that:

**Recommendation 13.6**

The Department of Treasury and Finance progressively report the effect unfunded superannuation liabilities are having on the financial position of the State Budget.

\textbf{(d) Output pricing reviews}

The Committee was advised that during 2001-02 the Department conducted an output pricing review of the Government Accommodation Services output within the Resource Management Services output group. The outcome of the pricing review was reported to Government at the end of 2001 and is currently being considered.\textsuperscript{450}

\textbf{13.7 WorkCover portfolio}

The Minister for WorkCover has joint responsibility for the Statutory Insurance Advice output within the Department’s Strategic Policy Advice output group. The Statutory Advice output accounts for $8.2 million (3.7 per cent) of the Department’s 2002-03 Budget.

\textbf{13.7.1 Performance measures}

The Committee’s review of the performance measures contained in the statutory insurance advice output shows the addition of six new performance measures, while five measures have been

\textsuperscript{448} Secretary, Department of Treasury and Finance, transcript of evidence, 23 May 2002, p.109

\textsuperscript{449} Budget Paper No 2, 2002-03 Budget Statement, p.103

\textsuperscript{450} Department of Treasury and Finance, response to the Committee’s 2002-03 estimates questionnaire, p.6
discontinued from 2001-02. In its reports on the 2000-01 and 2001-02 Budget estimates, the Committee commented on the inadequacy of performance measures relating to the WorkCover portfolio. Notwithstanding the changes made in 2002-03, the Committee believes these performance measures place significant focus on the processes undertaken by the insurance policy section of the Department of Treasury and Finance, and not on the WorkCover portfolio’s key targets and outcomes.

The Committee believes that performance measures should be developed in the following areas to allow for key performance information in the Budget Papers:

- unfunded liability of the Transport Accident Commission and Victorian WorkCover Authority schemes;
- funding ratios;
- claims numbers broken into major categories such as serious injury;
- safety outcomes such as accidents and fatalities;
- the average cost of claims;
- the average length of claims; and
- return-to-work rates.

The inclusion of these outcomes-based performance measures would provide a more significant indication of the performance of the Government’s WorkCover and Transport Accident Commission policies.
Accordingly, the Committee recommends that:

Recommendation 13.7

The Department of Treasury and Finance review the performance measures to ensure they include key measures that focus on the key targets and outcomes of the WorkCover and Transport Accident Commission portfolios. In addition, the performance measures should be aligned with the corporate and business plans of the Victorian WorkCover Authority and the Transport Accident Commission.

13.7.2 Key issues impacting on the portfolio

(a) Victorian WorkCover Authority

The Minister advised that the reported Victorian WorkCover Authority unfunded liability was $683 million on 30 June 2001. Enhanced common law management has been the major contributor to the improvement in the Authority’s unfunded liabilities. The main elements in that improvement are:

- introduction of a peer review process by senior Authority legal staff on all key decision points on a common law claim;
- retention of more skilled counsel;
- tighter management of the external legal panel’s performance; and
- consistent and systematic management of common law cases across the whole scheme.

The Authority’s Strategy 2000 was developed over the year. The Strategy maps out a comprehensive change process for the Authority over 2001-02 to 2003-04. The Minister advised that the major aims of the strategy are:

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452 Correspondence received (undated) from the Minister for WorkCover, Attachment 2, p.1-2
• increasing the emphasis on prevention (reduce hazards, injuries and claims);

• developing a more effective claims management model (better return to work, control common law risk); and

• revitalising the WorkCover organisation.  

The Minister provided the following information concerning the WorkCover projections for the half-year to 31 December 2001, and the 31 March 2002 quarter, as shown in Exhibit 13.8.  

### Exhibit 13.8 Victorian WorkCover Authority Projections

<table>
<thead>
<tr>
<th></th>
<th>Half-Year Dec-01</th>
<th>Quarter Mar-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss)</td>
<td>$149.1 million</td>
<td>$(46.0) million</td>
</tr>
<tr>
<td>Funding ratio</td>
<td>90.0%</td>
<td>89.9%</td>
</tr>
<tr>
<td>Investment return</td>
<td>0.3%</td>
<td>(0.4%)</td>
</tr>
</tbody>
</table>

The Minister advised that investment returns declined due to a sharp fall in the international equity markets and a 5 per cent rise in the Australian dollar. The Australian market also declined during the period. Property and bond markets continued to generate positive returns during this period although this was not enough to offset the declines in equity markets. 

The Minister indicated that the Authority’s operating position has continued to improve over the latest six months and noted that operating performance excludes the movement in investment market values and claims liability valuation and administrative costs.  

Due to its concerns regarding market performance the Committee sought from the Minister the Authority’s profit and investment return projections to 30 June 2002. This information was not

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453 Ibid
454 Correspondence received (undated) from the Minister for WorkCover, Attachment 1, p.2
455 Figure in brackets refers to an operating loss
456 Funding ratio is the ratio of net assets divided by outstanding claim liabilities
457 Percentage in brackets refers to a negative return on investments
458 Ibid
459 Correspondence received (undated) from the Minister for WorkCover, Attachment 2, p.1
provided to the Committee at the time of the preparation of this report.

(b) Statutory compensation schemes - reporting

The Minister indicated that the Government is committed to providing greater transparency in the financial reporting of statutory compensation schemes, and noted the accounting standard requirement that investment holdings be valued at market rates. The Minister highlighted that this requirement results in significant volatility in the financial results and given the size of the investment portfolios for both the Victorian WorkCover Authority and the Transport Accident Commission, small movements in the equity market may bring about great change in investment portfolio values.460

The Committee supports the Government’s commitment to providing greater transparency in the financial reporting of statutory compensation schemes.

13.8 Gaming portfolio

The Minister for Gaming has responsibility for two departmental outputs that account for $19.2 million or 8.7 per cent of the Department’s output costs in 2002-03. The Minister for Gaming has responsibilities for the following outputs:

Exhibit 13.9 Gaming Portfolio - Output Groups and Output Costs for 2002-03

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>Outputs under the responsibility of the Minister for Gaming</th>
<th>Output costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Policy Advice</td>
<td>Gaming Policy Advice</td>
<td>1.5</td>
</tr>
<tr>
<td>Regulatory Services</td>
<td>Regulation of Gaming</td>
<td>17.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>19.2</strong></td>
</tr>
</tbody>
</table>

The 2002-03 total portfolio costs represent a 1.6 per cent increase compared to the portfolio costs of the 2001-02 budget.

13.8.1 2002-03 outlook for the portfolio

The Minister for Gaming has key responsibilities for the regulation of a major source of Government revenue, with gambling taxes expected to generate $1,455 million in 2002-03, representing 16.5 per cent of Victoria’s total taxation revenue.

A major activity of the Gaming portfolio in 2002-03 is the continued implementation of the Government’s Responsible Gaming initiatives.

13.8.2 Performance measures

The Committee notes there has been minimal change to the performance measures for the outputs under the direct responsibility of the Minister for Gaming. There have been no changes to the performance measures for the regulation of gaming in 2002-03, while for gaming policy advice, two measures have been discontinued from 2001-02 and two new measures have been added.

The Committee’s review of the 2002-03 performance measures revealed:

- no performance measures assess the achievement of key principles of the responsible gambling legislation, as recommended by the Committee in its report on the 2001-02 Budget estimates;

- a performance measure within the gaming policy advice output — service provision rating (Ministerial survey data) — has a 2002-03 target of 80 per cent, but this target is the same as the 2001-02 target and expected outcome. The Committee believes this target should be reviewed to ensure it provides an appropriate incentive for performance improvement in future years; and

- a key recommendation of the Committee in its report on the 2001-02 Budget Estimates related to the development of
performance measures that determine the Government’s success in minimising problem gambling.\textsuperscript{461} In response, the Minister has advised that the Government does not have the necessary data to measure the impact of problem gambling but that the passage of proposed legislation and the conduct of independent research will allow such measurement in the future.\textsuperscript{462} The Committee encourages the development of such measures.

The Committee believes that existing performance measures within the Gaming portfolio should be reviewed to ensure they better reflect the Government’s key aims and objectives.

Accordingly, the Committee recommends that:

**Recommendation 13.8**

The Department of Justice:

(a) review performance measures to reflect the key targets and outcomes of the Government’s responsible gaming legislation;

(b) ensure performance targets provide an incentive for performance improvement where the target has been achieved in previous years; and

(c) develop performance measures that focus on the success of Government initiatives in minimising problem gambling.

### 13.8.3 Key issues impacting on the portfolio

(a) **Victorian Casino Gaming Authority (VCGA)**

The Minister advised that over the last year the VCGA was involved in ensuring the integrity and probity of the gaming industry. Recently VCGA has implemented regulations relating to lighting in gaming venues, gaming machine standards, clocks on


\textsuperscript{462} Hon. J. Pandazopoulos, MP, Minister for Gaming, transcript of evidence, 24 May 2002, p.180
gaming machines and advertising. In 2002–03 the VCGA will consolidate the implementation process commenced in 2001–02.\textsuperscript{463}

The Gambling Research Panel officially launched its research plan for 2001-02 on 6 September 2001, and has called for public tenders for six of its research projects.\textsuperscript{464}

The Minister has indicated that the research projects are to:\textsuperscript{465}

- assess the Victorian Gambling Screen;\textsuperscript{466}
- develop a self-administered problem gambling scale and questionnaire to be published in newspapers, magazines and leaflets;
- assess gamblers’ attitudes towards harm minimisation measures regarding electronic gaming machines;
- undertake a survey to assess changes in gambling attitudes, perceptions and habits;
- investigate voluntary self-exclusion programs and harm minimisation measures in relation to problem gambling in Victoria and other jurisdictions;
- assess the introduction of a set of problem gambling harm minimisation measures in a specific region or controlled situation;
- assess the impact of electronic gaming machine caps within five Victorian regions; and
- research problem gambling services in Victoria.

The Committee looks forward to the release of the Government’s analysis of the effectiveness of the measures to be introduced through the Gaming Machine Control (Responsible Gambling Information) Regulations 2002.

\textsuperscript{463} Minister for Gaming, transcript of evidence, 24 May 2002, p.174
\textsuperscript{464} Ibid
\textsuperscript{465} Correspondence received 5 August 2002 from the Minister for Gaming
\textsuperscript{466} The Victorian Gambling Screen is a means by which surveys of the general population can assess the extent of problem gambling – The Victorian Gambling Screen, Project Report, 2001, Victorian Casino and Gaming Authority
(b) Gaming Reforms

The new gaming reforms provide for:

- a statutory basis of the odds of winning, returns to players, the average number of games played per win and the maximum and minimum bets are set out in the Gaming Machine Control (Responsible Gambling Information) Regulations 2002. The Director of Gaming and Betting has a statutory responsibility for ensuring that electronic gaming machines comply with standards set out in these regulations;467

- gaming operators whose machines do not comply with the regulations face fines. For example, gaming machine operators are liable for fines of 20 penalty units ($2,000) per gaming machine if a gaming machine does not, or is not able to generate or display electronic information in accordance with the regulations;468 and

- research into the effectiveness of harm minimisation measures has been commissioned by the Gambling Research Panel. The Government will review research on the measures in the legislation and regulations to judge their effectiveness. Also, non-identifying data collected through schemes will be provided to the Gambling Research Panel or other organisations as directed by the Minister for Gaming for research purposes.469

(c) Gaming operations and Community Benefits Statements

The Minister advised the Committee that there are provisions of the Gaming Machine Control Act 1999 that:

- establish requirements for venue operators to be operating as clubs – if revenue from gaming machines in a licensed club flows directly or indirectly to persons other than the venue operator, the VCGA may declare that the club (tax rate 25%) is to be taxed as a hotel (tax rate of 33\(\frac{1}{3}\) per cent);

467 Correspondence received 5 August 2002 from the Minister for Gaming, p.2
468 Ibid, p.2-3
469 Ibid
• require all venue operators to prepare and lodge a community benefit statement with the VCGA each year, and for the statement to be audited; and

• provide for sanctions for clubs that fail to keep the accounting records required by the VCGA.470

The purpose of the community benefits statement is to provide the public with information on contributions made by venues for community purposes and to ensure that clubs are contributing at least the equivalent of hotels. Hotels with gaming machines pay a higher tax rate than clubs on the expectation that clubs return more of their earnings to the community.

There has been a perception that some entities offering gaming facilities are clubs in name only, and fail to provide genuine community benefits. The introduction of community benefits statements will have multiple effects, both in informing the community on club benefits, and motivating clubs to provide greater benefits if they are not already providing sufficient benefits.471

Community contributions can be financial or non-financial, and contributions already made by clubs will be recognised. The types of activities that may satisfy the community contribution criteria are:

• facilities – including the use of meeting rooms, subsidised use of facilities and subsidised meals;

• assets – including building materials and construction, furniture and equipment;

• donations – including welfare activities and items, sports equipment/ trophies/ badges, gift vouchers, fundraising activities; and

• sponsorships – including uniforms, sports equipment and fundraising activities.472

470 Ibid, p.3–4
471 Ibid, p.5
472 Ibid, p.4
The VCGA will post the community benefit statements on the internet.

The Committee supports the regulations concerning gaming machines and the publication of audited community benefit statements. The Committee also believes that such statements should be prominently displayed at the respective clubs in order to inform patrons of the benefits to the community arising from club operations.

(d) Regional caps on gaming machines

The Minister provided information to the Committee concerning the number of gaming machines in Victoria:

- 2000-01 — 27,444 machines; and
- 2001-02 — 27,400 machines.\textsuperscript{473}

Five areas have been identified with high concentrations of gaming machines and a high turnover per capita in lower socioeconomic areas. These areas will have the number of gaming machines capped at 30 June 2000 levels. The identified areas cover around 10 per cent of Victoria’s population and are:

- Greater Dandenong - required to reduce 147 gaming machines, and 55 machines have to date been reduced;
- Maribyrnong – required to reduce 157 machines, and 32 machines have to date been reduced;
- Darebin – required to freeze the number of machines (however the number of machines has actually decreased by 20 machines);
- Latrobe required to reduce 61 machines, and 35 machines have to date been reduced; and
- Bass Coast – required to reduce 41 machines, and 8 machines have to date been reduced.\textsuperscript{474}

\textsuperscript{473} Ibid, p.1
\textsuperscript{474} Minister for Gaming, transcript of evidence, 24 May 2002, p.175
CHAPTER 14: PARLIAMENTARY DEPARTMENTS

Key Findings:

14.1 A skills audit and training needs analysis of Parliamentary Department staff has not been conducted.

14.2 Although staff training needs have not been defined, an extensive on-line training system has been made available, but less than 10 per cent of parliamentary staff have accessed the site.

14.3 Business plans for the Parliamentary Departments for 2002-03 were not finalised until 30 September 2002.

14.4 Notwithstanding concerns about the significant turnover of performance measures, the Committee believes further improvement to performance measures are necessary to provide a greater focus on the achievement of outcomes and outputs rather than on processes and inputs.

14.5 The Joint Services Department received $600,000 for the rental of 157 Spring Street in 2001-02, representing a significant increase on the $400,000 estimated annual cost of leasing the building. The tenancy of the third and fourth floors has not been resolved.

14.6 Hansard staff shortages have been alleviated with the introduction of a digital recording system in both chambers of Parliament and in other parliamentary venues.

14.1 Departmental overview

The Parliament consists of five Parliamentary Departments with each categorised as an output group in the 2002-03 Budget Papers. The President of the Legislative Council has responsibility for the following output groups:
• Legislative Council;
• Parliamentary Debates (Hansard); and
• Parliamentary Library.

The Speaker of the Legislative Assembly has responsibility for the remaining output groups:

• Legislative Assembly; and
• Joint Services Department.

In addition to the above outputs, the parliamentary appropriation now includes an output group for Parliamentary Investigatory Committees. In previous years the Committees were not separately identified and their costs were funded through a Special Appropriation. The Committee recommended in its Forty-Third Report to Parliament that the annual funding arrangements for the operations of Parliamentary Committees be provided by annual appropriation, rather than by special appropriation.

14.2 Output management framework

The following exhibit summarises the cost for each output group:

Exhibit 14.1 Parliamentary Departments- Output Management Framework

<table>
<thead>
<tr>
<th>Departmental Output Group</th>
<th>2001-02 Budget ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Budget ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>11.9</td>
<td>12.7</td>
<td>9.6</td>
<td>-19.3</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>21.1</td>
<td>21.6</td>
<td>20.2</td>
<td>-4.3</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>1.8</td>
<td>1.9</td>
<td>2.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>2.3</td>
<td>2.2</td>
<td>2.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Joint Services Department</td>
<td>38.9</td>
<td>36.7</td>
<td>40.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Parliamentary Investigatory Committees</td>
<td>..</td>
<td>..</td>
<td>3.9</td>
<td>..</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>76.0</strong></td>
<td><strong>75.1</strong></td>
<td><strong>78.7</strong></td>
<td><strong>3.6</strong></td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.10.1, p.363

Note: (a) There are minor differences between the Budget Paper figures and those reproduced in the variation column above as the Public Accounts and Estimates Committee calculation of variations (based on the Budget Papers) varies from those in the Budget Estimates papers.
A break-up of the above expenditure is set out in Exhibit 14.2.

### Exhibit 14.2 Parliamentary Departments—Output Details

<table>
<thead>
<tr>
<th>Output Group</th>
<th>Outputs</th>
<th>2001-02 Output Budget ($ million)</th>
<th>2002-03 Output Budget ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>Procedural Support, Document Preparation and Provision of Information</td>
<td>11.9</td>
<td>9.6</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>Procedural Support, Document Preparation and Provision of Information</td>
<td>21.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>Information Provision</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td>Information Access</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>Research</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>Public Relations and Education</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Parliamentary Debates (Hansard)</td>
<td>Hansard, Sessional Indexes and Committee Transcripts</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Parliamentary Investigative Committees</td>
<td>Reports tabled and papers published</td>
<td>..</td>
<td>3.9</td>
</tr>
<tr>
<td>Joint Services Department (a)</td>
<td>Provision of Human Resources, Finance, Information Technology, Maintenance, Grounds and Facilities, Consultancy, Advisory and Support Services</td>
<td>38.9</td>
<td>40.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>76.0</strong></td>
<td><strong>78.7</strong></td>
</tr>
</tbody>
</table>

Note: (a) Formerly known as the Department of Parliamentary Services.

The increase in the expenditure budget for 2002-03 of $2.7 million in comparison with the 2001-02 budget allocation is mainly attributed to the upgrade of Parliament’s information technology system, maintenance costs for the parliamentary audio system, the electorate news service and a new human resource management system.
14.3 Financial analysis

The operating statement for the Parliamentary Departments is shown as follows:

Exhibit 14.3 Parliamentary Departments - Operating Statement

<table>
<thead>
<tr>
<th>Operating Statement</th>
<th>2001-02 Estimate ($ million)</th>
<th>2001-02 Revised ($ million)</th>
<th>2002-03 Estimate ($ million)</th>
<th>(col 3-1) Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>98.5</td>
<td>97.3</td>
<td>102.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>98.5</td>
<td>97.3</td>
<td>102.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Operating surplus/ deficit</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Budget Paper No. 3, 2002-03 Budget Estimates, Table 2.10.2, p.379

Note: The above operating statement also includes the activities of the Auditor-General’s Office which is an output of the Parliament. However, it was not practical to separately identify the figures relating to the Auditor-General’s Office. The Auditor-General’s budget, pursuant to the Audit Act, is subject to separate review by the Committee and therefore is not referred to in this Report. It is also relevant that as the Parliamentary Departments do not separately administer any revenue or expenses on behalf of the State, an Administered Items statement, which is produced by other Government Departments, was not necessary.
14.4 Human resources issues

The Parliamentary Departments estimated they would have 519.69 Equivalent Full Time permanent staff in 2002-03. This compares with 517.63 permanent staff in 2001-02.

Exhibit 14.5 shows the number of equivalent full time staff for 2001-02 and 2002-03.

Exhibit 14.4 Parliamentary Departments - Equivalent Full Time Staff

<table>
<thead>
<tr>
<th>Department</th>
<th>2001-02</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members of Parliament (exclude Cabinet - paid by DPC)</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td>Electorate Officers</td>
<td>245</td>
<td>245</td>
</tr>
<tr>
<td>Legislative Council</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Council Committees</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>35.29</td>
<td>35.29</td>
</tr>
<tr>
<td>Assembly Committees</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>23.8</td>
<td>23.8</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Parliamentary Services</td>
<td>52.94</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>517.63</td>
<td>519.69</td>
</tr>
</tbody>
</table>

Source: Parliamentary Departments’ response to the Committee’s 2002-03 budget estimates questionnaire, p.8

There were 31.4 staff employed in 2001-02 and an estimated 29.4 staff in 2002-03 who will be employed either on a temporary or fixed term basis.

14.5 2002-03 outlook

During 2002-03 the Parliamentary Departments will continue to focus on improving the facilities of the parliamentary buildings including:\[475\]

- the lease of security equipment and employment of contract staff to further improve the security in and around the parliamentary buildings; and

\[475\] Budget Paper No. 3, 2002-03 Budget Estimates, p.363
• renovation of the Legislative Assembly chamber and facilities, including improving public access and Member’s working conditions in accordance with occupational health and safety legislation.

The first stages of the Information Technology Strategic Plan will be implemented which will result in software upgrades to Members’ computers and the leasing of new hardware. A Disaster Recovery Plan will be implemented and a basic information technology training program provided to Members and staff. Funding has also been provided for the provision of an electronic news service for Members.

Other asset investment initiatives to be undertaken in 2002-03 include:

• completion of stages 3 and 4 of the new air-conditioning system; and

• ongoing refurbishment of office accommodation at 157 Spring Street.

14.5.1 Performance measures

The Committee notes a significant turnover of performance measures for the Parliamentary Departments in 2002-03, with 41 new measures and 59 measures discontinued from the 2001-02 Budget Papers. Exhibit 14.3 shows the level of turnover for each output group.

Exhibit 14.5 Parliamentary Departments - Output Groups and Performance Measures

<table>
<thead>
<tr>
<th>Output Groups</th>
<th>New performance measures 2002-03</th>
<th>Performance measures deleted 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Council</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Legislative Assembly</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Parliamentary Library</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Parliamentary Debates</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

Hon. A. Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 26 June 2002, p.432
The Committee was advised that the significant turnover of performance measures resulted from a review of the Parliamentary Departments corporate plan. This review identified that many of the performance measures used in 2001-02 were measures over which the Departments had no control, because the measures depended on the Government’s legislative program. Accordingly, these measures have been deleted for 2002-03. In addition, the new measures represent activities the Parliamentary Departments can control and are considered to be better measures of its business activities.

It will be important that there is some stability in the Parliamentary Departments’ performance measurement structure to ensure appropriate comparison of performance over future years.

The Committee notes that discontinued measures from 2001-02 have been recorded in the Budget Papers with ‘na’ for the 2002-03 target. The Committee commends this initiative because it identifies the number of discontinued performance measures and indicates expected performance in 2001-02 against the original 2001-02 target.

The Committee also notes that the objectives and performance measures in the business plans of the Legislative Council, Legislative Assembly, Parliamentary Library, Department of Parliamentary Debates and the Joint Services Department are not consistent with those identified in the 2002-03 Budget Paper No. 3. For example, the Committee notes that the Parliamentary Departments refer to five goals in their Business Plans, but do not in all instances refer to the Parliamentary Departments’ objectives as identified in the Budget Papers.

The Committee presumes that, following the publication of the 2002-03 Budget Papers, the objectives were enhanced and referred to as goals in the 2002-03 Business Plans. The Committee therefore expects that the revised objectives will be incorporated in the 2003-04 Budget Papers, with a corresponding restructure of the

| Parliamentary Investigatory Committees | 5 | - |
| Joint Services Department              | 7 | 16 |
| **Total**                              | **41** | **59** |
performance measures. The Committee notes that the objectives need to be explicitly identified in the Business Plans, along with the relevant performance measures and targets.

The Committee believes that further improvements still need to be made to the performance measures to provide a greater focus on the achievement of outcomes and outputs rather than on processes and inputs.

14.5.2 Training and development of staff

One of the goals of the Parliamentary Departments Corporate Plan 2002-05 is ‘to develop and retain highly skilled and motivated people’.\(^\text{477}\) The Parliamentary Departments have identified a number of significant human resource issues that impact on the achievement of its business objectives including:

- retention of specialist staff in a highly mobile workforce;
- unattractive working hours and conditions;
- minimal promotional opportunities; and
- challenges associated with succession planning.\(^\text{478}\)

Given the above challenges, the Committee reiterates the importance of ongoing training and the personal development of parliamentary staff. In the Report on the 2001-02 Budget Estimates the Committee recommended that a skills audit and training needs analysis be considered by Parliamentary Departments.\(^\text{479}\) The Committee was subsequently advised that a skills audit and training needs analysis program is currently being developed and will be progressively conducted in all Parliamentary Departments.\(^\text{480}\) The Clerk of the Parliaments and Clerk of the Legislative Assembly advised the Committee at the 2002-03 Budget Estimates hearing that:

\(^{477}\) Parliament of Victoria, 2002, Parliamentary Departments Corporate Plan 2002-2005
\(^{478}\) Parliamentary Departments response to the Committee’s 2002-03 estimates questionnaire, p.10-11
\(^{480}\) Government response to the Report on the 2001-02 Budget Estimates, p.79
I cannot answer your question directly and say, ‘Yes, we have done the training needs analysis for all Departments now’, but it is something that is at the forefront of our mind and has been addressed in our corporate plan. Certainly when they came together the Department heads recognised that as one of the big issues that needed to be addressed.

There is a section in our corporate plan about it, and we will follow that through and address that through business plans as we go through. As Mr Speaker said, we are gradually getting there in relation to this. You cannot do everything overnight. The first thing we thought was important to do was establish our staff training and development committee. They meet on a regular basis to try to set the framework for the types of training that we will provide generally across the Parliament. In line with that we now have our e-learning up and running. The next phase of it will be addressing the training needs analysis, which we will now develop through from our revised corporate plans.\(^\text{481}\)

The delay in conducting the skills audit and training needs analysis is disappointing. The timeframe for the completion of the audit is also unclear. The Committee notes that an extensive Parliament online training system has been put in place and a Training Room at 157 Spring Street established. The Committee notes that it would have been preferable and logical for the audit to be conducted prior to the establishment of a training system in order that training courses could be focused on areas of most demand. A newsletter advised that:

Unfortunately, not many staff have taken up the numerous training courses available on Parliament’s E-learning Campus through its contractor NETg. To date, only 46 users have accessed a course and only 44 courses have been completed.\(^\text{482}\)

The take up of courses represents less than 10 per cent of parliamentary staff. The link between annual staff performance assessments and the identification of further training and personal development requirements is also unclear. It is incumbent upon

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\(^{481}\) Mr Ray Purdey, Clerk of the Parliaments and Clerk of the Legislative Assembly, transcript of evidence, 26 June 2002, p.441

\(^{482}\) Red Alert, Issue 14, 23 August 2002
managers and Department Heads to actively promote staff development in order to enhance the skills of staff they are responsible for.

Accordingly, the Committee recommends that:

**Recommendation 14.1**

(a) A skills audit and training needs analysis be conducted as soon as practical across all Parliamentary Departments and a strategy be developed to act on the recommendations arising from the audit; and

(b) The effectiveness and efficiency of the online training system be reviewed in terms of whether it is satisfying staff needs. Feedback on the training system be sought from all parliamentary staff and the findings published on Parlynnet.

14.5.3 Staffing issues

The shortage of Hansard staff was raised as a significant issue at the 2001-02 Budget Estimates hearing. The Committee is pleased to note that such shortages have been alleviated with the introduction of a digital recording system in both chambers of Parliament and other Parliamentary venues. The introduction of the system means that a quality recording of committee hearings and parliamentary proceedings can be made. This allows Hansard to employ people who may not have shorthand skills but who have the requisite language skills, effectively improving Hansard’s capacity for servicing Parliament.

During the course of the estimates hearing, the Committee was advised that the Department of Parliamentary Debates would lodge an appeal to the Full Bench of the Supreme Court against a

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483 Ms C Williams, Editor of Debates, transcript of evidence, 24 August 2001, p.486
484 Ms C Williams, Editor of Debates, transcript of evidence, 26 June 2002, p.441
former Hansard subeditor. The former employee (of 18 years service) took legal action against the Department in 1997 under the equal opportunity legislation. The Department lost the case in the Victorian Civil and Administrative Tribunal (VCAT) on the grounds that the Department had not given the former employee the opportunity to work from home via a modem and was ordered to pay the former employee an amount of more than $160,000. The Department appealed that decision successfully in the Supreme Court before a judge and the case was returned to VCAT. The matter was subsequently referred to the County Court which came to the conclusion, in June 2002, that the original decision by VCAT was correct and additional damages were awarded. The Presiding Officers advised the Committee that the latest decision sets a precedent not only for Parliament but for all employers regarding the rights of employees to work from home.

The Clerk of the Parliaments advised the Committee that money has been placed in a trust account to meet the cost of the amount awarded by VCAT pending the appeal. The Clerk also advised that Parliament had incurred a further $184,000 on industrial settlements and termination payments during 2001-02.

The process has been lengthy and undoubtedly costly to the Parliamentary Departments.

14.5.4 Key issues impacting on the Parliamentary Departments

(a) Corporate and business plans

Planning is about looking forward to determine where an organisation is heading and the path it intends to take to get there. The Committee has reported extensively, through the Budget Estimates process, on the content and timeliness of corporate and business plans. The Parliamentary Departments have advised the Committee that:

485 Hon. B. Chamberlain, MLC, President of the Legislative Council, transcript of evidence, 26 June 2002, p.443
The aim is to complete both the Corporate and Business Plans by 30 June each year in time for the start of the financial year to which they relate.  

The Parliamentary Departments’ Corporate Plan 2002-2005 was made available to the Committee at the end of June 2002. The 2002-03 Business Plans for the Legislative Assembly, Legislative Council, Department of Parliamentary Debates and Joint Services Department were provided to the Committee on 30 September 2002 and the Parliamentary Library on 8 October 2002. The Committee believes that the timely production of business plans is of paramount importance in providing early guidance to all staff as to the expectations and targets set by Department Heads.

The Committee understands that the Parliamentary Investigatory Committees’ 2002-03 Business Plan is being developed.

Accordingly, the Committee recommends that:

Recommendation 14.2
Parliamentary Departments publish their business plans prior to the financial year to which they relate.

(b) Relocation of staff to 157 Spring Street

At the 2001-02 Budget Estimates hearing the Speaker of the Legislative Assembly advised the Committee that the issue of parliamentary accommodation had been eased with the lease of 157 Spring Street. A 10-year lease agreement for 157 Spring Street was secured through the Department of Treasury and Finance, with a 6-year extension. The Speaker advised that the information technology operations had already transferred to the building and refurbishment was expected to be completed by November 2001 when the remaining Department of Joint Services administrative staff would transfer their operations to the building. A total of $1.7 million was allocated for the capital

Hon. A. Andrianopoulos, MP, Speaker of the Legislative Assembly, transcript of evidence, 24 August 2001, p.472
component of the building fit-out and $400,000 for the annual costs associated with leasing the building. However, in May 2002, the Clerk of the Parliaments advised the Committee that the Joint Services Department received $600,000 for the rental of 157 Spring Street in 2001-02. This represents a significant increase in the estimated annual cost of leasing the building and probably reflects the added capital value from the extensive renovations in progress on what was a run-down building. The Clerk of the Parliaments also stated that refurbishment work had been completed on the first and second floors and that work on the ground floor was scheduled to be completed shortly. The basement is the next space to be refurbished followed by the third and forth floors. Refurbishment work is due to be completed by the end of 2003.

The Clerk advised that:

The intention is that Hansard will relocate to 157 Spring Street but the timing has not been determined.

It is unclear when the issue of the tenancy of the third and fourth floors will be resolved.

Accordingly, the Committee recommends that:

**Recommendation 14.3**

*Action be taken to resolve the issues relating to the tenancy of the third and fourth floors at 157 Spring Street.*

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489 Ibid, p.486
490 Correspondence from the Clerk of the Parliaments, 8 August 2002, p.1
Appendices

**APPENDIX 1: ACRONYMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAV</td>
<td>Aboriginal Affairs Victoria</td>
</tr>
<tr>
<td>ACE</td>
<td>Adult and Community Education</td>
</tr>
<tr>
<td>AIM</td>
<td>Achievement Improvement Monitor</td>
</tr>
<tr>
<td>BSDP</td>
<td>Biotechnology Strategic Development Plan</td>
</tr>
<tr>
<td>CAN</td>
<td>Customer Access Network</td>
</tr>
<tr>
<td>CORE</td>
<td>Public Correctional Enterprise</td>
</tr>
<tr>
<td>EES</td>
<td>Environment Effects Statement</td>
</tr>
<tr>
<td>EFT</td>
<td>Equivalent Full Time</td>
</tr>
<tr>
<td>GBE</td>
<td>Government Business Enterprise</td>
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<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
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<tr>
<td>GVT</td>
<td>Growing Victoria Together</td>
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<tr>
<td>HACC</td>
<td>Home and Community Care</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
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<tr>
<td>INTERGRAPH</td>
<td>Intergraph Public Safety Pty Ltd</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JGE</td>
<td>Joint Government Enterprise</td>
</tr>
<tr>
<td>LOTE</td>
<td>Language other than English</td>
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<tr>
<td>M2006</td>
<td>Melbourne 2006 Commonwealth Games Pty Ltd</td>
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<tr>
<td>MAV</td>
<td>Municipal Association of Victoria</td>
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<tr>
<td>MCG</td>
<td>Melbourne Cricket Ground</td>
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<tr>
<td>MPV</td>
<td>Major Projects Victoria</td>
</tr>
<tr>
<td>OneLink</td>
<td>OneLink Transit Systems Pty Ltd</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>PERIN</td>
<td>Penalty Enforcement by Registration of Infringement Notice</td>
</tr>
<tr>
<td>PFIs</td>
<td>Public Financial Institutions</td>
</tr>
<tr>
<td>PROV</td>
<td>Public Records Office Victoria</td>
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<tr>
<td>PSDP</td>
<td>Private Sector Skills Development</td>
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<tr>
<td>PTC</td>
<td>Public Transport Corporation</td>
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<tr>
<td>RCH</td>
<td>Revenue Clearing House Pty Ltd</td>
</tr>
<tr>
<td>RIDF</td>
<td>Regional Infrastructure Development Fund</td>
</tr>
<tr>
<td>STI</td>
<td>Science, Technology and Innovation</td>
</tr>
<tr>
<td>TAFE</td>
<td>Technical and Further Education</td>
</tr>
<tr>
<td>TPAMS</td>
<td>Telecommunications, Purchasing and Management Strategy</td>
</tr>
<tr>
<td>VAEAI</td>
<td>Victorian Aboriginal Education Association Inc.</td>
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<tr>
<td>VCA</td>
<td>Victorian Channels Authority</td>
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<tr>
<td>VCAL</td>
<td>Victorian Certificate of Applied Learning</td>
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<td>VCAT</td>
<td>Victorian Civil and Administrative Tribunal</td>
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<tr>
<td>VCE</td>
<td>Victorian Certificate of Education</td>
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<tr>
<td>VCGA</td>
<td>Victorian Casino Gaming Authority</td>
</tr>
<tr>
<td>VERS</td>
<td>Victorian Electronic Records Strategy</td>
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<tr>
<td>WIES</td>
<td>Weighted Inlier Equivalent Separations</td>
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<tr>
<td>YEIS</td>
<td>Youth Employment Incentive Scheme</td>
</tr>
<tr>
<td>YEL</td>
<td>Youth Employment Link</td>
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<tr>
<td>YES</td>
<td>Youth Employment Scheme</td>
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</tbody>
</table>
APPENDIX 2: ESTIMATES QUESTIONNAIRE
2002-03
APPENDIX 3: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE/SUBMISSIONS

Evidence

Portfolios: Premier and Multicultural Affairs
Department of Premier and Cabinet
17 May 2002

Hon. S Bracks, Premier and Minister for Multicultural Affairs;
Mr T Moran, Secretary;
Ms F Thorn, Deputy Secretary, Strategic, Economic and Social Policy; and
Mr Y Blacher, Deputy Secretary, Governance, Resource and Infrastructure,
Department of Premier and Cabinet.

Hon. S Bracks, Premier and Minister for Multicultural Affairs;
Mr T Moran, Secretary; and
Mr Y Blacher, Deputy Secretary, Governance, Resource and Infrastructure,
Department of Premier and Cabinet.

Portfolios: Treasurer, State and Regional Development; Innovation
Department of Treasury and Finance
Department of Innovation, Industry and Regional Development
22 May 2002

Hon. J Brumby, Treasurer;
Mr I Little, Secretary; and
Mr G Hehir, Deputy Secretary, Budget and Financial Management Division,
Department of Treasury and Finance.

Hon. J Brumby, Minister for State and Regional Development and Minister for
Innovation;
Mr N Edwards, Secretary,
Ms A Polmear, Head of Business Group; and
Mr D Hanna, Head of Innovation and Policy Group, Department of Innovation,
Industry and Regional Development.
Portfolios: Small Business and Information and Communication Technology  
Department of Innovation, Industry and Regional Development  
22 May 2002

Hon. M Thomson, Minister for Small Business;  
Mr N Edwards, Secretary; and  
Ms A Polmear, Head of Business Group, Department of Innovation, Industry and Regional Development.

Hon. M Thomson, Minister for Information and Communication Technology;  
Ms N O’Loughlin, Director, Multimedia Victoria; and  
Mr N Edwards, Secretary, Department of Innovation, Industry and Regional Development.

Portfolios: Aboriginal Affairs and Agriculture  
Department of Natural Resources and Environment  
23 May 2002

Hon. K Hamilton, Minister for Aboriginal Affairs;  
Ms C Munro, Secretary, Department of Natural Resources and Environment; and  
Mr T Cahir, Executive Director, Aboriginal Affairs Victoria.

Hon. K Hamilton, Minister for Agriculture;  
Ms C Munro, Secretary;  
Dr B Kefford, Executive Director, Agriculture Division, Department of Natural Resources and Environment.

Portfolios: Industrial Relations and Finance  
Department of Innovation, Industry and Regional Development  
Department of Treasury and Finance  
23 May 2002

Hon. J Lenders, Minister for Industrial Relations;  
Ms D Goodin, Executive Director, Corporate Services; and  
Mr P Lorraine, Executive Director, Industrial Relations, Department of Innovation, Industry and Regional Development.

Hon. J Lenders, Minister for Finance;  
Mr I Little, Secretary;  
Mr W Hodgson, Deputy Secretary, Commercial Division; and  
Mr A Nye, Director, Insurance Policy, Economic and Financial Policy Division, Department of Treasury and Finance.
Appendices

Portfolios: Employment, Tourism and Gaming
Department of Innovation, Industry and Regional Development
Department of Tourism, Sport and the Commonwealth Games
Department of Treasury and Finance
24 May 2002

Hon. J Pandazopoulos, Minister for Employment;
Ms D Goodin, Executive Director, Corporate Services; and
Ms K Angwin, Acting Executive Director, Employment, Department of Innovation,
Industry and Regional Development.

Hon. J Pandazopoulos, Minister for Tourism;
Mr P Allen, Secretary, Department of Tourism, Sport and the Commonwealth Games; and
Ms L Appleby, Chief Executive, Tourism Victoria.

Hon. J Pandazopoulos, Minister for Gaming;
Mr I Little, Secretary;
Mr B Lahey, Director, Gaming and Betting, and Director, Casino Surveillance; and
Mr R Geddes, Director, Gaming Policy, Department of Treasury and Finance.

Portfolios: Senior Victorians and Consumer Affairs
Department of Human Services
Consumer and Business Affairs Victoria
24 May 2002

Hon. C Campbell, Minister for Senior Victorians;
Ms P Faulkner, Secretary;
Mr L Wallace, Executive Director, Financial and Corporate Services; and
Ms J Herington, Director, Office of Senior Victorians; Department of Human Services.

Hon. C Campbell, Minister for Consumer Affairs;
Mr A Clayton, Acting Secretary, Department of Justice;
Mr D Fitzgerald, Acting Director; and
Ms S Maclellan, Assistant Director, Consumer Service and Compliance,
Consumer and Business Affairs Victoria.

Portfolios: Women’s Affairs, Arts and Planning
Department of Premier and Cabinet
Department of Infrastructure
18 June 2002

Hon. M Delahunty, Minister for Women’s Affairs;
Mr Y Blacher, Acting Secretary, Department of Premier and Cabinet; and
Ms S Hamilton, Director, Office of Women’s Policy.

Hon. M Delahunty, Minister for the Arts;
Mr Y Blacher, Acting Secretary;  
Mr D Carmody, Acting Director, Arts Victoria; and  
Ms M Katsonis, General Manager, Policy and Industry Development, Arts Victoria,  
Department of Premier and Cabinet.

Hon. M Delahunty, Minister for Planning;  
Mr P Jerome, Executive Director, Planning, Heritage and Building Division,  
Department of Infrastructure;  
Mr J Collins, Executive Director, Strategic Planning Division, Department of  
Infrastructure;  
Mr B McDonald, Chief Finance Officer, Corporate Finance Division, Department of  
Infrastructure; and  
Mr. T Arnel, Commissioner, Building Commission.

Portfolios: Racing, Manufacturing and Attorney-General  
Department of Tourism, Sport and the Commonwealth Games  
Department of Innovation, Industry and Regional Development  
Department of Justice  
20 June 2002

Hon. R Hulls, Minister for Racing;  
Mr M Close, Manager, Office of Racing; and  
Mr P Allen, Secretary, Department of Tourism, Sport and the Commonwealth Games.

Hon. R Hulls, Minister for Manufacturing Industry;  
Ms N Watkinson, Director, Office of Manufacturing; and  
Ms A Polmear, Head, Business Group, Department of Innovation, Industry and  
Regional Development.

Hon. R Hulls, Attorney-General;  
Mr P Harmsworth, Secretary; and  
Ms E Eldridge, Deputy Secretary, Legal, Department of Justice.

Portfolios: Education and Training  
Department of Education and Training  
20 June 2002

Hon. L Kosky, Minister for Education and Training;  
Ms M Gould, Minister for Education Services;  
Mr S Hamilton, Secretary; and  
Mr M White, Director of School Education, Department of Education and Training.
Portfolio: Health
Department of Human Services
21 June 2002

Hon. J Thwaites, Minister for Health;
Ms P Faulkner, Secretary;
Mr S Solomon, Executive Director, Metropolitan Health and Aged Care Services;
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services;
Mr L Wallace, Executive Director, Financial and Corporate Services; and
Mr J Davidson, Executive Director, Policy and Strategic Projects, Department of Human Services.

Portfolios: Ports and Energy
Department of Infrastructure
Department of Natural Resources and Environment
21 June 2002

Hon. C Broad, Minister for Ports;
Mr D Powell, Executive Director, Ports and Marine;
Mr B McDonald, Chief Finance Officer, Department of Infrastructure.

Hon. C Broad, Minister for Energy and Resources;
Ms C Munro, Chief Administrator;
Mr A Young, Chief Finance Officer;
Mr R McLoughlin, Executive Director, Fisheries Division; and
Mr I Porter, Manager Greenhouse Policy, Department of Natural Resources and Environment.

Portfolios: Local Government and Workcover
Department of Infrastructure
Department of Treasury and Finance
25 June 2002

Hon. R Cameron, Minister for Local Government;
Ms P Digby, Executive Director, Local Government; and
Mr R McDonald, Chief Finance Officer, Department of Infrastructure.

Hon. R Cameron, Minister for Workcover;
Mr J MacKenzie, Chairman, Transport Accident Commission and Victorian Workcover Authority;
Mr B Mountford, Chief Executive Officer, Victorian Workcover Authority;
Mr S Grant, Chief Executive Officer, Transport Accident Commission;
Mr B Rowse, Deputy Secretary; and
Mr A Nye, Director, Insurance Policy, Economic and Financial Policy Division, Department of Treasury and Finance.
Mr A Nye, Director, Insurance Policy, Economic and Financial Policy Division, Department of Treasury and Finance.
Portfolio: Environment and Conservation
Department of Natural Resources and Environment
25 June 2002

Hon. S Garbutt, Minister for Environment and Conservation;
Ms C Munro, Secretary;
Mr D Seymour, Deputy Secretary, Services;
Mr K King, Executive Director, Forests Service, Department of Natural Resources and Environment;
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
Mr R Joy, Acting Chairperson, Environment Protection Authority.

Portfolios: Sport and Recreation and Commonwealth Games
Department of Tourism, Sport and the Commonwealth Games
26 June 2002

Hon. J Madden, Minister for Sport and Recreation;
Mr P Allen, Secretary; and
Mr R Kennedy, Executive Director, Sport and Recreation Victoria, Department of Tourism, Sport and the Commonwealth Games.

Hon. J Madden, Minister for Commonwealth Games;
Mr P Allen, Secretary; and
Dr P Hertan, Deputy Director, Sport and Recreation Victoria, Department of Tourism, Sport and the Commonwealth Games.

Portfolios: President and Speaker
Department of the Legislative Council
Department of the Legislative Assembly
26 June 2002

Hon. B A Chamberlain, President of the Legislative Council;
Mr 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; and
Mr S Aird, Director, Corporate Services, Parliament of Victoria.
Portfolios: Housing and Community Services
Department of Human Services
28 June 2002

Hon. B Pike, Minister for Housing;
Ms P Faulkner, Secretary;
Mr L Wallace, Executive Director, Financial and Corporate Services;
Ms J Westacott, Executive Director, Housing and Community Building;
Mr K Downie, Director, Policy and Strategy, Housing and Community Building; and
Mr M Darmody, Manager, Commercial Services, Department of Human Services.

Hon. B Pike, Minister for Community Services;
Ms P Faulkner, Secretary;
Mr J Davidson, Executive Director, Policy and Strategic Projects;
Mr L Wallace, Executive Director, Financial and Corporate Services;
Mr A Rogers, Executive Director, Disability Services;
Ms P White, Executive Director, Community Care;
Ms B Whitmore-Seidel, Manager, Budget and Program Support, Community Care,
Department of Human Services.

Portfolio: Youth Affairs
Department of Education and Training
28 June 2002

Hon. M Gould, Minister for Youth Affairs;
Ms J Samms, Director, Office of Portfolio Integration; and
Mr S Hamilton, Secretary, Department of Education and Training.

Portfolios: Corrections and Police and Emergency Services
Department of Justice
2 July 2002

Hon A Haermeyer, Minister for Corrections;
Mr P Harmsworth, Secretary; and
Mr A Clayton, Deputy Secretary, Justice Operations, Department of Justice.

Hon. A Haermeyer, Minister for Police and Emergency Services;
Chief Commissioner C. Nixon, Victoria Police;
Mr P Harmsworth, Secretary; and
Mr A Clayton, Deputy Secretary, Justice Operations, Department of Justice.
Portfolios: Major Projects and Transport
Department of Infrastructure
5 July 2002

Hon. P Batchelor, Minister for Major Projects;
Mr J Cain, Executive Director, Major Projects Victoria;
Mr B McDonald, Chief Finance Officer, Corporate Finance Division; and
Ms G Moody, Executive Director, Infrastructure Projects, Department of Infrastructure.

Hon. P Batchelor, Minister for Transport;
Mr D Anderson, Chief Executive Officer, Vicroads;
Mr A Smith, Director, Office of City Link;
Mr J McMillan, Deputy Director, Office of the Director of Public Transport;
Mr B McDonald, Chief Finance Officer, Corporate Finance Division; and
Ms G Moody, Executive Director, Infrastructure Projects, Department of Infrastructure.
APPENDIX 4: GOVERNMENT RESPONSES TO THE RECOMMENDATIONS OF PAEC’S 43RD REPORT ON 2001-02 BUDGET ESTIMATES