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Budget Estimates — Part One**

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Parliament of Victoria
Public Accounts and Estimates Committee

Report on the 2013-14 Budget Estimates – Part One

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CONTENTS

Duties of the Committeevii
Acronyms and Terms	ix
Chairman’s Foreword	xiii
Findings.	xv
CHAPTER 1	Introduction 1
1.1	Background 1
1.2	The inquiry process 1
1.3	Structure. 2
1.4	Machinery-of-government and other changes in 2013 2
1.5	Acknowledgement 5
1.6	Cost 5
CHAPTER 2	Key Aspects of the 2013-14 Budget. 7
2.1	Introduction 7
2.2	Key components of the State Budget 7
2.3	Structure of the 2013-14 budget papers 11
2.4	Budget setting and strategic directions 13
2.5	Operating surplus 21
2.6	Asset investment 24
2.7	Victoria’s credit rating. 28
2.8	Sustainability of finances. 29
2.9	Contingency provisions 32
CHAPTER 3	Department of Education and Early Childhood Development Hearings 35
3.1	Introduction 35
3.2	Machinery-of-government and other changes. 35
3.3	Key budget themes for 2013-14 35
3.4	Major priority shifts for 2013-14. 36
3.5	Children and Early Childhood Development portfolio 36
3.6	Education portfolio 38
3.7	Higher Education and Skills portfolio 39
3.8	Minister responsible for the Teaching Profession 40
CHAPTER 4	Department of Environment and Primary Industries Hearings 43
4.1	Introduction 43
4.2	Machinery-of-government and other changes. 43
4.3	Key budget themes for 2013-14 43

4.4	Major priority shifts for 2013-14	44
4.5	Agriculture and Food Security portfolio	44
4.6	Environment and Climate Change portfolio	46
4.7	Water portfolio	48
CHAPTER 5	Department of Health Hearings	51
5.1	Introduction	51
5.2	Machinery-of-government and other changes.	51
5.3	Key budget themes for 2013-14	51
5.4	Major priority shifts for 2013-14	52
5.5	Ageing portfolio	52
5.6	Health portfolio	53
5.7	Mental Health portfolio	56
CHAPTER 6	Department of Human Services Hearings	57
6.1	Introduction	57
6.2	Machinery-of-government and other changes.	57
6.3	Key budget themes for 2013-14	57
6.4	Major priority shifts for 2013-14	59
6.5	Community Services portfolio	59
6.6	Disability Services and Reform portfolio.	60
6.7	Housing portfolio	61
6.8	Women's Affairs portfolio.	62
6.9	Youth Affairs portfolio.	63
CHAPTER 7	Department of Justice Hearings	65
7.1	Introduction	65
7.2	Machinery-of-government and other changes.	65
7.3	Key budget themes for 2013-14	65
7.4	Major priority shifts for 2013-14	66
7.5	Attorney-General's portfolio	67
7.6	Bushfire Response portfolio	69
7.7	Consumer Affairs portfolio	70
7.8	Corrections portfolio	71
7.9	Crime Prevention portfolio	72
7.10	Liquor and Gaming Regulation portfolio	73
7.11	Police and Emergency Services portfolio	75
7.12	Racing portfolio	76

CHAPTER 8	Department of Premier and Cabinet Hearings	79
8.1	Introduction	79
8.2	Machinery-of-government and other changes.	79
8.3	Key budget themes for 2013-14	79
8.4	Major priority shifts for 2013-14	80
8.5	Aboriginal Affairs portfolio	80
8.6	Arts portfolio.	81
8.7	Multicultural Affairs and Citizenship portfolio	82
8.8	Premier's portfolio	83
8.9	Veterans' Affairs portfolio.	84
CHAPTER 9	Department of State Development, Business and Innovation Hearings	87
9.1	Introduction	87
9.2	Machinery-of-government and other changes.	87
9.3	Key budget themes for 2013-14	88
9.4	Major priority shifts for 2013-14	89
9.5	Employment and Trade portfolio	90
9.6	Energy and Resources portfolio	91
9.7	Innovation, Services and Small Business portfolio	92
9.8	Major Projects portfolio.	94
9.9	Manufacturing portfolio.	95
9.10	Regional and Rural Development portfolio	96
9.11	Regional Cities portfolio	97
9.12	State Development Portfolio	98
9.13	Technology portfolio.	99
9.14	Tourism and Major Events portfolio	100
9.15	Minister responsible for the Aviation Industry.	101
CHAPTER 10	Department of Transport, Planning and Local Infrastructure Hearings	103
10.1	Introduction	103
10.2	Machinery-of-government and other changes.	103
10.3	Key budget themes for 2013-14	103
10.4	Major priority shifts for 2013-14	105
10.5	Local Government portfolio.	106
10.6	Planning portfolio	107
10.7	Ports portfolio	109
10.8	Public Transport portfolio.	110
10.9	Roads portfolio	112
10.10	Sport and Recreation portfolio	113

CHAPTER 11	Department of Treasury and Finance Hearings.	117
11.1	Introduction	117
11.2	Machinery-of-government and other changes.	117
11.3	Key budget themes for 2013-14	117
11.4	Major priority shifts for 2013-14	118
11.5	Assistant Treasurer's portfolio	118
11.6	Finance portfolio	119
11.7	Industrial Relations portfolio	121
11.8	Treasurer's portfolio	122
CHAPTER 12	Parliamentary Departments Hearings	125
12.1	Introduction	125
12.2	Machinery-of-government and other changes.	125
12.3	Key budget themes for 2013-14	125
12.4	Major priority shifts for 2013-14	125
12.5	General comments	126
12.6	Key matters raised at the budget estimates hearing	126
12.7	Documents tabled at the budget estimates hearing	127
12.8	Questions taken on notice at the budget estimates hearing	127

DUTIES OF THE COMMITTEE

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

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

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

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.

ACRONYMS AND TERMS

(Asset) investment through other sectors	Funding for ‘asset investment’ provided by the ‘general government sector’ to an ‘agency’ within the ‘public non-financial corporations sector’ for an asset that becomes part of the ‘public non-financial corporations sector’.
Agency	Government entities which generally receive their funding through ‘departments’ and for which ‘departments’ are responsible for reporting. Examples include Victoria Police, hospitals and TAFEs. Agencies, like ‘departments’, are directly accountable through one or more ministers to Parliament.
Asset initiative	A new program or project (‘initiative’) that delivers assets. See ‘asset investment’.
Asset investment	Expenditure on assets (generally infrastructure such as roads or hospitals) as opposed to expenditure on the delivery of products and services (‘outputs’).
Budget estimates	Forecasts for future years made in the budget papers about matters such as income, expenditure, assets, liabilities and goods and services to be delivered.
Contingencies/ contingency provisions	Amounts included in a budget for expenses that have not been determined at the time of the budget. These provisions are for both predictable expenditure (such as dealing with population growth and initiatives to be released in future budgets) and unpredictable expenditure (such as unforeseen natural disasters).
Department	Large government entities. In 2011-12 there were 11 departments in Victoria, plus the Parliamentary Departments. Funding for most ‘agencies’ is generally provided through departments and departments are required to report on the financial and performance results of the agencies for which they are responsible. Departments, like ‘agencies’, are directly accountable through one or more ministers to Parliament.
DEPI	Department of Environment and Primary Industries
Depreciation	The amount of money it would require to keep the State’s assets in the same condition as they were in last year. This amount is listed as an expense on the operating statement, and the cash equivalent to that amount is usually used to partially fund ‘asset investment’.
Direct (asset) investment	‘Asset investment’ by the ‘general government sector’ managed by an ‘entity’ within that sector for an asset that becomes part of that sector.
DOT	(former) Department of Transport
DPC	Department of Premier and Cabinet
DPCD	(former) Department of Planning and Community Development
DPI	(former) Department of Primary Industries

DSE	(former) Department of Sustainability and Environment
DTF	Department of Treasury and Finance
DTPLI	Department of Transport, Planning and Local Infrastructure
Entity	Either a 'department' or an 'agency'.
Forward estimates period	The period for which estimates are made in the budget papers. This includes the budget year and the following three financial years. The forward estimates period for the 2013-14 Budget is 2013-14 to 2016-17 inclusive.
General government sector	Government 'entities' which provide services either with no charge to the user or with charges significantly below the cost of providing the services. This includes all 'departments' and many 'agencies'.
GSP/Gross state product	The total value of goods and services produced by the state in a year. This includes the goods and services delivered by the Government and the private sector.
GST	Goods and services tax
ICT	Information and Communications Technology
Initiative	A specific program or project detailed in the budget papers. Budget papers can include 'asset initiatives', 'output initiatives', 'revenue initiatives', 'revenue foregone initiatives' and 'savings initiatives'.
MICA	Mobile Intensive Care Ambulance
MOG	Machinery-of-Government
NDIS	National Disability Insurance Scheme
Net debt	A calculation based on the difference between the value of selected categories of financial assets and financial liabilities. Essentially, the difference in value between what the Government owes and assets that it could easily convert to cash. Not all financial assets and liabilities are included.
Net result from transactions	See 'operating balance'.
Operating balance/surplus	A measure of a body's financial performance in a year which is calculated by subtracting an entity's expenses in the year from its income. Also known as the 'net result from transactions' or 'net operating balance'. 'Asset investment' is not included in the operating balance.
Output	An aggregate of goods and services (such as health care or policing services) delivered by a 'department' or its agencies. Outputs are identified in the budget papers.
Output expenditure	Expenditure on 'outputs' (that is, goods and services). This is distinct from 'asset investment' although it includes some expenditure on 'public private partnerships'.

Output initiative	A new program or project ('initiative') that delivers goods and services (part of a department's 'outputs'). Output initiatives are usually for a limited period of time, although they are sometimes perpetual.
PPP/Public private partnership	An arrangement in which the private sector delivers an asset on behalf of the Government. Ownership of the asset usually passes to the Government after a defined period of time.
PTV	Public Transport Victoria
Public financial corporations sector	Government 'agencies' which provide financial services, such as the Treasury Corporation of Victoria or the Transport Accident Commission.
Public non-financial corporations sector	Government 'agencies' which provide goods or services with charges that recover most of the cost of producing them, such as water authorities and trusts administering certain facilities. Does not include 'agencies' providing financial services (see 'public financial corporations sector').
Public sector as a whole	The 'general government sector', 'public non-financial corporations sector' and 'public financial corporations sector' consolidated together. Referred to in the budget papers and Annual Financial Report as the 'State of Victoria'.
Revenue	Income received by the Government, mostly from State taxes and grants from the Commonwealth Government.
Revenue foregone initiative	Changes in policy which result in a decrease in 'revenue'. Examples include reducing a tax rate or increasing the number of people exempted from a tax. Like 'revenue initiatives', revenue foregone initiatives are usually perpetual.
Revenue initiative	Changes in policy which result in an increase in 'revenue'. Examples include new taxes or increasing existing taxes. Revenue initiatives are usually perpetual.
Savings initiative	Changes in the provision of 'outputs' that result in reductions to the cost of the 'output'. This may be done by reducing the services provided or providing the same services more efficiently. Savings initiatives are only one factor affecting 'output expenditure'. Thus, they may not reduce a department's total 'output expenditure' compared to the previous year if other factors (such as 'output initiatives') are greater in value. Savings initiatives are usually perpetual.
State of Victoria	See 'Public sector as a whole'.
TAFE	Technical and Further Education
TEI/Total estimated investment	An estimate of the total amount of expenditure required to deliver an 'asset investment' project.
VHPF	Victorian Health Priorities Framework

CHAIRMAN'S FOREWORD

The annual inquiry into the budget estimates is a significant undertaking. It is a major part of the Committee's responsibilities each year and is a critical component of the accountability cycle for Government expenditure. It seeks to understand and analyse the Budget, including the plans underlying it, the assumptions on which the estimates are based, the clarity of the budget papers and areas for potential improvement.

A substantial amount of information has been generated by this inquiry, all of which is available to members of Parliament and the community. This information provides further details of the Government's intentions with this year's budget. This information includes questionnaires from departments and transcripts of hearings with every minister and the Parliament's Presiding Officers.

In addition to the above, a two part report will also be produced, supplementing, explaining and analysing this information and the information in the budget papers.

This is the first of those two parts and is primarily designed to help members of Parliament navigate some of this information. It contains an overview of the Budget and budget papers, key details about departments' priorities and an index of the key issues discussed in each of the hearings. It is my hope that this information will enhance the debate on the appropriation bills currently under consideration.

The Committee will table a second part of this report later in the year. Part Two will provide a more in-depth analysis of the budget estimates. It will present the Committee's considered view on the presentation and process of the estimates and include recommendations where the Committee considers that improvements could be made.

Many people have undertaken significant efforts to assist with this inquiry. I would like to express thanks, on behalf of myself and the Committee, to all of them.

The Committee is grateful for the time put into responding to questionnaires and attending the public hearings by the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General, ministers, departmental secretaries, heads of agencies and the many staff who support them.

The Committee and I are also very grateful to the Committee's secretariat and the hard work undertaken in preparing for the hearings, supporting the hearings and assisting with this report within a short publishing timeframe.

Finally, I would like to thank my fellow Committee members. The two weeks of budget estimates hearings can be challenging for us all. I have appreciated the collegiate approach generally adopted by the Committee throughout the hearings.

DAVID MORRIS MP
Chair

FINDINGS

CHAPTER 2 Key Aspects of the 2013-14 Budget

2.3 Structure of the 2013-14 budget papers

FINDING: The 2013-14 budget papers generally follow the same structure as the 2012-13 budget papers. New information has been added in a number of areas throughout. An information paper on infrastructure investment has replaced the 2012-13 information paper on Victorian families. *page 13*

2.4 Budget setting and strategic directions

FINDING: The Treasurer, in his budget speech, noted the positive economic forecasts supporting the Government's 2013-14 budget strategies. *page 14*

FINDING: The Government has revised the 'economic reform strategy' it developed in 2012-13. The four pillars of the strategy have been condensed into three elements as an 'economic and fiscal strategy'. The Government's medium-term fiscal strategy is unchanged. *page 16*

FINDING: The 2013-14 Budget proposes \$3.5 billion worth of new output initiatives (additional goods and services to be delivered) and between \$8.5 and \$10.5 billion of new asset investments (infrastructure and other physical assets). *page 17*

FINDING: Most of the cost for the new output initiatives announced in the 2013-14 Budget will be met through reprioritisation and adjustment of previous funding, savings initiatives and the release of contingency provisions. *page 20*

FINDING: With the 2013-14 Budget, the Government has provided further funding for the commitments it announced prior to its election in 2010. The total funding provided now exceeds the election estimates, especially for asset initiatives. *page 21*

2.5 Operating surplus

FINDING: The Budget forecasts a surplus of \$224.5 million in 2013-14 which is line with the Government's medium-term target of at least \$100 million. *page 22*

FINDING: The Government forecasts that its operating surplus will increase substantially in 2015-16 and 2016-17. It plans for the surplus to rise by over 380 per cent between 2014-15 and 2015-16, to \$1.9 billion. It expects the surplus to further increase to over \$2.5 billion in 2016-17. *page 23*

2.6 Asset investment

FINDING: The Government is planning to spend \$6.1 billion on infrastructure and other physical assets in 2013-14, rising to \$6.6 billion in 2014-15. *page 24*

FINDING: The Government expects an increasing proportion of the asset investment program to be funded without borrowing in future years. The Government anticipates that asset investment will be fully funded without borrowing in both 2015-16 and 2016-17. *page 25*

FINDING: Information about asset investment is presented in a variety of ways across the budget papers. A number of changes have been introduced in the 2013-14 budget papers that enhance the standard of disclosure on asset-related material. *page 26*

FINDING: The Government has five projects in delivery as public private partnerships, being tendered or about to go to market. The Victorian Comprehensive Cancer Centre is expected to be commissioned in 2015-16, adding \$1.1 billion to borrowings and net debt. The impact of the other projects on borrowings and net debt has not yet been factored into the budget estimates. *page 27*

FINDING: The Government expects net debt to increase from 5.8 per cent of gross state product in June 2013 to 6.6 per cent by June 2015, before declining significantly to 5.4 per cent by June 2017. *page 27*

2.7 Victoria's credit rating

FINDING: Two rating agencies have issued assessments of the Budget. Neither agency indicated that Victoria's credit rating has been adversely impacted following the 2013-14 Budget.

page 28

2.9 Contingency provisions

FINDING: The 2013-14 Budget includes contingency provisions totalling \$4.2 billion for outputs and \$2.6 billion for asset investment over the four years to 2016-17. For 2013-14, the Government has set negative contingencies of \$88.4 million for outputs and \$500.3 million for asset spending.

page 33

1.1 Background

On 7 May 2013, two appropriation bills were introduced into Parliament – one for the Parliament and one for the remainder of the public sector. These bills authorise the release of money for use during the financial year 2013-14.

Along with the appropriation bills, the Government tabled five budget papers, an overview and three budget information papers, which set out in more detail the estimates, assumptions, strategies and aims underpinning the appropriations.

The Public Accounts and Estimates Committee is required to inquire into the budget estimates and budget papers each year.¹ In undertaking this inquiry, the Committee seeks to:

- assist members of Parliament in their deliberation on the appropriation bills;
- provide feedback on the performance measures that the Government has proposed discontinuing with the Budget;
- give members of Parliament and the community a better understanding of the budget estimates;
- promote clear, full and precise disclosure in the budget papers of the Government's objectives and intended results; and
- encourage efficient and effective government administration.

The findings and recommendations resulting from this inquiry will be published in the *Report on the 2013-14 Budget Estimates*, of which this is the first part. A second part will be tabled later in 2013.

1.2 The inquiry process

1.2.1 Questionnaire

A questionnaire was sent to all departments in March 2013 seeking details of the budget estimates and underlying assumptions relating to each department. The questions focused on:

- departmental strategic priorities;
- the bases on which the budget was prepared;
- spending, including new initiatives;
- efficiencies and savings;
- revenue, including Commonwealth grants;
- net debt;
- geographic considerations;
- performance measures;

¹ *Parliamentary Committee Act 2003*, s.14

- staffing matters; and
- progress at the implementation of previous recommendations.

The responses to the questionnaire can be found on the Committee's website (www.parliament.vic.gov.au/paec).

1.2.2 Public hearings

From 10-24 May 2013, the Committee held public hearings with each minister and the Parliament's Presiding Officers. These hearings provided ministers with an opportunity to give presentations on their portfolios to the Committee. The hearings also enabled the Committee to ask questions on any aspects of the Budget related to each portfolio.

In total, there were 50 hearings, lasting over 53 hours.

Slide shows of ministers' presentations and documents tabled in the hearings can be downloaded from the Committee's website (www.parliament.vic.gov.au/paec). Transcripts of the hearings are also available on the website. Chapters 3 to 12 of this report list the issues raised in each portfolio.

In some cases, ministers took questions on notice at the hearings. Responses to these questions will be published on the Committee's website when they are received.

1.2.3 Report

Based on the questionnaires, public hearings and other research performed by the Committee, the Committee is producing a report in two parts.

1.3 Structure

Part One of the report contains:

- an overview of the budget papers and budget estimates (Chapter 2); and
- details of the issues raised in the public hearings (Chapters 3-12).

Part One is intended to assist members of Parliament in their consideration of the appropriation bills.

Part Two will provide a more detailed analysis of the budget estimates and budget papers. Part Two is intended to provide a more in-depth understanding and to identify areas for potential improvement.

1.4 Machinery-of-government and other changes in 2013

A number of significant changes took place in the months before the Budget. These include the Hon. Dr Denis Naphine MP becoming Premier and the Hon. Michael O'Brien MP being appointed Treasurer. In addition, some ministerial portfolios were changed, some were discontinued and some new portfolios were created. Machinery-of-government changes were also announced, which will change the structures and responsibilities of government departments from 2013-14.

1.4.1 Changes to portfolios

In March and April 2013, a number of changes were made to the ministerial portfolios of the Victorian Government.² These included changes to some existing portfolios, the addition of two new portfolios and the discontinuation of one portfolio (see Table 1.1 below).

Table 1.1 Changes to portfolios

Portfolios at the time of the 2012-13 Budget	Portfolios at the time of the 2013-14 Budget
Minister for Employment and Industrial Relations	Minister for Industrial Relations
Minister for Manufacturing, Exports and Trade	Minister for Employment and Trade
	Minister for Manufacturing
Minister responsible for the establishment of an anti-corruption commission	–
Minister for Gaming	Minister for Liquor and Gaming Regulation
–	Minister for State Development
–	Minister for Disability Services and Reform

Source Public Accounts and Estimates Committee

A number of changes were also made to the individual ministers holding some portfolios.

1.4.2 Changes to departments

Machinery-of-government changes were announced in April 2013, impacting on many Victorian departments. The Premier indicated that these changes were designed to ‘*sharpen the focus of the public service on securing investment and jobs, delivering responsible financial management, and providing better frontline services to all Victorians.*’³

Three departments were renamed in 2013 (see Table 1.2).

Table 1.2 Departmental name changes in 2013

Previous name	New name
Business and Innovation	State Development, Business and Innovation
Sustainability and Environment	Environment and Primary Industries
Transport	Transport, Planning and Local Infrastructure

Source: *Victoria Government Gazette*, No.S124, 9 April 2013

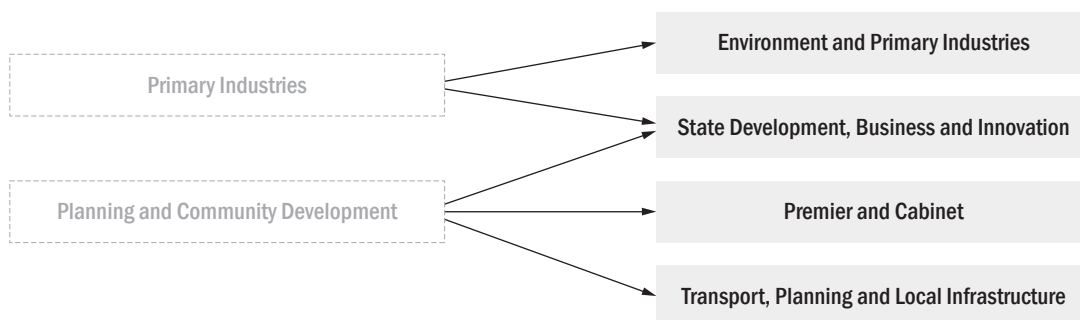
From 1 July 2013, all functions of two departments (the Department of Planning and Community Development and the Department of Primary Industries) will be transferred to other departments, mostly the three renamed departments (see Figure 1.1).

A number of other changes were also made to which departments administer particular portfolios. Figure 1.2 shows all changes to portfolios between the 2012-13 Budget and the 2013-14 Budget. Details of these changes can also be found in Chapters 3-12 of this report.

² *Victoria Government Gazette*, No.S89, 13 March 2013; No.S155, 22 April 2013

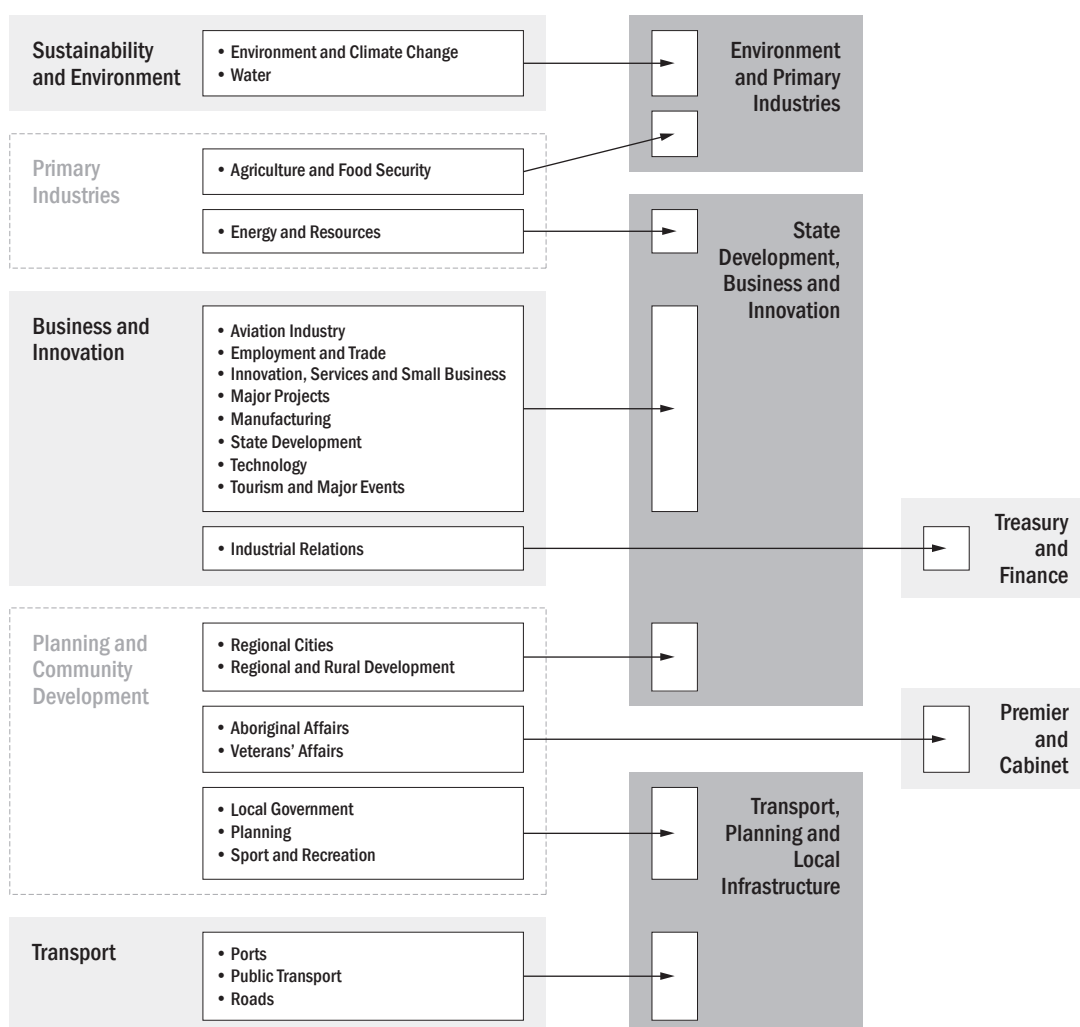
³ Hon. Dr D. Napthine MP, Premier, ‘A Stronger Focus on Jobs and Investment’, media release, 9 April 2013

Figure 1.1 Transfers of portfolios from the Department of Primary Industries and Department of Planning and Community Development



Source: Public Accounts and Estimates Committee

Figure 1.2 Movements of portfolios, 2012-13 Budget to 2013-14 Budget



Source: Public Accounts and Estimates Committee

1.5 Acknowledgement

The Committee acknowledges the substantial contribution to this inquiry made by the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General, ministers, departmental secretaries, deputy secretaries, heads of agencies and staff. The Committee thanks everybody involved for their time and effort in preparing responses to the questionnaires, attending the public hearings and (where requested) responding to questions on notice and requests for further information.

1.6 Cost

The cost of this inquiry to date has been approximately \$57,800.

CHAPTER 2 KEY ASPECTS OF THE 2013-14 BUDGET

2.1 Introduction

This chapter presents the Committee's overview of the 2013-14 Budget. It is the Government's third budget and the first of the Hon. Michael O'Brien MP as the Treasurer.

The chapter starts with a discussion of the key components of a budget. These components and their relationship to each other are briefly described and identified diagrammatically in Section 2.2.

The chapter then seeks to answer the following key questions about the Budget:

- How are the budget papers structured? (Section 2.3)
- What is the setting in which the Budget was released? This includes the challenges facing the Government, its strategic directions and the new initiatives it has announced. (Section 2.4)
- What will the operating surplus be, and how will it be achieved? (Section 2.5)
- What are the Government's plans for asset investment? (Section 2.6)
- How did the 2013-14 Budget impact on the State's credit rating? (Section 2.7)
- How is the sustainability of the Government's finances expected to change over the forward estimates? (Section 2.8)
- What contingencies has the Government built into the Budget? (Section 2.9)

Many of the topics discussed in this chapter will be analysed in more detail in Part Two of this report, expected to be tabled later in 2013.

2.2 Key components of the State Budget

Figure 2.1 illustrates the key components of the Budget. Its purpose is to provide an overall understanding of how the components of a budget are connected to each other and how money flows from one area to another.

The amounts used in the diagram relate specifically to the Government's estimates for 2013-14. The amounts are detailed and compared to the previous year in Table 2.1. Table 2.2 indicates where in the budget papers these items can be found and the terms used in the budget papers, which differ in some cases from the terms used in this report.

The first component of the diagram is **revenue**. Slightly over half of this (54 per cent) is **State-sourced revenue**. The remainder is **Commonwealth-sourced**.

The bulk of the revenue funds the Government's **output expenditure**. This expenditure primarily covers the goods and services delivered by the Government.

The amount of revenue that remains after output expenditure has been funded is the **operating surplus**. Achieving a surplus of at least \$100 million is one of the Government's targets in its medium-term fiscal strategy (see Section 2.4.2 of this report). The Government expects to achieve a surplus of \$224.5 million in 2013-14, and plans to increase the surplus substantially in 2015-16 and 2016-17 (see Section 2.5.2).

Costs such as **depreciation and similar** are also included in output expenditure. These costs are included in the operating statements in line with accounting standards, but do not actually involve any transfer of cash. As a result, the cash equivalent to these costs is still available from revenue to be used by the Government as it sees fit.

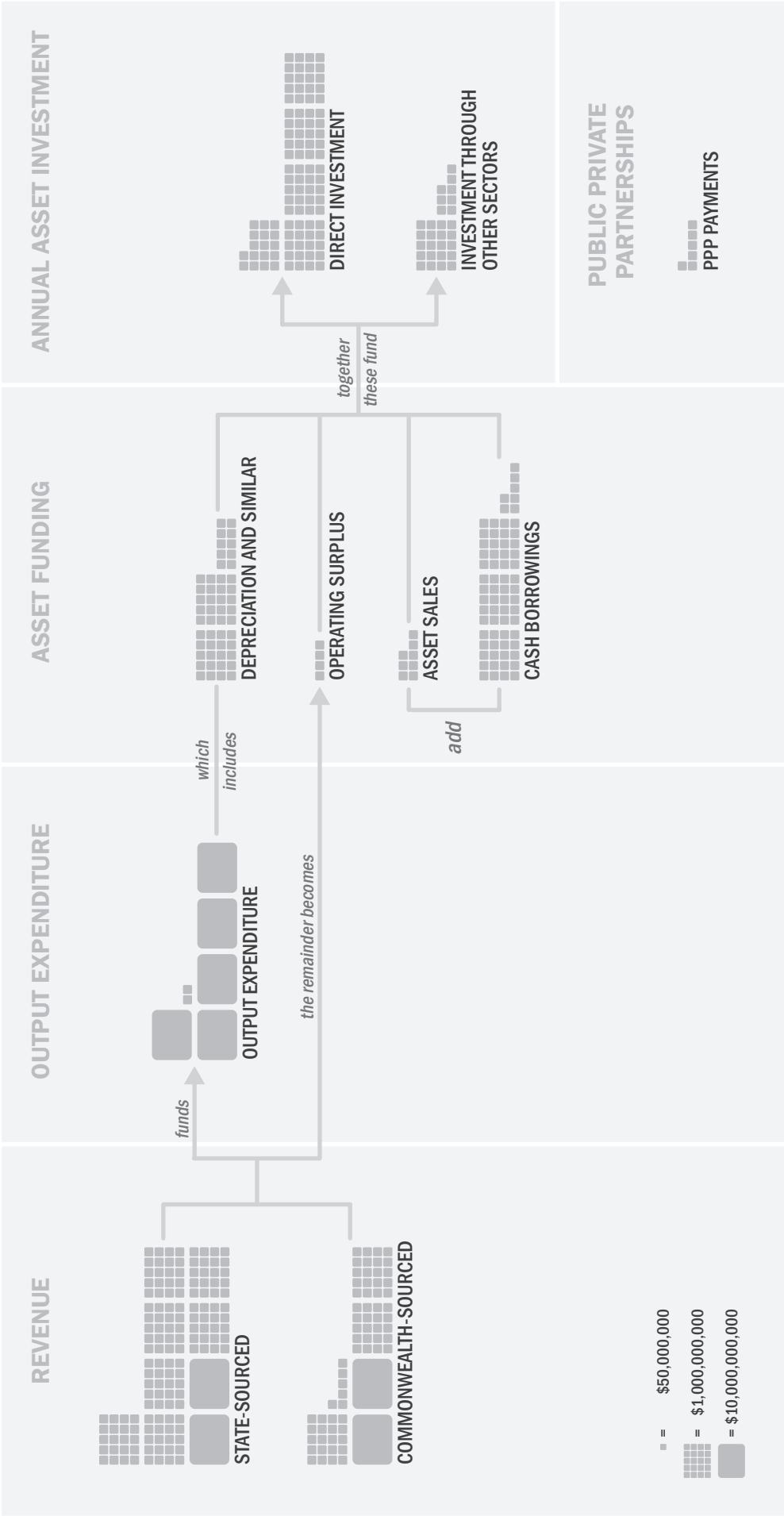
Usually, the cash equivalent to depreciation and similar is used to fund asset investment (that is, infrastructure and other physical assets). Some or all of the operating surplus is also normally used for this purpose. Where the amounts from these two sources are not enough, the Government will usually use proceeds from **asset sales** and **cash borrowings**. The amount of cash borrowings expected to be made in 2013-14 is substantial (\$3.4 billion). However, the Government expects not to require cash borrowings in 2015-16 and 2016-17, as surpluses are predicted to increase and asset investment expected to decrease (see Section 2.8.1 of this report).

The **annual asset investment** funded by these amounts is delivered through two avenues. **Direct investment** covers projects directly delivered by the general government sector (that is, the departments and agencies that do not generally charge for their services). **Investment through other sectors** covers those projects which are funded by the general government sector, but where the assets are delivered by the public non-financial corporations sector (that is, Government agencies which charge for their services, such as water corporations). In 2013-14, these projects include investment in public transport infrastructure (such as rolling stock and other rail infrastructure projects) and investment in public housing, community housing and disability supported accommodation.⁴

Payments are also made each year for public private partnerships (PPPs). For the first time, the Government has quantified its **PPP payments** in the 2013-14 budget papers (referred to in the budget papers as 'cash flows from PPP payments').

⁴ Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.12

Figure 2.1 Key components of the 2013-14 Budget



Source: Public Accounts and Estimates Committee

Table 2.1 Key components of the Budget, 2012-13 and 2013-14

Term used in this report	2012-13 revised estimate (\$ million)	2013-14 Budget (\$ million)	Variance	
			(\$ million)	(per cent)
Revenue	48,105.6	50,327.5	2,221.9	4.6
State-sourced	26,412.6	27,017.0	604.4	2.3
Commonwealth-sourced	21,693.0	23,310.5	1,617.5	7.5
Output expenditure	47,928.6	50,103.0	2,174.4	4.5
Depreciation and similar	1,548.6	2,507.1	958.5	61.9
Operating surplus	177.0	224.5	47.5	26.8
Asset sales	405.7	420.2	14.5	3.6
Cash borrowings	3,603.5	3,359.0	-244.5	-6.8
Annual asset investment	5,610.2	6,246.2	636.0	11.3
Direct investment	4,088.5	4,868.9	780.4	19.1
Investment through other sectors	1,521.7	1,377.3	-144.4	-9.5
PPP payments	n/a	310.1	n/a	n/a

Sources: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.55; Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.11; Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, pp.5, 8, 233, 236, 252

Table 2.2 Comparison of terms used in this report and terms in the budget papers

Term used in this report	Term used in budget papers	Reference ^(a)
Revenue	Total revenue from transactions	BP5, p.5
State-sourced	(All revenue line items except grants)	BP5, p.5
Commonwealth-sourced	Grants	BP5, p.5
Output expenditure	Expenses from transactions	BP5, p.5
Depreciation and similar	Non-cash income and expenses (net)	BP2, p.55
Operating surplus	Net result from transactions	BP5, p.5
Asset sales	Sales of non-financial assets	BP5, p.8
Cash borrowings	Net borrowings	BP5, p.8
Annual asset investment	(The sum of the next two items)	–
Direct investment	Purchases of non-financial assets	BP5, p.8
Investment through other sectors	Net cash flows from investments in financial assets for policy purposes	BP5, p.8
PPP payments	Cash flows from PPP payments	BP4, p.11

- (a) 'BP2' = Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013
 'BP4' = Budget Paper No.4, *2013-14 State Capital Program*, May 2013
 'BP5' = Budget Paper No.5, *2013-14 Statement of Finances*, May 2013

2.3 Structure of the 2013-14 budget papers

The 2013-14 budget papers consist primarily of five documents:

- the Treasurer's speech (Budget Paper No.1);
- a paper on the budget strategy and outlook (Budget Paper No.2);
- details of the Government's new output and asset initiatives, departmental performance statements (including performance measures) and local government financial relations (Budget Paper No.3);
- details of expenditure on new and existing asset investments (Budget Paper No.4); and
- the audited estimated financial statements of the general government sector, financial statements for other sectors, departmental estimated financial statements and other financial details (Budget Paper No.5).

This repeats the structure of the 2012-13 budget papers. As in 2012-13, the 2013-14 budget papers are also accompanied by:

- a budget overview document;
- various online data sets; and
- three budget information papers.

The budget information papers address the Government's budget strategies in:

- regional and rural Victoria (Budget Information Paper No.1), published also in 2012-13;
- infrastructure investment (Budget Information Paper No.2), which replaces an information paper on Victorian families published in 2012-13 – the *2013-14 Budget Overview* includes a section on 'delivering for Victorian families'; and
- Federal financial relations (Budget Information Paper No.3), published also in 2012-13.

All three budget information papers supplement the budget papers and bring together specific information on their topics. This information helps readers particularly interested in those topics to better understand the context of the Budget.

Budget Information Papers Nos.1 and 2 principally cover the Government's priorities and actions in the 2013-14 Budget in the subject areas. Much of Budget Information Paper No.3 discusses what the Government considers to be the challenges and expectations arising from the current Commonwealth funding framework, including the system of GST distribution.

2.3.1 Changes in the 2013-14 budget papers

The details of the machinery-of-government changes which will take effect from 1 July 2013 (see Section 1.4.2) are discussed in a number of places in the budget papers. Forward estimates have been provided on the basis of the future departmental structures. However, information has also been supplied for the 2012-13 financial performance of the two departments whose responsibilities will be transferred to other departments (the Department of Planning and Community Development and Department of Primary Industries).

Other major changes are detailed in Table 2.3. Most of these are additional information that has been added for the first time in 2013-14.

Table 2.3 Key changes between the 2012-13 and the 2013-14 budget papers

Budget paper	Chapter	Type of change	Details
Budget Paper No.2 (2013-14 Strategy and Outlook)	Chapter 3	Addition	A section has been added discussing changes in the revenue base (i.e. state taxation, GST and other Commonwealth funding).
		Restructure	The previous discussion of the Government's 'economic reform strategy' has been replaced by an 'economic and fiscal strategy', which is largely overlapping but with some differences.
	Chapters 4 & 5	Addition	The impact of revisions to accounting standard AASB 119 has been discussed, including a new indicator, the 'Government fiscal result'.
	Chapter 5	Restructure	Last year's discussion of the State's triple-A credit rating has been replaced with other measures of financial sustainability this year.
	Appendix A	Addition	A new section has been added about the interactions of variations in the economic outlook.
Budget Paper No.3 (2013-14 Service Delivery)	Chapter 1	Restructure	In 2012-13, 'savings' were detailed for each department. In 2013-14, an 'efficiency and expenditure reduction measures' section describes initiatives on a whole-of-government level.
		Addition	A new line item details funding from existing resources in each department's list of output initiatives.
	Chapter 2	Addition	'Objective indicators' have been introduced for departmental objectives.
Budget Paper No.4 (2013-14 State Capital Program)	Chapter 1	Addition	A reconciliation of the components of general government sector capital expenditure has been added.
		Addition	A list of the major projects funded by asset investment through other sectors has been added.
	Chapter 2	Addition	Information has been added for each department quantifying and describing the capital expenditure on projects not separately listed in Budget Paper No.4.
	Chapters 2 & 3	Addition	Estimated completion dates are now included for all new and existing projects.
	Definition and Style Conventions	Addition	The glossary has been expanded.

Budget paper	Chapter	Type of change	Details
Budget Paper No.5 (2013-14 Statement of Finances)	Chapters 1 & 2	Addition	Discussion has been included about the revisions to accounting standard AASB 119 and a new indicator, the 'Government fiscal result', has been added to show the impact.
	Chapter 4	Addition	More discussion has been provided about the main components of revenue, including: <ul style="list-style-type: none"> • details of forward estimates (previously just prior years and the budget year were detailed); • discussion of the key drivers of major components; and • GST relativities assumed in the estimates.
		Restructure	Grants for specific purposes have been grouped into broad expenditure categories.
Budget Information Papers No.1 & 3, Budget Overview	All	Restructure	The structure and content of these documents have been modified to reflect changes in Government programs, projects and priorities.
Budget Information Paper No.2	All	Restructure	This information paper provided the 2012-13 Victorian Families Statement last year. This year, it provides details of the Government's infrastructure program.
Online financial data sets	-	Addition	Break downs by department have been added of the line items 'purchase of services' and 'purchase of supplies and consumables'.

Source: Public Accounts and Estimates Committee

FINDING: The 2013-14 budget papers generally follow the same structure as the 2012-13 budget papers. New information has been added in a number of areas throughout. An information paper on infrastructure investment has replaced the 2012-13 information paper on Victorian families.

2.4 Budget setting and strategic directions

2.4.1 Budget setting

The key theme underpinning the Government's assessment of the 2013-14 budget setting is 'building for growth'.

In his concluding comments to his budget speech, the Treasurer described the Budget as:⁵

- *A budget with sound financial management at its heart that, almost alone across Australia, consistently delivers surpluses.*
- *A budget that sees a growing economy, growing job creation and falling unemployment.*

5 Budget Paper No.1, 2013-14 Treasurer's Speech, May 2013, p.16

- *A budget that sees debt managed prudently and falling significantly over the forward estimates.*
- *A budget that strengthens our society by increasing support for vulnerable Victorians and those with a disability.*
- *A budget that invests a record \$6.1 billion in infrastructure ...*
- *A budget that invests in our roads, our public transport, our regions and our schools.*
- *And a budget that delivers the next transformational infrastructure project for Victoria, Stage 1 of the East West Link. ...*
- *This budget is building for growth.*

The *East West Link – Stage 1* project referred to by the Treasurer is described in the budget papers as ‘*the centrepiece of the 2013-14 Budget infrastructure program.*’⁶

The budget papers include commentary on Victoria’s short-term and long-term economic outlook.⁷ Positive messages are conveyed in both cases with:

- the Victorian economy viewed as performing solidly and expected by the Government to significantly strengthen in 2013-14;⁸ and
- Victoria’s long-term economic outlook regarded as strong but not expected to return to levels seen prior to the global financial crisis.⁹

The commentaries outline the risks to the short-term and long-term outlooks such as global economic factors, movements in the Australian dollar and changes in the revenue base.

In evidence to the Committee, the Treasurer reinforced the Government’s positive economic outlook for Victoria. The Treasurer’s comments to the Committee included:¹⁰

... this budget forecasts a growing economy, growing employment, growing surpluses and major new infrastructure for Victoria. ... We are forecasting the unemployment rate to fall from the 2012-13 estimate of 5.75 per cent to 5.5 per cent in 2013-14 and then further to 5 per cent towards the end of the forward estimates.

... we do think there are some strong signs the economy is starting to return in terms of its strength, and that will obviously flow through to revenue.

FINDING: The Treasurer, in his budget speech, noted the positive economic forecasts supporting the Government’s 2013-14 budget strategies.

6 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.1

7 *ibid.*, pp.11-42

8 *ibid.*, p.11

9 *ibid.*, p.25

10 Hon. M. O’Brien, Treasurer, 2013-14 budget estimates hearing, transcript of evidence, 10 May 2013, pp.2-3

2.4.2 Strategic directions

The Government's 2012-13 budget papers outlined two key economic and fiscal strategies,¹¹ namely:

- an economic reform strategy; and
- a medium-term fiscal strategy.

The 2013-14 budget papers address these two strategies in the latest budget setting. The medium-term fiscal strategy was not modified from last year. However, the economic reform strategy is now titled an 'economic and fiscal strategy' and has been refocussed.

The economic and fiscal strategy

This strategy condenses the previous economic and reform strategy's four 'pillars' into three elements:¹²

- *rebuilding budget capacity;*
- *improving productivity, including through the provision of major infrastructure, more responsive and productive service delivery and continuing to build the skills and capabilities of the Victorian workforce; and*
- *ensuring Victoria is a competitive and low-cost place to do business.*

The former strategy had two separate 'pillars' relating to: supporting Victorian businesses through growing export markets; and supporting businesses and employees in transition. The focus in the revised strategy is on making Victoria attractive as a place to do business.

The budget papers describe the impetus for each element of the economic and fiscal strategy, incorporating reference to some key related budget initiatives.¹³

The medium-term fiscal strategy

The Government's medium-term fiscal strategy (see Table 2.4) is unchanged from the previous year.

The budget papers state that the Government's medium-term fiscal strategy means '*it can advance transformational infrastructure projects and improve the capacity and quality of transport and other key economic and social infrastructure.*'¹⁴ The papers indicate that the projected infrastructure investment of \$6.1 billion in the 2013-14 Budget aligns with the Government's target of infrastructure investment being 1.3 per cent of gross state product (GSP), calculated as a five-year rolling average.¹⁵

11 A fiscal strategy generally deals with the financial aspects of government activities, such as raising taxes and government expenditure. In contrast, an economic strategy generally seeks to bring about changes in the broader economy as well.

12 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.31

13 *ibid.*, pp.31-42

14 *ibid.*, p.8

15 *ibid.*

Table 2.4 Medium-term fiscal strategy

Financial measures	Target ^(a)
Infrastructure investment	Infrastructure investment of 1.3 per cent of GSP (calculated as a rolling five-year average)
Net debt	General government net debt reduced as a percentage of GSP over the decade to 2022
Superannuation liabilities	Fully fund the unfunded superannuation liability by 2035
Operating surplus	A net operating surplus of at least \$100 million and consistent with the infrastructure and debt parameters

(a) The targets are described in the budget papers as 'parameters' rather than as 'targets'. The previous year's papers indicated they would be used as the basis for measuring progress. It is not clear to the Committee whether the Government has used the word 'parameter' rather than 'target' to indicate a difference in meaning.

Source: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.8

The budget papers also reiterate the Government's long-term financial management objectives. These long-term objectives are described as:¹⁶

- managing responsibly;
- looking after the future;
- managing the unexpected;
- improving services; and
- maximising community benefit.

Each long-term financial management objective is briefly explained in the budget papers.

FINDING: The Government has revised the 'economic reform strategy' it developed in 2012-13. The four pillars of the strategy have been condensed into three elements as an 'economic and fiscal strategy'. The Government's medium-term fiscal strategy is unchanged.

2.4.3 New output and asset initiatives

Information published by the government of the day on new output and asset funding initiatives is a core and usually much-awaited feature of each year's State Budget. The information details a government's intended allocation of new funds over the next four years for specific service delivery purposes and infrastructure investments. Decisions reached by a government on these new funding allocations normally reflect the strategies underpinning the direction of the budget.

The 2013-14 Budget proposes new output initiatives with an estimated cost of \$3.5 billion between 2013-14 and 2016-17.¹⁷ This compares to \$4.1 billion in the 2012-13 Budget.¹⁸ The Budget also proposes new asset initiatives with a total estimated investment (over the life of the

16 *ibid.*, p.7

17 *ibid.*, pp.53-4

18 Budget Paper No.3, *2012-13 Service Delivery*, May 2012, Chapter 1

projects¹⁹) of around \$8.5-10.5 billion.²⁰ The equivalent new asset funding figure for 2012-13 was \$2.7 billion.²¹

This sharp increase in asset investment in 2013-14 and the use of a range for the estimated funding reflect the *East West Link – Stage 1* initiative. The Government currently estimates the cost of this major project to be approximately \$6-8 billion. The Government has indicated that a cost of this magnitude will require funding from a range of additional sources such as the Commonwealth Government and the private sector.²² The Government anticipates delivering this project through a public private partnership.²³ The Government has allocated \$294.0 million over 2013-14 and 2014-15 in the 2013-14 Budget for the initial phase of this project, with construction works expected to commence late in 2014.²⁴

Information on the new output and asset initiatives is presented in several sections of the 2013-14 budget papers:

- the *2013-14 Budget Overview* describes the Government's main new funding decisions (including major new initiatives) under 24 headings;
- Budget Paper No.2 (*2013-14 Strategy and Outlook*) provides tables disclosing the aggregate value of new output and asset initiatives for each department. It also details the financial impact of the new output initiatives on the Budget;²⁵
- Budget Paper No.3 (*2013-14 Service Delivery*) lists all new output and asset initiatives announced in the budget under departmental headings. Descriptions of each initiative, details of funding and links to the departments' outputs are provided;
- Budget Paper No.4 (*2013-14 State Capital Program*) lists both new and existing asset projects. Details provided include the total estimated investment, the estimated expenditure for 2013-14 and the estimated completion date; and
- Budget Information Papers No.1 and No.2 include details of new and existing initiatives relevant to their subjects ('regional and rural Victoria' and 'infrastructure investment').

FINDING: The 2013-14 Budget proposes \$3.5 billion worth of new output initiatives (additional goods and services to be delivered) and between \$8.5 and \$10.5 billion of new asset investments (infrastructure and other physical assets).

19 This includes some expenditure beyond the forward estimates period.

20 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.56

21 Budget Paper No.4, *2012-13 State Capital Program*, May 2012, p.9

22 Hon. Dr D. Napthine, Premier of Victoria, 'Coalition Government to Build the East West Link', media release, 7 May 2013

23 Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.7

24 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.34

25 *ibid.*, pp.54, 56

2.4.4 Meeting the cost of the new output initiatives

The total cost of the new output initiatives announced in the 2013-14 Budget will be \$3.5 billion over the four years to 2016-17. The budget papers show that the Government plans to fund the bulk of this cost for 2013-14 and 2014-15, and all of the cost in 2015-16 and 2016-17, through:²⁶

- ‘reprioritisation and adjustments’ of funding previously allocated to departments (see discussion below on the meaning of this phrase);
- savings initiatives; and
- the release of contingency provisions.

Table 2.5 illustrates this position. It shows that the estimated net impact of the new output initiatives in 2013-14 is that expenditure will increase by \$131.9 million (14 per cent of the gross cost of delivering the initiatives). The net figure drops to only \$65.7 million (7 per cent of the gross cost) in 2014-15. For 2015-16 and 2016-17, the estimated funding released from these three sources will be substantially greater than the cost of the announced initiatives. In other words, no new outlays will be required for these latter two years to fund the initiatives from the 2013-14 Budget.

Table 2.5 Net financial impact of the new output initiatives in the 2013-14 Budget

	2013-14 Budget (\$ million)	2014-15 Estimate (\$ million)	2015-16 Estimate (\$ million)	2016-17 Estimate (\$ million)
Output initiative costs (gross)	950.6	960.7	811.1	795.2
Less:				
– Funding from reprioritisation and adjustments	192.6	160.8	114.6	98.7
– Savings	138.1	239.6	295.9	345.6
– Release of contingency provisions	488.0	494.6	508.4	479.0
Total deductions	818.7	895.0	918.9	923.3
Net financial impact	131.9	65.7	-107.7	-128.1

Source: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.54

A new line item has been added to each department’s Table of new output initiatives in 2013-14 labelled ‘existing resources’. It is a negative number, indicating that it represents funding from existing sources to offset new initiatives. The Committee notes that the total of funds from ‘existing resources’ is less than the total ‘reprioritisation and adjustments’ (as in Table 2.5). The Committee welcomes this additional disclosure.

Funding from reprioritisation and adjustments

As with the previous year, the only discussion of the item ‘funding from reprioritisation and adjustments’ in the budget papers is by way of an explanatory note. This note states, ‘*This includes the reprioritisation of resources previously allocated to departments.*’²⁷

²⁶ *ibid.*, p.54

²⁷ *ibid.*

The Committee has recommended in previous reports to Parliament that the budget papers provide additional information on this particular item, including identification of the affected programs or services.²⁸ This has not been supported by the Government.²⁹ However, the Committee believes that the new ‘existing resources’ line (in the tables of new output initiatives) provides a departmental break-down of some of the funding from reprioritisation and adjustments.

Savings initiatives

The ‘savings’ item in Table 2.5 relates to the initiatives announced in the 2013-14 Budget to reduce spending. These savings, which have an estimated value of \$1.0 billion between 2013-14 and 2016-17, are described as ‘*efficiency and expenditure reduction measures*’ in the budget papers. Table 2.6 shows the composition of these measures, as disclosed in the budget papers.

Table 2.6 Efficiency and expenditure reduction measures in the 2013-14 Budget

	2013-14 Budget (\$ million)	2014-15 estimate (\$ million)	2015-16 estimate (\$ million)	2016-17 estimate (\$ million)
Adjusting the efficiency dividend to non-frontline departmental expenditure	25.0	75.0	125.0	175.0
Ceasing the Trade Bonus	3.0	5.0	6.0	6.0
Electricity and gas concession changes	9.0	10.3	11.7	13.3
Refocusing the public service	14.0	24.1	24.2	24.3
Retargeting the First Home Owner Grant	74.6	111.9	114.8	111.9
Retrospective eligibility for concessions	12.4	13.3	14.2	15.1
Total efficiency and reduction measures	138.1	239.6	295.9	345.6

Source: Budget Paper No.3, 2013-14, *Service Delivery*, May 2013, p.62

The 2013-14 service delivery budget paper briefly outlines the nature of these six initiatives. They add to a range of initiatives announced in the 2012-13 Budget Update that were expected to reduce spending by \$639.1 million between 2012-13 and 2015-16.³⁰

The 2012-13 budget papers identify savings initiatives on a departmental basis, with a description of how each department intended to reduce its spending. In the 2012-13 Budget Update and the 2013-14 budget papers, the savings initiatives are identified on a whole-of-government level, with a description of each initiative. The impact of these initiatives is not broken down by department.

28 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part Three*, September 2011, p.95 and the Committee's *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, p.90

29 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee's 102nd Report on the 2011-12 Budget Estimates — Part Three, tabled 14 March 2012, p.14 and Government Responses to the Recommendations of Public Accounts and Estimates Committee's 111th Report to Parliament — *Report on the 2012-13 Budget Estimates — Part Two*, tabled out of session on 12 March 2013, p.13

30 Department of Treasury and Finance, *2012-13 Victorian Budget Update*, December 2012, pp.124-5

Release of contingency provisions

The third cost-reducing item, ‘release of contingency provisions’, indicates how much the Government expects to draw on the contingency provisions built into the estimates in previous budgets. In total, the Government plans to draw down \$2.0 billion from contingency reserves over the four years to 2016-17.³¹

The Committee has previously recommended that the Government present expanded information about contingencies in future budget papers, including their role in the budgetary process and the methodology employed for determining their quantification.³² In supporting this recommendation, the Government indicated in November 2011 that the Department of Treasury and Finance ‘*will explore opportunities to enhance discussion around the basis and role of contingencies.*’³³

There has been no change to the presentation of contingencies in subsequent budgets.

Further comment on contingencies is provided in Section 2.9 of this report.

FINDING: Most of the cost for the new output initiatives announced in the 2013-14 Budget will be met through reprioritisation and adjustment of previous funding, savings initiatives and the release of contingency provisions.

2.4.5 The Government’s election commitments

Funding status of planned election commitments

Prior to its election in 2010, the Government made a series of commitments to be funded over the next four years. The 2011-12 budget papers disclosed that the Government’s election commitments had been costed at:³⁴

- \$5.2 billion for output and revenue commitments; and
- \$2.4 billion for asset commitments.

The 2011-12 Budget funded \$5.1 billion of the output and revenue commitments and \$1.1 billion of the asset commitments.³⁵ The 2011-12 budget papers indicated that the remaining commitments ‘*will be fully funded in future budgets during this term of government.*’³⁶

The 2013-14 budget papers summarise the Government’s progress at funding its election commitments, as presented in Table 2.7.

31 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.54

32 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part One*, June 2011, Recommendation 8, p.31

33 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 102nd Report on the 2011-12 Budget Estimates — Part One, tabled 24 November 2011, p.5

34 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.13

35 *ibid.*

36 *ibid.*

Table 2.7 Progress at funding the Government's election commitments

	Government election commitments ^(a)	Funding provided up to 2013-14 Budget ^(b)	Funding provided in 2013-14 Budget ^(c)	Progress as at 2013-14 Budget ^(d)
	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Output and revenue initiatives ^(e)	5,213.1	5,194.5	35.7	5,230.2
Asset initiatives ^(f)	2,403.6	2,529.8	728.8	3,258.6

Notes (as supplied by the Department of Treasury and Finance):

- (a) Government Election Commitments refers to the Liberal Nationals Coalition 2010 Election Commitments document.
- (b) Total includes estimated funding for asset election commitments announced up to and including the 2012-13 Budget Update. The funding estimates for some initiatives may be updated on completion of the tendering process.
- (c) Asset initiatives total exclude funding commitment for Southland Station and Box Hill to Ringwood Bikeway. The total estimated investment (TEI) for each of these projects have not been announced at this time.
- (d) Total includes adjustments to funding as a result of changes to policy parameters, such as bringing forward the timing of election commitments and delivery of services beyond the scope of the Government Election Commitments.
- (e) Includes revenue and savings initiatives.
- (f) Includes relevant savings as specified within the Government Election Commitments.

Source: Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.65

Table 2.7 indicates that the 2013-14 Budget funds an additional \$35.7 million of output and revenue initiatives and an additional \$728.8 million of asset initiatives (plus the Southland Station and Box Hill to Ringwood Bikeway, whose total estimated investments have not yet been released). The budget papers state that the further asset investment '*includes school capital, hospitals, public transport and road infrastructure*'.³⁷ These planned allocations mean that the Government will have exceeded its original estimates of election commitments for each initiative category. The Government stated, '*Careful management of the State's budget has allowed the Government to upgrade and expand the scope of some projects and programs and to bring forward the delivery of others.*'³⁸

FINDING: With the 2013-14 Budget, the Government has provided further funding for the commitments it announced prior to its election in 2010. The total funding provided now exceeds the election estimates, especially for asset initiatives.

2.5 Operating surplus

2.5.1 Budgeted surplus for 2013-14

The difference between the total revenue received and the total output expenditure is referred to as the 'operating surplus', 'net operating balance' or 'net result from transactions'. This operating surplus, when added to non-cash items such as depreciation, is typically used to fund infrastructure spending (which is not included in output expenditure) or pay off debt.

³⁷ Budget Paper No.3, *2013-14 Service Delivery*, May 2013, p.64

³⁸ *ibid.*

In the 2013-14 Budget, the Government has reiterated its medium-term fiscal strategy of a ‘*net operating surplus of at least \$100 million and consistent with the infrastructure and debt parameters.*’³⁹

Consistent with this target, the Government is forecasting a surplus of \$224.5 million in 2013-14.

Table 2.8 shows the revenue and expense projections for 2013-14 together with the original budget and the latest estimate for 2012-13 (referred to as the ‘revised estimate’).

Table 2.8 Revenue and expense estimates for 2012-13 and 2013-14

Operating item	2012-13 Budget	2012-13 revised estimate	2013-14 Budget
	(\$ million)	(\$ million)	(\$ million)
Revenue	48,356.7	48,105.6	50,327.5
Output expenditure	48,201.8	47,928.6	50,103.0
Operating surplus	154.9	177.0	224.5

Sources: Budget Paper No.2, *2012-13 Strategy and Outlook*, May 2012, p.38; Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.45

Table 2.8 identifies that the operating surplus for 2013-14 is expected to be \$47.5 million (27 per cent) higher than the latest estimate for 2012-13. This is expected to be achieved by increasing revenue by \$2,221.9 million compared to last year, but increasing expenditure by only \$2,174.4 million.

Revenue projections for 2013-14 are 4.6 per cent higher than the revised estimate for 2012-13 (the equivalent rise for the previous year’s budget was 3.2 per cent).⁴⁰ On the expenditure side, 2013-14 projections are 4.5 per cent higher than the revised figure for 2012-13. However, part of this is a result of changes to accounting standard AASB 119 *Employee Benefits*. These changes have impacted on the amount included as expenditure in 2013-14 but not in 2012-13. Correcting for that change, the growth in expenditure is 3.3 per cent.⁴¹ The equivalent increase last year was 3.1 per cent.⁴²

FINDING: The Budget forecasts a surplus of \$224.5 million in 2013-14 which is line with the Government’s medium-term target of at least \$100 million.

2.5.2 Projected future operating surpluses

The Government anticipates that revenue will grow at a faster rate than expenses over the forward estimates period. The Government expects average annual revenue growth over the forward estimates to be 4.0 per cent and average expenditure growth to be 2.5 per cent.⁴³

39 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.8

40 Budget Paper No.2, *2012-13 Strategy and Outlook*, May 2012, p.38

41 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.45; further details of the impact of the change to the accounting standard can be seen in Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, pp.19-20

42 Budget Paper No.2, *2012-13 Strategy and Outlook*, May 2012, p.38

43 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.4

The 2013-14 Budget shows that the operating surplus is projected to grow markedly in 2015-16 and 2016-17, reaching an estimated surplus in excess of \$2.5 billion in 2016-17 (see Table 2.9).⁴⁴ The Treasurer explained that:⁴⁵

These growing surpluses go beyond responsible budget policy – this year they are enabling the Government to deliver a record \$6.1 billion in infrastructure.

Table 2.9 Revenue and expense estimates, 2013-14 to 2016-17

Operating item	2013-14 Budget	2014-15 estimate	2015-16 estimate	2016-17 estimate
	(\$ million)	(\$ million)	(\$ million)	(\$ million)
Revenue	50,327.5	51,974.7	54,474.3	56,543.4
Output expenditure	50,103.0	51,576.0	52,546.6	53,996.0
Operating surplus	224.5	398.7	1,927.7	2,547.4

Source: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.45

The table above shows that 2015-16 is projected by the Government to provide a major increase in Victoria's budget surplus. In that year, the surplus is expected to rise by \$1.5 billion or over 380 per cent to \$1.9 billion. The Government anticipates revenue growth of 4.8 per cent in that year, the highest of the forward estimates period, and expenditure growth of just 1.9 per cent, the smallest for the period.⁴⁶ The Government expects to build on this in the following year, 2016-17, and attain a further increase in surplus of \$619.7 million or 32 per cent.

Some of the key assumptions made by the Government underlying this growth in the last two years include:

- an increase in Victoria's share of the GST pool from 2015-16 onwards due to increased mining royalties in Queensland and Western Australia decreasing those states' share of the GST pool;⁴⁷
- steady growth in payroll tax throughout the forward estimates period as employment growth accelerates;⁴⁸ and
- increased taxes on property through the forward estimates period as a result of recovery in the property market.⁴⁹

FINDING: The Government forecasts that its operating surplus will increase substantially in 2015-16 and 2016-17. It plans for the surplus to rise by over 380 per cent between 2014-15 and 2015-16, to \$1.9 billion. It expects the surplus to further increase to over \$2.5 billion in 2016-17.

⁴⁴ *ibid.*, pp.45, 55

⁴⁵ Budget Paper No.1, *2013-14 Treasurer's Speech*, May 2013, p.4

⁴⁶ Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.45

⁴⁷ Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, p.184

⁴⁸ *ibid.*, pp.172-3

⁴⁹ *ibid.*, pp.174-5

2.6 Asset investment

2.6.1 Level of Government infrastructure investment

The Government has introduced a new measure called ‘Government infrastructure investment’ in 2013-14. This measure includes direct investment, investment through other sectors and PPP payments (less proceeds from asset sales).⁵⁰

In 2013-14, the Government is expecting Government infrastructure investment to total \$6.1 billion.⁵¹ The Government expects this to increase to \$6.6 billion in 2014-15.⁵²

The 2013-14 budget estimates include the commencement of funding for the *East West Link – Stage 1* initiative which has an estimated total capital cost of \$6-8 billion. As mentioned earlier, this project is referred to in the budget papers as the centrepiece of the Government’s 2013-14 infrastructure program.⁵³ The Government has also identified the development of the Port of Hastings and the Melbourne Metro Rail Tunnel as major projects.⁵⁴

FINDING: The Government is planning to spend \$6.1 billion on infrastructure and other physical assets in 2013-14, rising to \$6.6 billion in 2014-15.

2.6.2 Funding asset investment

As mentioned in Section 2.2 above, funding for the Government’s infrastructure program comes primarily from four sources:

- the operating surplus – that is, the money left over after output expenditure has been deducted from the revenue;
- depreciation and similar – these are included in the output expenditure for accounting reasons but do not actually involve any cash outflows, so the cash equivalent to these amounts is still available;
- proceeds from asset sales; and
- cash borrowings.

Table 2.10 shows the estimated proportion of the Government’s asset investment that could be funded from the first three of these sources between 2013-14 and 2016-17. This includes direct investment and investment through other sectors, but does not include PPP payments.

As shown in Table 2.10, over the four years from 2013-14 to 2016-17, it is expected that the proportion of the Government’s asset investment that can be funded from sources other than borrowings will increase from 50 per cent to the full amount. This change reflects the Government’s expectation of higher operating surpluses and reduced asset investment over the forward estimates.

50 Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.11

51 Budget Paper No.1, *2013-14 Treasurer’s Speech*, May 2013, p.4; Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.44

52 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.44

53 *ibid.*, p.1

54 *ibid.*, p.8

Table 2.10 Projected asset investment, 2013-14 to 2016-17

Item	2013-14 (\$ million)	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)
Funding from the operating surplus, depreciation and similar, and asset sales [A]	3,151.8	3,521.2	5,171.8	5,715.8
Asset investment ^(a) [B]	6,246.2	5,536.1	3,391.9	3,964.8
Proportion of asset investment [B] that could be funded by [A] (per cent)	50.5	63.6	152.4	144.1

(a) Includes direct investment and investment through other sectors, but does not include PPP payments. This is different to the Government's 'Government infrastructure investment' figure.

Source: Calculated by the Committee based on Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.55

FINDING: The Government expects an increasing proportion of the asset investment program to be funded without borrowing in future years. The Government anticipates that asset investment will be fully funded without borrowing in both 2015-16 and 2016-17.

2.6.3 Disclosure in the budget papers

Details of the Government's asset investment program are spread across the various 2013-14 budget papers. For example:

- Budget Paper No.2 (*2013-14 Strategy and Outlook*) provides details of the aggregate expenditure on asset investment over the forward estimates and shows the allocation of new asset spending across departments;⁵⁵
- Budget Paper No.3 (*2013-14 Service Delivery*) details each new asset initiative announced in the 2013-14 Budget. Initiatives are listed by department. Details include a description of each project, the total estimated investment, estimated expenditure for each year to 2016-17 and the relevant output to which the initiative contributes;⁵⁶
- Budget Paper No.4 (*2013-14 State Capital Program*) lists new and existing asset initiatives under departmental and agency headings. It shows each project's total estimated investment, estimated expenditure to 30 June 2013, estimated expenditure in 2013-14, projected remaining expenditure and estimated completion date;⁵⁷
- Budget Paper No.5 (*2013-14 Statement of Finances*) identifies (within each department's projected financial statements) the expected cash outlays on asset investment.⁵⁸ It also identifies in a consolidated Table the total estimated asset purchases from 2013-14 to 2016-17 by department and government purpose;⁵⁹
- Budget Information Paper No.2 (*Infrastructure Investment*) provides an overview of the infrastructure program, with details of key projects and programs; and

55 *ibid.*, pp.55-6

56 Budget Paper No.3, *2013-14 Service Delivery*, May 2013, Chapter 1

57 Budget Paper No.4, *2013-14 State Capital Program*, May 2013, Chapter 2

58 Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, Chapter 3

59 *ibid.*, pp. 36-7

- Budget Information Paper No.1 (*Regional and Rural Victoria*) repeats some information from Budget Information Paper No.2 and discusses asset investment related to regional and rural Victoria.

The Committee has previously raised concerns about this segmented approach to presenting asset investment information⁶⁰ and the fact that data in one budget paper could not always be reconciled with related material in other budget papers (due to factors such as threshold conventions, varying accounting bases and different inclusions or exclusions).⁶¹

The Government has implemented a number of positive changes to the 2013-14 budget papers to address matters that have been previously raised by the Committee. These changes include, within Budget Paper No.4 (*2013-14 State Capital Program*):⁶²

- a new column listing the estimated completion date for each project;
- a table which reconciles, through a series of steps, asset investment aggregates with financial data on asset spending presented in other budget papers; and
- an expanded glossary of asset-related terms.

The Committee welcomes these enhancements.

The Government has also signalled in the budget papers that it intends to publish online, by mid-2013, further information for major projects funded through the budget, including procurement method, expected tender release dates and project status. It has stated that '*data will be regularly updated to provide the construction industry and the community with important information on how major projects are progressing and will be of great value to the construction industry in planning for upcoming public sector tendering processes.*'⁶³

FINDING: Information about asset investment is presented in a variety of ways across the budget papers. A number of changes have been introduced in the 2013-14 budget papers that enhance the standard of disclosure on asset-related material.

2.6.4 Public private partnerships

The budget papers indicate that 20 public private partnership projects are now operational. In addition, five further projects may impact on the budget during the forward estimates period.⁶⁴

The Victorian Comprehensive Cancer Centre is expected to be commissioned in 2015-16, at which time a liability of \$1.1 billion will be recognised on the balance sheet (increasing net debt, among other items).⁶⁵ The Ararat Prison has been listed in the budget papers as a PPP project in delivery.⁶⁶

60 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part One*, June 2011, p.26

61 Public Accounts and Estimates Committee, *Report on the 2012-13 Budget Estimates — Part Two*, September 2012, pp.19-23

62 Budget Paper No.4, *2013-14 State Capital Program*, May 2013, Chapters 2 and 3, pp.11 and 145-6

63 *ibid.*, p.8

64 *ibid.*, pp.7-8

65 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.55; Department of Treasury and Finance, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.18

66 Budget Paper No.4, *2013-14 State Capital Program*, May 2013, p.8

The budget papers also indicate that the new Bendigo Hospital is currently being tendered and two projects (a new male prison and *East West Link – Stage 1*) are expected to go to market in 2013.⁶⁷ These three projects are currently funded in the budget papers as direct asset investment, as is the usual process for PPP projects prior to going to market.

The Committee notes that the Government has announced a number of reforms recently to the PPP framework designed to ‘*reduce bidding costs and drive greater efficiencies and service outcomes.*’⁶⁸

FINDING: The Government has five projects in delivery as public private partnerships, being tendered or about to go to market. The Victorian Comprehensive Cancer Centre is expected to be commissioned in 2015-16, adding \$1.1 billion to borrowings and net debt. The impact of the other projects on borrowings and net debt has not yet been factored into the budget estimates.

2.6.5 Net debt

As noted in Section 2.6.2, where the level of asset investment exceeds the funding available, additional borrowings are required. The Government’s liability for PPP projects is also included within the borrowings line item. These additional borrowings contribute to the Government’s level of net debt, which is essentially a measure of the difference between what the Government owes and its cash (and assets that it could easily convert into cash).

The Government’s expected changes in net debt from 30 June 2013 to 30 June 2017 can be seen in Table 2.11. In dollar terms, net debt is expected to increase to 2015, before reducing marginally to June 2016 and then by a much greater degree by June 2017. The Government expects net debt as a proportion of gross state revenue to follow a similar pattern. The following comment is included in the budget papers on these reductions:⁶⁹

From 2015-16 onwards the Government’s continued expenditure constraint will drive sharp reductions to forecast net debt (both in nominal dollars and as a proportion of GSP).

Table 2.11 Net debt as at 30 June, 2013 to 2017

	2013	2014	2015	2016	2017
Net debt (\$ billion)	19.8	23.0	25.1	24.4	22.7
Net debt (per cent of gross state product)	5.8	6.4	6.6	6.1	5.4

Source: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.58

FINDING: The Government expects net debt to increase from 5.8 per cent of gross state product in June 2013 to 6.6 per cent by June 2015, before declining significantly to 5.4 per cent by June 2017.

⁶⁷ *ibid.*, p.7

⁶⁸ Hon. M. O’Brien MP, Treasurer, ‘Coalition Government Reforms PPP Policy to Support Infrastructure Growth’, media release, 2 May 2013

⁶⁹ Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.57

2.7 Victoria's credit rating

Two international rating agencies periodically assess Victoria's credit rating. As a matter of practice, both agencies publish a bulletin at the time of the State Budget, outlining their assessment of the latest budget's impact on the State's credit rating. The bulletins do not constitute a credit rating.

Standard & Poor's stated in its budget bulletin that Victoria's credit ratings (AAA/Stable) 'are not immediately affected by the Victorian government's announcement of its 2013-14 budget.'⁷⁰ The agency also commented that:⁷¹

In our opinion, despite further downward revisions of its revenues (from both its own-sources and GST transfers from the Commonwealth of Australia), the Victorian government's budgetary performance remains solid. The government has responded to these revenue pressures by constraining expenditure and introducing a number of revenue measures. We expect that these policies will ensure the general government accrual operating position remains in surplus over the forecast period ...

... today's budget is consistent with our expectation that the government will continue to deliver on its fiscal strategy, which targets operating surpluses and fully cash funding future infrastructure. Providing the state continues to demonstrate a high level of fiscal discipline, downside pressure to the rating is low.

Moody's Investors Service included the following comments in its assessment:⁷²

... the government's ongoing resolve to exert strong controls over both current and capital expenditures will be critical to achieving the balanced budget target. In this context, the state has made progress in slowing its rate of expenditure growth in recent years, but reducing annual increases further to a very low 2.7 % over the next four years – as is currently forecast – is likely to be challenging.

As part of Moody's normal monitoring process, Moody's intends to conduct an in-depth analysis of the budget and its medium-term impact on the state's financial and debt profile.

Neither agency indicates that the credit rating has been negatively impacted by the 2013-14 Budget.

FINDING: Two rating agencies have issued assessments of the Budget. Neither agency indicated that Victoria's credit rating has been adversely impacted following the 2013-14 Budget.

70 Standard & Poor's, 'Ratings on the Australian State of Victoria Unchanged after State Budget Announcement', 7 May 2013

71 *ibid.*

72 Moody's Investors Service, 'Announcement: Moody's Comments on Victoria's 2013/14 Budget', 7 May 2013

2.8 Sustainability of finances

The Government has indicated that it is committed to funding services and infrastructure sustainably⁷³ and considers that its savings measures ‘*return expenditure growth to more sustainable levels consistent with the more modest revenue outlook*’.⁷⁴

One key indicator of sustainability is the operating result (surplus), which the Government has identified as one of the four measures of its medium-term fiscal strategy (see Section 2.4.2 of this report). Another measure from that strategy, net debt as a proportion of gross state product, can also be used as an indicator of sustainability. The operating surplus is discussed above in Section 2.5. Net debt is discussed in Section 2.6.5 of this report.

In addition, the Australian Bureau of Statistics has developed an indicator called ‘net lending/borrowing’ which can be useful for understanding the sustainability of the State’s finances. The Australian Accounting Standards Board requires this indicator to be disclosed as a ‘key fiscal aggregate’ in public sector reporting,⁷⁵ and it is used by Moody’s Investors Service in analysing the Budget.⁷⁶ The Committee considers that it would be helpful for the Government to include discussion of this measure in future budget papers.

Each of these three indicators has advantages and limitations (see Table 2.12). However, the three together can be used to provide a picture of the sustainability of the finances across the forward estimates.

Table 2.12 Financial sustainability indicators

Indicator	Description
Operating result (surplus)	This indicates the difference between revenue and output expenditure, but does not include all of the Government’s spending on asset investment.
Net lending/borrowing	This indicator is similar to the operating result, but also includes some money spent and received in relation to asset investment (including public private partnership liabilities). ⁷⁶ A net lending position means that the Government has more revenue than it spends, and net borrowing means that it does not have enough.
Net debt as a percentage of Gross State Product	Net debt is a measure of the total amount owed as a result of borrowings and other debt, less cash and assets that can easily be converted into cash. This indicator compares net debt to GSP, which reflects Victoria’s total productive capacity (that is, its ability to repay debt).

Source: Public Accounts and Estimates Committee

⁷³ Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, pp.1, 31

⁷⁴ *ibid.*, p.4

⁷⁵ Australian Accounting Standards Board, *AASB 1049: Whole of Government and General Government Sector Financial Reporting*, June 2012, p.21

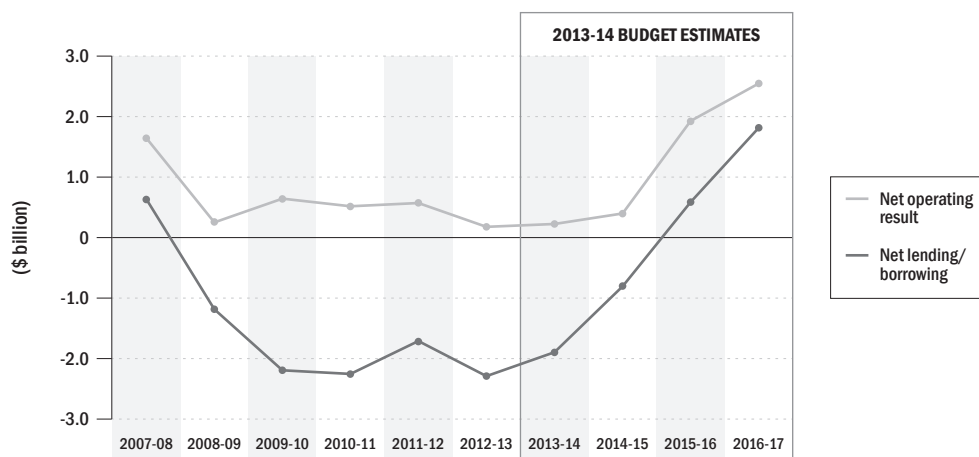
⁷⁶ Moody’s Investors Service, ‘Announcement: Moody’s Comments on Victoria’s 2013/14 Budget’, 7 May 2013

⁷⁷ The indicator includes proceeds from asset sales and direct asset investment but not investment through other sectors. It also includes public private partnerships commitments, although it recognises the total value of a project in the year in which it is commissioned, even though actual payments for a public private partnership occur over a number of years.

2.8.1 General government sector

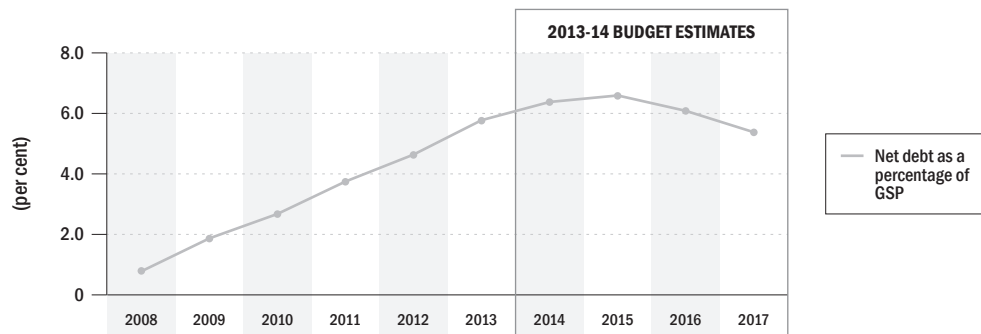
The Government's projections for these three indicators for the general government sector can be seen in Figures 2.2 and 2.3. The general government sector includes all government departments and agencies which provide services for free or well below cost.

Figure 2.2 Operating result and net lending/borrowing (general government sector)



Source: Department of Treasury and Finance, 'Consolidated Comprehensive Operating Statement 2013-14' data set, <[www.budget.vic.gov.au/CA257B16002775DE/WebObj/OperatingStatementGG2013-14Budget7May2013/\\$File/OperatingStatementGG2013-14Budget7May2013.XLS](http://www.budget.vic.gov.au/CA257B16002775DE/WebObj/OperatingStatementGG2013-14Budget7May2013/$File/OperatingStatementGG2013-14Budget7May2013.XLS)>, accessed 8 May 2013

Figure 2.3 Net debt as a percentage of GSP (general government sector)

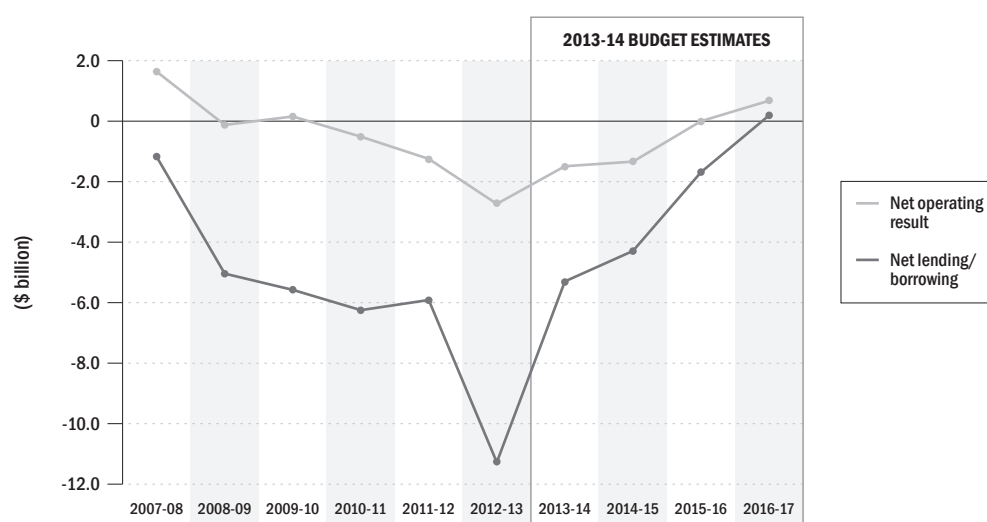


Sources: Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.58; Department of Treasury and Finance, 'Consolidated Balance Sheet 2013-14' data set, <[www.budget.vic.gov.au/CA257B16002775DE/WebObj/BalanceSheetGG2013-14Budget7May2013/\\$File/BalanceSheetGG2013-14Budget7May2013.XLS](http://www.budget.vic.gov.au/CA257B16002775DE/WebObj/BalanceSheetGG2013-14Budget7May2013/$File/BalanceSheetGG2013-14Budget7May2013.XLS)>, accessed 8 May 2013; Department of Treasury and Finance, 'Macroeconomic Indicators 2013-14' data set, <www.budget.vic.gov.au/CA257B16002775DE/pages/financial-data-sets-macroeconomic-indicators>, accessed 8 May 2013

2.8.2 Public sector as a whole

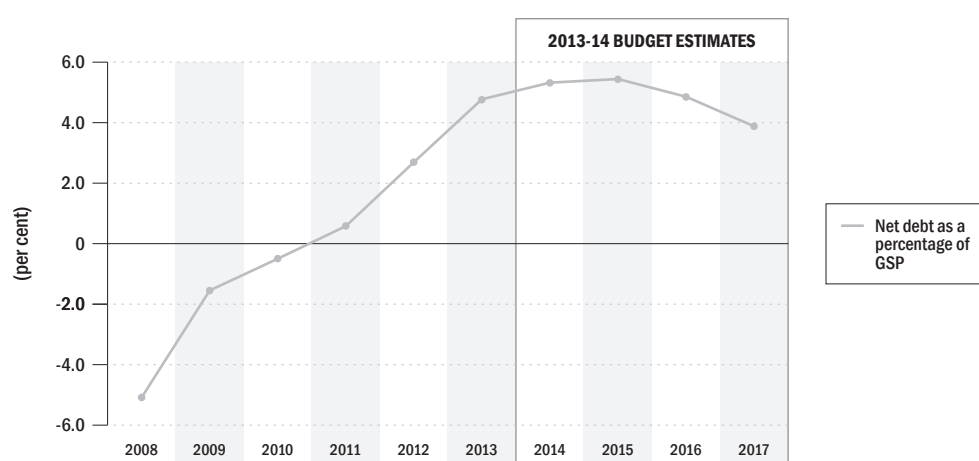
The Government's projections for these three indicators for the public sector as a whole (referred to in the budget papers as the 'State of Victoria') can be seen in Figures 2.4 and 2.5. The public sector as a whole includes the general government sector, along with government entities that charge for services (such as water corporations) and government entities offering financial services.

Figure 2.4 Operating result and net lending/borrowing (public sector as a whole)



Sources: Department of Treasury and Finance, 'Consolidated Comprehensive Operating Statement' data set, <[www.budget.vic.gov.au/CA257B16002775DE/WebObj/ConsolidatedComprehensiveOperatingStatementWOSAFOct2012/\\$File/ConsolidatedComprehensiveOperatingStatementWOSAFOct2012.xls](http://www.budget.vic.gov.au/CA257B16002775DE/WebObj/ConsolidatedComprehensiveOperatingStatementWOSAFOct2012/$File/ConsolidatedComprehensiveOperatingStatementWOSAFOct2012.xls)>, accessed 8 May 2013; Budget Paper No.5, *Statement of Finances*, May 2013, pp.69-70

Figure 2.5 Net debt as a percentage of GSP (public sector as a whole)



Sources: Department of Treasury and Finance, 'Consolidated Balance Sheet' data set, <[www.budget.vic.gov.au/CA257B16002775DE/WebObj/ConsolidatedBalanceSheetWOSAFOct2012/\\$File/ConsolidatedBalanceSheetWOSAFOct2012.xls](http://www.budget.vic.gov.au/CA257B16002775DE/WebObj/ConsolidatedBalanceSheetWOSAFOct2012/$File/ConsolidatedBalanceSheetWOSAFOct2012.xls)>, accessed 8 May 2013; Department of Treasury and Finance, 'Macroeconomic Indicators 2013-14' data set, <www.budget.vic.gov.au/CA257B16002775DE/pages/financial-data-sets-macroeconomic-indicators>, accessed 8 May 2013; Budget Paper No.5, *Statement of Finances*, May 2013, p.71

2.9 Contingency provisions

In each budget, contingency provisions are made for both operating and asset purposes. These provisions are for expenditure that has not been determined when the Budget is prepared, including for:⁷⁸

- unforeseen events, such as natural disasters (including bushfires and floods);
- likely growth in Victoria's population and consequent increased demand for government services; and
- projects that have not been determined at the time of the Budget.

Three types of contingency provision are made, as indicated in Table 2.13.

Table 2.13 Contingency items within the 2013-14 Budget and Appropriation Bill

Contingency item	2013-14 (\$ million)	2014-15 (\$ million)	2015-16 (\$ million)	2016-17 (\$ million)	Total (\$ million)
Output contingencies ^(a)	-88.4	834.4	1,385.4	2,108.2	4,239.6
Asset contingencies ^(b)	-500.3	301.0	819.1	2,022.7	2,642.5
Advance to the Treasurer to meet urgent claims ^(c)	378.2	-	-	-	378.2

(a) Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, p.32

(b) Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, p.37

(c) Appropriation (2013-2014) Bill 2013, page 14 of Schedule 1. The Advance to the Treasurer is released on a yearly basis. It is expected that broadly similar figures would also be made available in future years.

The Government has put sizeable contingency provisions aside over the four years to 30 June 2017, with \$4.2 billion set aside for outputs and \$2.6 billion for asset investment, in addition to the Advance to the Treasurer.

The value of contingency provisions within budgets varies significantly from one year to another. The 2013-14 provisions to the end of the forward estimates period are similar, for both output and asset purposes, to those made in the previous year.

Similar to the approach taken last year, the 2013-14 output and asset contingency provisions are negative amounts (\$-88.4 million and \$-500.3 million respectively).

The budget papers indicate that the output contingency provision includes '*provisions available to be allocated to specific departments and projects, future demand growth, departmental underspending and items not yet formalised at the time of publication.*'⁷⁹ The budget papers also identify that the asset contingency provision includes '*departmental underspending, which may be subject to carryover.*'⁸⁰

The Committee notes that one impact of the negative output contingency in 2013-14 is that output expenditure is reduced by this amount.

78 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.60

79 Budget Paper No.5, *2013-14 Statement of Finances*, May 2013, p.32

80 *ibid*, p.37

The Committee has previously advised the Parliament that it does not have a view on the appropriate level of contingency provisions. It can be argued that a large contingency is important for risk management. It can also be argued that excess provisions should be avoided so that funds can be used to deliver services.⁸¹

The Committee has previously recommended that the Government present expanded information about contingencies in future years, including their role in the budgetary process and the methodology employed for determining their quantification.⁸²

The Government supported that recommendation, indicating that the Department of Treasury and Finance ‘*will explore opportunities to enhance discussion around the basis and role of contingencies.*’⁸³

The presentation of material on contingencies in the 2013-14 Budget continues to be essentially unchanged from the time of the above response. The Committee therefore reiterates its view that the Government should expand disclosure in future budget papers.

The Committee also notes that a line item, ‘capital provision approved but not yet allocated’, is identified in the budget papers as forming part of projected infrastructure spending.⁸⁴ However, it is not clear how this line item relates to the above asset contingency. This item is described in the budget papers as the ‘*amount available to be allocated to specific departments and projects in future budgets, including contributions to other sectors.*’⁸⁵ The estimates shown for this item are lower than the asset contingencies shown in Table 2.13.

FINDING: The 2013-14 Budget includes contingency provisions totalling \$4.2 billion for outputs and \$2.6 billion for asset investment over the four years to 2016-17. For 2013-14, the Government has set negative contingencies of \$88.4 million for outputs and \$500.3 million for asset spending.

81 Public Accounts and Estimates Committee, *Report on the 2011-12 Budget Estimates — Part One*, June 2011, p.30

82 *ibid.*, Recommendation 8, p.31

83 Victorian Government, Government Responses to the Recommendations of Public Accounts and Estimates Committee’s 102nd Report on the 2011-12 Budget Estimates — Part One, tabled 24 November 2011, p.5

84 Budget Paper No.2, *2013-14 Strategy and Outlook*, May 2013, p.55

85 *ibid.*

CHAPTER 3 DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT HEARINGS

3.1 Introduction

The Department of Education and Early Childhood Development is responsible for administering the following portfolios:

- Children and Early Childhood Development;
- Education;
- Higher Education and Skills; and
- Minister responsible for the Teaching Profession.

3.2 Machinery-of-government and other changes

The Department is unaffected by machinery-of-government changes in 2013-14.

3.3 Key budget themes for 2013-14

The Department advised the Committee that:⁸⁶

The Department of Education and Early Childhood Development's (DEECD's) key strategic priorities underpinning its 2013-14 Budget and forward estimates to 2016-17 are:

Maintaining Strong Foundations

- Meeting critical demand pressure – *Strengthen and continue delivery of core programs and services to meet increasing demand and enhance opportunities for all Victorians including those with additional needs.*

Moving to Global Top Tier

- Implementing *Towards Victoria as a Learning Community* and *New Directions for School Leadership and the Teaching Profession* – *funding to support the reform agenda outlined in the Government's discussion paper and to achieve the ambitious goal of lifting the performance of Victoria's students into the global top tier in the next ten years.*
- Supporting Structural Reform – *supporting the transformation of Victoria's vocational education and training system to financial sustainability.*

⁸⁶ Department of Education and Early Childhood Development, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.2

The Department indicated that the key policies applicable to the Department in 2013-14 are:⁸⁷

- *Towards Victoria as a Learning Community;*
- *Securing Victoria's Economy;*
- *Victoria's Vulnerable Children;*
- *2011 Victorian Families Statement; and*
- *Refocussing Vocational Training in Victoria.*

3.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:⁸⁸

In 2013-14, priorities remain broadly unchanged from 2012-13 in that funding is targeted to the reform of key service delivery and meeting demand, while remaining cognisant of the current fiscal context. Priorities for 2013-14 are in line with the Government's Towards Victoria as a Learning Community position paper and the Refocussing Vocational Education in Victoria reforms.

The Department noted that:⁸⁹

The focus on lifting Victorian students' performance has seen the funding of the Lifting School Performance, China Immersion and National Partnerships Rewards Funding for Non-Government Schools initiatives.

3.5 Children and Early Childhood Development portfolio

3.5.1 Introduction

The Committee received evidence from the Hon. Wendy Lovell MLC, Minister for Children and Early Childhood Development, on 22 May 2013. The Minister was assisted by Richard Bolt, Secretary; Michael Maher, Executive Director, Programs and Partnerships Division; Dr Sonia Sharp, Deputy Secretary, Early Childhood and School Education Group; and Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group, Department of Education and Early Childhood Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.5.2 General comments

The Minister provided an overview of the Children and Early Childhood Development portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

⁸⁷ *ibid.*, p.4

⁸⁸ *ibid.*, p.2

⁸⁹ *ibid.*

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 3.5.4) are also available on the Committee's website.

3.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

Kindergartens

- participation rates and numbers (pp.8-9);
- accessing a second year of kindergarten (pp.9-10);
- *Children's Facilities Capital Program* initiative (pp.10-12); and
- 15-hour programs (p.12).

Early childhood intervention service places

- increased places (pp.5-6);
- basis for allocation of places (pp.6-7);
- unit cost (pp.7-8); and
- support for families on the waiting list (p.8).

Other matters

- Children's Allied Health Service at Sunshine Hospital (pp.4-5);
- early childhood workforce development and training (p.7);
- maternal and child health services (p.10);
- enhanced maternal and child health services (p.13); and
- Commonwealth funding for the portfolio (pp.10-11).

3.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

3.5.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

3.6 Education portfolio

3.6.1 Introduction

The Committee received evidence from the Hon. Martin Dixon MP, Minister for Education, on 17 May 2013. The Minister was assisted by Richard Bolt, Secretary; Dr Sonia Sharp, Deputy Secretary, Early Childhood and School Education Group; Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group; and Sue Christophers, Executive Director, International Education Division, Department of Education and Early Childhood Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.6.2 General comments

The Minister provided an overview of the Education portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 3.6.4) are also available on the Committee's website.

3.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Funding

- funding for reading recovery (pp.7-9);
- funding, population growth and inflation (pp.19-20, 22-3); and
- funding for the Education Maintenance Allowance (EMA) (pp.21-2).

Education programs

- School Focused Youth Service program (pp.10-18);
- education for children with a disability (pp.18-19);
- support for vulnerable children (pp.20-1);
- language education (pp.25-6); and
- Local Learning and Employment Networks (LLENs) (pp.29-30).

Capital projects

- land purchases, Cranbourne (pp.5-6);
- Coatesville Primary School capital works (pp.26-7); and
- benefits of capital projects (pp.27-9).

Other matters

- international comparison of education standards (pp.6-7);
- accountability for expenditure by schools (pp.9-10);
- NAPLAN (National Assessment Program – Literacy and Numeracy) and curriculum standards (pp.14-15); and
- Sandringham College campus viability (pp.23-5).

3.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing, and a second presentation showing satisfaction ratings (see p.21 of the transcript). The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

3.6.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

3.7 Higher Education and Skills portfolio

3.7.1 Introduction

The Committee received evidence from the Hon. Peter Hall MLC, Minister for Higher Education and Skills, on 21 May 2013. The Minister was assisted by Richard Bolt, Secretary; Kym Peake, Deputy Secretary, Higher Education and Skills Group; Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group; and Marianne Lourey, Executive Director, TAFE Transition Taskforce, Department of Education and Early Childhood Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.7.2 General comments

The Minister provided an overview of the Higher Education and Skills portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 3.7.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

3.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

TAFE

- Structural Adjustment Fund (pp.4-6, 11);
- funding for TAFEs (pp.6-7);
- vocational training responding to labour market needs (pp.8-9);
- transition taskforce (pp.9-10);
- potential use of the Lilydale and Prahran campuses (p.11);
- investment compared to other states (pp.11-12);
- demand-driven system for training (pp.11-12); and
- campuses experiencing financial difficulties (pp.12-13).

Other matters

- support for apprentice-level training (pp.5);
- apprenticeship enrolments (pp.7-8);
- adult digital literacy (pp.10-11); and
- Australian sign language (AUSLAN) (p.12).

3.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

3.7.5 Questions taken on notice at the budget estimates hearing

It was agreed that further information would be provided to the Committee regarding a contract with ACIL Tasman (p.10 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

3.8 Minister responsible for the Teaching Profession

3.8.1 Introduction

The Committee received evidence from the Hon. Peter Hall MLC, Minister responsible for the Teaching Profession on 21 May 2013. The Minister was assisted by Richard Bolt, Secretary; Monique Dawson, Deputy Secretary, People and Executive Services Group; Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group; and Tony Bugden, Executive Director, Human Resources Division, Department of Education and Early Childhood Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.8.2 General comments

The Minister provided an overview of the portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 3.8.4) are also available on the Committee's website.

3.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Teacher progression through pay bands under new enterprise bargaining agreement

- assumptions supporting the forward estimates (pp.3-4);
- robustness of performance assessments (p.4);
- prevention of high progression rates (p.5); and
- effects on the student resource package (pp.5-6).

Other matters

- *Lifting School Performance* initiative (pp.2-3, 7-8);
- teachers on fixed-term contracts (p.5);
- initiatives to increase the supply of teachers (pp.6-7);
- performance pay for principals (p.8); and
- teacher numbers and population growth (pp.8-9).

3.8.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

3.8.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

CHAPTER 4 DEPARTMENT OF ENVIRONMENT AND PRIMARY INDUSTRIES HEARINGS

4.1 Introduction

The Department of Environment and Primary Industries is responsible for administering the following portfolios:

- Agriculture and Food Security;
- Environment and Climate Change; and
- Water.

4.2 Machinery-of-government and other changes

In 2013, the Department's name was changed from the Department of Sustainability and Environment to the Department of Environment and Primary Industries.

As a result of machinery-of-government changes announced in 2013, the Department will gain the Agriculture and Food Security portfolio from the former Department of Primary Industries. Responsibility for Land Victoria (which was with the Department of Sustainability and Environment in 2012-13) will be transferred to the Department of Transport, Planning and Local Infrastructure.

4.3 Key budget themes for 2013-14

The Department advised the Committee that the key strategic priorities underpinning the 2013-14 Budget for the Department are:⁹⁰

- *Effective management of water resources to meet future urban, rural and environmental needs*
- *The community benefits from effective management of Victoria's assets*
- *Effective environment and adaptation policy, investment and regulation*
- *Reduced impact of major bushfires and other extreme events on people, infrastructure and the environment*
- *Create productive and competitive agricultural industries*
- *Sustainably manage fish, game and forest resources.*

The Department indicated that the key policies applicable to the Department in 2013-14 are:⁹¹

- *Environmental Partnerships – November 2012*
- *Government's Plan for Water*

⁹⁰ Department of Environment and Primary Industries, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 16 May 2013, p.2

⁹¹ *ibid*, p.3

- *Implementing the Government Response 2009 Victorian Bushfires Royal Commission – May 2011*
- *Growing Victoria's Food and Fibre – double Victoria's food and fibre production by 2030*
- *Victorian Timber Industry Action Plan*
- *Biosecurity Strategy for Victoria*
- *The Right to Farm*
- *Victorian Climate Change Adaptation Plan.*

4.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:⁹²

As a result of Machinery of Government (MOG) changes, the Department of Environment and Primary Industries (DEPI) has been created by merging together components of the former Department of Sustainability and Environment (DSE) and the Department of Primary Industries (DPI).

Outside of the structural changes as a result of the MOG, the objectives of DEPI remain largely consistent with the objectives of the components of DSE and DPI that have been merged.

In terms of the impact of these changes, the Department advised:⁹³

... the Department's objectives largely align with its objectives in 2012-13. As such, there has been no substantial impact on funding and resource allocation as a result of a change in departmental objectives.

4.5 Agriculture and Food Security portfolio

4.5.1 Introduction

The Committee received evidence from the Hon. Peter Walsh MP, Minister for Agriculture and Food Security, on 23 May 2013. The Minister was assisted by Adam Fennessy, Secretary, Department of Environment and Primary Industries; Chris O'Farrell, Chief Financial Officer, Department of Primary Industries; Matthew Clancy, Chief Finance Officer; German Spangenberg, Executive Director, Biosciences Research; Clive Noble, Chief Science and Technology; and Hugh Millar, Executive Director, Biosecurity Victoria, Department of Environment and Primary Industries. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

92 *ibid.*, p.2

93 *ibid.*

4.5.2 General comments

The Minister provided an overview of the Agriculture and Food Security portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 4.5.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

4.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Fox and dog control

- measures in place (pp.18-19);
- abuse of bounties (pp.19-20); and
- wild dog population estimate (p.20).

Performance measures

- 'Significant customer interactions to facilitate export outcomes' (pp.7-8);
- 'Properties inspected for invasive plant and animal priority species' (pp.10-11);
- 'International scientific workshops/conferences led/organised by DEPI to promote science leadership among peers' (pp.17-18); and
- 'Agrifood and natural resource management research and development project milestones and reports completed on time' (pp.23-4).

Budget initiatives

- *Foot-and-Mouth Disease Preparedness* (pp.9-10);
- *Rural Financial Counselling Service* (p.11);
- *A New Game Management Authority for Victoria* (pp.12-13); and
- initiatives for agricultural industries (pp.15-17).

Forestry

- effects of forestry regulation (pp.13-14); and
- 20-year timber allocations (pp.14-15).

Giles abattoir, Trafalgar

- effect of closure on farmers (p.13); and
- outcomes of investigation (p.22).

Other matters

- savings initiatives in the portfolio (pp.5-6);
- entertainment, travel, legal, consultant and contract expenses in 2012-13 and 2013-14 (p.6);
- benefits of machinery-of-government changes (p.6);
- staff reductions in biosciences research (pp.6-7);
- food and fibre exports (pp.7-8);
- staff moving from the Department of Primary Industries to the Department of Environment and Primary Industries (p.12);
- benefits of new agricultural technologies (pp.20-2); and
- benefits of recreational fishing to regional Victoria (pp.22-3).

4.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

4.5.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- savings initiatives and funding from 'existing resources' (p.6);
- target for the 'Significant customer interactions to facilitate export outcomes' performance measure (p.9);
- staff coming from the Department of Primary Industries to the Department of Environment and Primary Industries (p.12);
- Department's engagement of agency staff and commissions paid (p.12); and
- Agrifood and natural resource management research and development project milestones and reports not completed on time (p.23).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

4.6 Environment and Climate Change portfolio

4.6.1 Introduction

The Committee received evidence from the Hon. Ryan Smith MP, Minister for Environment and Climate Change, on 24 May 2013. The Minister was assisted by Adam Fennessy, Secretary; Matthew Clancy, Chief Finance Officer; Alan Goodwin, Chief Fire Officer; and Paul Smith, Deputy Secretary, Land, Fire and Environment, Department of Environment and Primary Industries. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

4.6.2 General comments

The Minister provided an overview of the Environment and Climate Change portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 4.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

4.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

Environmental and adaptation policy

- climate change adaptation plan (pp.6-8);
- protection of native vegetation and threatened species (pp.5-6);
- Victorian Adaptation and Sustainability Partnership (p.8); and
- air quality monitoring (p.10).

Bushfires prevention

- bushfire suppression (pp.14-15); and
- *Increase Planned Burning* initiative (pp.16-18).

Management of land and water assets

- *A Cleaner Yarra River and Port Phillip Bay* initiative (pp.8-9);
- waste recovery, waste infrastructure and waste management (pp.10-11);
- beach erosion and replenishment (pp.11-13);
- coastal environments program (p.13); and
- maintenance of river red gum parks and reserves (pp.13-14).

Other matters

- savings measures (pp.4-5);
- reduction of duplicated grant programs (p.5);
- environmental accounting (p.6);
- firewood collection in parks and reserves (pp.15-16); and
- management of Lake Mountain and Mount Baw Baw (pp.18-19).

4.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

4.6.5 Questions taken on notice at the budget estimates hearing

It was agreed that information would be provided to the Committee about staff reductions (p.5 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

4.7 Water portfolio

4.7.1 Introduction

The Committee received evidence from the Hon. Peter Walsh MP, Minister for Water, on 23 May 2013. The Minister was assisted by Adam Fennessy, Secretary; Jane Doolan, Deputy Secretary, Water; Mathew Clancy, Chief Finance Officer; Peter Sammut, General Manager Capital Projects; and Simon Want, Head of Office, Office of Living Victoria, Department of Environment and Primary Industries. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

4.7.2 General comments

The Minister provided an overview of the Water portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 4.7.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

4.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

Capital projects

- cost of the Victorian Desalination Plant (pp.5-6);
- Macalister irrigation district upgrades (p.11); and
- Sunraysia irrigation modernisation (pp.13-14).

Environmental contribution levy

- amounts expected over the forward estimates (p.9); and
- spending of funds collected (p.10).

Performance measures

- river improvement works (pp.6-7); and
- rebates for water efficiency (p.13).

Other matters

- Final Report of the Independent Review of State Finances (the ‘Vertigan report’) (pp.4-5);
- benefits of machinery-of-government changes (p.5);
- departmental savings sourced from the portfolio (p.5);
- Office of Living Victoria (pp.7-8);
- efficiency in water services provision (pp.9-10);
- effects of the change to the financial accommodation levy (pp.11-12);
- Murray Darling Basin Authority (pp.12-13); and
- funding for catchment management authorities (pp.14-15).

4.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee’s website (www.parliament.vic.gov.au/paec).

4.7.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee’s website):

- departmental savings sourced from the portfolio (p.5);
- the financial accommodation levy (p.12); and
- water efficiency rebates (p.13)

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee’s website.

CHAPTER 5 DEPARTMENT OF HEALTH HEARINGS

5.1 Introduction

The Department of Health is responsible for administering the following portfolios:

- Ageing;
- Health; and
- Mental Health.

5.2 Machinery-of-government and other changes

The Department is unaffected by machinery-of-government changes in 2013-14.

5.3 Key budget themes for 2013-14

The Department advised the Committee that the key strategic priorities underpinning the 2013-14 Budget for the Department are:⁹⁴

... the reform priorities outlined in the Victorian Health Priorities Framework 2012-2022 (VHPF):

1. *Developing a system that is responsive to people's needs*
2. *Improving every Victorian's health status and health experiences*
3. *Expanding service, workforce and system capacity*
4. *Increasing the system's financial sustainability and productivity*
5. *Implementing continuous improvements and innovation*
6. *Increasing accountability and transparency*
7. *Utilising e-health and communications technology*

The VHPF articulates the long term goals of the department, and encompasses the forward estimates period (2016-17).

The Department indicated that the key policies applicable to the Department in 2013-14 are:⁹⁵

... underpinned by the Victorian [Health] Priorities Framework 2012-2022. The VHPF outlines the government's plan to ensure that the health, aged care and mental health system is responsive to community needs and expectations, and identifies major reform priorities to enhance sustainability. The framework is underpinned by two supporting plans:

⁹⁴ Department of Health, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 13 May 2013, p.2

⁹⁵ *ibid.*, p.5

- *Metropolitan Health Plan 2012-22 – articulates the long-term planning and development priorities for Victoria's health services throughout the next decade, focussing on Melbourne's health system*
- *Rural and Regional Health Plan 2012-22 – sets out to drive the development of key actions to deliver services in rural and regional Victoria that are responsive to people's needs, informative and rigorously informed*

The department's policy direction is also guided by the following:

- *Victorian Public Health and Wellbeing Plan 2011-2015 – aims to improve the health and wellbeing of all Victorians by engaging communities in prevention, and by strengthening systems for health protection, health promotion and preventive healthcare across all sectors and all levels of government.*
- *Development of a new Mental Health Act – a major reform initiative that places patients in public mental health services at the centre of decision-making in their own treatment and recovery.*
- *Whole-of-Victorian-Government Alcohol and Drug Strategy, Reducing the alcohol and drug toll – Victoria's plan 2013-17.*
- *National Health Reform Agreement (NHRA) and other Commonwealth agreements – national arrangements are changing financing and payment arrangements for health services, and in the long-term, will change the way health services are funded.*

5

5.4 Major priority shifts for 2013-14

No major differences in the Department's priorities since the previous budget were specified by the Department.⁹⁶

5.5 Ageing portfolio

5.5.1 Introduction

The Committee received evidence from the Hon. David Davis MLC, Minister for Ageing, on 14 May 2013. The Minister was assisted by Dr Pradeep Philip, Secretary; Jane Herington, Director, Aged Care, Wellbeing, Integrated Care and Ageing; Lance Wallace, Executive Director, Finance and Corporate Service; and Peter Fitzgerald, Executive Director, Strategy and Policy, Department of Health. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.5.2 General comments

The Minister provided an overview of the Ageing portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

⁹⁶ *ibid.*, p.2

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 5.5.4) are also available on the Committee's website.

5.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Residential aged care

- funded beds in high-care and low-care places (p.3);
- closure of the Thomas Hogan Residential Aged Care wing of the Kyneton District Health Service (p.4); and
- outsourcing or privatisation of publicly funded aged-care services or facilities (pp.5-6).

Other matters

- Golden Days Radio (pp.2-3);
- changes in Commonwealth funding (pp.4, 6); and
- University of Third Age (U3A) (pp.4-5).

5.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

5.5.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

5.6 Health portfolio

5.6.1 Introduction

The Committee received evidence from the Hon. David Davis MLC, Minister for Health, on 14 May 2013. The Minister was assisted by Dr Pradeep Philip, Secretary; Peter Fitzgerald, Executive Director, Strategy and Policy; Lance Wallace, Finance and Corporate Service; and Frances Diver, Executive Director, Hospital and Health Service Performance, Department of Health. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.6.2 General comments

The Minister provided an overview of the Health portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 5.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

5.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Increases in services

- new hospital beds – location of beds delivered during 2012-13 (pp.18-20);
- new hospital beds – number (p.21); and
- new and additional services for Geelong (p.26).

Commonwealth funding

- Commonwealth funding levels (pp.21-3);
- State and Commonwealth contributions to increases in expenditure (pp.26-8);
- contributions to increase in the Department's output funding (pp.29-30); and
- population growth estimate used by the Commonwealth (pp.36-7).

Asset investment

- projects in regional Victoria (pp.10-13);
- projects in metropolitan Melbourne (pp.16-18);
- Box Hill Hospital redevelopment (pp.24-5);
- Capital and Resources Plan 2012-22 (pp.32-3); and
- Rural Capital Support Fund (pp.33-4).

Ambulance Victoria

- performance of Ambulance Victoria (pp.5-7);
- rural and regional Mobile Intensive Care Ambulance (MICA) units (pp.7-8);
- ambulance ramping at the Northern Hospital (pp.8-10);
- expenditure on ambulance services (p.13); and
- Statement of Priorities (p.16).

Other matters

- publication of waiting lists (pp.14-16);
- waiting list for elective surgery (pp.25-6);
- improved purchasing practices (pp.20-1);
- rapid HIV testing trial (pp.28-9);
- effects of the carbon tax on the Department (pp.30-2);
- cervical cancer screening targets (p.34);
- Western Region Health Centre dental services (pp.34-5);
- backfilling of staff on maternity leave (pp.35-6); and
- the content of the questionnaire response (pp.5, 37).

5.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following documents:

- a map of the new MICA services in rural and regional Victoria;
- Expert Panel on Waiting List Management, *Report to the Minister of Health*, August 2012;
- Expert Panel on Waiting List Management, *Independent Assurance Report on Elective Surgery Procedures and Specialist Outpatient Clinics Waiting List Data*, May 2012;
- Department of Health, *Specialist Clinics Quarterly Activity and Wait Time Report*, September quarter, 2012;
- Department of Health, submission to the Senate Committee on Finance and Public Administration's Inquiry into the Implementation of the National Health Reform Agreement, February 2013;
- a spreadsheet showing the Department's estimates for carbon prices for health services; and
- a letter from the Western Region Health Centre, received 10 May 2013.

The slides and tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

5.6.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- factors contributing to the increase in the Department of Health's output funding (pp.29-30);
- cervical cancer screening targets (p.34);
- backfilling staff on maternity leave (pp.35-6); and
- response to question 12 of the Committee's questionnaire (p.37).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

5.7 Mental Health portfolio

5.7.1 Introduction

The Committee received evidence from the Hon. Mary Wooldridge MP, Minister for Mental Health, on 23 May 2013. The Minister was assisted by Dr Pradeep Philip, Secretary; Paul Smith, Executive Director, Mental Health Drugs and Regions Division; Lance Wallace, Executive Director, Finance and Corporate Services; and Peter Fitzgerald, Executive Director, Strategy and Policy, Department of Health. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.7.2 General comments

The Minister provided an overview of the Mental Health portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 5.7.4) are also available on the Committee's website.

5.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

- enforcement of synthetic cannabis ban (pp.4-5);
- mental health care in western suburbs (p.5);
- a new Mental Health Act (pp.5-6);
- support for women with mental illness (pp.6-7);
- prevention and recovery care facilities in regional Victoria (pp.7-8);
- mental health services for refugees and asylum seekers (p.8); and
- timeliness of admission to a mental health bed (pp.8-9).

5.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

5.7.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

CHAPTER 6 DEPARTMENT OF HUMAN SERVICES HEARINGS

6.1 Introduction

The Department of Human Services is responsible for administering the following portfolios:

- Community Services;
- Disability Services and Reform;
- Housing;
- Women's Affairs; and
- Youth Affairs.

6.2 Machinery-of-government and other changes

There were no machinery-of-government changes to the Department in 2013. A new ministerial portfolio, Disability Services and Reform, was created in 2013. This did not involve any movement of responsibilities between departments.

6.3 Key budget themes for 2013-14

The Department advised the Committee that:⁹⁷

The Department of Human Services supports Victorians in need to build better lives and achieve their potential by providing housing and community services and programs to assist individuals and families to participate in their community, the economy and life.

The department's priorities are:

Immediate support

With our partners we support people in crisis, and help individuals and families get their lives back on track:

- *Deliver responsive client centred services when and where people need them*
- *Work with our clients to help them build essential life skills*
- *Provide services that support the wellbeing and safety of our clients.*

Capabilities and participation

With our partners we work with families, individuals, young people and communities to improve their lives through building capabilities and resilience, supporting participation in work, education and the community:

⁹⁷ Department of Human Services, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.2

- *Work with our clients to build capabilities to get into and stay in work*
- *Support our clients to participate in training education and the community*
- *Enable all young Victorians to experience healthy, active and fulfilling lives and have the opportunity to achieve their full potential, participate in the workforce and be involved in their community*
- *Intervene early to prevent marginalisation and disadvantage*
- *Advocate for people and communities at risk of marginalisation, and promote equality and participation in Victoria.*

Quality of life

With our partners we provide services to support people in need to enjoy a positive life:

- *Deliver responsive, joined up services that meet people's needs*
- *Give clients choice and control where appropriate*
- *Provide services that support our clients to achieve their potential.*

The Department indicated that the key policies applicable to the Department in 2013-14 are:⁹⁸

- *COAG [Council of Australian Governments] National Affordable Housing Agreement*
- *COAG National Disability Agreement*
- *COAG National Indigenous Reform Agreement*
- *COAG National Partnership on Homelessness*
- *Engage, Involve, Create: Youth Statement*
- *Human Services – The case for change*
- *Intergovernmental Agreement for the National Disability Insurance Scheme (NDIS) Launch and the Bilateral Agreement for the NDIS Launch between the Commonwealth and Victoria*
- *Pathways to a fair and sustainable social housing system*
- *Protecting children, changing lives*
- *Services Connect: Better services for Victorians in need*
- *Strong Culture, Strong Peoples, Strong Families: Towards a safer future for Indigenous families and communities Ten Year Plan*
- *Victorian Indigenous Affairs Framework 2010-2013*
- *Victoria's Homelessness Action Plan 2011-2015*
- *Victoria's Plan to Address Violence Against Women and Children – Everyone has a responsibility to act*
- *Victorian State Disability Plan 2013 – 2016*
- *Victoria's Vulnerable Children – Our Shared Responsibility Strategy 2013-2022*

98 *ibid.*, p.5

Currently in development:

- *Victorian Housing Framework*

6.4 Major priority shifts for 2013-14

No major differences in the Department's priorities since the previous budget were specified by the Department.⁹⁹

6.5 Community Services portfolio

6.5.1 Introduction

The Committee received evidence from the Hon. Mary Wooldridge MP, Minister for Community Services, on 23 May 2013. The Minister was assisted by Gill Callister, Secretary; Jim Higgins, Executive Director, Corporate Services Group; Arthur Rogers, Deputy Secretary, Design and Implementation Group; and Katy Haire, Deputy Secretary, Community and Executive Services, Department of Human Services. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.5.2 General comments

The Minister provided an overview of the Community Services portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 6.5.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

6.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

Child protection services

- rate of allocated cases (p.5);
- staff in the Loddon Mallee region (pp.5-6);
- out-of-home care system (pp.9-11);
- therapeutic foster care (p.11);

⁹⁹ *ibid.*, p.2

- education and building parenting skills (p.11); and
- making the legal system more child friendly (p.11).

Youth services and youth justice

- justice reforms implementation (pp.11-12);
- mental health assessment (p.12); and
- justice custodial centres (pp.14-15).

Energy concessions

- eligibility changes (pp.7-8); and
- bill caps indexation (pp.8-9).

Other matters

- Services Connect (pp.6-7);
- Social and Community Services (SACS) workers' wages (pp.12-13); and
- principal disability practitioner position (p.13).

6.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

6.5.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- unfilled staff positions for each region (p.10); and
- efficiencies and savings (p.16).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

6.6 Disability Services and Reform portfolio

6.6.1 Introduction

The Committee received evidence from the Hon. Mary Wooldridge MP, Minister for Disability Services and Reform, on 23 May 2013. The Minister was assisted by Gill Callister, Secretary; Jim Higgins, Executive Director, Corporate Services Group; Arthur Rogers, Deputy Secretary, Design and Implementation Group; and Katy Haire, Deputy Secretary, Community and

Executive Services, Department of Human Services. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.6.2 General comments

The Minister provided an overview of the Disability Services and Reform portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 6.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

6.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.3) and the following (page numbers refer to the transcript on the Committee's website):

- subsidies for aids and equipment (pp.3-4);
- rollout of the National Disability Insurance Scheme (pp.4-5);
- board and lodging fees for disability accommodation (pp.5-6); and
- the Final Report of the Independent Review of State Finances (the 'Vertigan report') (p.6).

6.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

6.6.5 Questions taken on notice at the budget estimates hearing

The Minister took one question on notice relating to Sandhurst Residential Services (p.6 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

6.7 Housing portfolio

6.7.1 Introduction

The Committee received evidence from the Hon. Wendy Lovell MLC, Minister for Housing, on 22 May 2013. The Minister was assisted by Gill Callister, Secretary; Simon Phemister, Executive Director, Policy and Strategy Group; Jim Higgins, Executive Director, Corporate Services Group; and Arthur Rogers, Deputy Secretary, Design and Implementation Group,

Department of Human Services. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.7.2 General comments

The Minister provided an overview of the Housing portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 6.7.4) are also available on the Committee's website.

6.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

- supply and demand of social housing dwellings (pp.4-5);
- youth foyer program (pp.5-6);
- social housing advocacy and support program (pp.6-8);
- assisting families at risk of being homeless (pp.8-9);
- community demographics (p.9);
- Sidney Myer Place – social housing development in Bendigo (pp.9-10);
- performance measures (pp.10-11);
- national partnership agreement on homelessness (p.11); and
- rooming houses (pp.11-12).

6.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

6.7.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

6.8 Women's Affairs portfolio

6.8.1 Introduction

The Committee received evidence from the Hon. Heidi Victoria MP, Minister for Women's Affairs, on 24 May 2013. The Minister was assisted by Gill Callister, Secretary; Jim Higgins, Executive Director, Corporate Services Group; Katy Haire, Deputy Secretary, Community and Executive Services; and Harald Klein, Director, Disability, Women and Youth, Department

of Human Services. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.8.2 General comments

The Minister provided an overview of the Women's Affairs portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 6.8.4) are also available on the Committee's website.

6.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- Queen Victoria Women's Centre (pp.3-4);
- programs provided by the Office of Women's Affairs (pp.4-5);
- staff numbers at the Office of Women's Affairs (p.8);
- economic participation of women in Victoria (pp.7-8); and
- women at senior and executive positions in the public sector (pp.5-6).

6.8.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

6.8.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

6.9 Youth Affairs portfolio

6.9.1 Introduction

The Committee received evidence from the Hon. Ryan Smith MP, Minister for Youth Affairs, on 24 May 2013. The Minister was assisted by Gill Callister, Secretary; Katy Haire, Deputy Secretary, Community and Executive Services; Harald Klein, Director, Youth, Disability and Women's Affairs; and Jill McCabe, Director, Community and Economic Participation, Department of Human Services. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.9.2 General comments

The Minister provided an overview of the Youth Affairs portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 6.9.4) are also available on the Committee's website.

6.9.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- scouts and guides infrastructure improvements (p.3);
- youth employment rate (pp.3-4);
- youth enterprise strategy (pp.5-6); and
- Rock Eisteddfod Challenge (pp.6-7).

6.9.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

6.9.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

CHAPTER 7 DEPARTMENT OF JUSTICE HEARINGS

7.1 Introduction

The Department of Justice is responsible for administering the following portfolios:

- Attorney-General;
- Bushfire Response;
- Consumer Affairs;
- Corrections;
- Crime Prevention;
- Liquor and Gaming Regulation;
- Police and Emergency Services; and
- Racing.

7.2 Machinery-of-government and other changes

Since the 2012-13 Budget, there have been two changes to the portfolios supported by the Department of Justice:

- there is no longer a separate portfolio for the establishment of an anti-corruption commission; and
- the Gaming portfolio has been expanded to Liquor and Gaming Regulation.

7.3 Key budget themes for 2013-14

The Department provided a detailed response to the Committee's questionnaire regarding the key strategic priorities underpinning the 2013-14 Budget for the Department of Justice and Victoria Police. Priorities identified by the Department included:¹⁰⁰

- improving community safety through policing, law enforcement and prevention activities;
- improving the efficiency of court processes;
- supporting Victoria Legal Aid services and victim support services;
- promoting community safety through effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation;
- minimising injury and property loss through a coordinated and integrated emergency response;
- promoting responsible industry behaviour and an informed community through effective regulation, education, monitoring and enforcement; and

¹⁰⁰ Department of Justice, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 10 May 2013, pp.2-3

- promoting and monitoring integrity within the public sector through implementation of the State's integrity systems reforms.

The Department's response provided additional information about how these priorities will be implemented. The full response can be viewed on the Committee's website (www.parliament.vic.gov.au/paec).

The Department's response provided additional information about the strategic priorities of Victoria Police in 2013-14.¹⁰¹

The Department also indicated that:¹⁰²

Key government policies that are applicable to the department and its entities in 2013-14 include the following:

- *Emergency Management Reform White Paper*
- *Reducing the alcohol and drug toll – Victoria's Plan 2013-2017*
- *Victoria's Road Safety Strategy 2013-2022*
- *Victorian Government ICT Strategy 2013-14*
- *Victorian Aboriginal Justice Agreement Phase 3 – A partnership between the Victorian Government and Koori Community (March 2013)*
- *Victorian Climate Change Adaption Plan (March 2013)*
- *Reinventing the Regions – Victoria's changing regional economies (2013).*
- *Securing Victoria's Economy: Planning. Building. Delivering.*
- *Victoria's Action Plan to Address Violence against Women and Children – Everyone has a responsibility to act (2012-15)*

7.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:¹⁰³

The department's strategic priorities build on those of the previous year. During 2012-13 the following 2011-12 strategic priorities were completed:

- *establishment of the Victorian Responsible Gambling Foundation*
- *establishment of the Office of the Freedom of Information Commissioner*
- *establishment of the Independent Broad-based Anti-corruption Commission (IBAC), and associated oversight bodies*
- *strengthening the independence of the Courts through the establishment of the Courts and Tribunals Service.*

The Department's response provides further detail about each of these bodies.¹⁰⁴

101 *ibid.*, pp.3-4

102 *ibid.*, pp.6-7

103 *ibid.*, p.4

104 *ibid.*, pp.4-5

Regarding Victoria Police, the Department informed the Committee that:¹⁰⁵

The Victoria Police strategic priorities for 2013-14 are not substantially different to the 2012-13 strategic priorities. They align with the government's current policies and upcoming legislative reforms including:

- *Victoria's Road Safety Strategy 2013-22*
- *Road Safety Action Plan 2013-16*
- *Reducing the Alcohol and Drug Toll: Victoria's Plan 2013-2017*
- *legislative changes such as amendments to the Family Violence Protection Act 2008 and*
- *introduction of legislation to replace the Police Regulation Act 1958.*

Victoria Police will also implement the policies and reforms specified in the Victorian Emergency Management Reform White Paper.

Both the Department of Justice and Victoria Police indicated that there are no funding or resource allocation impacts on the 2013-14 Budget from differences between 2012-13 and 2013-14 strategic priorities.¹⁰⁶

7.5 Attorney-General's portfolio

7.5.1 Introduction

The Committee received evidence from the Hon. Robert Clark MP, Attorney-General, on 16 May 2013. The Attorney-General was assisted by Greg Wilson, Secretary; Graham Hill, Executive Director, Courts and Tribunals Service; Marisa De Cicco, Executive Director, Strategic Policy and Legislation; and Carolyn Gale, Executive Director, Community Operations and Strategy, Department of Justice. The Committee thanks the Attorney-General and accompanying officers for their attendance and assistance.

7.5.2 General comments

The Attorney-General provided an overview of the Attorney-General's portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.5.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Attorney-General receiving correspondence from the Committee. This response will be published on the Committee's website.

¹⁰⁵ *ibid.*, p.5

¹⁰⁶ *ibid.*, pp.5-6

7.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Ombudsman

- access to information (pp.5-6); and
- restrictions from the Protected Disclosure Act (pp.7-8).

Victoria Legal Aid

- funding and activities (pp.6-7);
- funding for Mental Health Legal Centre (p.13);
- Preston legal aid office (pp.13-14); and
- provision of instructing solicitors in criminal trials (pp.16-17).

Court operations

- assistance for victims of crime (pp.8-9);
- efficient and effective court operation (pp.10-11);
- funding Coroner's investigations into family violence deaths (pp.11-12);
- speed of civil dispute resolution (pp.12-13);
- collection of fines and infringements (pp.15-16); and
- Attorney-General's intervention in court cases (pp.17-18).

Other matters

- Human Rights and Equal Opportunities Commissioner (pp.9-10);
- serious and organised crime (p.14);
- amounts spent on defending Freedom of Information applications (p.15); and
- professional standards for Freedom of Information officers (p.18).

7.5.4 Documents tabled at the budget estimates hearing

The Attorney-General provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.5.5 Questions taken on notice at the budget estimates hearing

The Attorney-General took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- amounts spent on defending Freedom of Information applications (p.15); and
- professional standards for Freedom of Information officers (p.18).

A written response by the Attorney-General to the Committee is due within 21 days of the Attorney-General receiving correspondence from the Committee. This response will be published on the Committee's website.

7.6 Bushfire Response portfolio

7.6.1 Introduction

The Committee received evidence from the Hon. Kim Wells MP, Minister for Bushfire Response, on 16 May 2013. The Minister was assisted by Greg Wilson, Secretary; Neil Robertson, Executive Director, Police and Emergency Management, Department of Justice; and Craig Lapsley, Fire Services Commissioner of Victoria. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.6.2 General comments

The Minister provided an overview of the Bushfire Response portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.3) and the following (page numbers refer to the transcript on the Committee's website):

Royal Commission recommendations

- implementation of recommendations (pp.4-7);
- fire services levy (pp.3-4);
- fire refuges (pp.7-9);
- Safer Electricity Assets Fund (pp.9-10);
- emergency sirens (pp.11-12); and
- protection of vulnerable people (pp.12-13).

Other matters

- bushfire counselling program (pp.5-6);
- responsibility for the fire recovery unit (pp.10-11);
- funding for the Kinglake youth group (p.12); and
- communications to the public (p.13).

7.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.6.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to funding for the Kinglake youth group (p.12 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.7 Consumer Affairs portfolio

7.7.1 Introduction

The Committee received evidence from the Hon. Heidi Victoria MP, Minister for Consumer Affairs, on 24 May 2013. The Minister was assisted by Greg Wilson, Secretary; Claire Noone, Executive Director, Consumer Affairs; Shaun Condron, Chief Finance Officer; and Phil D'Adamo, Director, Services and Support Division, Department of Justice. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.7.2 General comments

The Minister provided an overview of the Consumer Affairs portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.7.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- social housing, including Kids Under Cover (pp.3-4);
- information and advice provided by Consumer Affairs Victoria (CAV) (p.4);
- Office of the Fire Services Levy Monitor (pp.4-5);
- people living in caravan parks (pp.5-6);
- supporting vulnerable and disadvantaged consumers (pp.7-8); and
- cost of the *Promoting and Protecting Consumer Interests* output (pp.8-9).

7.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.7.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- the 'Information and advice provided to consumers and traders delivered by Consumer Affairs Victoria' performance measure (p.4);
- caravan parks and the Residential Tenancies Act (p.6);
- staff numbers for the last three financial years (p.8); and
- changes in the *Promoting and Protecting Consumer Interests* output cost (pp.8-9).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.8 Corrections portfolio

7.8.1 Introduction

The Committee received evidence from the Hon. Edward O'Donohue MLC, Minister for Corrections, on 13 May 2013. The Minister was assisted by Greg Wilson, Secretary; Jan Shuard, Commissioner, Corrections Victoria; Julia Griffith, Executive Director, Corrections, Health and Crime Prevention; and Larissa Strong, Director, Justice Health, Department of Justice. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.8.2 General comments

The Minister provided an overview of the Corrections portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.8.4) are also available on the Committee's website. A written response to the question on notice is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Prison expansion

- expansion of male prisons (p.6);
- expansion of high-security prisons (p.9); and
- employment resulting from prison expansions (pp.6, 9-10).

GPS tracking

- introduction of tracking devices (pp.7-8); and
- problems with tracking devices (pp.8-9).

Other matters

- deaths in custody (p.5);
- breaches of supervision orders (pp.6-7); and
- security of information (p.10).

7.8.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.8.5 Questions taken on notice at the budget estimates hearing

The Minister took one question on notice relating to breaches of supervision orders by serious sex offenders (p.7 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.9 Crime Prevention portfolio

7.9.1 Introduction

The Committee received evidence from the Hon. Edward O'Donohue MLC, Minister for Crime Prevention, on 13 May 2013. The Minister was assisted by Greg Wilson, Secretary; Julia Griffith, Executive Director, Corrections, Health and Crime Prevention; and Julianne Brennan, Director, Community Crime Prevention, Department of Justice. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.9.2 General comments

The Minister provided an overview of the Crime Prevention portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.9.4) are also available on the Committee's website.

7.9.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Community safety

- evaluation of grants programs (pp.3-6);
- violence against women and children (pp.7-8);
- Koori community safety grants (p.8);
- response from the community about new grants (p.8); and
- expected change to the crime rate (p.9).

Safety infrastructure

- *Guide to Developing CCTV for Public Safety in Victoria* (p.3); and
- crime prevention infrastructure, including Public Safety Infrastructure Fund (pp.6-7).

7.9.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.9.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

7.10 Liquor and Gaming Regulation portfolio

7.10.1 Introduction

The Committee received evidence from the Hon. Edward O'Donohue MLC, Minister for Liquor and Gaming Regulation, on 13 May 2013. The Minister was assisted by Greg Wilson, Secretary; Cate Carr, Director, Liquor and Gaming Policy; Ross Kennedy PSM, Executive Director, Liquor, Gaming and Racing; and Mary Amiridis, Director, Gaming Licences Transition Project, Department of Justice. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.10.2 General comments

The Minister provided an overview of the Liquor and Gaming Regulation portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.10.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.10.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

Regulation and licencing

- integration of gambling and liquor regulation (pp.4, 12-13, 15);
- Intralot monitoring licence (pp.4-5, 16);
- auction of the electronic gaming machine (EGM) entitlements (pp.6-7, 9-10);
- inspections in regional communities (pp.7-8); and
- performance measures (pp.15-16).

Problem gambling

- responsible gambling activities (pp.8-10, 14);
- removal of automatic teller machines (ATMs) in gaming venues (pp.11-12); and
- precommitment technology on gaming machines (p.16).

Other matters

- health benefit levy (pp.10-11); and
- availability of senior Victorian Commission for Gambling and Liquor Regulation (VCGLR) staff to members of Parliament (pp.13-14).

7.10.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.10.5 Questions taken on notice at the budget estimates hearing

The Minister took two questions on notice relating to barring orders (p.12 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.11 Police and Emergency Services portfolio

7.11.1 Introduction

The Committee received evidence from the Hon. Kim Wells MP, Minister for Police and Emergency Services, on 16 May 2013. The Minister was assisted by Greg Wilson, Secretary; Neil Robertson, Executive Director, Police and Emergency Management, Department of Justice; Craig Lapsley, Fire Services Commissioner of Victoria; and Ken Lay, Chief Commissioner of Victoria Police. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.11.2 General comments

The Minister provided an overview of the Police and Emergency Services portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.11.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.11.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Victoria Police

- progress in delivering the 1,700 additional front-line police (pp.6-7);
- leaking of documents (pp.10-11);
- investigations into police corruption (pp.11-12);
- impact of 'efficiencies and savings' on Victoria Police (pp.13-15);
- crime statistics and government actions (pp.15-16);
- on-the-spot fines (p.16);
- new and upgraded police stations (p.17); and
- police information process and practice reform program (pp.18-19).

Fire-fighting services

- compensation for cancer as a result of fire-fighting (pp.7-8);
- helicopters for Doreel fire (pp.17-18);
- impact of 'efficiencies and savings' on Metropolitan Fire Brigade's operations (pp.21-2); and
- breathing apparatus funding for the Country Fire Authority (pp.23-4).

Protective services officers

- cost (pp.5-6);
- deployment (pp.8-10); and
- community perceptions of protective services officers (pp.12-13).

Road safety

- road safety cameras (pp.19-21);
- road safety strategy (p.21); and
- hoon driving (p.23).

7.11.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.11.5 Questions taken on notice at the budget estimates hearing

The Minister took questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- fine revenue resulting from certain initiatives (p.16); and
- highest grossing speed camera locations (pp.20-1).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

7.12 Racing portfolio

7.12.1 Introduction

The Committee received evidence from the Hon. Denis Naphine MP, Minister for Racing and Premier of Victoria, on 10 May 2013. The Premier was assisted by Greg Wilson, Secretary; Sean Condrón, Chief Financial Officer; and Ross Kennedy PSM, Executive Director, Liquor, Gaming and Racing, Department of Justice. The Committee thanks the Premier and accompanying officers for their attendance and assistance.

7.12.2 General comments

The Premier provided an overview of the Racing portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 7.12.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee

within 21 days of the Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

7.12.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- funding for drug testing (pp.2-3);
- health benefit levy on Tattersall's and Tabcorp (pp.3-4);
- community benefits of Cranbourne Centre (pp.4-5);
- recommendations of the Perna Inquiry (pp.5-6);
- expenditure of the Racing Industry Fund (p.6); and
- benefits of assistance to the thoroughbred breeding industry (p.6).

7.12.4 Documents tabled at the budget estimates hearing

The Premier provided an introductory slide presentation at the budget estimates hearing. The Premier also tabled correspondence from the former Treasurer relating to the health benefit levy. The slides and tabled document are available on the Committee's website (www.parliament.vic.gov.au/paec).

7.12.5 Questions taken on notice at the budget estimates hearing

The Premier took questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- expenditure of the Racing Industry Fund (p.6); and
- assistance to the thoroughbred breeding industry (p.6).

A written response by the Premier to the Committee is due within 21 days of the Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

CHAPTER 8 DEPARTMENT OF PREMIER AND CABINET HEARINGS

8.1 Introduction

The Department of Premier and Cabinet (DPC) is responsible for administering the following portfolios:

- Aboriginal Affairs;
- Arts;
- Multicultural Affairs and Citizenship;
- Premier; and
- Veterans' Affairs.

8.2 Machinery-of-government and other changes

As a result of machinery-of-government changes announced in 2013, the Department will gain the following portfolios from the former Department of Planning and Community Development from 2013-14:

- Aboriginal Affairs; and
- Veterans' Affairs.

The Office of the Victorian Government Architect will be transferred from the Department of Premier and Cabinet to the Department of Transport, Planning and Local Infrastructure.

8.3 Key budget themes for 2013-14

The Department advised the Committee that:¹⁰⁷

DPC's strategic priorities underpinning the 2013-14 Budget include:

- *Supporting high-quality Government decision-making and implementation;*
- *Promoting an effective, accountable and professional public administration;*
- *Supporting and promoting full participation in strong and vibrant communities; and*
- *Developing and promoting a thriving Victorian arts and cultural sector.*

¹⁰⁷ Department of Premier and Cabinet, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.2

The Department further advised that:¹⁰⁸

Key Government policies applicable to new funding in the 2013-14 budget, or to Machinery of Government changes, are:

- ‘Commitment to the Arts’
- ‘Commitment to Multicultural Affairs and Citizenship’
- ‘Commitment to Veterans’ Affairs’
- ‘Victorian Aboriginal Affairs Framework 2013-18’

8.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:¹⁰⁹

DPC’s 2013-14 priorities have not changed since 2012-13 except to reflect Machinery of Government changes which transferred responsibility for Aboriginal Affairs and Veterans’ Affairs to the DPC portfolio.

8.5 Aboriginal Affairs portfolio

8.5.1 Introduction

The Committee received evidence from the Hon. Jeanette Powell MP, Minister for Aboriginal Affairs, on 22 May 2013. The Minister was assisted by Andrew Tongue PSM, Secretary, Department of Premier and Cabinet; Greg Forck, Chief Finance Officer, Corporate Services; Angela Singh, Executive Director, Office of Aboriginal Affairs Victoria; and Athena Andriotis, Assistant Director, Strategic Policy and Coordination, Office of Aboriginal Affairs Victoria, Department of Planning and Community Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

8.5.2 General comments

The Minister provided an overview of the Aboriginal Affairs portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee’s website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 8.5.4) are also available on the Committee’s website.

8.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee’s website):

¹⁰⁸ *ibid.*, p.3

¹⁰⁹ *ibid.*, p.2

- Victorian Indigenous Honour Roll (pp.3-4);
- education results for Aboriginal students (pp.4-5);
- portfolio responsibility for Aboriginal education (p.5);
- Victorian Aboriginal Affairs Framework (pp.5-6);
- Aboriginal people in the public service (pp.6-7); and
- Aboriginal access to decision-makers (p.7).

8.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled a series of maps and mini-posters related to the portfolio. The slides and other tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

8.5.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

8.6 Arts portfolio

8.6.1 Introduction

The Committee received evidence from the Hon. Heidi Victoria MP, Minister for Arts, on 24 May 2013. The Minister was assisted by: Penny Hutchinson, Director; Greg Andrews, Deputy Director, Policy and Programs; Michael O'Leary, Deputy Director, Agencies and Infrastructure; and Linda Fleet, Deputy Director, Strategic Communications and Marketing, Arts Victoria. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

8.6.2 General comments

The Minister provided an overview of the Arts portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 8.6.4) are also available on the Committee's website.

8.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- *National Gallery of Victoria Summer Program* initiative (pp.3-4);
- funding the Geelong Cultural Precinct (pp.4-5);
- investments in arts and culture (pp.5-6); and
- VicArts grant program (pp.6-7).

8.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

8.6.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

8.7 Multicultural Affairs and Citizenship portfolio

8.7.1 Introduction

The Committee received evidence from the Hon. Nicholas Kotsiras MP, Minister for Multicultural Affairs and Citizenship, on 22 May 2013. The Minister was assisted by Donald Speagle, Deputy Secretary, Citizenship and Resilience; Mark Duckworth, Executive Director, Citizenship and Resilience; and Hakan Akyol, Director, Office of Multicultural Affairs and Citizenship, Department of Premier and Cabinet. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

8.7.2 General comments

The Minister provided an overview of the Multicultural Affairs and Citizenship portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 8.7.4) are also available on the Committee's website.

8.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.3) and the following (page numbers refer to the transcript on the Committee's website):

Performance measures

- Cultural Precincts Enhancement grants (pp.6-7); and
- regional grants (pp.8-9).

Other matters

- spending in the *Supporting and Strengthening Communities* output group (pp.3-4);
- carryovers in the *Multicultural Affairs and Citizenship* output (pp.4-6);
- programs supporting harmony and social cohesion (p.6);
- benefits of Cultural Diversity Week (pp.7-8); and
- peak multicultural organisations fund (p.9).

8.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

8.7.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

8.8 Premier's portfolio

8.8.1 Introduction

The Committee received evidence from the Hon. Dr Denis Naphine MP, Premier of Victoria, on 10 May 2013. The Premier was assisted by Andrew Tongue PSM, Secretary; and Joanne de Morton, Deputy Secretary, Government and Corporate Group, Department of Premier and Cabinet. The Committee thanks the Premier and accompanying officers for their attendance and assistance.

8.8.2 General comments

The Premier provided an overview of his portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 8.8.4) are also available on the Committee's website.

8.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.5) and the following (page numbers refer to the transcript on the Committee's website):

Trade and export facilitation

- agent-general in London (p.6); and
- trade missions (p.24).

Health

- Bendigo Hospital (p.7);
- ambulance services (pp.12-16);
- expansion of hospital system (pp.16-17);
- radiotherapy facilities in Warrnambool (pp.18-19);
- National Disability Insurance Scheme (pp.19-20);
- elective surgery waiting list (pp.20-2);

- health funding (pp.20-3); and
- Waurin Ponds community hospital (pp.25-6).

Education

- TAFE and vocational education and training (pp.7-10);
- new schools and school maintenance (pp.10-12); and
- School Focused Youth Service (p.19).

Transport infrastructure

- Melbourne Metro Rail Tunnel (p.5);
- East West Link (pp.5, 8-9);
- Ringwood railway station and bus interchange (p.7); and
- Frankston train line (pp.14-15).

Other matters

- concessions to pensioners and beneficiaries (p.23);
- fire services levy (pp.23, 27-8);
- employment growth (pp.24-5); and
- entertainment, overseas travel, legal, consultant and contractor expenses (pp.26-7).

8.8.4 Documents tabled at the budget estimates hearing

The Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

8.8.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Premier at the hearing.

8.9 Veterans' Affairs portfolio

8.9.1 Introduction

The Committee received evidence from the Hon. Hugh Delahunty MP, Minister for Veterans' Affairs, on 21 May 2013. The Minister was assisted by Andrew Tongue PSM, Secretary, Department of Premier and Cabinet; Peter Herten, Deputy Secretary; David Roberts, Manager, Veterans Unit; and Greg Forck, Chief Finance Officer, Department of Planning and Community Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

8.9.2 General comments

The Minister provided an overview of the Veterans' Affairs portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 8.9.4) are also available on the Committee's website.

8.9.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

- grants to restore war memorials (pp.4-5);
- commemorating the Anzac centenary (pp.5-6); and
- funding for the Shrine of Remembrance (pp.6-7).

8.9.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

8.9.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

CHAPTER 9 DEPARTMENT OF STATE DEVELOPMENT, BUSINESS AND INNOVATION HEARINGS

9.1 Introduction

The Department of State Development, Business and Innovation is responsible for administering the following portfolios:

- Employment and Trade;
- Energy and Resources;
- Innovation, Services and Small Business;
- Major Projects;
- Manufacturing;
- Regional and Rural Development;
- Regional Cities;
- State Development;
- Technology;
- Tourism and Major Events; and
- Minister responsible for the Aviation Industry.

9.2 Machinery-of-government and other changes

In 2013, the Department's name was changed from the Department of Business and Innovation to the Department of State Development, Business and Innovation.

As a result of machinery-of-government changes announced in 2013, the Department will gain the following portfolios:

- Energy and Resources (from the former Department of Primary Industries);
- Regional and Rural Development (from the former Department of Planning and Community Development);
- Regional Cities (from the former Department of Planning and Community Development); and
- the new State Development portfolio.

The former portfolios of 'Employment and Industrial Relations' and 'Manufacturing, Exports and Trade' were reorganised in 2013 into three portfolios:

- Manufacturing;
- Employment and Trade; and
- Industrial Relations.

The Industrial Relations portfolio will be moved to the Department of Treasury and Finance from 2013-14.

The Department of State Development, Business and Innovation will also acquire responsibility for whole-of-government information and communication technology and the Red Tape Commissioner (formerly part of the Department of Treasury and Finance).

9.3 Key budget themes for 2013-14

Regarding the key strategic priorities underpinning the Department's 2013-14 budget, the Department advised that:¹¹⁰

The machinery-of-Government changes announced in April 2013 have broadened the Department's focus and strategic priorities to enable a strengthened focus on creating an environment that facilitates growth in jobs and investment to deliver increased wealth to the State.

Responsibilities have been expanded to encompass state development, regional development, energy and resources and whole-of-Government ICT, whilst maintaining the Department's focus on innovation, small business, tourism, manufacturing, aviation, technology, major events and major projects.

The Department is now well positioned to facilitate the development of an environment that supports business growth across all sectors and areas of the State and to facilitate significant projects which require a whole-of-Government approach.

Strategic Priorities underpinning the 2013-14 budget include:

- *State Development – providing whole-of-Government policy advice and co-ordination of strategic investment projects and attracting investment opportunities to the State;*
- *Regional Development – developing opportunities for employment and investment in regional Victoria;*
- *Energy and Resources – focusing on major development opportunities such as Victoria's coal resources;*
- *Exports – creating economic opportunity for Victorian businesses by providing export development assistance in relation to product, financing, marketing and logistics;*
- *Industry assistance – supporting businesses to maximise job growth, business growth and commercial opportunities;*
- *Manufacturing – continuing to deliver the Manufacturing Strategy;*
- *Employment – providing employment and skilled migration programs to meet the needs of businesses;*
- *Regulation reform – tailoring regulation to limit the impact on businesses. Strengthened through the Red Tape Commissioner joining the Department to provide expert advice on reducing business costs;*
- *Victorian Government ICT Strategy – delivering the actions in the Victorian Government ICT Strategy;*

¹¹⁰ Department of State Development, Business and Innovation, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 10 May 2013, p.2

- *International Engagement – delivering the engagement strategies for India, the Gulf States and China including continuing Trade Missions; and*
- *Tourism – increasing the number of visitors and improving their experience.*

The Department indicated that the key policies applicable to the Department in 2013-14 are:¹¹¹

- *Securing Victoria's Economy: Planning. Building. Delivering*
- *A More Competitive Manufacturing Industry: New Directions for Industry Policy and Manufacturing*
- *Engaging China – Strengthening Victoria*
- *Securing the Future – Victoria's Defence Industry Strategy*
- *Victoria and India from Engagement to Partnership 2013*
- *Victoria – Gulf States Engagement Strategy 2013*
- *Victoria – Leading eResearch Capability*
- *Victorian Design Initiatives 2012-15: Designing the Future*
- *Victorian Government ICT Strategy 2013 to 2014*
- *Victoria's China Tourism Strategy*
- *Victoria's Technology Plan for the Future: Biotechnology*
- *Victoria's Technology Plan for the Future: Information and Communication Technology*
- *Victoria's Technology Plan for the Future: Small Technologies*
- *Regional Growth Fund Policy*
- *Regional Cities Growth Policy*

9.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:¹¹²

The broadening of the Department's strategic priorities, as outlined above, has resulted in additional funding and resources for the establishment of the Office of State Development to facilitate whole-of-Government coordination of strategic investment projects and to promote Victoria as a place to invest.

Funding and resources will also be transferred from the former Department of Primary Industries to support the Energy and Resources output and from the former Department of Planning and Community Development to support the Regional Development and Regional Cities output.

¹¹¹ *ibid.*, p.5

¹¹² *ibid.*, p.3

Funding and resources to support whole-of-Government ICT services and the Red Tape Commissioner will be transferred from the Department of Treasury and Finance and funding and resources to support private sector industrial relations advice had been transferred to the Department of Treasury and Finance.

9.5 Employment and Trade portfolio

9.5.1 Introduction

The Committee received evidence from the Hon. Louise Asher MP, Minister for Employment and Trade, on 15 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Justin Hanney, Deputy Secretary, Trade and Industry Development; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.5.2 General comments

The Minister provided an overview of the Employment and Trade portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- outcomes of the trade mission program (pp.2-3, 6);
- agency staff numbers (pp.3-4);
- appointment of agent-general in London and commissioner to India (p.4);
- employment start-up program and industry partnership program (p.5); and
- international engagement with western China and Indonesia (pp.5-6).

9.5.4 Documents tabled at the budget estimates hearing

The Minister did not provide an introductory slide presentation or any other documents at the hearing.

9.5.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- agency staff numbers after machinery-of-government changes (p.4);
- areas and roles filled by agency staff (p.4); and
- numbers and projects associated with trade missions (p.6).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.6 Energy and Resources portfolio

9.6.1 Introduction

The Committee received evidence from the Hon. Nicholas Kotsiras MP, Minister for Energy and Resources, on 22 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Sandra Denis, Deputy Secretary, Energy and Earth Resources; Chris Brooks, Executive Director, Earth and Resources Development; Mark Feather, Executive Director, Energy Sector Development Division, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.6.2 General comments

The Minister provided an overview of the Energy and Resources portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

Electricity services

- electricity bills and contracts (pp.7-8, 11-12, 15); and
- smart meters rollout (pp.9-10).

Earth resources sector

- industrial action in the Latrobe Valley (p.6);
- exploration of coal seam gas (pp.6-7);
- staff processing mining licence applications and work plans (pp.10-11); and
- mine stability reports (pp.13-14).

Other matters

- wind energy projects (pp.4-6);
- Victorian energy efficiency target scheme (pp.12-13);
- the Powerline Bush Fire Safety Program (p.13); and
- solar feed-in tariff scheme (pp.14-15).

9.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.6.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to the number of staff responsible for processing applications and work plans (p.11 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.7 Innovation, Services and Small Business portfolio

9.7.1 Introduction

The Committee received evidence from the Hon. Louise Asher MP, Minister for Innovation, Services and Small Business, on 15 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Justin Hanney, Deputy Secretary, Trade and Industry Development; Grantly Mailes, Deputy Secretary, Innovation and Trade; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.7.2 General comments

The Minister provided an overview of the Innovation, Services and Small Business portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.7.4) are also available on the Committee's website.

9.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

Budget initiatives

- *Driving Business Innovation* (pp.5-6);
- *Melbourne International Film Festival* (pp.6-7);
- *Screen Jobs, Business and Skills* (p.8);
- *International Education* (p.9); and
- *Business Victoria Online* (p.11).

International education

- Victoria's share of international students (pp.4-5);
- budget funding (p.7); and
- International Education Strategy (p.9).

Business

- growth/contraction of the services sector (pp.6-8);
- stopping Victorian jobs going offshore (pp.9-11);
- business engagement model (pp.12-13); and
- 'Companies linked to business networks' performance measure (pp.15-16).

Departmental matters

- impact of savings initiatives (p.6);
- impact of the machinery-of-government changes (pp.14-15);
- staff numbers (pp.11-12);
- reduction in the proportion of non-executive staff (p.15); and
- entertainment expenses, overseas travel, legal expenses and grants to non-government organisations (pp.13-14).

Other matters

- publication of ministers' overseas travel expenses (p.14);
- Australian Synchrotron and National Centre for Synchrotron Science (p.15);
- completed or discontinued programs/projects (pp.16-18); and
- Operational Infrastructure Support program (pp.18-19).

9.7.4 Documents tabled at the budget estimates hearing

The Minister tabled a document detailing certain expenses for the Department of State Development, Business and Innovation. The document is available on the Committee's website (www.parliament.vic.gov.au/paec). There was no introductory slide presentation.

9.7.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

9.8 Major Projects portfolio

9.8.1 Introduction

The Committee received evidence from the Hon. David Hodgett MP, Minister for Major Projects, on 14 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Peter Noble, Acting Deputy Secretary, Investment and Major Projects; and Tim Bamford, Executive Director, Major Projects Victoria, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.8.2 General comments

The Minister provided an overview of the Major Projects portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.8.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

- Epping flower market ballot (pp.4-5);
- under-utilised space near the Melbourne CBD (pp.5-6);
- planning restrictions on Federation Square East proposals (pp.6-7);
- business case development for the E-Gate project (pp.7-9);
- Auditor-General's recommendations for Major Projects Victoria (p.9);
- new performance measures for Major Projects Victoria (pp.9-10);
- progress on Shrine of Remembrance project (pp.10-11); and
- Melbourne wholesale market trading floor size (pp.11-12).

9.8.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. Following the hearing, the Minister provided a letter clarifying a matter relating to the flower ballot at Melbourne Markets. The slides and letter are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.8.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to the cost of photographs, artists' impressions, and other aerial shots for the Department (p.7 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.9 Manufacturing portfolio

9.9.1 Introduction

The Committee received evidence from the Hon. David Hodgett MP, Minister for Manufacturing, on 14 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Jim Strilakos, Director of Finance; and Justin Hanney, Deputy Secretary, Trade and Industry Development, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.9.2 General comments

The Minister provided an overview of the Manufacturing portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.9.4) are also available on the Committee's website.

9.9.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- strength of the manufacturing industry in Victoria (pp.3-4);
- local content in Government projects (pp.4-5);
- Victorian Industry Participation Policy (p.5);
- Geelong Development Fund (p.6); and
- Government targets for manufacturing (pp.6-7).

9.9.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.9.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

9.10 Regional and Rural Development portfolio

9.10.1 Introduction

The Committee received evidence from the Hon. Peter Ryan MP, Minister for Regional and Rural Development and Deputy Premier of Victoria, on 17 May 2013. The Deputy Premier was assisted by Howard Ronaldson, Secretary; Lachlan Bruce, Chief Executive Officer, Regional Development Victoria; Brad Ostermeyer, Regional Infrastructure, Regional Development Victoria, Department of State Development, Business and Innovation; and Greg Forck, Chief Finance Officer, Department of Planning and Community Development. The Committee thanks the Deputy Premier and accompanying officers for their attendance and assistance.

9.10.2 General comments

The Deputy Premier provided an overview of the Regional and Rural Development portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.10.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Deputy Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

9.10.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Regional Development Victoria

- machinery-of-government arrangements (p.5); and
- projects in Ballarat (p.6).

Regional Growth Fund

- projects funded (p.6);
- Putting Locals First program (p.11); and
- regional skilled migration program (pp.11-12).

Other matters

- population growth estimates for regional Victoria (pp.6-7);
- infrastructure in regional cities to accommodate population growth (pp.7-8); and
- connecting regional areas to natural gas (pp.8-11).

9.10.4 Documents tabled at the budget estimates hearing

The Deputy Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.10.5 Questions taken on notice at the budget estimates hearing

The Deputy Premier agreed to provide further information about Regional Development Victoria projects in Ballarat (p.6 of the transcript on the Committee's website).

A written response by the Deputy Premier to the Committee is due within 21 days of the Deputy Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

9.11 Regional Cities portfolio

9.11.1 Introduction

The Committee received evidence from the Hon. Dr Denis Naphine MP, Minister for Regional Cities and Premier of Victoria, on 10 May 2013. The Premier was assisted by Andrew Tongue PSM, Secretary, Department of Premier and Cabinet; Lachlan Bruce, Chief Executive Officer, Regional Development Victoria, Department of State Development, Business and Innovation; Greg Forck, Chief Finance Officer, Department of Transport, Planning and Local Infrastructure; and Lill Healy, Executive Director, Policy and Planning, Department of State Development, Business and Innovation. The Committee thanks the Premier and accompanying officers for their attendance and assistance.

9.11.2 General comments

The Premier provided an overview of the Regional Cities portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.11.4) are also available on the Committee's website.

9.11.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included:

- assistance for Geelong, including the Geelong Development Fund (pp.2-3, 6);
- attracting workers to regional Victoria, including the regional skilled migration program (pp.3-5);
- the Bendigo Hospital redevelopment (p.4);
- the Ballarat West Employment Zone (pp.5-6); and
- the impact of machinery-of-government changes on the Regional Cities and Regional and Rural Development portfolios (p.6).

9.11.4 Documents tabled at the budget estimates hearing

The Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.11.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Premier at the hearing.

9.12 State Development Portfolio

9.12.1 Introduction

The Committee received evidence from the Hon. Peter Ryan MP, Minister for State Development and Deputy Premier of Victoria, on 17 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Justin Hanney, Deputy Secretary, Trade and Industry Development; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Deputy Premier and accompanying officers for their attendance and assistance.

9.12.2 General comments

The Deputy Premier provided an overview of the State Development portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.12.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Deputy Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

9.12.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

- machinery-of-government changes to the Department (pp.6, 11-12);
- ministerial co-ordination of the Department (pp.4-5);
- role of the portfolio (pp.3, 6-7);
- Victorian regional offices (p.7);
- State's coal reserves in the Latrobe Valley (pp.7-9);
- Final Report of the Independent Review of the State Finances (the 'Vertigan report') (pp.9-10);
- jobs derived from investment facilitated (pp.10-11);
- inbound trade missions (pp.12-13); and
- Office of State Development (pp.5-6, 13).

9.12.4 Documents tabled at the budget estimates hearing

The Deputy Premier provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.12.5 Questions taken on notice at the budget estimates hearing

The Deputy Premier took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- staff numbers, commission payments for agency staff and the machinery-of-government changes (p.6); and
- expected efficiencies and savings (pp.11-12).

A written response by the Deputy Premier to the Committee is due within 21 days of the Deputy Premier receiving correspondence from the Committee. This response will be published on the Committee's website.

9.13 Technology portfolio

9.13.1 Introduction

The Committee received evidence from the Hon. Gordon Rich-Phillips MLC, Minister for Technology, on 24 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Grantly Mailes, Deputy Secretary, Innovation and Technology; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.13.2 General comments

The Minister provided an overview of the Technology portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.13.4) are also available on the Committee's website.

9.13.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Victoria's Technology Plan for the Future and Government Information and Communications Technology (ICT) Strategy

- benefits of the strategy (pp.2-3);
- actions under the plan (pp.4-5); and
- funding (pp.6-7).

Other matters

- amounts spent on the GlaxoSmithKline plant in Boronia (pp.3-4);
- benefits of high-speed broadband (pp.5-6); and
- employment growth from technology investments (p.6).

9.13.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.13.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

9.14 Tourism and Major Events portfolio

9.14.1 Introduction

The Committee received evidence from the Hon. Louise Asher MP, Minister for Tourism and Major Events, on 15 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Leigh Harry, Chief Executive Officer, Tourism Victoria; John Dalton, Director, Strategy and Policy, Tourism Victoria; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.14.2 General comments

The Minister provided an overview of the Tourism and Major Events portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec).

9.14.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.2-3) and the following (page numbers refer to the transcript on the Committee's website):

- Formula 1 grand prix (pp.3-4);
- assistance for regional tourism (pp.4-5);
- funding of international marketing (p.5);
- funding in comparison with other states (pp.5-6);
- China tourism strategy (p.6); and
- Red Bull air race (p.7).

9.14.4 Documents tabled at the budget estimates hearing

The Minister did not provide an introductory slide presentation or any other documents at the hearing.

9.14.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

9.15 Minister responsible for the Aviation Industry

9.15.1 Introduction

The Committee received evidence from the Hon. Gordon Rich-Phillips MLC, Minister responsible for the Aviation Industry, on 24 May 2013. The Minister was assisted by Howard Ronaldson, Secretary; Andrew Ferrington, Executive Director, Aviation; and Jim Strilakos, Director of Finance, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

9.15.2 General comments

The Minister provided an overview of the portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 9.15.4) are also available on the Committee's website. A written response to the question on notice is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

9.15.3 Key matters raised at the budget estimates hearing

In addition to the overview (p.2), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Regional Aviation Fund

- projects funded (pp.2-3); and
- unspent funds (pp.5-6).

Other matters

- potential employment from the Jetstar 787 Dreamliner (p.3);
- developing skills for the aviation industry (pp.3-4);
- private sector skills provision (p.4); and
- advocacy for the aviation industry (p.5).

9.15.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

9.15.5 Questions taken on notice at the budget estimates hearing

The Minister took one question on notice relating to unspent funds in the Regional Aviation Fund (p.5 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

CHAPTER 10 DEPARTMENT OF TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE HEARINGS

10.1 Introduction

The Department of Transport, Planning and Local Infrastructure is responsible for administering the following portfolios:

- Local Government;
- Planning;
- Ports;
- Public Transport;
- Roads; and
- Sport and Recreation.

10.2 Machinery-of-government and other changes

In 2013, the Department's name was changed from the Department of Transport to the Department of Transport, Planning and Local Infrastructure.

As a result of machinery-of-government changes announced in 2013, the Department will gain the following portfolios from the former Department of Planning and Community Development:

- Local Government;
- Planning; and
- Sport and Recreation.

In addition, the Department will gain:

- Land Victoria (from the former Department of Sustainability and Environment); and
- the Victorian Government Architect (from the Department of Premier and Cabinet).

10.3 Key budget themes for 2013-14

In relation to strategic priorities, the Department advised the Committee that:¹¹³

The Department of Transport, Planning and Local Infrastructure's (DTPLI) goal is to integrate land use and transport planning with infrastructure provision to produce better outcomes for Victorians. DTPLI and its agencies are responsible for:

- *Managing and developing Victoria's transport and ports systems to make a significant contribution to ensuring a strong and vibrant economy.*

¹¹³ Department of Transport, Planning and Local Infrastructure, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.5

- *Providing efficient planning, building, heritage and local government systems, and support for Victoria's sport and recreation sector, to ensure Victorian cities and regions are competitive and liveable.*
- *Providing comprehensive and easily accessible land administration and land information to underpin effective decision making and appropriate use of land.*

The role of DTPLI is not only to lead State planning and investment, but to take a leadership role and work with commercial and private sectors to deliver better outcomes for Victoria, in projects such as the \$1.6 billion Port Capacity Project at the Port of Melbourne.

The strategic priorities for DTPLI that underpin the 2013-14 State Budget and the forward estimates are:

- *Safer transport services and infrastructure*
- *Higher quality transport services*
- *Well-targeted improvements and maintenance to transport system assets*
- *Plan for the future growth and transformation of cities and regions*
- *Leadership, advocacy and advice on the quality of architecture and the built environment*
- *Facilitate strategic investment in State and local infrastructure*
- *Deliver effective reform and governance of local government*
- *Deliver benefits for the community through effective management of Victoria's land assets*

With respect to policies, the Department indicated:¹¹⁴

Major policies that have significant transport, planning or local infrastructure impacts that apply to DTPLI in 2013-14 include:

- *Securing Victoria's Economy – describes the Victorian Government's plan to drive productivity, attract new investment and generate jobs. Securing Victoria's Economy aims to achieve this reform by constraining recurrent expenditure growth and building stronger surpluses to fund future infrastructure to keep pace with population growth and maintain liveability.*
- *Metropolitan Planning Strategy (MPS) – expected to be released in 2013, the MPS will provide a comprehensive statement of urban planning directions to manage Melbourne's growth and change over the next 30-40 years.*
- *Regional Growth Plans – are being developed as part of a whole-of-government approach to deliver land use plans, and include transport and infrastructure needs to manage the expected population growth in regional centres for the next 30 years.*
- *Victorian Freight and Logistics Plan (VFLP) – expected to be released in 2013, the VFLP will describe the Victorian Government's long term strategy to improve freight efficiency, productivity growth and better connect Victorian businesses with their markets through more strategic investment in freight and logistics sector infrastructure.*

¹¹⁴ *ibid.*, p.8

- *Road Safety Strategy (RSS) – the ten-year RSS sets the target to reduce deaths and serious injuries on the road network by more than 30 per cent by 2022. The first action plan under the strategy focuses on tackling the major contributors to trauma including speed and drink driving, as well as protecting those groups most at risk – motorcyclists, pedestrians and cyclists.*
- *Cycling into the Future 2013-23: Victoria's Cycling Challenge – sets out the Victorian Government's plan to grow and support cycling. The first action plan under the strategy contains actions to change behaviour, improve safety and develop cycling infrastructure.*

10.4 Major priority shifts for 2013-14

Comparing the 2013-14 Budget priorities with the 2012-13 priorities, the Department indicated:¹¹⁵

The strategic priorities for the DTPLI in the 2013-14 State Budget have been adapted from those of the former Department of Transport (DOT) and the relevant priorities of the specific functions and programs from the Department of Planning and Community Development (DPCD), Department of Sustainability and Environment (DSE) and Department of Premier and Cabinet (DPC) which will transfer to the Department in line with the Machinery of Government (MOG) changes effective from 1 July 2013.

Specific changes include:

- *The strategic priorities for the former DOT in 2012-13 included a priority to undertake planning to address current transport deficiencies and provide for future transport demand. As planning in transport is an essential process step in improving safety, developing and maintaining infrastructure or delivering services, the planning objective has been incorporated into the three transport priorities in 2013-14.*
- *The strategic priorities for DPCD for 2012-13 included outputs related to Regional Development and Regional Cities, Community Development, Indigenous Community and Cultural Development and Veterans' Affairs. Three new strategic priorities have been defined for the Planning, Building and Heritage, Sport and Recreation and Local Government outputs for 2013-14.*
- *The strategic priority for DSE for 2012-13 relating to the Land Administration and Property output also included outputs relating to the management of public land, forests and parks. This strategic priority has been adapted to refer to just the land administration output that will be transferred to DTPLI in 2013-14.*
- *The strategic priority for DPC for 2012-13 relating to the Office of the Victorian Government Architect has been adapted to refer to just the outputs of this Office in 2013-14.*

The Department indicated that the only impacts of changes to strategic priorities were the cancellation of components of the *Broadmeadows Activity District* and *Geelong Transit City – Stage 3* initiatives (formerly projects of the Department of Planning and Community

¹¹⁵ *ibid.*, p.6

Development). The Department noted that these changes were made prior to the machinery-of-government changes.¹¹⁶

The Department also noted:¹¹⁷

At a department level, any changes in strategic priorities from 2012-13 to 2013-14 will have minimal impact on funding and resource allocation decisions for 2013-14. Funding and resource allocation in recent State Budgets have been prioritised towards the Government's election commitments, policy announcements and initiatives aligned with DTPLI's strategic priorities.

10.5 Local Government portfolio

10.5.1 Introduction

The Committee received evidence from the Hon. Jeanette Powell MP, Minister for Local Government, on 22 May 2013. The Minister was assisted by Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure; Kendrea Pope, Acting Executive Director; Mark Grant, Acting Director, Sector Development, Local Government Victoria; and Greg Forck, Chief Finance Officer, Corporate Services, Department of Planning and Community Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.5.2 General comments

The Minister provided an overview of the Local Government portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.5.4) are also available on the Committee's website.

10.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- State and Commonwealth government financial support (pp.3-4);
- constitutional recognition of local government (pp.4-5);
- public library services (p.6);
- governance and conduct of Wangaratta Rural City Council (pp.6-7);
- role of the Local Government Inspectorate (pp.7-8); and
- performance reporting (p.8).

¹¹⁶ *ibid.*, p.6

¹¹⁷ *ibid.*

10.5.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.5.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

10.6 Planning portfolio

10.6.1 Introduction

The Committee received evidence from the Hon. Matthew Guy MLC, Minister for Planning, on 21 May 2013. The Minister was assisted by: Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure; Jim Gard'ner, Executive Director, Statutory Planning and Heritage; John Ginivan, Acting Executive Director, State Planning Building Systems and Strategy; and Greg Forck, Chief Finance Officer, Department of Planning and Community Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.6.2 General comments

The Minister provided an overview of the Planning portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-5), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

Growth and planning

- population growth – regional cities (pp.7-8);
- population growth effects on planning (pp.15-16);
- planning control given to local government (pp.21-2);
- effects of commercial zoning changes (p.22);
- employment in growth corridors (pp.16-17);
- employment promotion in south and south-east Melbourne (pp.18-19);
- building permits issued (pp.19-21);

- VicSmart planning system (pp.24-5); and
- planning protection for the Yarra and Maribyrnong rivers (pp.25-6).

Building Commission replacement

- council reporting requirements (pp.6-7); and
- powers to follow up local councils (p.7).

New Metropolitan Planning Strategy

- aims and objectives (pp.13-14); and
- public consultation (pp.11-12).

Housing affordability

- growth areas (pp.5-6); and
- inner city (pp.9-10).

Other matters

- rephasing and savings in the planning area (pp.8-9);
- investigations into individual planning decisions (pp.10-11);
- timeliness targets for planning scheme amendments (pp.12-13);
- work-in-kind agreements (p.15);
- delays in Victorian Civil and Administrative Tribunal (VCAT) (p.16);
- planning outputs after machinery-of-government changes (pp.17-18); and
- bicycle infrastructure projects (pp.22-4).

10.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides and tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.6.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to rephasing and savings in the planning area (pp.8-9 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.7 Ports portfolio

10.7.1 Introduction

The Committee received evidence from the Hon. David Hodgett MP, Minister for Ports, on 14 May 2013. The Minister was assisted by Dean Yates, Secretary; Terry Garwood, Executive Director, Freight Logistics and Marine Division; and Robert Oliphant, Chief Finance Officer, Department of Transport, Planning and Local Infrastructure. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.7.2 General comments

The Minister provided an overview of the Ports portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.7.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Major ports

- Port of Hastings redevelopment compared with Bay West (pp.5-7, 13);
- increasing port capacity (pp.7, 9);
- Port of Geelong (p.8); and
- Port of Melbourne expansion (pp.7, 10-11).

Other matters

- Transport Solutions program to reduce bottlenecks (pp.9-10, 13);
- ports and freight network funding (p.11);
- local ports (pp.11-12); and
- rates charged to port users (p.12).

10.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Committee tabled GeelongPort's submission to the Economic Development and Infrastructure Committee. The slides and tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.7.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- matters raised by GeelongPort (p.8); and
- dredging required for the Port of Hastings and Bay West (p.13).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.8 Public Transport portfolio

10.8.1 Introduction

The Committee received evidence from the Hon. Terry Mulder MP, Minister for Public Transport, on 15 May 2013. The Minister was assisted by Dean Yates, Secretary; Robert Oliphant, Chief Finance Officer; Ian Dobbs, Chair and Executive Officer, Public Transport Victoria; and Norman Gray, Director Network Operations, Public Transport Victoria, Department of Transport, Planning and Local Infrastructure. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.8.2 General comments

The Minister provided an overview of the Public Transport portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.8.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-5), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.5) and the following (page numbers refer to the transcript on the Committee's website):

New and upgraded train stations

- Ringwood and Eastland (pp.5, 18-19);
- Grovedale (p.15);
- Caroline Springs (pp.17-18);
- Epsom Eaglehawk (p.15);
- Southland (pp.31-2); and
- Balaclava (pp.36-7).

Rail network upgrades

- level crossings (pp.5, 10-11, 24, 27-9);
- *Bayside Rail Improvements* (pp.5-7, 16-17); and
- Echuca-Toolamba rail upgrade (pp.34-5).

Rail services

- new trains (pp.5, 7, 15-17);
- protective services officers (PSOs) (pp.5, 13-14);
- customer satisfaction (pp.13-14);
- regional train maintenance (p.5);
- Dandenong line – additional services (pp.14-15);
- high-capacity signalling (pp.32-3);
- non-urban train radio renewal (p.26);
- services improvement initiatives (pp.21-2); and
- Mode Shift Incentive Scheme (p.36).

Major projects

- Melbourne Metro Rail Tunnel (pp.7-10, 33); and
- Regional Rail Link (pp.28-31).

Public Transport Victoria (PTV)

- Network Development Plan (p.6);
- costs of establishing the PTV, travel, entertainment and legal expenses (pp.19-20);
- mobile apps (p.20);
- accessibility upgrades (p.23); and
- building ownership and costs (p.35).

Other transport modes

- the taxi industry and the Fels taxi inquiry recommendations (pp.23-4);
- bus service operator contracts (pp.25-6); and
- W-class trams restoration (p.36).

Other matters

- public transport network maintenance (pp.12-13);
- efficiencies and savings (pp.22-3);
- requirements of a growing population (pp.33-4);
- Commonwealth grants for infrastructure (pp.8-9, 24-5, 33); and
- Australian Level Crossing Assessment Model list (p.27).

10.8.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled an extract from the Auditor-General's report related to the Regional Rail Link project. The slides and tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.8.5 Questions taken on notice at the budget estimates hearing

The Minister took a number of questions on notice at the hearing or agreed to provide further information relating to these topics (page numbers refer to the transcript on the Committee's website):

- high-capacity trains investigation budget (pp.15-16);
- costs of rebranding and advertising for the establishment of PTV (pp.19-20);
- Department of Transport efficiencies and savings figures (pp.22-3);
- congestion costs (p.34); and
- PTV building ownership and lease payments information (p.35).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.9 Roads portfolio

10.9.1 Introduction

The Committee received evidence from the Hon. Terry Mulder MP, Minister for Roads, on 15 May 2013. The Minister was assisted by Dean Yates, Secretary; Robert Oliphant, Chief Finance Officer; Gary Liddle, Chief Executive, VicRoads; and Robert Freemantle, Chief Operating Officer, VicRoads, Department of Transport, Planning and Local Infrastructure. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.9.2 General comments

The Minister provided an overview of the Roads portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.9.4) are also available on the Committee's website.

10.9.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.3-4) and the following (page numbers refer to the transcript on the Committee's website):

East West Link

- tolls (pp.4-6);
- Hoddle Street upgrade comparison (pp.7-10);
- timeline and non-conforming bids (pp.12-13, 16-17); and
- business community response (pp.14-15).

Major programs

- road renewal and maintenance funding (pp.6-7);
- road safety strategy (pp.10-12);
- projects to reduce congestion (pp.13-14);
- school speed zone signing program (p.15); and
- country roads and bridges initiative (pp.15-16).

Other matters

- potential sale of Healesville freeway reserve (p.7); and
- incident response service (p.10).

10.9.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled documents relating to the potential Hoddle Street upgrade. The slides and tabled documents are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.9.5 Questions taken on notice at the budget estimates hearing

No questions on notice were taken by the Minister at the hearing.

10.10 Sport and Recreation portfolio

10.10.1 Introduction

The Committee received evidence from the Hon. Hugh Delahunty MP, Minister for Sport and Recreation, on 21 May 2013. The Minister was assisted by Dean Yates, Secretary, Department of Transport, Planning and Local Infrastructure; Peter Hertan, Deputy Secretary; Greg Forck, Chief Finance Officer; and Susan George, Director, Community Sport and Recreation, Department of Planning and Community Development. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

10.10.2 General comments

The Minister provided an overview of the Sport and Recreation portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 10.10.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

10.10.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-5), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.5-6) and the following (page numbers refer to the transcript on the Committee's website):

Events and programs

- decrease in funding for the *Sport and Recreation* output (pp.6-7);
- major sporting events (pp.7, 9-10);
- sporting code of conduct program (pp.7-8);
- VicSwim Summer Kidz learn-to-swim holiday program (p.11); and
- women in sport and recreation program (pp.13-14).

Sport and recreation facilities

- community facility projects (pp.8-9);
- supporting soccer facilities (pp.10-11);
- investment in state-level facilities (pp.11-13); and
- impact of East West Link on sporting facilities (p.14).

Other matters

- Professional Boxing and Combat Sports Board (p.9); and
- volunteers and coaches (pp.14-15).

10.10.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled a document by the Department of Planning and Community Development entitled *2014/2015 Community Facility Funding Program*. The slides and tabled document are available on the Committee's website (www.parliament.vic.gov.au/paec).

10.10.5 Questions taken on notice at the budget estimates hearing

The Minister took one question on notice relating to lapsing programs (p.6 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

CHAPTER 11 DEPARTMENT OF TREASURY AND FINANCE HEARINGS

11.1 Introduction

The Department of Treasury and Finance (DTF) is responsible for administering the following portfolios:

- Assistant Treasurer;
- Finance;
- Industrial Relations; and
- Treasurer.

11.2 Machinery-of-government and other changes

As a result of machinery-of-government changes announced in 2013, the Industrial Relations portfolio, which was part of the Department of Business and Innovation in 2012-13, will be moved to the Department of Treasury and Finance from 2013-14.

Responsibility for whole-of-government information and communications technology and the Red Tape Commissioner will be moved from the Department of Treasury and Finance to the Department of State Development, Business and Innovation.

11.3 Key budget themes for 2013-14

The Department advised the Committee that:¹¹⁸

The Department's key strategic priorities for the 2013-14 Budget are its departmental objectives which guide its policy directions. These are:

- *Sound financial management of Victoria's fiscal resources;*
- *Guide government actions to increase Victoria's productivity and competitiveness;*
- *Drive improvement in public sector asset management and the delivery of infrastructure; and*
- *Deliver efficient whole of government common services to the Victorian public sector.*

In relation to key policies applicable to the Department in 2013-14, the Department stated:¹¹⁹

The Government's economic reform statement, Securing Victoria's Economy, was released in December 2012. Securing Victoria's Economy sets out an economic reform strategy that focuses on four themes:

118 Department of Treasury and Finance, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 9 May 2013, p.2

119 *ibid.*, p.4

- *rebuilding budget capacity;*
- *improving productivity;*
- *growing Victoria's domestic and international markets; and*
- *assisting Victorian industries in the changing economic environment.*

The Department also cited the following policies as applying to the Department, providing details of each in its response (which is on the Committee's website, www.parliament.vic.gov.au/paec):¹²⁰

- Better Services reforms;
- the Sustaining Our Assets policy;
- the High Value/High Risk process;
- the Code of Practice for the Building and Construction Industry and the Implementation Guidelines to the Victorian Code of Practice for the Building and Construction Industry;
- the Partnerships Victoria Framework;
- the Red Tape Reduction Program;
- Public Sector Workplace Relations Policies (2012); and
- procurement reform.

11.4 Major priority shifts for 2013-14

The Department indicated that, '*There are no amendments proposed to DTF's objectives for 2013-14.*'¹²¹

11.5 Assistant Treasurer's portfolio

11.5.1 Introduction

The Committee received evidence from the Hon. Gordon Rich-Phillips MLC, Assistant Treasurer, on 24 May 2013. The Assistant Treasurer was assisted by Grant Hehir, Secretary, Department of Treasury and Finance; Adam Todhunter, Deputy Secretary, Market Engagement and Corporate, Department of Treasury and Finance; Denise Cosgrove, Chief Executive, Worksafe Victoria; and Janet Dore, Chief Executive Officer, Transport Accident Commission. The Committee thanks the Assistant Treasurer and accompanying officers for their attendance and assistance.

11.5.2 General comments

The Assistant Treasurer provided an overview of his portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

¹²⁰ *ibid.*, pp.4-5

¹²¹ *ibid.*, p.2

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 11.5.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Assistant Treasurer receiving correspondence from the Committee. This response will be published on the Committee's website.

11.5.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.4) and the following (page numbers refer to the transcript on the Committee's website):

- WorkCover scheme (pp.4-5);
- WorkHealth (pp.7-8);
- change to accounting standards for superannuation (pp.5-6);
- recommendations of the Road Safety Committee of Parliament (p.6);
- motorcycle safety advertising (pp.6-7);
- reduction of regulatory burden (p.7);
- sharing government data (pp.8-9); and
- physiotherapy fees (p.9).

11.5.4 Documents tabled at the budget estimates hearing

The Assistant Treasurer provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

11.5.5 Questions taken on notice at the budget estimates hearing

The Assistant Treasurer took one question on notice relating to motorcycle safety advertising expenditure (p.7 of the transcript on the Committee's website).

A written response by the Assistant Treasurer to the Committee is due within 21 days of the Assistant Treasurer receiving correspondence from the Committee. This response will be published on the Committee's website.

11.6 Finance portfolio

11.6.1 Introduction

The Committee received evidence from the Hon. Robert Clark MP, Minister for Finance, on 16 May 2013. The Minister was assisted by Grant Hehir, Secretary; Melissa Skilbeck, Deputy Secretary, Budget and Finance; David Webster, Deputy Secretary, Commercial; and Brendan Flynn, Deputy Secretary, Economic, Department of Treasury and Finance. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

11.6.2 General comments

The Minister provided an overview of the Finance portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 11.6.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

11.6.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (p.3) and the following (page numbers refer to the transcript on the Committee's website):

Construction Code Compliance Unit

- activities and performance measures (pp.4-5);
- impact of non-compliance with the code (pp.9-10); and
- implications of guidelines for companies with industrial agreements specifying ratios of apprentices and older workers (pp.5-6).

Victorian Managed Insurance Agency

- whole-of-government risk management framework (pp.7-8); and
- domestic building insurance (p.9).

Other matters

- power of Auditor-General to access systems and records of private contractors delivering government-funded services (pp.3-4);
- workplace relations policies (pp.6-7);
- Final Report of the Independent Review of the State Finances (the 'Vertigan report') (p.7); and
- parliamentary budget office (pp.8-9).

11.6.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

11.6.5 Questions taken on notice at the budget estimates hearing

The Minister took one question on notice relating to premiums collected and payouts made by the Victorian Managed Insurance Authority (p.11 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

11.7 Industrial Relations portfolio

11.7.1 Introduction

The Committee received evidence from the Hon. Robert Clark MP, Minister for Industrial Relations, on 16 May 2013. The Minister was assisted by Melissa Skilbeck, Deputy Secretary, Budget and Finance; Verity Harris, Acting Director, Public Sector Workforce Management Group, Department of Treasury and Finance; Justin Hanney, Deputy Secretary, Trade and Industry Development; and Lissa Zass, Acting Director, Private Sector Workplace Relations, Department of State Development, Business and Innovation. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

11.7.2 General comments

The Minister provided an overview of the Industrial Relations portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 11.7.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

11.7.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-3), key matters raised at the budget estimates hearing included the following (page numbers refer to the transcript on the Committee's website):

- contributions to labour productivity growth (p.3);
- 'Victoria represented in major industrial relations cases and inquiries' performance measure (pp.4-5);
- Government submission to the Fair Work Commission (pp.5-6); and
- the Government's advocacy to the Commonwealth for industrial relations reforms (pp.5-6).

11.7.4 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

11.7.5 Questions taken on notice at the budget estimates hearing

The Minister agreed to provide further information relating to the electorate offices' agreement (pp.2-3 of the transcript on the Committee's website).

A written response by the Minister to the Committee is due within 21 days of the Minister receiving correspondence from the Committee. This response will be published on the Committee's website.

11.8 Treasurer's portfolio

11.8.1 Introduction

The Committee received evidence from the Hon. Michael O'Brien MP, Treasurer, on 10 May 2013. The Treasurer was assisted by Grant Hehir, Secretary; David Webster, Deputy Secretary, Commercial; Melissa Skilbeck, Deputy Secretary, Budget and Finance; and Brendan Flynn, Deputy Secretary, Economic, Department of Treasury and Finance. The Committee thanks the Treasurer and accompanying officers for their attendance and assistance.

11.8.2 General comments

The Treasurer provided an overview of the Treasury portfolio at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 11.8.4) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Treasurer receiving correspondence from the Committee. This response will be published on the Committee's website.

11.8.3 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

Capital projects

- East West Link (pp.6, 9-10);
- West Gate Bridge (p.10);
- health-related projects (pp.12-13);
- Regional Rail Link (pp.30-1);
- rural and regional Victoria (pp.21-2);
- education projects (pp.31-3); and
- project contingencies (pp.10-12).

Budget initiatives

- savings measures from previous budgets (pp.6-8, 25-6);
- *Bayside Rail Improvements* (pp.17-19); and
- fire services levy (pp.22-4).

State Budget

- debt forecasts (pp.16-17, 26-7);
- factors determining payroll tax revenues (pp.27-8);
- comparison of fiscal indicators with other states (p.28);
- effect of PPP reforms (pp.29-30); and
- asset prices and their effect on revenue (p.19).

Commonwealth grants

- GST revenue (pp.14-15);
- interstate comparisons of project grants (pp.19-20);
- Melbourne Metro Rail Tunnel project (pp.20-1); and
- East West Link (p.16).

Other matters

- Health Benefit Levy on Tabcorp and Tattersall's (pp.5-6);
- Victoria's AAA credit rating (p.8);
- Final Report of the Independent Review of the State Finances (the 'Vertigan report') (pp.15-16);
- departmental staffing levels (pp.13-14); and
- departmental entertainment, overseas travel and legal expenditure (pp.28-9).

11.8.4 Documents tabled at the budget estimates hearing

The Treasurer provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

11.8.5 Questions taken on notice at the budget estimates hearing

The Treasurer took one question on notice relating to savings and efficiency measures from previous budgets (p.25 of the transcript on the Committee's website).

A written response by the Treasurer to the Committee is due within 21 days of the Treasurer receiving correspondence from the Committee. This response will be published on the Committee's website.

CHAPTER 12 PARLIAMENTARY DEPARTMENTS HEARINGS

12.1 Introduction

The Committee received evidence from the Hon. Ken Smith MP, Speaker of the Legislative Assembly, and the Hon. Bruce Atkinson MLC, President of the Legislative Council, on 13 May 2013. The Presiding Officers were assisted by Peter Lochert, Secretary, Department of Parliamentary Services; Ray Purdey, Clerk of the Legislative Assembly; and Wayne Tunnecliffe, Clerk of the Legislative Council. The Committee thanks the Presiding Officers and accompanying officers for their attendance and assistance.

12.2 Machinery-of-government and other changes

The Parliamentary Departments were unaffected by machinery-of-government changes in 2013-14.

12.3 Key budget themes for 2013-14

The Parliamentary Departments advised the Committee that:¹²²

The key strategic priorities for the Parliament that underpin its budget for 2013-14 and over the forward estimates to 2016-17 are:

- *Ensure our funding model does not compromise the independence of the Parliament*
- *Expand and leverage specialist skills and knowledge of Parliament for the benefit of the Departments, Parliament and the community*
- *Support members in fulfilling their role to the best of their ability*
- *Leverage greater value from our information and technology systems and processes*
- *Optimise Parliament's physical infrastructure*
- *Increase public awareness of, and opportunities for engagement with, the functioning of Parliament*

12.4 Major priority shifts for 2013-14

The Parliamentary Departments indicated that there have not been any shifts in strategic direction since 2012-13.¹²³

¹²² Parliamentary Departments, response to the Committee's 2013-14 Budget Estimates Questionnaire, received 8 May 2013, p.2

¹²³ *ibid.*

12.5 General comments

The Presiding Officers provided an overview of the Parliamentary Departments at the start of the budget estimates hearing. The Committee raised various matters, as detailed below.

Transcripts of the hearing are provided on the Committee's website (www.parliament.vic.gov.au/paec). Documents provided at the hearings (see Section 12.7) are also available on the Committee's website. A written response to questions on notice, requests for further information and unasked questions is expected to be received by the Committee within 21 days of the Presiding Officers receiving correspondence from the Committee. This response will be published on the Committee's website.

12.6 Key matters raised at the budget estimates hearing

In addition to the overview (pp.2-4), key matters raised at the budget estimates hearing included a standard question on capital infrastructure projects (pp.4-5) and the following (page numbers refer to the transcript on the Committee's website):

The Parliament building

- security (p.6);
- pest control (p.9);
- usage of office space (pp.9-10); and
- overall assessment and condition of Parliament House (pp.13-14).

Parliamentary budget

- carry-over of the 2012-13 appropriation (pp.8-9);
- funding for new committees (pp.10-11);
- expenditure on gifts and entertainment (pp.14-15);
- funding for independent members (pp.15-16); and
- enterprise bargaining agreement for electorate officers (p.16).

Non-core activities

- sources of gift shop goods (pp.12-13);
- revenue from catering activities (p.15); and
- costs and revenues for the gift shop (p.16).

Other matters

- use and cost of social media (pp.6-7);
- establishment of a parliamentary budget office (pp.7-8);
- fatigue management strategy (pp.11-12);
- member satisfaction survey (p.15); and
- differences between Parliament and Government departments (p.17).

12.7 Documents tabled at the budget estimates hearing

The Presiding Officers provided an introductory slide presentation at the budget estimates hearing. The slides are available on the Committee's website (www.parliament.vic.gov.au/paec).

12.8 Questions taken on notice at the budget estimates hearing

The Presiding Officers took one question on notice relating to expenditure on gifts and entertainment (p.14 of the transcript on the Committee's website).

A written response by the Presiding Officers to the Committee is due within 21 days of the Presiding Officers receiving correspondence from the Committee. This response will be published on the Committee's website.

