

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 26 June 2002

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Mr 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.

The CHAIRMAN — I declare open the Public Accounts and Estimates Committee hearing on the budget estimates for the portfolios of sport and recreation, and the Commonwealth Games. I welcome the Honourable Justin Madden, Minister for Sport and Recreation; Mr Peter Allen, secretary of the Department of Tourism, Sport and the Commonwealth Games; Mr Ross Kennedy, executive director, Sport and Recreation Victoria; departmental officers; members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of transcripts next week.

Minister, would you care to give a brief overview of the more complex financial and performance information that relates to the budget estimates for your sport and recreation portfolio?

Mr MADDEN — Thank you, Mr Chairman. I have a presentation that will take about 5 minutes and I ask the committee to refer to the overheads.

Overheads shown.

Mr MADDEN — The committee would appreciate that the sport and recreation portfolio plays an important part in delivering on our commitments as a government, particularly growing the whole of the state and growing stronger communities. It assists in positioning Victoria as the place to be for investment, lifestyle and tourism. It includes all sporting and recreational responsibilities with the exception of racing, although naturally there is some close cooperation there.

The sport and recreation sector delivers clear economic and social benefits, and the major economic contributions are identified in the slide now being shown. It is particularly worth noting the number of jobs related to this fast-growing sector. Continued development and support of the industry are particularly important. The government has engaged Victorian firms in a strategic audit of the sport and recreation industry. That audit is aimed at ensuring Victorian firms maximise the benefits of sport and recreation as a growth industry.

Also, major sports events have been brought within major events strategies. That includes a spending cap and rigorous assessment measures to ensure the maximum return for Victorians from those major events.

I also emphasise the social benefits of sport and recreation. They are particularly significant. Apart from the benefits listed in this slide in relation to social cohesion, volunteerism and infrastructure health benefits it is widely recognised that community sport and recreation organisations play an important role in the formation of social capital and in fostering community connectedness. Sport and recreation contribute to Growing Victoria Together objectives by assisting in providing high-quality accessible community services and encouraging a healthier Victoria.

The output groups clearly support the government's objectives for sport and recreation. The Commonwealth Games output in the previous budget is now a discrete portfolio responsibility, and as Minister for Commonwealth Games I will report on those separately after this presentation.

Last year the government set clear strategic objectives for Sport and Recreation Victoria. The initiatives the government has undertaken are in providing additional support to grassroots sport and recreation organisations; progressing the strategic development of major events strategies, and developing a better understanding of the commercial potential of the industry. They are all consistent with the objectives set.

The strategies to achieve our objectives include attracting and facilitating world-class events that contribute to tourism and the state economy; supporting the development of our leading athletes; providing openings for talented youngsters from grassroots levels and supporting those who reach the elite level; building better infrastructure to support community sport and recreation; promoting and monitoring ethics in sport; and ensuring a fair share of sport and recreational opportunities and assets, especially for regional Victoria.

The strategies include helping sport and recreation provide an enhancement of capacities and capabilities; researching the benefits for economy, society and individuals in sport; promoting a rich diversity in sporting and recreational opportunities; ensuring the community is well informed about them; and promoting rich diversity in sporting and recreational opportunities but also building strategic partnerships.

You will appreciate there are a number of strategic partnerships that we have established. Local government in particular is a very significant player with the state government investment of \$17.1 million in the development of community facilities this year, which will stimulate an estimated local investment of over \$50 million.

State sporting associations and regional sports assemblies have a major role in developing the capacity in local communities, particularly grassroots sporting and recreational organisations. Tourism Victoria and the Victorian Major Events Company are also partners in the state's events programs and have links with other state agencies, the Department of Human Services and the Department of Education and Training. They provide an important framework for us progressing and providing a policy and program framework for an active state.

As you will appreciate, a number of the major events facilitations are listed on the overheads. They continue being successful and positioning Victoria as the place to hold major events, and consolidating and enhancing our reputation not only in terms of Melbourne being an event city, particularly for sporting events but also as the sporting culture of the state and enhancing the strategic relationships right across sport within the state. This year we will see the conduct of the 2002 World Masters Games. That will provide a significant opportunity for an economic flow-on.

Facilities being developed include the proposed State Lawn Bowls Centre, the redevelopment of Melbourne and Olympic parks, the Melbourne Sports and Aquatic Centre, the Melbourne Cricket Ground, multipurpose aquatic centres and community pools particularly in local communities, the planning and development of community facilities, and the upgrading of sport and recreation camps. They are continuing and, no doubt, will enhance the ability of local communities to deliver sport to their particular community members.

In terms of industry development the government is committed to ensuring that people's participation in sport and recreation is a quality and enjoyable experience. To this end programs are in place to support ongoing improvements in the management and governance of sport and recreation organisations. Safety is also a key issue in sport and recreation pursuits, particularly the government policy for safer and improved recreation targets, and aquatic recreational activity in all forms.

We have programs in place including the Smartplay program that is specifically designed to make participants more aware of the injury risks associated with sport and provide them with strategies to reduce the risk of injury.

Government also provides the benefits of physical activity to the community to stimulate a demand for sport and recreation. The government has released the Active for Life Sports program physical activity framework which demonstrates that the promotion and participation of sport and recreation is part of a whole-of-government approach to promoting health and physical activity.

The government is also keen to increase the participation of women in sport and recreation. The Active Girls Breakfast initiative and additional support we have provided for the most popular women's sport of netball reflect the government's commitment in this area. The industry development strategy of the government is about ensuring Victorian and Australian firms are positioned to capitalise on increased spending on sport and recreation.

We are continuing to work solidly in all those areas, enhancing grassroots participation at the most local level and strategically enhancing facilities, major events and pathways for grassroots participants by ensuring that our elite athletes are supported through the Victorian Institute of Sport (VIS) and additional funds in those areas. So we are continuing the solid work and ensuring that those major events also develop strategically and significantly in enhancing our reputation as a sporting capital.

The CHAIRMAN — Thank you, Minister. Can I take you to slide 8 of your presentation where you mentioned strategic partnerships, and in the second dot point there, the federal government. Last year when you came to these hearings you advised this committee that the commonwealth government's new policy backing Australia's sporting ability had resulted in the Australian Sports Commission terminating its three-year agreement with Victoria, and you indicated to the committee at that stage that you believed this could have adverse effects for the development of sporting opportunities in this state. Are you in a position to outline to the committee this year what impact that change on the regional sports assembly programs and sport development managers programs has had in this state?

Mr MADDEN — You may appreciate last year I felt very strongly about the issue of the federal government's termination of a three-year agreement in the first year of that agreement with the state government. That impacted significantly on the support that we provide in terms of many of those partnerships. It was very disappointing in the sense that — and I may have indicated — that I wrote to Jackie Kelly, the Minister for Sport at

that time, expressing my concern for the commission's inappropriate actions. It is disappointing that it also reflects, I suppose, the lack of a harmonious relationship that has been fairly substantial over many years from the Australian Sports Commission. It was a great disappointment to me that the minister eventually replied to me in August of last year rejecting my representations and confirming that the termination date would not be extended so that some interim arrangements could at least be set in place so that the needs of those specific stakeholders could be accommodated.

What we have seen is that while we have been able to supplement some of those funds in some areas, the guarantee by the federal government that money would flow through to those sports — our perceptions are that very little of that money has reached grassroots sport.

The key areas that we are concerned about have been the Regional Sports Assembly program, the Older Adults Recreational Network and the assistance to state sporting associations, particularly through the sports development manager area, where there has been a significant reduction in the funds that have flowed on to those organisations at a state level. Whilst we have been able to bolster our commitment, the reduction has no doubt impacted on those organisations. It is with great disappointment that we have not yet seen any further outcome of the repositioning of the federal government's sports policy, Backing Australia's Sporting Ability, and that no doubt has undermined the ability for many state sporting associations to continue the outstanding work they do in developing the respective sports at a grassroots level and at a time when structured and more formalised sport and recreation is coming under fire from the community having other choices, either unstructured sports and recreation opportunities or alternative forms of entertainment. That level of support certainly has been significant in terms of what we are seeking to achieve and what I would expect the federal government to achieve.

Last year I mentioned that I believed the actions of the federal government to be ham-fisted. I again want to reaffirm that. I believe that when we had had the Olympic Games, where federal and state governments had all been supportive of the great work that sport can do in the community across the whole of Australia, there was strong bipartisan support for the Olympic Games and the outstanding work the Olympic Games could do and the way in which sport could reinforce our sense of community right across the country, I thought it very ham-fisted again to have divisions established within the sporting culture because of the petty politics of the federal government in relation to these issues. That is very much a recurring theme that no doubt will be reinforced when we get to Commonwealth Games issues at the next presentation, about the manner in which the federal government wants to use sport as a strong political tool to reinforce divisions within the community, particularly at a state and federal level.

The CHAIRMAN — Thank you, Minister.

Mr DAVIS — Minister, I want to go back to March this year with the creation of the new Department of Tourism, Sport and the Commonwealth Games and perhaps get some explanation as to how that process worked and some of the costs around that. I appreciate that you are not responsible for all of the output groups, but you are responsible for two of the three output groups, so you are probably the most appropriate to ask this sort of explanation from. I am wondering, first of all, with the new department — the size of the new department in terms of overall staff has been given to us, but I am interested in the number of executive officers, in the first instance, and also in any costs that were incurred with the setting up of the departmental structure. Obviously you have a new departmental secretary in that position, and so forth. I wonder if you could explain the set-up costs of the department and the number of executive officers.

Mr MADDEN — Sure. There are a couple of issues I would like to refer to in that question. The first one is the issue that relates to the establishment of the Office for the Commonwealth Games and the relationship then of that being established around about the time of the establishment of the new department. Whilst the announcements occurred in and around the same period of time, they were two quite discrete and separate events per se.

The establishment of the Office for the Commonwealth Games took place prior to the separation of the departments, and as such the development of the Office for the Commonwealth Games was established. Then after some time it was appreciated that the establishment of two separate departments — the Department of Innovation, Industry and Regional Development and the Department of Tourism, Sport and the Commonwealth Games — took place. So there were some additional costs associated with the establishment of the Office for the Commonwealth Games, as you would appreciate with a new portfolio area, but the establishment of the new department per se was relatively cost neutral.

I understand there are three executive officers in sport and recreation and one executive officer in the Office for the Commonwealth Games. You would appreciate too that as we move towards 2006, there will probably be further development of the office in terms of numbers required, and I am happy to give further detail of that in the next briefing when we discuss specific Commonwealth Games issues in that briefing.

Mr DAVIS — I am interested in the overall relationship. I would be very interested to hear an explanation for the Office for the Commonwealth Games as to whether there were further costs, aside from the executive officers, in rebadging the department, in moving people around, in office rearrangements and in printing?

Mr MADDEN — There have been some additional demands, but in terms of the level of costs associated with establishing the new department, separate again from the Office of the Commonwealth Games, the expectation is that that should be relatively cost neutral and that the expenses in establishing those new departments are shared expenses and would be expenses that have in a sense been predetermined from what was one single department, and then those expenses would be shared within that budget.

Mr DAVIS — I had heard that the cost was in excess of \$500 000. Is that an accurate description?

Mr MADDEN — I do not believe that to be the case.

Mr DAVIS — What would the figure be?

Mr MADDEN — I do not have a figure before me. I am happy to supply you with that at a later date. It has been determined that it should be relatively cost neutral, and I would expect that to be the case.

Mr DAVIS — No new printing or badging or additional staff?

The CHAIRMAN — Are you asking for the gross costs or the costs after offsets?

Mr DAVIS — I am after the costs involved with the set-up of the new departmental structure in the first instance, including any office printing or additional staff.

The CHAIRMAN — When you say ‘costs’, are you asking for final costs, which would reflect the costs after any offsets that were available?

Mr MADDEN — It should be relatively cost neutral. It has been indicated that it should be cost neutral. Until I am informed that it is not cost neutral I would expect that to be the case. My understanding is that that is to be the case.

Mr DAVIS — So you will come back with a breakdown of any of the costs?

Mr MADDEN — I am happy to provide you with any additional figures that you might require. I do not have specifics at the moment, but if you would like those I can provide you with additional figures at a later date.

Ms BARKER — We are all aware of the current and very difficult issue in the community sector, that being the insurance issue, which includes all of our sport and recreation organisations. Will you indicate what measures the government is taking or has taken to address the issue of rising insurance costs, particularly for sporting organisations?

Mr MADDEN — There is no doubt that insurance is a particularly significant issue across the entire community, but it is more critically felt at a local community level, particularly in areas where the community sector works, and particularly in the area of sport and recreation. Many of those sporting organisations are manned by volunteers. I suppose the sophistication of the issues has not only placed significant demands on those organisations but also provided an enormous degree of challenge about how to deal with the insurance crisis that we are currently seeing, particularly in terms of public liability.

The Minister for Finance has had specific responsibility for it and has led Victoria’s response to the public liability insurance crisis. He recently announced a package of legislative measures to be introduced in spring 2002 that will have provisions to protect volunteers from being sued and to support waivers so that people can accept responsibility for their own participation in risky activities. Reinforcing responsibility for risk will assist not only the not-for-profit organisations but also sport and recreation businesses as well, because, as you would appreciate, and as I mentioned earlier, there is a significant amount of growth in employment in the industry and that sector per

se. Much of that has been in the business of sport and recreation, so reinforcing those issues and the responsibility for risk will also assist many of those businesses to see their way through the crisis.

The Minister for Finance also announced a number of initiatives following the ministerial meeting on public liability insurance that was held on 30 May, and that includes a review of the law of negligence. One of the critical areas we have seen in recent months has been the club associations and the crisis they have faced in not being able to obtain not so much rises but public liability insurance cover. That has been of particular concern to those organisations, particularly with the close of the financial year looming on the horizon. The Minister for Finance has recently announced a resolution to the problem. My understanding is that those pony clubs will be able to access insurance, which will no doubt hearten not only those associations but all the respective members.

The Department of Treasury and Finance is now turning its attention to sport and recreation groups that have experienced sizeable and sometimes unaffordable increases in public liability insurance premiums. We are working through the possibility of establishing a safety net insurance scheme for sport and recreation organisations for which other group purchasing arrangements are not available. That is currently being examined.

The Department of Treasury and Finance is also guiding the development of risk management resources for community non-profit organisations. The government has provided \$330,000 to a consortium led by the Municipal Association of Victoria to undertake this work. Vicsport is also involved in developing resources specifically for sport and recreation organisations, with our support. It is a member of that consortium.

Sport and Recreation Victoria is working closely with the Department of Treasury and Finance to ensure that it is fully aware of the problems facing sport and recreation organisations. Much of the interim or preliminary work was brought about because of the work that had taken place at a national level through the sport and recreation ministers council. This had been a festering issue, but it has certainly been inflamed probably over the last eight months because of the insurance crisis. Because of that, in 2001 I approved a grant of \$60 000 to Vicsport to undertake an audit of insurance held by state sporting associations for themselves and, where applicable, affiliated clubs.

What came out of that was that state sporting associations as a group have a very poor understanding of insurance and that insurance cover for sport and recreation organisations is not as comprehensive as it should be. It is quite disparate, and sometimes insurance coverage overlaps and sometimes there are gaps. Because of that, and in response to those audit findings, I recently approved a grant of \$40 000 to Vicsport to deliver an insurance education program for state sporting associations. This will cover all the main classes of insurance cover. It will certainly help state sporting associations to understand what they need to do to prioritise in terms of their administration to overcome many of the critical issues that have been inflamed recently in relation to the insurance crisis.

One of the key developments related to the work that has come out of the state ministers council has been the range of measures needed to improve insurance outcomes. The commonwealth–state Standing Committee on Recreation and Sport, or SCORS, as it is known, has recommended a range of measures to improve insurance outcomes. This involves the development of proposals in relation to risk management, insurance education and the group purchasing of insurance.

One of the key developments to flow on from that has been that the agencies responsible for sport and recreation in all Australian jurisdictions are likely to adopt the forthcoming publication of standard Australian guidelines for managing risk in sport and recreation as an overarching framework for risk management initiatives. This will help make risk management initiatives more rigorous.

So a fairly substantial body of work has been done in that area, and no doubt we will see some significant outcomes in future months with a range of initiatives coming to fruition out of that. We look forward to assisting the sporting sector, state sporting associations and other respective organisations in working their way and managing their organisations through the public liability insurance crisis.

Ms BARKER — Can I just ask a follow-up question? You said you funded Vicsport for the insurance education program. Is that under way? Has it started, or is it just starting it?

Mr MADDEN — Can I just ask you —

Ms BARKER — You said you recently funded Vicsport for an insurance education program.

Mr MADDEN — Yes.

Ms BARKER — Is that already under way?

Mr MADDEN — Yes, I understand that is under way. I believe that will help many state sporting associations get a comprehensive understanding of what their needs are, and that will then help those state associations educate their respective community groups. From that work I believe that part of the issue for state sporting associations has been that they really did not have a good grasp of the extent of the problem. This will help them understand where those problems lie, what problems have been existing and where the challenges are — and it will help them face those accordingly and manage their way through them.

Mr RICH-PHILLIPS — Minister, I would like to ask you about funding in the sport and recreation area. According to the budget, the sport and recreation and racing output group, for which you have responsibility, had its budget cut for the current year from \$57 million to \$48.4 million, which is a decline of 15 per cent. Within that, the sport and major event facilitation area has been cut from \$19 million to \$17.4 million, which is a decline of 9 per cent; and the sport and recreation facility development area has been cut from \$18.9 million to \$11.4 million, which is a decline of 40 per cent. You are on the record as saying this in response to a question from the shadow minister, the Honourable Ian Cover:

I can say confidently to Mr Cover that we have not cut any funding in any sports area.

Given that your own budget papers show that sections of your budget have declined by up to 40 per cent, how can you say there have been no funding cuts?

Mr MADDEN — I am happy to explain that. You will appreciate that the way in which we have announced a major events facilitation is within a cap, and the cap is \$40 million. Many of the commitments that are made to major events take place in years leading up to the events, so the funds for those events may be made two, three or four years prior to the event. The variation that exists exists because in that particular year — in the earlier year with the more substantial figure — many of those dollars that you are talking about have been committed in that year for years further out, so they appear in that budget year.

In relation to the year where the figure is lesser, that is because those figures relate to the expenditure that will take place in that year. If there should be events coming to light that are funded, then those figures relating to the major events that have been funded in this forthcoming year will be included in the next year's finances as expenditure over and above that amount. Thereby you will appreciate that until funds are committed to specific events in a particular year they do not necessarily appear in direct contrast to the previous year's funding for those major events.

To reinforce that, major events are funded for the out years, but if there are further amounts funded in this year to come, then they will appear in next year's papers, and thereby they will probably equate in some way not dissimilar — or certainly the events will be highlighted as a differing area of expenditure.

Mr RICH-PHILLIPS — But notwithstanding events which you have not yet funded, it is clear from the budget papers that — and using the facility development output group as an example — in the following financial year you intend to spend 40 per cent less. You have budgeted to spend 40 per cent less next year than you have spent this year, and you are trying to tell us that that is not a funding cut.

Mr MADDEN — All right, just to reinforce that, the other area, over and above major events, is due to the way in which we manage our capital grants program. You will appreciate that part of our election commitment was to specific facilities in terms of the way in which we committed funds. The State Lawn Bowls Centre, the West Bendigo basketball stadium and the Leopold community house project have been specific initiatives funded as policy commitments, as stand-alone commitments. The Leopold community house will now be funded through the department of education; but the others have been funded in those initial years, so they do not necessarily need to be funded in the out years in relation to the funding of the department.

Mr RICH-PHILLIPS — So there is a reduction in the ongoing capital works program that the department is undertaking?

Mr MADDEN — No, I would not say there is a reduction in the capital works. I would say that — —

Mr RICH-PHILLIPS — The budget says that.

Mr MADDEN — I would say that there are specific initiatives funded in a particular year as policy commitments. They are being delivered, and the continued funding of facilities and the continued funding of

infrastructure works will take place. You might also appreciate that with the Better Pools funding in future years we will have an additional \$1 million in that area. So we are committed to continued facility funding. Those funds, as I mentioned, were one-off specific initiatives based on policy commitments on entering government.

Mr RICH-PHILLIPS — I seek your clarification on one of your comments about events funding. You made a comment in the house about the change in the level of funding for major events. When you were commenting on the reduced allocation you said that part of that was due to funding of the Olympic soccer. This was to explain the difference between the budget for 2001–02 and the new budget for 2002–03. I understand from your comments that you were suggesting that the funding for Olympic soccer had been in the 2001–02 year and that the completion of the event would explain the reduction to the forward year. Surely the Olympic soccer would have been funded in the year the Olympics took place, which was the previous financial year. Why would it — —

Mr MADDEN — I think I was indicating in that instance, in terms of the context of the answer, that from year to year specific events mean differences in the way in which the figures appear in terms of the budget papers. And depending on where the loading occurs in relation to events, then, as mentioned previously, that weights the figures in any particular year in terms of the budget papers.

Mr RICH-PHILLIPS — So the Olympic soccer would not have related to that year, 2001–02?

Mr MADDEN — I would have to get some clarification, and I am happy to give you the details on that. I know that funding for events, in terms of the way it is expended, is sometimes paid prior to an event and sometimes after the event. I think a fairly significant amount of the expenditure on the Olympic soccer was undertaken after the event. Much of that was, I understand, payment to the MCC for the delivery of the Olympic soccer at the venue. A substantial amount of that payment was made after the event. I am happy to give you further technical details on that at a later date if you would like.

Mr RICH-PHILLIPS — If you could clarify that, that would be good, thank you.

Mr MADDEN — You will appreciate, too, that I have a question on notice from Ms Davies, who has asked for a map of funded facilities, in particular the major projects and projects funded by the Community Support Fund. There is a map showing those across the state, and I am happy to issue copies of those to the committee.

The CHAIRMAN — We will make sure it gets to her.

Mr MADDEN — There should be sufficient copies for all members. The impressive thing about that map, which is why I am eager for each member of the committee to give it significant consideration, is that it shows the substantial investment across the entire state, particularly in rural communities. It shows the government's ability to deliver to rural communities the community connectedness that sporting and recreational facilities deliver and to provide a fairly substantial investment in significant regional facilities in and around the metropolitan area from aquatic and major facility funding.

I encourage members to take the opportunity to have a look at that map. There may appear to be gaps in facilities in various municipal boundaries, because some municipalities elect not to take up the opportunity to apply for major facilities funding. We have improved and increased the ratios for facility funding, particularly for rural communities, and some elect to invest more heavily in the minor facilities area because they can get more value from some of the smaller community groups rather than investing heavily in one significant major facility.

I encourage members of the committee to take the opportunity to have a good look at that map and to consider the issues accordingly.

The CHAIRMAN — Thank you. We will move now to the portfolio responsible for the Commonwealth Games.

Witnesses withdrew.